



NEWS RELEASE

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ICI Unveils Blueprint to Support Middle-Class Wealth Creation: Reimagining the 1940 Act

ICI Calls on the SEC to Reform Regulatory Framework That Has Not Been Updated in 30 Years

Washington, DC, March 17, 2025—Investment Company Institute (ICI) President and CEO Eric J. Pan today unveiled the Institute's blueprint to reform the Investment Company Act of 1940 (1940 Act), [*Reimagining the 1940 Act: Key Recommendations for Innovation and Investor Protection*](#). ICI is presenting the white paper at its Investment Management Conference in California and is calling on the Securities and Exchange Commission (SEC) to address the recommendations as part of its tripartite mission of capital formation, investor protection, and orderly markets. The 1940 Act, which regulates investment companies including mutual funds, exchange traded funds (ETFs), and closed-end funds (CEFs), has not been comprehensively reviewed in more than 30 years.

ICI's blueprint to modernize the 1940 Act seeks to foster ETF innovation, expand retail investors' access to private markets, strengthen closed-end funds, eliminate unnecessary regulatory costs and burdens, and better leverage the expertise and independence of fund directors.

"Last year, we celebrated the enduring success of the mutual fund at its centennial. This investment product helped create a pathway to the middle class for millions of Americans. To ensure continued success for these products and the investors they serve, the SEC should update the 1940 Act regulatory framework," said **ICI President and CEO Eric J. Pan**. "When the framework was last updated, ETFs did not exist, and now millions of Americans own ETF shares. Mobile technology, which many funds use to communicate with investors, had yet to be developed. The 1940 Act was crafted to change over time as markets evolved. We are hopeful that SEC leadership, including Acting Chairman Uyeda and the president's nominee, Paul Atkins, will be receptive to our calls to modernize the 1940 Act."

ICI developed its blueprint over the past three years. Two principles have guided ICI's work: first, that the core 1940 Act regulatory framework remains fundamentally sound; and second, that any proposed changes must advance the interests of individual investors.

ICI worked extensively with its members to consider potential ways to modernize the regulatory framework for 1940 Act funds. ICI also worked in close collaboration with Dechert LLP, Ropes & Gray LLP, and Stradley Ronon Stevens & Young LLP—leading law

firms with deep expertise developed through their representation of funds, fund advisers, and independent directors. Several of the law firm partners most involved with this project previously served in senior positions in the SEC's Division of Investment Management.

ICI's blueprint includes selected recommendations such as:

- The SEC should enable a new or existing fund to offer both mutual fund and ETF share classes and expand permissible asset classes for semi-transparent ETFs.
- The SEC should adopt reforms to strengthen closed-end funds, including by giving them additional tools to combat harmful predatory activists, and expand their flexibility to invest in private market assets, without sacrificing investor protection.
- The SEC should adopt electronic delivery of information as the default delivery option and streamline the shareholder approval process.
- The SEC should permit fund boards to appoint a greater number of new independent directors and update requirements for in-person voting by directors.

Read the full report with ICI's recommendations for reform [here](#).

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