

The background of the slide features a stylized financial chart with teal bars and a red line graph. Below the chart, there are horizontal bands of glowing blue light and binary code (0s and 1s) in a teal color. The K&L Gates logo is positioned in the top left corner.

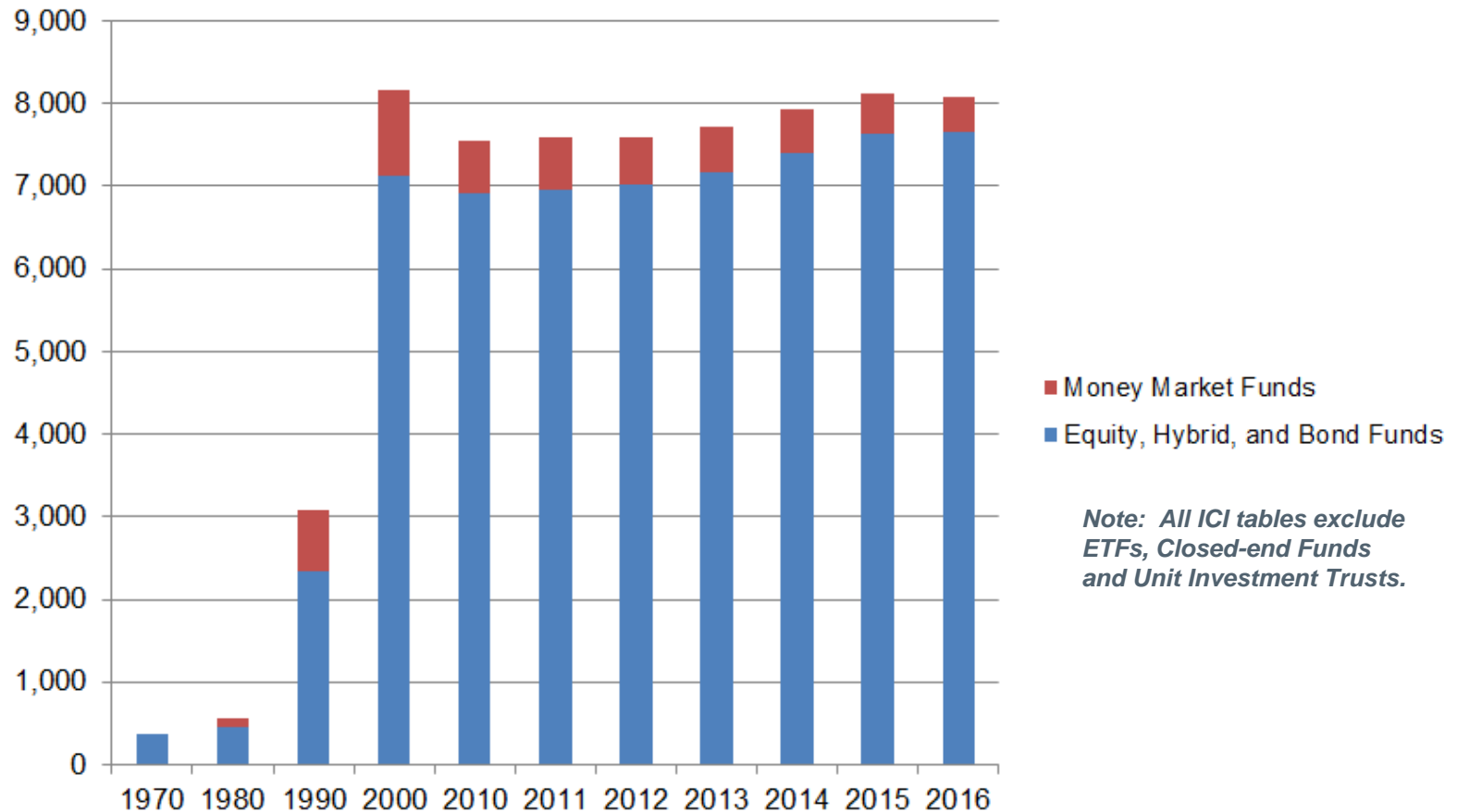
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2017 WASHINGTON D.C. INVESTMENT MANAGEMENT
CONFERENCE

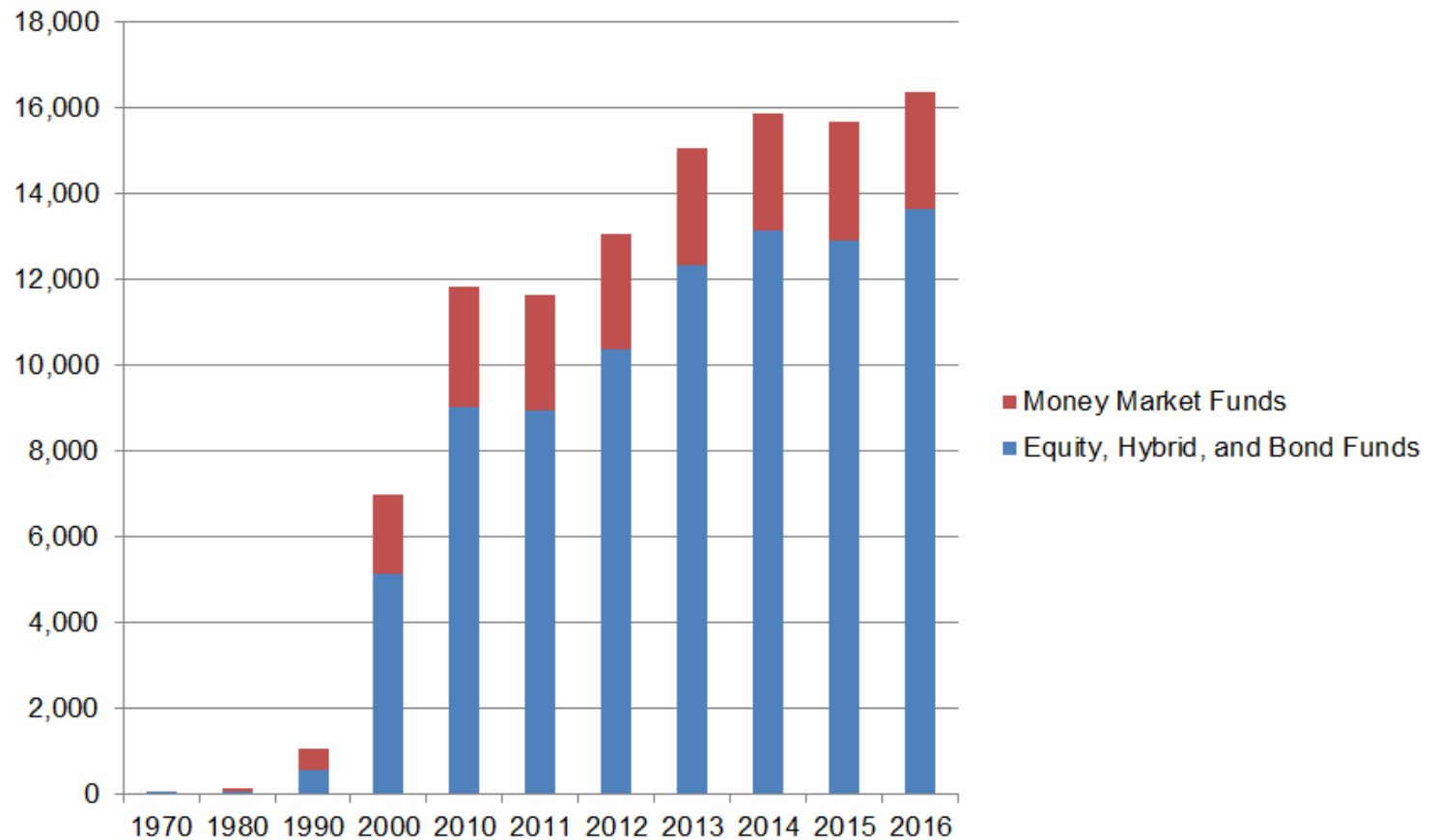
Overview of the Investment Company Complex

