

**Response Form for the
Exposure Draft of the
Verification Procedures for the
CFA Institute ESG Disclosure Standards
for Investment Products and
Verifier Independence Guidelines**

CFA Institute is developing voluntary, global industry standards, the CFA Institute ESG Disclosure Standards for Investment Products (the “Standards”), to establish disclosure requirements for investment products with ESG-related features. The purpose of the Standards is to provide greater transparency and consistency in ESG-related disclosures, resulting in clearer communication regarding the ESG-related features of investment products. The Verification Procedures for the CFA Institute ESG Disclosure Standards for Investment Products (the “Verification Procedures”) provide verifiers with a minimum set of procedures required to provide limited assurance on an investment product’s compliant presentation. The Exposure Draft also provides guidelines on verifier independence. The goal for this Exposure Draft is to elicit feedback on the proposed requirements within the Verification Procedures and Verifier Independence Guidelines. Please refer to the “Providing Feedback” guidelines for submitting comments. **All comments must be received by 21 September 2021 in order to be considered.**

Providing Feedback

Public commentary on the Exposure Draft will help shape the final version of the Verification Procedures and Verifier Independence Guidelines. Comments should be provided in this Response Form, found [here](#) on the CFA Institute website, and submitted to standards@cfainstitute.org.

The deadline for providing feedback is 21 September 2021. **Comments received after 21 September 2021 will not be considered.** Unless otherwise requested, all comments will be posted on the CFA Institute website.

Guidelines for submission

Comments are most useful when they:

- directly address a specific issue or question,
- provide a rationale and support for the opinions expressed, and
- suggest alternative solutions in the event of disagreement.

Positive comments in support of a proposal are equally as helpful as those that provide constructive suggestions for improvement.

Requirements for submission

In order for comments to be considered, please adhere to the following requirements:

- **Insert responses in the designated areas of the response form.**
- **Assign a unique file name to your response form before submitting.**
- **Provide all comments in English.**
- **Submit the response form as a Microsoft Word document.**
- **Submit the response form to standards@cfainstitute.org by 5:00 PM E.T. on 21 September 2021.**

General Information (required)

Respondent: <i>(Please enter your full name if you are submitting as an individual or the name of the organization if you are submitting on behalf of an organization.)</i>	Investment Company Institute
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	Investment Manager
Region: <i>(If you are submitting as an individual, please select the region in which you live. If you are submitting on behalf of an organization and the organization has a significant presence in multiple regions, please select "Global". Otherwise, please select the region in which the organization has its main office.)</i>	Global
Country: <i>(If you are submitting as an individual, please enter the country in which you live. If you are submitting on behalf of an organization, please enter the country in which the organization has its main office.)</i>	United States
Confidentiality Preference: <i>(Please select your preference for whether or not your response is published on the CFA Institute website.)</i>	yes, my response may be published

QUESTIONS

1. Do you agree that the minimum period for which a verification may be conducted should be one year?

<QUESTION_01>
ENTER RESPONSE HERE
<QUESTION_01>

2. Are there any other attributes that a verifier should have in order to be qualified?

<QUESTION_02>
ENTER RESPONSE HERE
<QUESTION_02>

3. Do you agree with the testing procedures? If not, please tell us which testing procedures you disagree with as well as the testing procedures you would recommend. Also, are there other areas of testing that should be added?

<QUESTION_03>
ENTER RESPONSE HERE
<QUESTION_03>

4. Are the examples of what is and what is not a material change to ESG-related features helpful? If you do not believe they are helpful, do you have suggested examples that should be included?

<QUESTION_04>
ENTER RESPONSE HERE
<QUESTION_04>

5. Do you believe that it is appropriate for the compliant presentation to include information that is not subject to the verification? If so, do you believe information in the compliant presentation that is not subject to testing should be required to be identified as not subject to testing?

<QUESTION_05>
ENTER RESPONSE HERE
<QUESTION_05>

6. Are the examples of what is and what is not a material error are helpful? If you do not believe they are helpful, do you have suggested examples that should be included?

<QUESTION_06>
ENTER RESPONSE HERE
<QUESTION_06>

7. Should any professional guidance be included here?

<QUESTION_07>
ENTER RESPONSE HERE
<QUESTION_07>

8. There is no option for allowing a verification report to be issued with a modified conclusion. Do you agree with this approach, or should we allow a verifier to issue a verification report with a modified conclusion? Please provide your rationale.

