

ICI Strongly Supports Proposed Increase to the SEC's FY 2005 Budget, March 2004

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More Resources Needed to Support Risk Assessment Initiative, Reinforce Response to Trading Scandals and Strengthen Mutual Fund Inspections

Washington, DC, March 31, 2004 - The Investment Company Institute today said that "now, more than ever, it is essential that the SEC be provided with the funding and staffing it needs ... to fulfill its mission of protecting the nation's investors." ICI's views on funding the SEC were contained in [testimony](#) it submitted to the House Appropriations Committee, which is holding a hearing on the SEC's FY 2005 budget today. ICI has called for enhanced funding and staffing increases for the SEC repeatedly over the last decade, and views such support as essential if the SEC is to fulfill its statutory mission.

ICI's statement fully supports the Administration's FY 2005 budget request for the SEC of \$913 million, "which is a significant and necessary increase over the record amount appropriated for the current fiscal year."

In particular, the Institute urged Congress to recognize the importance of providing the SEC with the resources needed to "develop appropriate responses to address recent trading abuses that have occurred within the fund industry." Increased funding is also essential, according to ICI, if the SEC is to successfully launch its new Office of Risk Assessment, an important initiative that would focus on the early identification of new or resurgent forms of fraudulent, illegal or questionable behavior. Finally, the Institute said increased funding was required to support the SEC's Office of Compliance Inspections and Examinations which has played a critical role in investigating and identifying trading abuses involving mutual funds.

The attached chronology highlights ICI's support for sufficient SEC funding.

Examples of the Investment Company Institute's Support For Sufficient SEC Resources To Oversee Mutual Funds

May 1993

ICI Letter to House Subcommittee on Telecommunications & Finance

"[T]he Institute is concerned that regulatory excellence cannot be assured in the future if funding for the SEC (and the Division of Investment Management in particular) is not adequate. Our concern about the SEC's ability to continue to provide effective oversight stems largely from the tremendous growth that the mutual fund industry has experienced in recent years. [W]hile the number of investment companies increased by 133 percent and their assets under management increased by 344 percent between 1982 and 1992, the staff of the Division of Investment Management grew by only 74 percent over the same period. Thus, although the resources available to the SEC for regulating the industry have proven to be adequate in the past, we believe concerns could arise in the future if the industry's growth continues to outpace increases in SEC resources devoted to the regulation of investment companies."

July 1993

ICI Letter to House Energy & Commerce Committee

"I am writing to express the support of the Investment Company Institute for H.R. 2239, legislation to authorize appropriations for the SEC. There is a strong public interest in maintaining strict regulatory oversight over mutual funds to ensure that they are operated in the interest of fund shareholders.... [F]unding for the Commission (and the Division of Investment Management in particular) should be increased.... While the number of investment companies increased by 133 percent and their assets under management

increased by 344 percent between 1982 and 1992, the Division's staff grew by only 74 percent over the same period. The bill would make it more likely that the Commission will continue to have the resources it needs to regulate investment companies and other market participants, to maintain the integrity of the securities markets, and to enforce vigorously the federal securities laws."

July 1993

ICI Letter to Senate Subcommittee on Securities

"I am writing to express the support of the Investment Company Institute for legislation to authorize increased appropriations for the SEC. There is a strong public interest in maintaining strict regulatory oversight over mutual funds to ensure that they are operated in the interest of fund shareholders. The Commission's diligent and effective regulation of the investment company industry has contributed to a high level of investor confidence in the industry. Nevertheless, funding for the Commission (and the Division of Investment Management in particular) should be increased in order to assure that this regulatory excellence continues. While the number of investment companies increased by 133 percent and their assets under management increased by 344 percent between 1982 and 1992, the Division's staff grew by only 74 percent over the same period."

July 1993

ICI Testimony Submitted to the Senate Banking Committee

"An examination of the growth rate of the mutual fund industry, as compared to the growth of the Commission's resources devoted to regulation of the industry, illustrates the need for increased funding to assure the Commission's continued ability to provide effective oversight of the industry in the years ahead. For example, from 1982 to 1992, the number of registered investment companies increased by 133 percent and the assets under management of such companies increased by 344 percent. In contrast, the staff of the Division of Investment Management grew by only 74 percent over that period. As the Subcommittee is aware, the resources available to the Commission's investment adviser program are also woefully inadequate.... The Institute has long supported legislation to provide additional resources to the Commission's investment adviser program. Investors have a high level of confidence in the mutual fund industry, in large part due to the Commission's diligent and effective regulation of the industry. The Institute continues to support increased funding for the Commission (and the Division of Investment Management in particular) so that this effective regulation will be assured."