Clifford J. Alexander, Partner, K&L Gates LLP

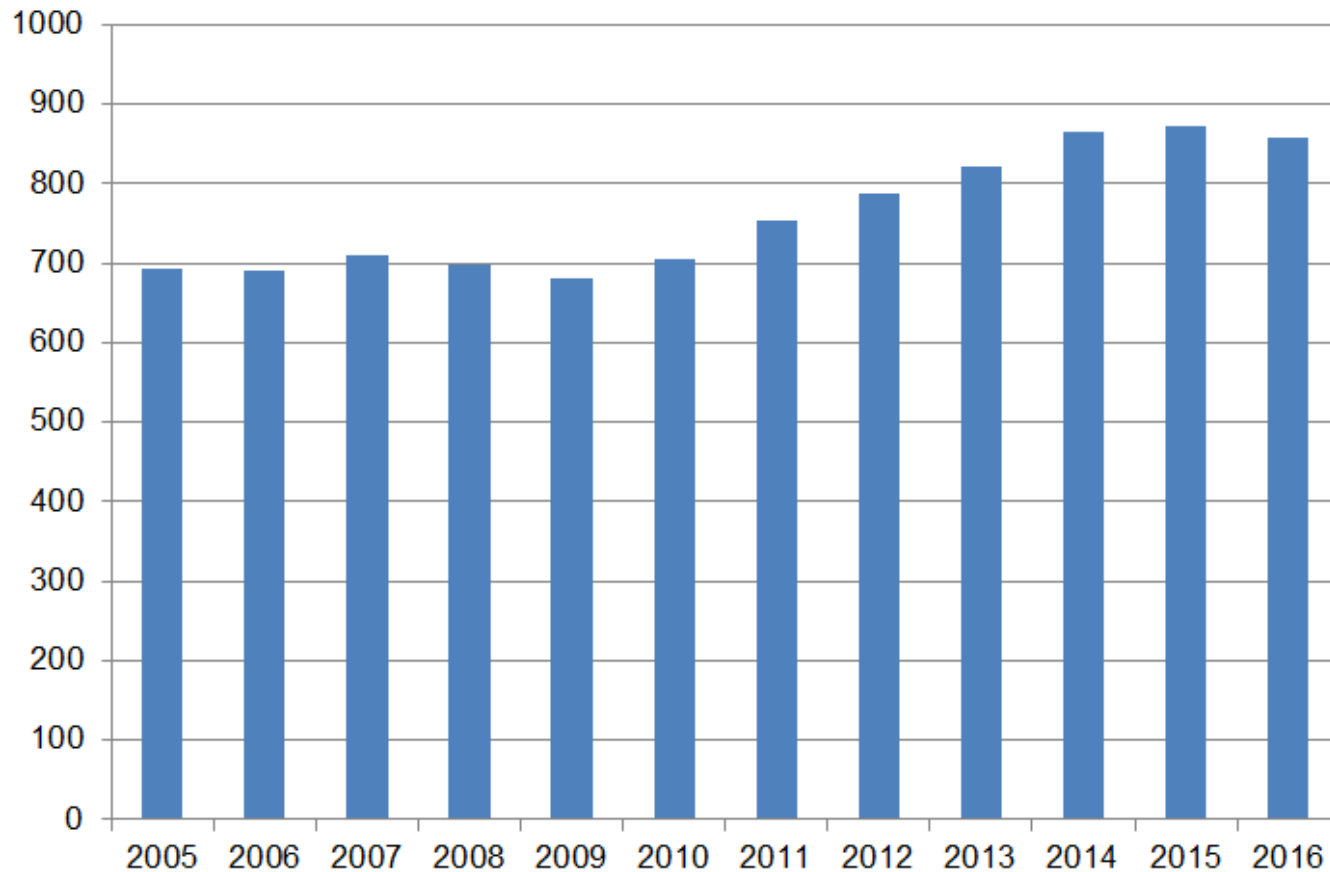
NUMBER OF MUTUAL FUNDS



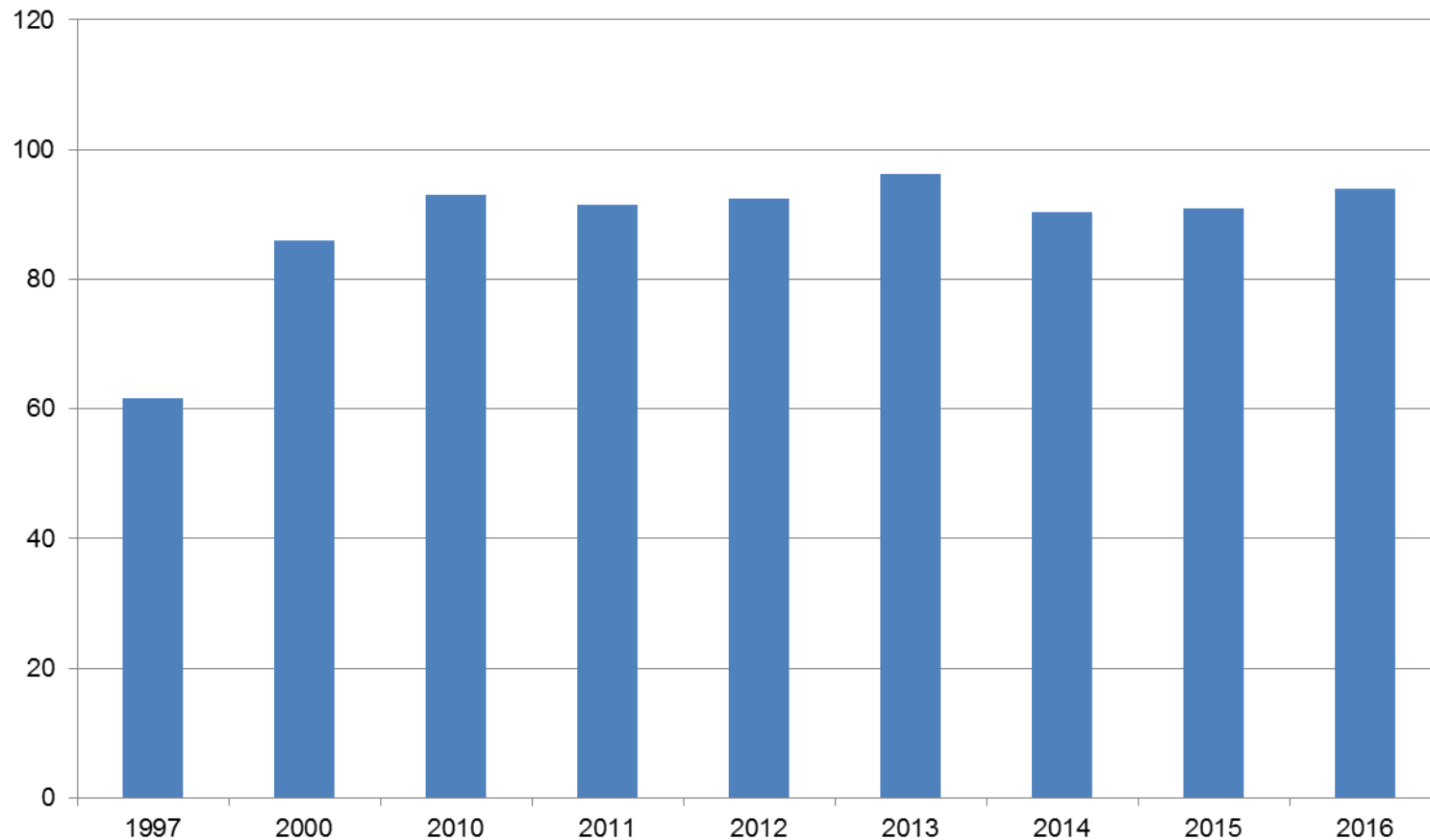
ASSETS OF MUTUAL FUNDS (BILLIONS OF DOLLARS)



