

SEC's Paul Roye Addresses the Institute's General Membership Meeting, May 1999

SEC's Paul Roye Addresses the Institute's General Membership Meeting

Washington, DC, May 24, 1999 - Paul Roye, Director of the Securities and Exchange Commission's Division of Investment Management, addressed the Institute's General Membership Meeting on May 21, 1999. [Mr. Roye's speech](#) focused on:

- the role of the Investment Company Act in the industry's success,
- a proposal to amend the act, and
- challenges confronting the mutual fund industry.

Mr. Roye stated that the success of the mutual fund industry is dependent on its ability to command the confidence of investors. He attributed this ongoing confidence in large part to the effectiveness of the Investment Company Act in preventing many of the abusive practices that prompted its adoption.

In discussing the importance of the act's requirement for independent directors, Mr. Roye highlighted the Commission's plans to propose rules this summer to strengthen fund boards and the corporate governance provisions of the act. He acknowledged the ICI's response to SEC Chairman Levitt's call for action by the industry in this area, noting the creation of a [special committee](#) to develop best practices regarding investment company governance.

Paul Roye at the 1999 General Membership Meeting

Mr. Roye spoke strongly against a proposal to amend Section 17(a) of the Investment Company Act that was recently submitted to Congress. He warned that this proposal has "the potential to open the door to overreaching, self-dealing, and the other abusive practices that prompted enactment of the statute." While he noted that the proposal would not entirely repeal Section 17(a), he stated that "it would represent a breach of the wall that was built around mutual fund assets." He stressed that problems posed by Section 17(a) are best addressed administratively by the Commission through its broad exemptive authority.

Finally, Mr. Roye discussed the challenges that the industry will face in the 21st century, including new technology, consolidation of the financial services industry, and increased competition. In facing these challenges, Roye urged the industry to remember that investor trust and confidence have been the key ingredients of its success, and not to let others who do not appreciate the importance of the standards reflected in the Investment Company Act dictate the course of the industry.