



# MUTUAL FUND DIRECTORS FORUM

*The FORUM for FUND INDEPENDENT DIRECTORS*

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## **MUTUAL FUND DIRECTORS FORUM ISSUES PRACTICAL GUIDANCE FOR FUND DIRECTORS ON EFFECTIVE RISK GOVERNANCE**

*White paper addresses mutual fund boards' role in oversight of risk.*

**WASHINGTON, D.C., April 15, 2010** -- The Mutual Fund Directors Forum has released a special report titled "Risk Principles for Fund Directors," which provides practical guidance for mutual fund directors in their role in risk oversight, it was announced today.

The recent interest in risk by regulators and policymakers, the market turbulence of the past two years, and the issuance and marketing of increasingly complex investment securities have resulted in fund directors seeking to better understand the appropriate role of fund boards in risk governance.

The Forum's report notes that fund directors are not responsible for designing and implementing the systems and procedures that management companies use to identify, analyze and track risk. Instead, boards typically oversee the risk management activities of fund advisers by reviewing and approving investment and risk management policies and procedures; evaluating the performance of the fund's adviser, any sub-advisers and other service providers; and periodically reviewing the policies and procedures for material departures.

"Good risk oversight practices by boards strengthen the fund industry and thereby benefit shareholders," said Susan Wyderko, Executive Director of the Mutual Fund Directors Forum. "We are pleased to be issuing this report as we continue our mission of providing fund board members with practical, timely ideas and guidance."

As the report observes, the question of what constitutes effective "risk management" and the board's oversight of risk has recently become a key focus for regulators, legislators and academics. In a recent Securities and Exchange Commission (SEC) rule release requiring companies, including mutual funds, to disclose the extent of the board's role in risk oversight in proxy and registration statements filed on or after February 28, 2010, the Commission called risk oversight a "key competence of the board."<sup>1</sup>

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1 Release No. IC-29092 (Dec. 16, 2009) [74 FR 68334]

Similarly, the SEC's Division of Investment Management Director Andrew J. Donohue recently noted that as the Division moves ahead with its overall review of fund use of derivatives, "effective Board oversight in this area, in the meantime, is critically important."<sup>2</sup>

Forum Board Chair Jameson Baxter, recognizing that boards have long been focused on risk, added, "the Forum's report provides significant help to boards as they seek to understand their responsibilities with regard to risk oversight in the current environment. The report offers important tools and references to assist boards in implementing practices and procedures to satisfy and improve this important board function."

### **About the Mutual Fund Directors Forum**

The Mutual Fund Directors Forum is an independent, nonprofit membership organization for investment company independent directors dedicated to improving mutual fund governance by promoting the development of concerned and well-informed independent directors. For more information about the Forum, please visit [www.mfdf.com](http://www.mfdf.com).

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<http://www.sec.gov/news/speech/2010/spch040810ajd.htm>