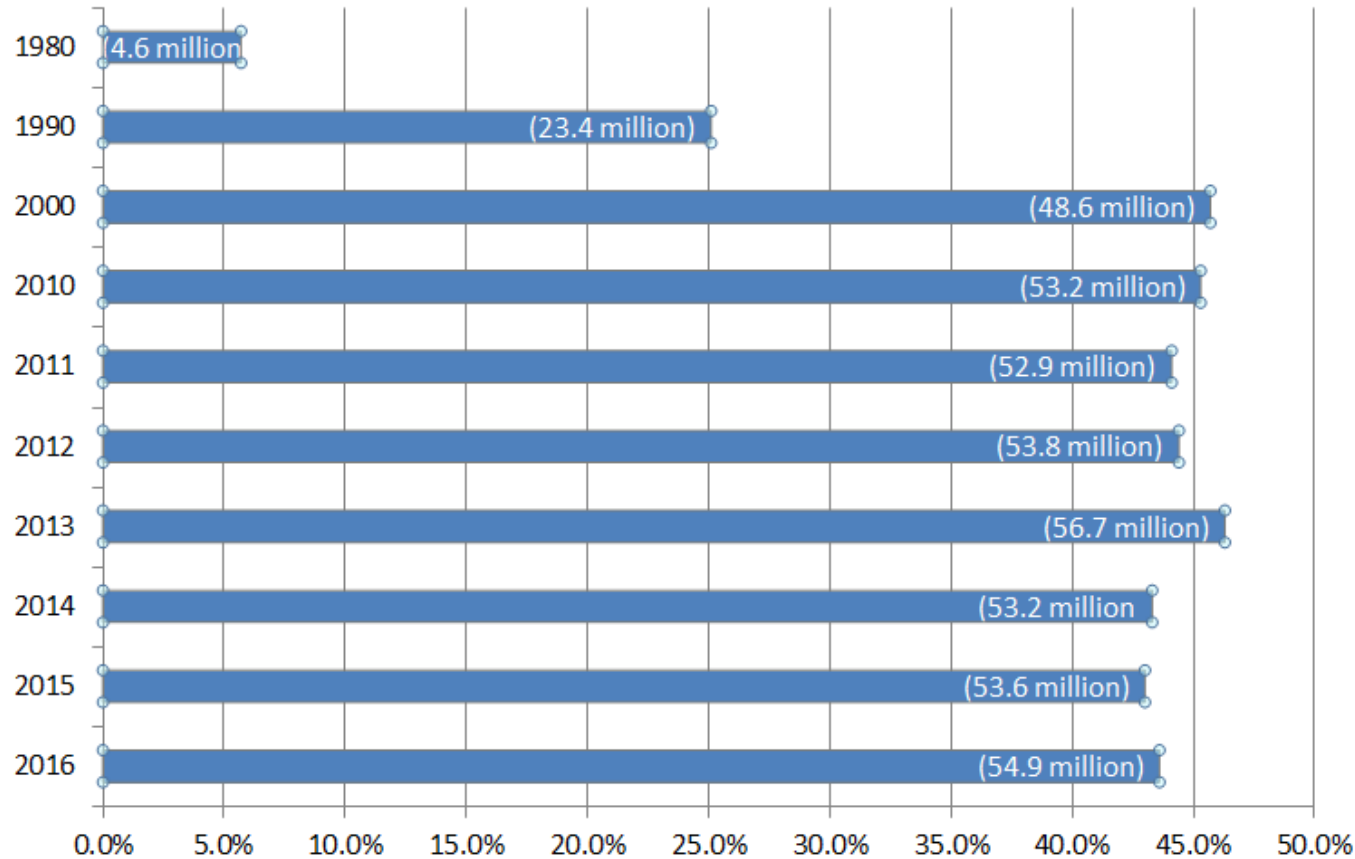
NUMBER OF MUTUAL FUND SPONSORS



NUMBER OF MUTUAL FUND SHAREHOLDERS (MILLIONS)



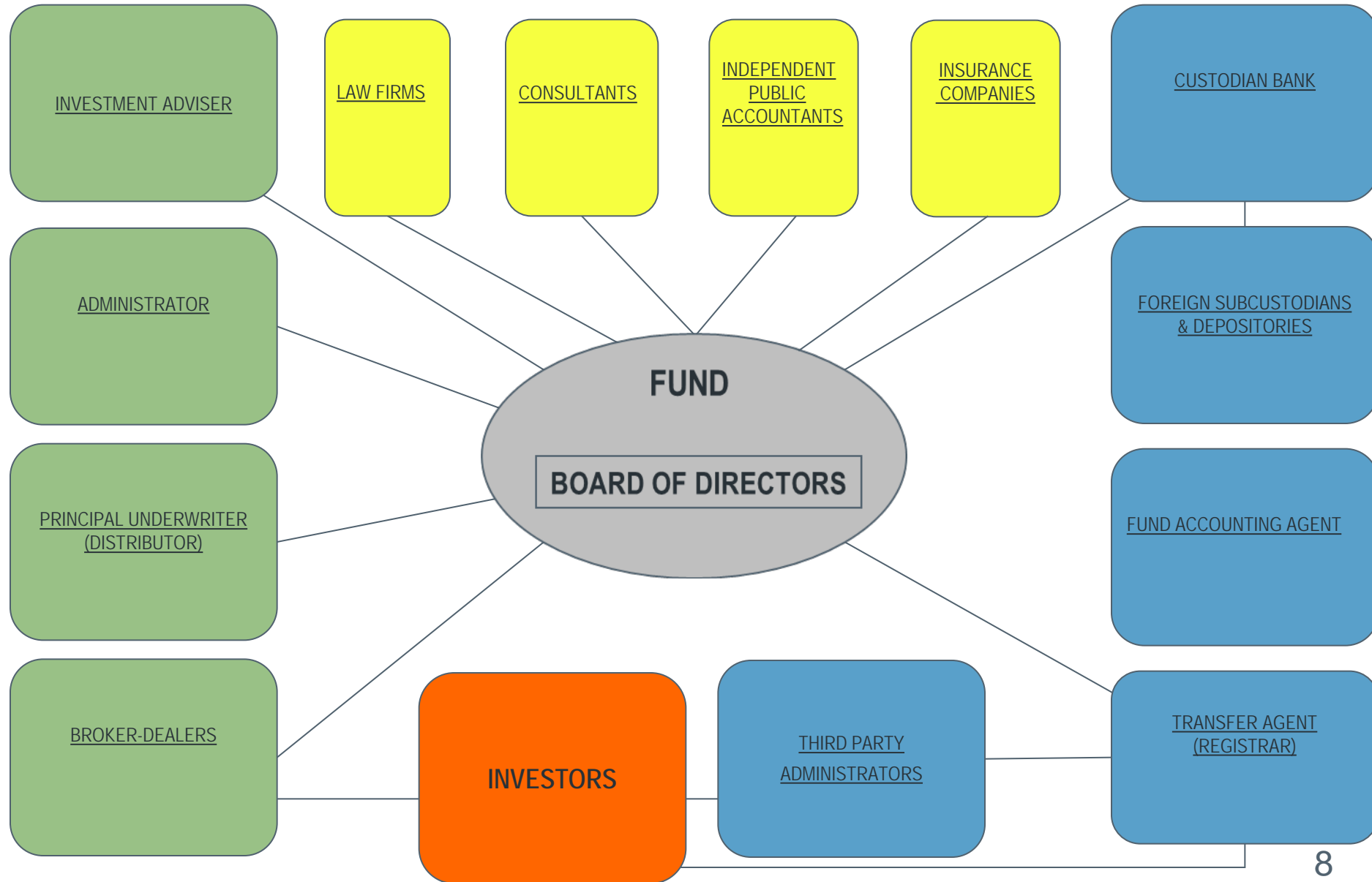
HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS (PERCENT OF U.S. HOUSEHOLDS)



