

IDC Comment Letter on SEC's Rule Proposal on Outsourcing by Investment Advisers

The Independent Directors Council (IDC) commented on the Securities and Exchange Commission's (Commission) proposed rule on outsourcing by investment advisers, Rule 206(4)-11 under the Investment Advisers Act of 1940 (Advisers Act). The proposed rule would establish due diligence and monitoring obligations for investment advisers that outsource certain functions to service providers. The proposal also would require investment advisers to collect and report certain data about service providers, and to conduct due diligence and monitor third-party recordkeepers.

While we acknowledge that investment advisers should oversee functions outsourced to third-party service providers, we question the need for the proposed rule. In our view, the proposed due diligence and monitoring obligations for investment advisers overlap with existing effective regulatory oversight requirements. We are also concerned that the Commission seeks to impose a burdensome compliance regime on investment advisers, when the Release acknowledges that the Commission cannot "quantify certain economic effects because it lacks the information necessary to provide estimates or ranges of costs."

Read more in the [comment letter](#).