April 1994

ICI Testimony Submitted to the House Committee on Appropriations

"Today, more than 38 million individuals, one in every four households, own mutual fund shares... These millions of average Americans deserve vigilant regulatory oversight over mutual funds. That objective can be accomplished only if the SEC is funded adequately.... [S]ufficient and stable funding of the SEC should be a priority, even in the face of mounting deficit reduction pressures.... [T]he Institute and its members support the concept of self-funding for the SEC.... [T]he Institute repeatedly has stressed the need to increase the funding for the SEC, especially for the Division of Investment Management, which regulates the mutual fund industry. The Institute recognizes that the growth rate of the mutual fund industry will strain the SEC's resources."

May 1994

ICI Testimony Submitted to the Senate Committee on Appropriations

"Given the increasing importance of mutual funds to millions of investors, sufficient and stable funding of the SEC should be a priority, even in the face of mounting deficit reduction pressures. Last year, the Institute offered its strong support of H.R. 2239 ... which passed the House.... The Institute recognizes that the growth rate of the mutual fund industry will strain the SEC's resources. For this reason, the Institute supports giving the SEC adequate financial resources, through self-funding, to provide effective regulatory oversight of mutual funds to ensure that they are operated in a way which continues to protect the interests of investors."

May 1995

ICI Testimony Submitted to the House Committee on Appropriations

"Given the increasing importance of mutual funds to millions of investors, sufficient and stable funding of the SEC should be a priority, even in the face of mounting deficit reduction pressures. The Institute and its members support the concept of fully funding the SEC through user fees, including fees paid by mutual funds. In the 103rd Congress the Institute offered its strong support of H.R. 2239... which passed the House but was not considered by the Senate. In other statements before Congress, the Institute repeatedly has stressed the need to increase the funding for the SEC, especially for the Division of Investment Management, which regulates the mutual fund industry. We continue to support adequate financial resources to provide effective regulatory oversight of mutual funds."

July 1995

ICI Testimony Before the Senate Committee on Appropriations

“Given the increasing importance of mutual funds to millions of investors, sufficient and stable funding of the SEC should be a priority, even in the face of mounting deficit reduction pressures.”

April 1996

ICI Testimony Before the House Committee on Appropriations

“Given the increasing importance of mutual funds to millions of investors, sufficient and stable funding of the SEC should be a priority, even as Congress continues its efforts to balance the federal budget by 2002. The Institute has supported and will continue to support adequate financial resources to provide effective regulatory oversight of mutual funds, but we also believe that the fees should be reflective of their intended purpose, that is, to offset the costs associated with the activities of the SEC.”

May 1997

ICI President's Speech at Mutual Fund Industry's Annual Meeting

“For over 60 years, the mutual fund industry has been subject to one set of federal standards administered by one agency -- the SEC -- and designed to accomplish one goal -- the protection of investors. Over the years, we have consistently urged adequate funding to permit the SEC to oversee our industry, and we vigorously opposed fragmentation of regulatory responsibility among a number of different regulators.”

March 1998

ICI Testimony Submitted to the House Committee on Appropriations

“The Administration’s FY 1999 budget proposes SEC funding at a level of \$341.1 million. The Institute supports this level of funding to support the SEC’s operations, especially those of the Division of Investment Management, which regulates the mutual fund industry. Adequate financial resources for the SEC are essential to continue effective regulatory oversight and afford important investor protection and awareness initiatives.... [T]o function as an effective regulatory agency, we support that the SEC be funded at the level requested by Chairman Levitt.”

March 1998

ICI Testimony Before the Senate Committee on Appropriations

“Several important SEC initiatives portend an increase in the workload of the Division of Investment Management...The implementation of these important initiatives, which will benefit millions of American investors, will require additional staff to work with mutual funds as they revise their prospectuses and to review fund profiles. Adequate funding is also needed for routine inspections of investment advisers and fund companies, as well as special projects involving investor protection, such as the monitoring the Year 2000 conversion project. It is for these and other reasons that Chairman Levitt is seeking additional staff in the Division of Investment Management. In order to accomplish these worthy objectives and to continue to function as an effective regulatory agency, we support that the SEC be funded at the level requested by Chairman Levitt.”