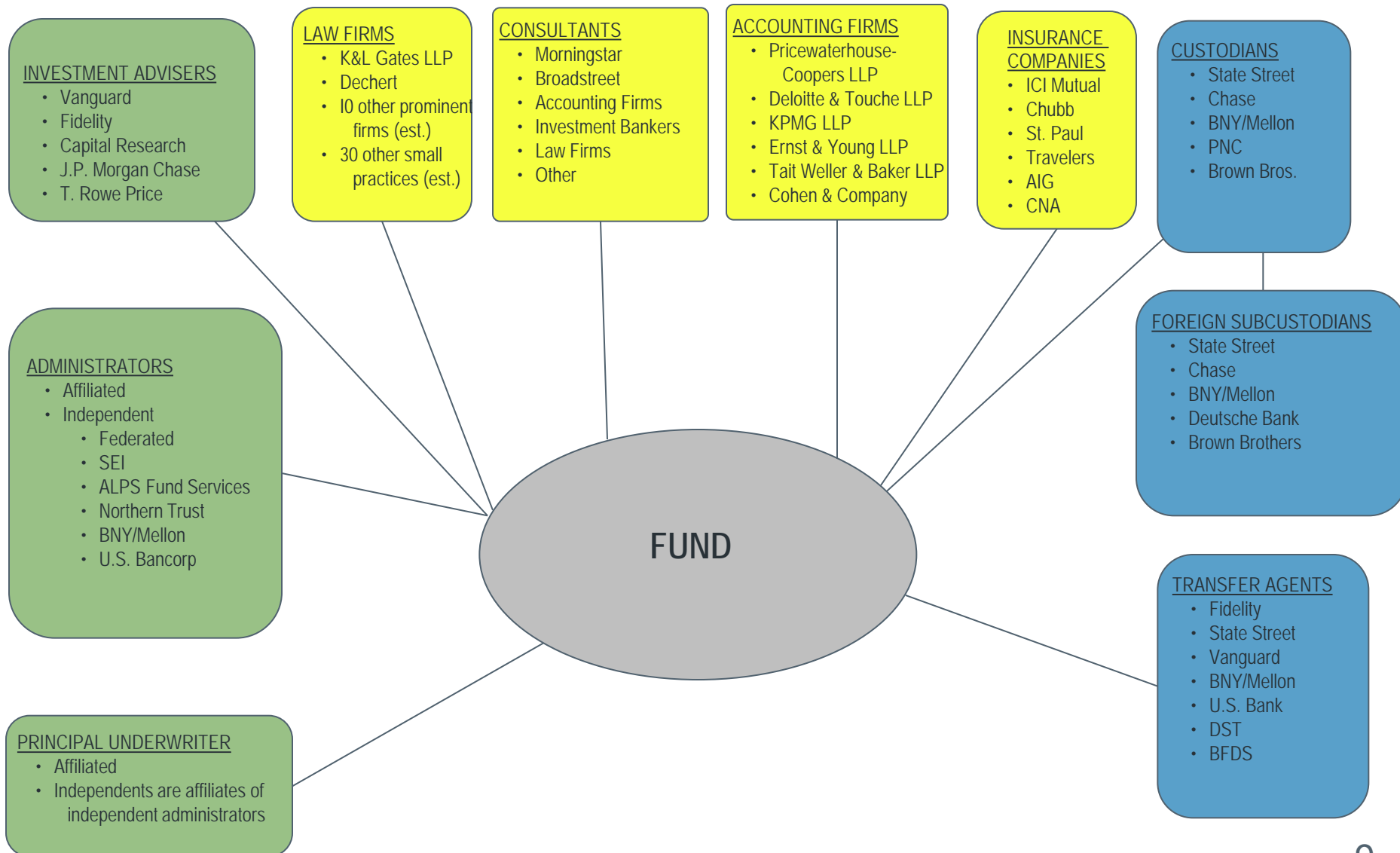
FUND INDUSTRY PLAYERS & REGULATION

- U.S. Fund Industry Vendors
- Principal Services of Fund Vendors
- Principal Regulatory Statutes and Regulators for Fund Vendors
- Mutual Fund Distribution Channels

