

ICI President and CEO Speaks at Directors Conference

Welcome Remarks at the 2007 Investment Company Directors Conference

Paul Schott Stevens

President & CEO, Investment Company Institute

November 6, 2007

Washington, DC

Thank you, Bob [Uek]. Good morning to you all and welcome to Washington. We are delighted that you are part of this 14th annual Directors' Conference. There is a great program in store, and I want to express my sincere thanks to all our speakers. I also want to congratulate the leadership of the Independent Directors Council, and Amy Lancellotta and her staff, on their outstanding work in producing this conference.

As you may know, we hosted a conference in July with independent counsel to boards around the industry. And one of the things I said to them was that their advice and assistance was more important to you now than ever before.

I needn't tell you why. The demands on your time and energy have grown. The issues before you have increased in number and complexity. The effectiveness of fund governance has fallen under intense scrutiny. Fairly or not, the expectations of you individually and of your boards have risen. In some cases this has led to far greater tension between boards and the advisers with which they work. Now, that tension is natural, at some level desirable, and often highly positive, given the different roles of the fiduciaries that meet across the fund board table. But it also must be managed constructively, on both sides, if it is to produce good results for fund shareholders.

It seems to me that those who trumpet most loudly the role of independent fund directors pay too much attention to what divides boards and advisers and hardly any at all to what they have in common. The fact is that their interests are aligned more often than not. This is because they both have clear and compelling fiduciary duties to the fund's investors. The basis of their collaboration is a shared determination to protect the interests of fund shareholders and (not incidentally) to increase their wealth. And the success of their efforts is plain for all to see. After all, a mutual fund or ETF is not like a cable TV provider with a captive market. An unhappy fund investor can walk away any time and try his luck with one of many thousands of competitors.

Let there be no doubt -- the Investment Company Institute and the Independent Directors Council are committed to doing all we can to make fund governance as effective and productive for fund shareholders as possible. And we need to tap into your experience, to get the insights and suggestions of the director community, to assist us in this process.

That being the case, in the past year we decided to conduct a comprehensive survey of fund directors to find out how they feel about the IDC, if it is valuable to them, if it is giving them the kind of support they need, and how it might better serve them.

Almost 500 directors from complexes of all kinds responded to the survey -- a very healthy sampling of directors overall. As a group, they reported that they regard the IDC as an effective organization that provides valuable, current, and relevant information.

- They said the most compelling benefit the IDC provides is a steady flow of information that helps them stay abreast of developments affecting them.
- Although they approved of the range of the IDC's programs, nearly half the respondents said the IDC should provide more educational materials.
- They encouraged us to upgrade the IDC's website as a communications tool, in terms of its content, functionality and visibility

among directors. Fewer than half the directors responding to the survey said they had visited the site. Of those familiar with the site, few gave it high marks.

Based on what directors told us, since the IDC was launched in 2004 it has come quite a distance. This is a tribute to the vision and leadership of the independent directors who have been at the forefront of this undertaking. As the survey indicates, however, there is much still to do to realize the full potential of the IDC. All of us take these survey findings very seriously, and we're working hard to make improvements. For example, we have assigned a high priority to a comprehensive re-design of the IDC website as part of a general overhaul of ICI's member communications efforts.

From my perspective, the survey results are significant on another level as well: they strongly confirm the benefits of our model for serving the fund director community. IDC is an integral part of the ICI. In serving the director community, it draws on the considerable resources of the Institute's legal, research, government affairs, public communications, industry operations and other staff. So, too, fund independent directors are integral to the work of the ICI. Around our table, just as in boardrooms across the industry, fund directors and fund advisers assemble, share their unique perspectives, and work together to address issues of importance to funds and fund investors. We are convinced that this model offers the best prospect of advancing the interests of directors, of the funds they serve, and most importantly of fund shareholders.

In conclusion, let me thank each of you for your continued support for the IDC and for your involvement in this important conference. And let me reiterate that we welcome your suggestions and comments on all aspects of our work on behalf of fund directors.

* * * * *

Now to our program. It seems to me there is no better way to begin this conference than with comments by Buddy Donohue, Director of the SEC's Investment Management Division. As you know, Buddy has taken a particular interest in the challenges facing fund boards today.

Previously, Buddy was Global General Counsel for Merrill Lynch Investment Managers. In that position, he oversaw the firm's legal and regulatory compliance functions for over \$500 billion in assets -- including mutual funds, fixed income funds, hedge funds, private equities, managed futures, and exchange funds. Prior to his service at Merrill Lynch, Buddy spent more than a decade as Executive Vice President and General Counsel for OppenheimerFunds, one of the nation's leading investment managers.

Buddy's years of hands-on legal and compliance experience have proved to be invaluable as the SEC addresses a range of regulatory challenges, including worrisome circumstances of late in the fixed-income markets. Ladies and gentlemen, please join me in welcoming the Director of the SEC's Investment Management Division, Buddy Donohue.