

2007 Securities Law Conference: Welcome Remarks

Remarks at the 2007 Securities Law Developments Conference

by Karrie McMillan

General Counsel, Investment Company Institute

December 6, 2007

Washington, DC

Good morning and welcome to ICI's 20th annual Securities Law Developments Conference, sponsored by the ICI Education Foundation.

What would a conference be without housekeeping: Please turn off your cell phones or put them on vibrate. We're taping the entire program today and we want to be sure we get a nice, clean recording.

As for Q&A, we're going to use the blue card system. You'll find cards on your table. Write your question on one, legibly please, and give it to one of the ICI staffers who will be roaming the room.

Every conference I've ever attended has started with someone like me telling folks like you how terrific the conference will be. Today, I'd like to try something a little different. I'd like to briefly tee up two broader issues that I think we'd all do well to think about. One of them is: How can we take advantage of technology to better inform our investors? And the other, is to consider where we—investment companies—fit into the broad structure of the financial markets regulation. Timely topics, because they are under active consideration at the SEC and the Department of Treasury right now.

On the first front, right before Thanksgiving, the SEC gave fund investors something to be thankful for when it released for public comment a proposal to reform mutual fund disclosure. You wouldn't know it from the press coverage, but this has the potential to be a truly seminal, even historic, development in our industry. And to get there, the SEC has turned to technology, namely, the Internet, as a means to provide those investors who want it with detailed information about funds, while requiring delivery only of a streamlined document more suited to most investors' needs. Susan Nash, on our next panel, will discuss the summary prospectus proposal in more detail, but suffice it to say that the benefits of this system are numerous. Clearer disclosure, more ability to compare funds, better informed investors - all while saving some trees. How cool is that?

But the proposal has the potential to reach even farther than prospectus delivery. If it's successful, a similar model could be applied for shareholder reports and other investment company disclosure documents.

And, it fits nicely with the Commission's nascent XBRL data-tagging initiative, which nine fund companies have been experimenting with under the SEC's voluntary program. Under this program, funds can "tag" the information contained in the risk/return summary of the prospectus, allowing an investor to extract and compare the tagged information from several funds. This, too, promotes the SEC's goal of using technology to enhance shareholders' ability to compare funds.

As important as these initiatives are, they are only a part of a much larger phenomenon. That phenomenon is how technology and the Internet have transformed virtually every aspect of the financial services industry. Today, anyone who works in finance, regulates it, studies it, reports on it, or invests in its products does so in a way that is vastly different from the way he or she did just 10 years ago.

Responding to this trend and others, the Treasury Department has embarked on an ambitious review of the way the financial services industry is regulated. This review, of course, is of utmost importance to investment companies. With total assets of over \$12

trillion and almost 90 million shareholders, investment companies are keenly aware of the need to assure that the U.S. regulatory structure remains effective, efficient, and even-handed.

The Treasury's review is part of a growing national conversation among government officials, business leaders of all industries, scholars and others, a conversation aimed at identifying and addressing the challenges for American businesses in the new global environment.

Investment companies offer a unique perspective on the global financial markets, serving both as investors in securities and issuers themselves of securities.

Over the next two days, we'll be focusing our attention here at the conference on fairly specific issues and regulations affecting U.S. investment companies. As we do so, though, I'd encourage you to take a step back to reflect on how these regulations affect our industry's place in the global capital markets. Think, for example, about how investment companies can compete abroad more effectively—do we need a new type of company, with a different tax structure to be attractive to foreign investors? Think about how we can harness technology to make the markets more efficient and to respond creatively to rapidly changing circumstances and investor education preferences. Or think about the regulators' role in all this—how can we better create a dialog of trust between the regulators and the regulated?

Which provides a great segue into my introduction of our keynote speaker, Buddy Donohue, Director of the Division of Investment Management. Buddy is particularly well-suited to speak to the issues that concern us. Before entering government service, he 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.

As director of the Division of Investment Management, Buddy has taken a particular interest in trying to improve the dialog between the SEC staff and its regulated funds, including reaching out to fund boards and management companies on a variety of matters. We have appreciated Buddy's willingness to have this constructive dialogue with the industry and I want to thank you Buddy for being here today to continue that discussion with us.

Ladies and gentlemen, it is my pleasure to welcome Andrew J. "Buddy" Donohue.