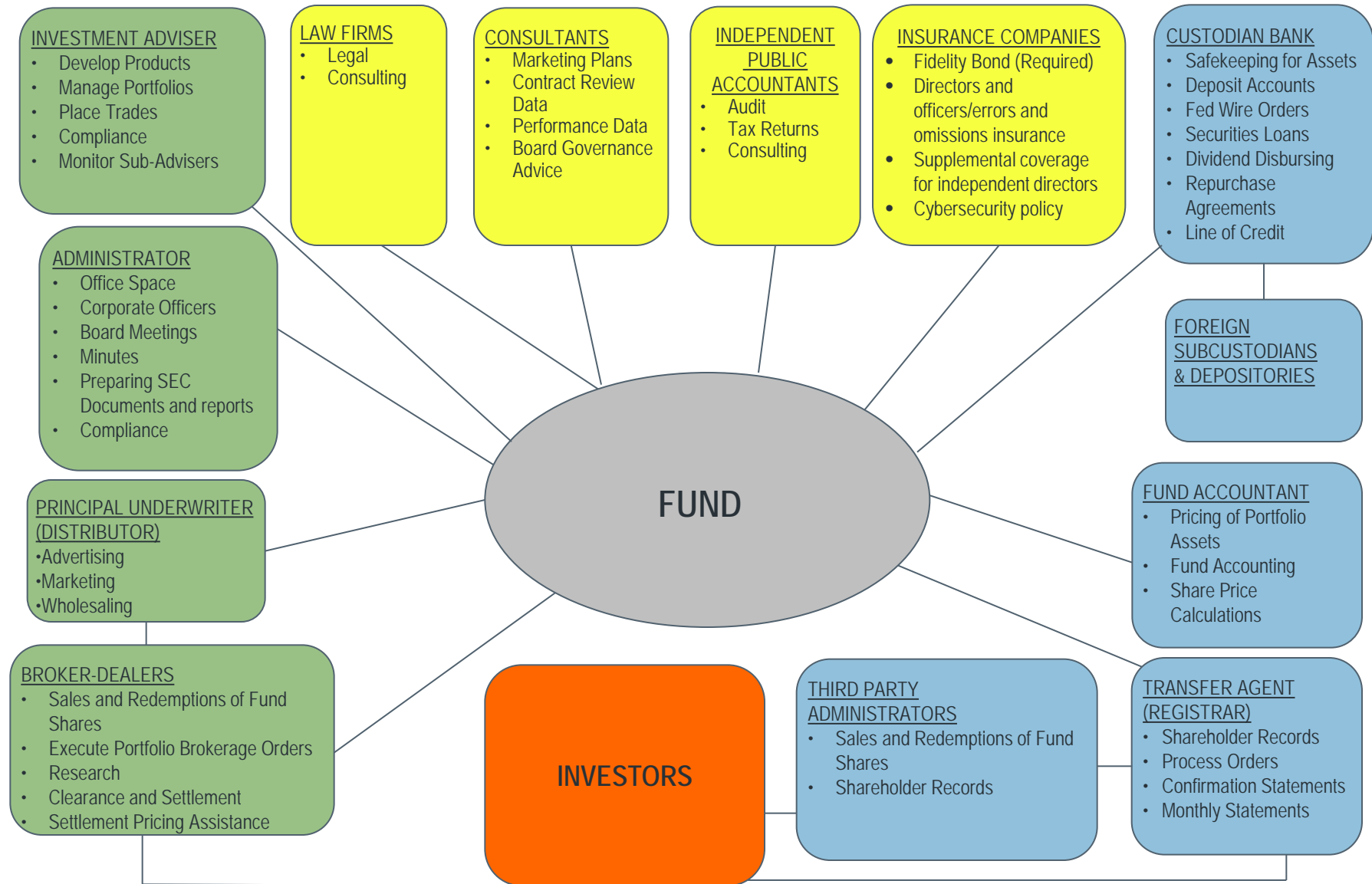
U.S. FUND INDUSTRY VENDORS



PRINCIPAL FUND INDUSTRY VENDORS



PRINCIPAL SERVICES OF FUND VENDORS



PRINCIPAL SERVICES OF FUND VENDORS

INVESTMENT ADVISER

- Develop Products
- Manage Portfolios
- Place Trades
- Compliance
- Monitor Sub-Advisers

- Scope of investment adviser's responsibilities
- Contract requirements, including:
 - Written contract
 - Manner of approval and amendment
 - Description of compensation
 - Manner of continuance
 - Termination upon "assignment" – no trafficking
- Other advisory contract considerations

PRINCIPAL SERVICES OF FUND VENDORS

ADMINISTRATOR

- Office Space
- Corporate Officers
- Board Meetings
- Minutes
- Preparing SEC Documents and reports
- Compliance

- Corporate Matters
- Regulatory Filings
- Contract considerations
- Transfer Agents and Providers of Related Shareholder Servicing
- Responsibilities
- Contract considerations

PRINCIPAL SERVICES OF FUND VENDORS

PRINCIPAL UNDERWRITER (DISTRIBUTOR)

- Advertising
- Marketing
- Wholesaling

- Marketing and Distribution of Fund Shares
- Contract requirements, including:
 - Written contract
 - Manner of approval and amendment
 - Termination upon assignment
 - 12b-1 Plans – Funds Paying for Distribution

BROKER-DEALERS

- Sales and Redemptions of Fund Shares
- Execute Portfolio Brokerage Orders
- Research
- Clearance and Settlement
- Settlement Pricing Assistance

PRINCIPAL SERVICES OF FUND VENDORS

- Safekeeping of the Fund's Assets
- General Investment Company Act requirements applicable to types of custody arrangements:
- Bank custody
- Broker-dealer custody
- Self-custody
- Central depositories and book-entry systems
- Margin for futures contract transactions
- Foreign custody

CUSTODIAN BANK

- Safekeeping for Assets
- Deposit Accounts
- Fed Wire Orders
- Securities Loans
- Dividend Disbursing
- Repurchase Agreements
- Line of Credit

FOREIGN SUBCUSTODIANS & DEPOSITORIES

PRINCIPAL SERVICES OF FUND VENDORS

FUND ACCOUNTANT

- Pricing of Portfolio Assets
- Fund Accounting
- Share Price Calculations

TRANSFER AGENT (REGISTRAR)

- Shareholder Records
- Process Orders
- Confirmation Statements
- Monthly Statements

THIRD PARTY ADMINISTRATORS

- Sales and Redemptions of Fund Shares
- Shareholder Records

PRINCIPAL SERVICES OF FUND VENDORS

LAW FIRMS

- Legal
- Tax
- Consulting

CONSULTANTS

- Marketing Plans
- Contract Review Data
- Performance Data
- Board Governance Advice

INDEPENDENT PUBLIC ACCOUNTANTS

- Audit
- Tax Returns
- Consulting

INSURANCE COMPANIES

- Fidelity
- D&O/E&O
- Independent Directors
- Cybersecurity

PRINCIPAL SERVICES OF FUND VENDORS

INDEPENDENT PUBLIC ACCOUNTANTS

- Audit
- Tax Returns
- Consulting

- Selection of Accounting Firm
 - Independent directors approve in person
 - Shareholders
 - Rule 32a-4
- Defining the Scope of Services
- Sarbanes-Oxley Act imposes additional requirements regarding auditor independence

