

# The NED

Independent intelligence on fund director issues

Issue 16 • December 2012

## SEC charges 8 fund directors for supervision failures

The Securities and Exchange Commission has been said by many to be taking a more active interest in the roles and responsibilities of fund directors in the US. Evidence that this is indeed the case came with the news, on December 10, that it has announced charges against eight former members of the boards of directors overseeing five Memphis based mutual funds for violating their asset pricing responsibilities under the federal securities laws.

According to the SEC the eight directors failed to fulfil their fair value-related obligations. The mutual funds involved were the RMK High Income Fund, RMK Multi-Sector High Income Fund, RMK Strategic Income Fund, RMK Advantage Income Fund, and Morgan Keegan Select Fund.

The SEC reports that the funds were invested in securities that were backed by subprime mortgages and that fraudulently overstated the value of their securities as the housing market was on the brink of financial crisis in 2007. The SEC had already charged these funds with fraud. The funds' promoters had agreed a \$200 million to settle the charges.

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## Board composition and independence top The NED's poll as priorities for 2013

Where are improvements in fund governance needed most urgently? Ask an investor, a manager and a non executive director and you'll likely get three different answers. So The NED decided to conduct a poll with all three of these groups to see what the overall response, from these different constituencies, would be.

The NED selected equal numbers from the three constituencies for its poll. It believes that the poll result, with approximately the same number of replies from each constituency (investor, manager and director) is a valid representation of overall industry opinion on where improvements in fund governance are most badly needed.

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### By Cheque

Make cheque payable to:  
IFI Global Ltd.  
10 Arthur Street  
London EC4R 9AY

For additional information please contact Tamara Sims at [sims@ifiglobal.com](mailto:sims@ifiglobal.com)

IFI Global Ltd, 10 Arthur Street, London EC4R 9AY Tel: +44 (0) 207 220 9077

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London EC4R 9AY Tel: 44 207 220 907

Editorial & research enquiries:

**Simon Osborn** e-mail: [osborn@ifiglobal.com](mailto:osborn@ifiglobal.com)

Directory & event enquiries:

**Tamara Sims** e-mail: [sims@ifiglobal.com](mailto:sims@ifiglobal.com)

Subscription enquiries:

**Alan Hallett** e-mail: [hallett@ifiglobal.com](mailto:hallett@ifiglobal.com)