<QUESTION_08>
ENTER RESPONSE HERE
<QUESTION_08>

9. Do you agree with the proposed language for a management assertion? If not, please provide suggested language.

<QUESTION_09>
ENTER RESPONSE HERE
<QUESTION_09>

10. Do you agree with the Guiding Principles for Verifier Independence? Should any additional Guiding Principles be added?

<QUESTION_10>
ENTER RESPONSE HERE
<QUESTION_10>

11. Are there any other services that could create independence issues that should be included?

<QUESTION_11>
ENTER RESPONSE HERE
<QUESTION_11>

12. Should any other issues be included for determining a verifier's independence?

<QUESTION_12>
ENTER RESPONSE HERE
<QUESTION_12>

13. Do you have any other suggestions that we should consider in the Verification Procedures or Verifier Independence Guidelines?

<QUESTION_13>

The Investment Company Institute¹ opposes the adoption of the CFA Institute ESG Disclosure Standards for Investment Products (CFA Standards), because the creation of another set of disclosure standards, which merely offer different, but not materially improved, standards in comparison to a plethora of existing standard-setting efforts would: (i) impose undue and unnecessary burdens on investment managers; (ii) be of questionable benefit to investors; and (iii) create confusion, undermining the ultimate goal of effective disclosure standards for investment products.

If, however, the CFA Institute determines to move forward, regarding the recommendation for independent verifications, we strongly urge the CFA Institute to revise the recommendation to exclude circumstances when an investment product is regulated and already subject to extensive legal requirements and regulatory review and examination. Regulated funds and their investment managers are already subject to significant third-party, as well as internal, oversight. In the US, for example, SEC rules require both registered funds and their investment managers to designate a chief compliance officer (CCO) who oversees their SEC-required compliance programs. The fund's CCO must report directly to the fund's board of directors. Moreover, the SEC reviews registered fund disclosures and conducts periodic examinations of registered funds and their investment managers. The SEC's enforcement and examination programs are robust, and the SEC has recently stated that ESG funds are a focus of both these programs.² In addition, the Financial Industry Regulatory Authority (FINRA) has detailed rules governing registered fund sales material that apply to registered broker-dealers (including principal underwriters³ and other broker-dealer intermediaries that are commonly instrumental in selling fund shares).⁴ FINRA rules also require the filing of these materials with it, and FINRA staff then reviews and provides comments on these materials.

¹ The [Investment Company Institute](#) (ICI) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's members manage total assets of \$31.8 trillion in the United States, serving more than 100 million US shareholders, and \$10.2 trillion in assets in other jurisdictions. ICI carries out its international work through [ICI Global](#), with offices in Washington, DC, London, Brussels, and Hong Kong.

² See SEC Press Release, *SEC Announces Enforcement Task Force Focused on Climate and ESG Issues* (Mar. 4, 2021), available at <https://www.sec.gov/news/press-release/2021-42> (stating that the task force will analyze disclosure and compliance issues relating to investment advisers' and funds' ESG strategies); and SEC Press Release, *SEC Division of Examinations Announces 2021 Examination Priorities* (Mar. 3, 2021), available at <https://www.sec.gov/news/press-release/2021-39> (stating that the Division of Examinations will review the consistency and adequacy of the disclosures registered investment advisers and fund complexes provide to clients regarding investment strategies that focus on ESG factors); see also, *SEC Division of Examinations Risk Alert* (Apr. 9, 2021), available at <https://www.sec.gov/files/esg-risk-alert.pdf> (contains observations from the Division's ESG examinations of funds and investment advisers over the past two years).

³ Registered investment advisers manage funds, and principal underwriters offer their shares.

⁴ See generally FINRA Rules 2210, 2212, 2213, and 2214. FINRA Rule 2210 in particular imposes a number of content requirements on retail communications (e.g., standard fund advertisements), and also requires filing of these materials with FINRA.

These views are consistent with those we provided in response to the Exposure Draft on the CFA Institute ESG Disclosure Standards for Investment Products.⁵

We also noted in that previous response, and reiterate in connection with this response, that the CFA Institute should take into account the many voices we represent in this one response. ICI's members include over 800 investment managers that manage 28,000 regulated funds with \$40 trillion in assets. Many of our members have global operations and must comply with regulatory requirements in multiple jurisdictions. Our members often rely on ICI to communicate their views on policy matters, rather than submitting individual responses, when, as is the case here, their views are generally aligned.

<QUESTION_13>

⁵ See ICI's Response to the Exposure Draft of CFA Institute Disclosure Standards for Investment Products, available at <https://www.cfainstitute.org/-/media/documents/code/esg-standards/esg-consultation-paper-comment-investment-company-institute-ici.ashx>.