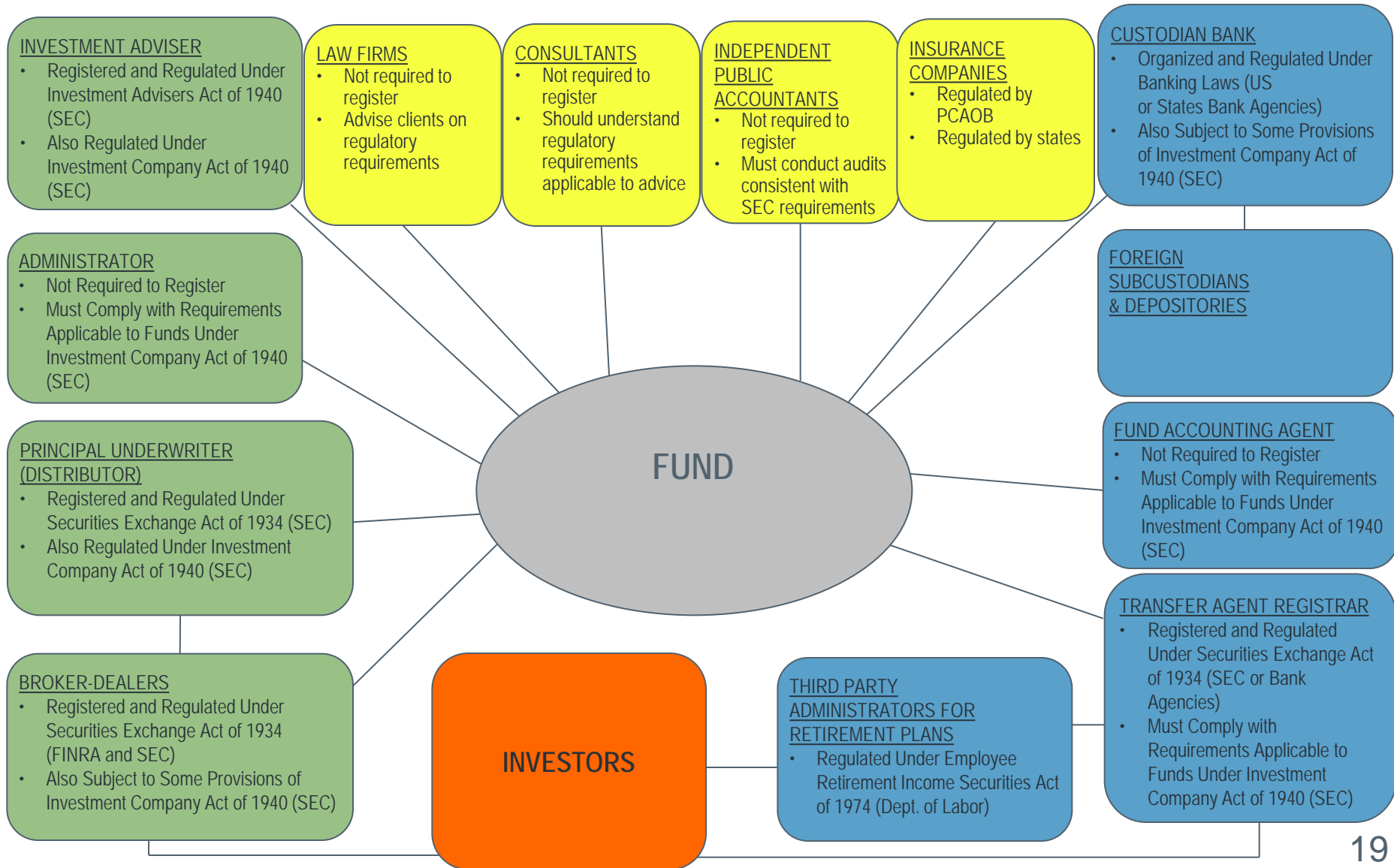
INSURANCE COMPANIES

INSURANCE COMPANIES

- Fidelity Bond (Required)
 - Amount
 - Form of bond
 - Annual consideration
 - Filing of bond
- Directors and officer/errors and omissions liability insurance
 - Industry practice
 - Form of policy
- Supplemental coverage for independent directors
- Cybersecurity policy

PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS

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INVESTMENT COMPANY ACT OF 1940

- Issues Addressed by 1940 Act (§2(b))
 - Inadequate disclosure
 - Managed to benefit advisers and other affiliates
 - Unsound valuation and accounting
 - Changes in fundamental operations without shareholder approval
- Four Requirements Imposed by 1940 Act on Directors
 - Approval of advisory agreements
 - Approval of underwriting agreements
 - Approval of Independent Auditors
 - Valuation of securities for which no “market quotations are readily available”

PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS

INVESTMENT ADVISER

- Registered and Regulated Under Investment Advisers Act of 1940 (SEC)
- Also Regulated Under Investment Company Act of 1940 (SEC)

FUND



PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS

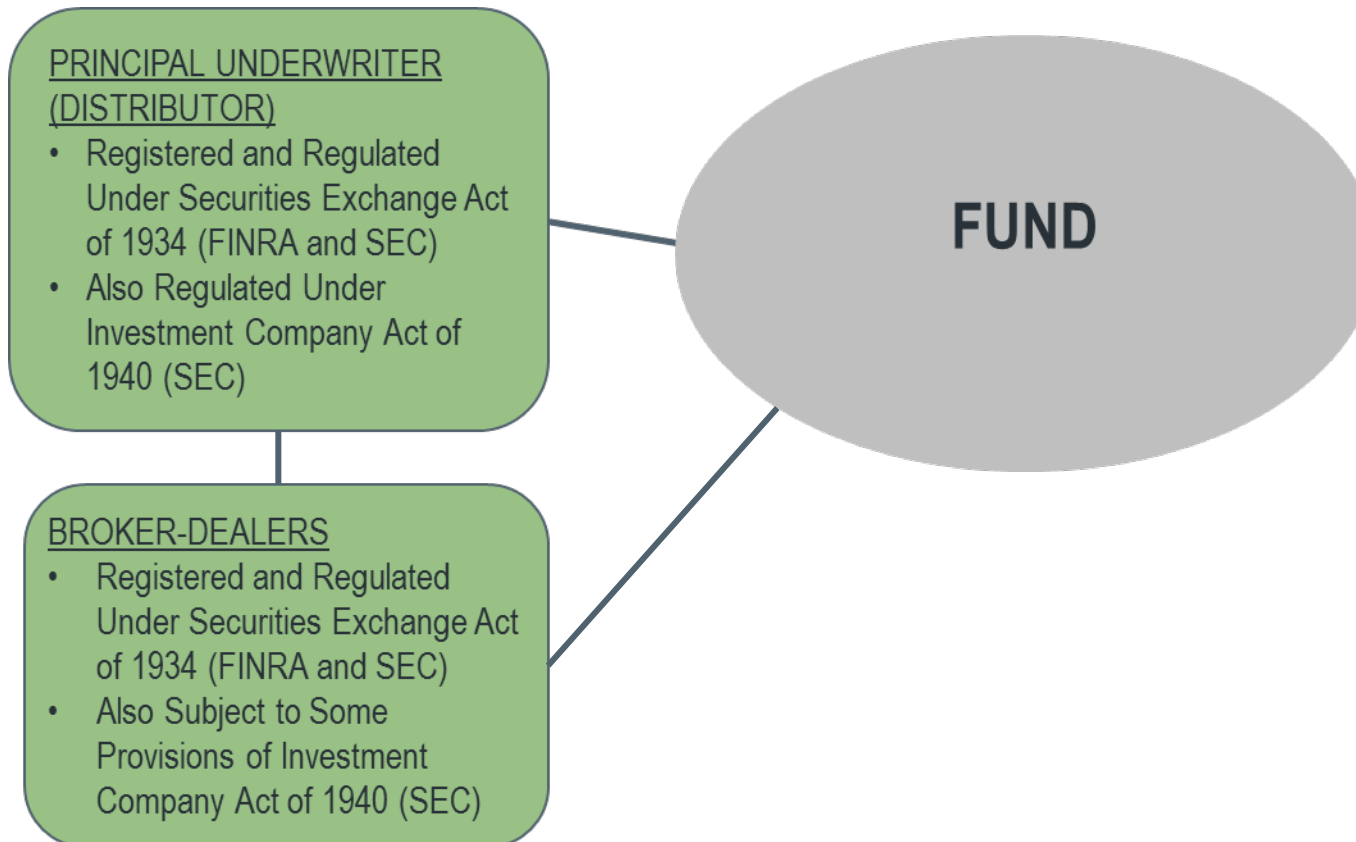
ADMINISTRATOR

- Not Required to Register
- Must Comply with Requirements Applicable to Funds Under Investment Company Act of 1940 (SEC)

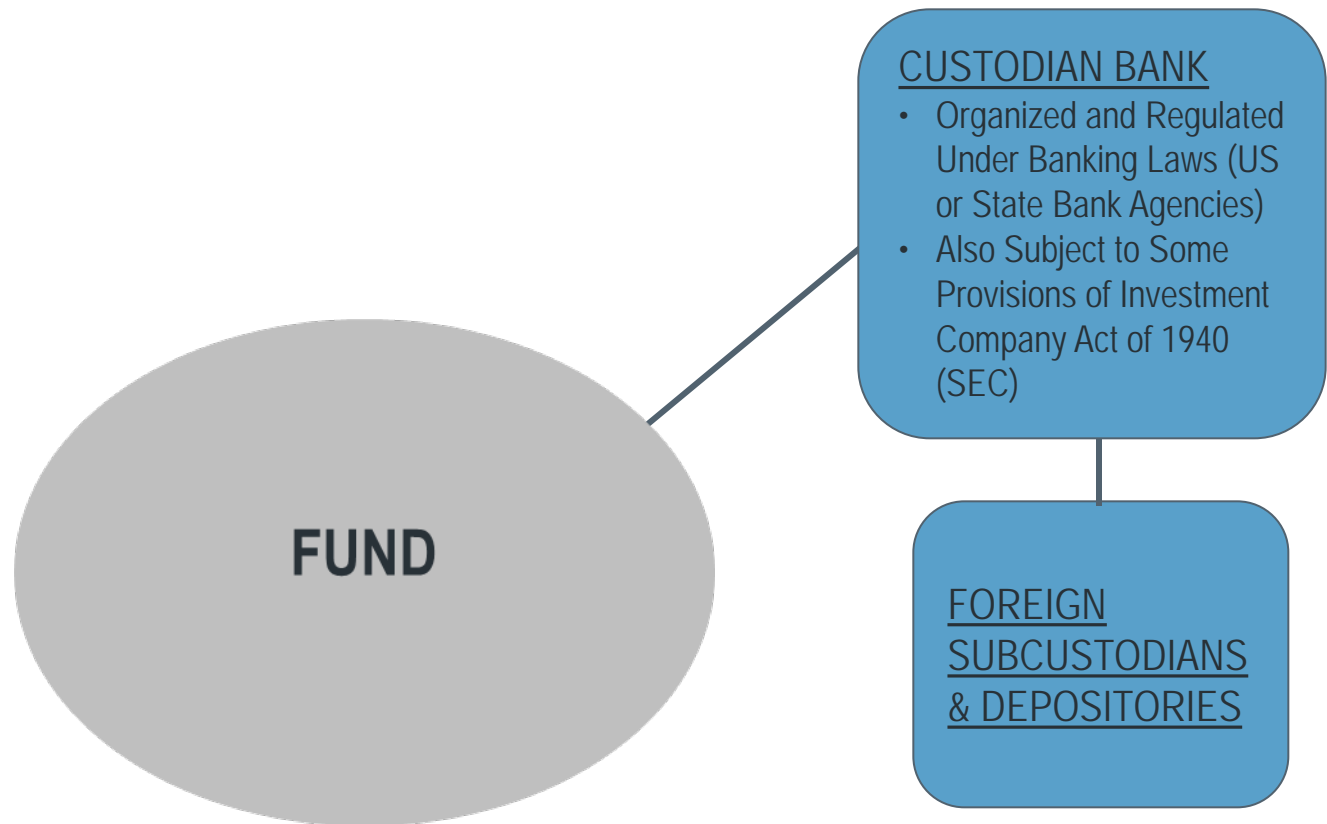
FUND



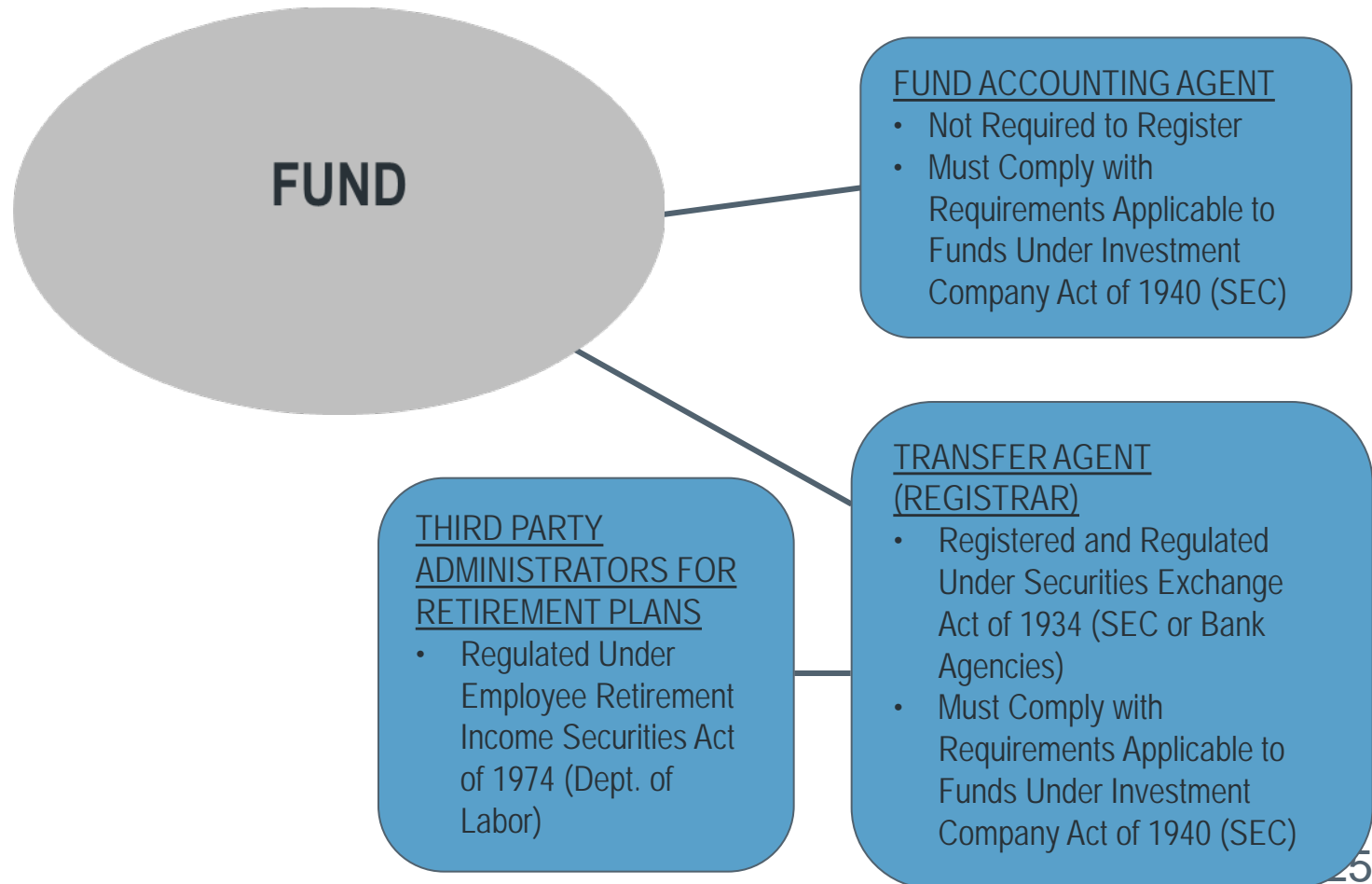
PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS



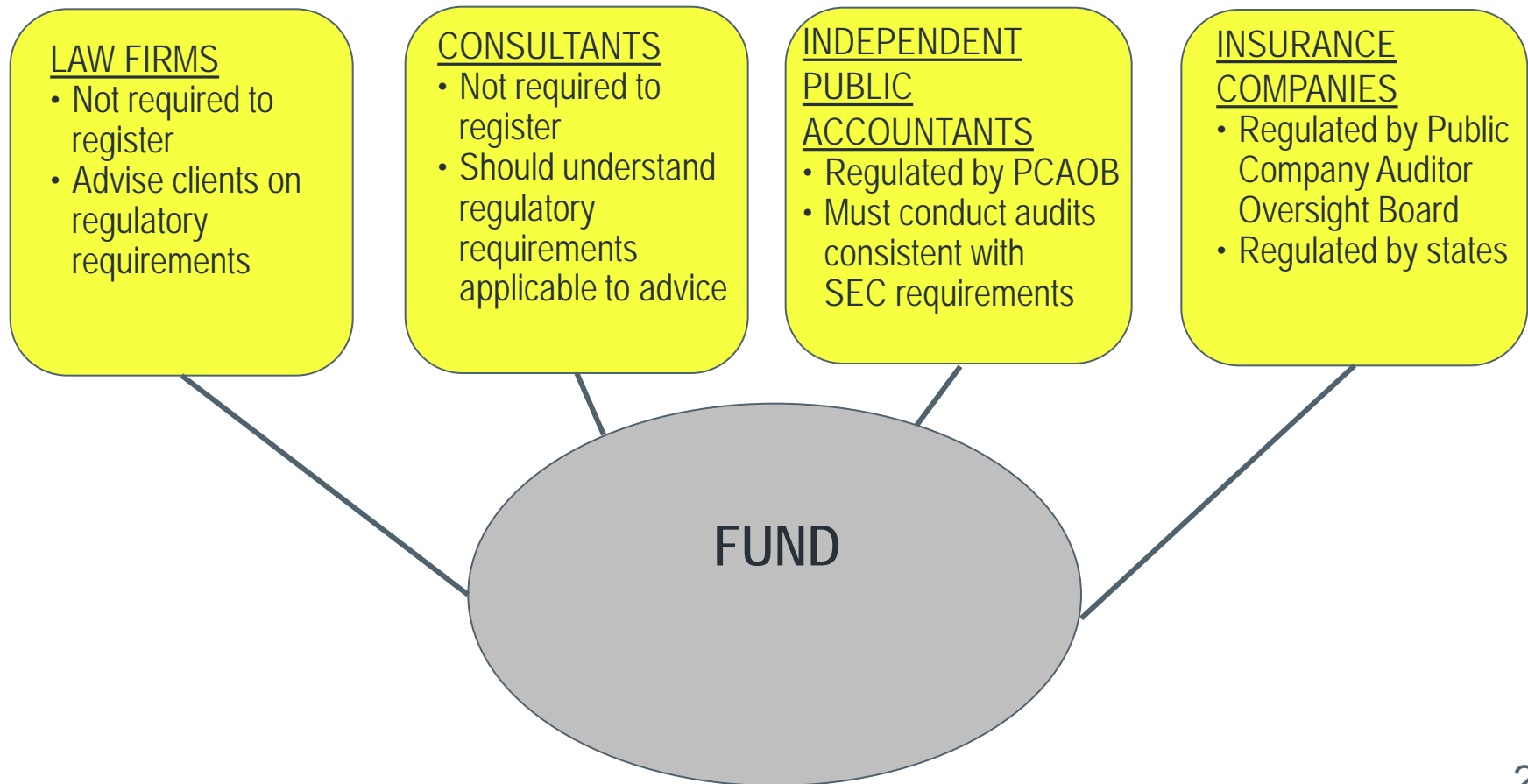
PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS



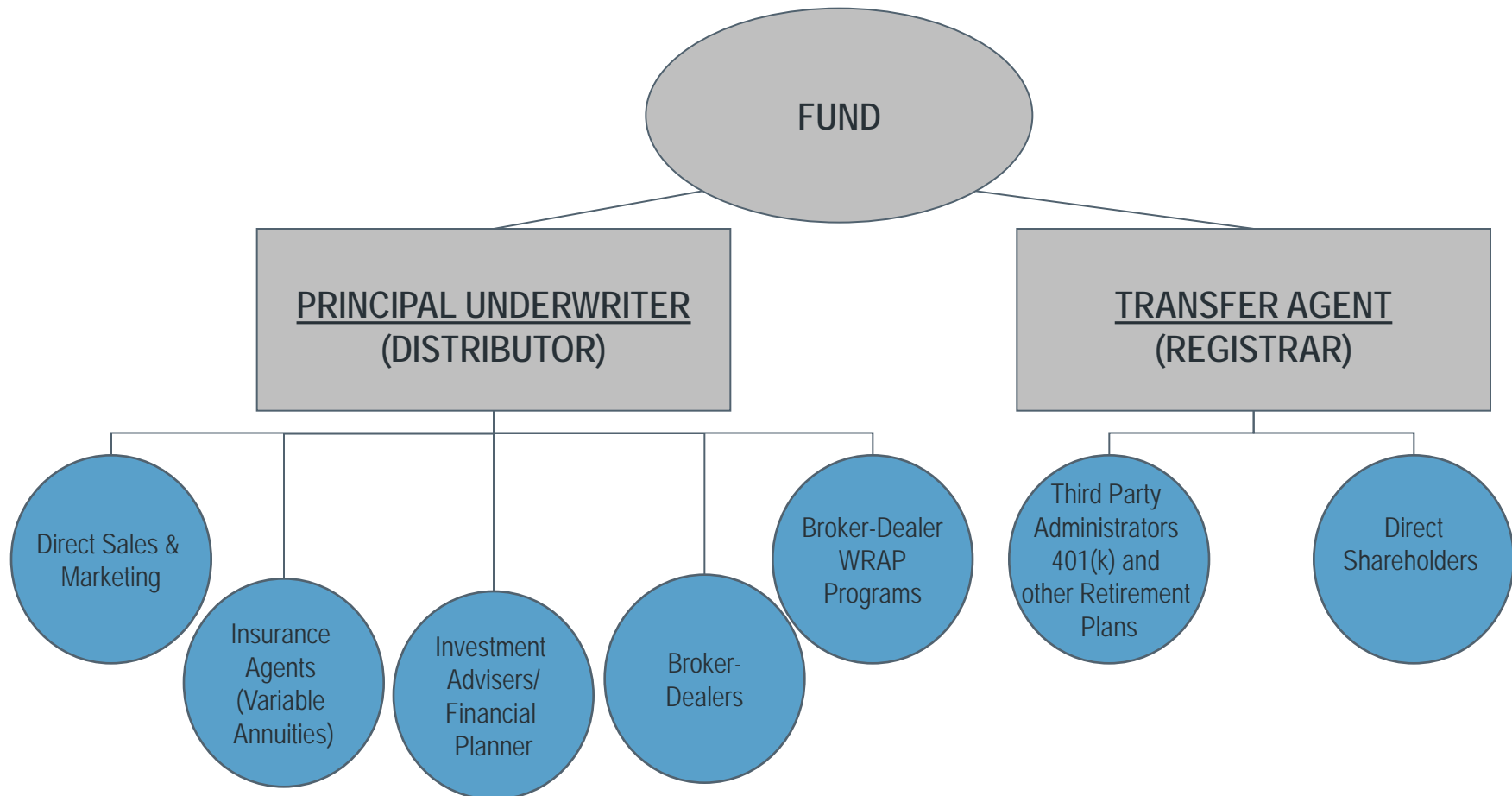
PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS



PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS



MUTUAL FUND DISTRIBUTION CHANNELS





Questions?



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