May 1998

ICI President's Speech at Mutual Fund Industry's Annual Meeting

“We need to continue to support not only strict regulation, but also a strong government agency to vigorously administer that regulation. We all know that sports teams tend to play at the level set by their opponents. I am convinced that, in much the same way, regulated industries play at the level set by their regulators. It is widely known that the SEC is a very tough regulator. Study after study has concluded that the SEC is, as stated in President Reagan's transition report, ‘a model government agency,’ that sets high standards of performance, both for its own staff and for those it regulates. The Institute will continue to support adequate funding and a strong staff for the SEC.”

March 1999

ICI Testimony Before the Senate Committee on Appropriations

“The Administration’s FY 2000 budget proposes SEC funding at a level of \$363 million. The Institute supports this level of funding to sustain the SEC’s operations, especially those of the Division of Investment Management, which regulates the mutual fund industry.... Sufficient financial resources are also needed for special projects involving investor protection, such as the Director’s Roundtable and the Year 2000 conversion project.Adequate funding is essential for routine inspections of investment advisers and fund companies, and for the SEC’s ongoing efforts to educate the nation’s investors. In order to accomplish these worthy objectives and to continue to function as an effective regulatory agency, we support SEC funding for FY 2000 at the level requested

by Chairman Levitt.”

March 2000

ICI Testimony Before the Senate Committee on Appropriations

“The Institute urges Congress to provide appropriations at a level sufficient to ensure the SEC’s ability to fulfill its regulatory mandate.... Equally important to having adequate financial resources to fulfill these initiatives is the SEC’s ability to maintain adequate staffing resources. To this end, we believe that it is essential that the SEC be able to combat the high attrition rate of its professional staff, which, over the last two years, has resulted in a loss of 25 percent of its attorneys, accountants and examiners.... Attracting and retaining qualified staff obviously are necessary in order for the SEC to fulfill its mandate.”

March 2000

ICI Testimony Submitted to the House Committee on Appropriations

“The Institute urges Congress to provide appropriations at a level sufficient to ensure the SEC’s ability to fulfill its regulatory mandate.... Adequate financial resources are essential for the SEC to continue its effective regulatory oversight of the securities markets and to carry out important investor protection and awareness initiatives. These initiatives will benefit the millions of Americans invested in mutual funds and are integral to fulfilling the SEC’s mission of protecting investors and maintaining the integrity and the efficiency of the nation’s securities markets.... [W]e support the SEC’s retention initiative, which would raise staff compensation to levels comparable with the banking regulatory agencies. We believe the proposed increases would go far in raising employee morale, thus enhancing the SEC’s recruitment and retention efforts.”

February 2001

ICI Testimony Submitted to the Senate Banking Committee

“The SEC has experienced a staff attrition rate nearly twice that of the overall federal government. S. 143 would enable the SEC to combat this high attrition rate [by] set[ting] employee pay at levels comparable to those paid by other financial regulatory agencies. This will enable the SEC to attract and retain qualified staff, and thus ensure its continued excellence in its regulatory oversight role. The Institute believes S. 143 will benefit the millions of Americans invested in mutual funds and especially applauds provisions that: (1) reduce the heavy tax paid by consumers through excessive fees charged to mutual funds under the federal securities laws; and (2) reform the SEC’s pay structure to enable it to attract and retain qualified staff.... The Institute endorses and urges the passage of S. 143 for these reasons.”

May 2001

ICI President’s Speech at Mutual Fund Industry’s Annual Meeting

“[E]ffective regulation that serves investors necessarily requires effective regulators. We have been fortunate that the SEC’s integrity and professionalism have helped it attract an excellent staff. But to sustain its effectiveness, the SEC also needs to retain its excellent staff. To do so, the Commission must be able to provide more competitive compensation. The Institute has renewed its call for congressional action to meet this need.”

March 2002

ICI President’s Speech at Mutual Fund Legal Conference

“The abuses that occurred in our industry in the 1920s and 30s taught us that tough and meaningful investor protection is essential to investor confidence. We have not wavered since. During both bull and bear markets, we’ve resisted the siren song that strict regulation is outdated and no longer necessary. We have a long history of supporting strong laws and regulations, of encouraging informed investors, of supporting clear and useable disclosure, of working for adequate resources for the SEC, and of imposing upon ourselves high voluntary standards that go well beyond legal requirements.”

April 2002

ICI Testimony Submitted to the House Committee on Appropriations

“Increased financial resources are essential for the SEC.... However, as discussed in a recent GAO study examining the operations of the SEC, the SEC’s ability to fulfill its mission has become somewhat strained due, in part, to imbalances between its workload and staff resources.... In order to address these problems, we believe it is crucial that SEC employees be compensated at a level comparable to their counterparts at other federal financial regulatory agencies [and] call upon Congress to budget the resources necessary to fund the pay parity provisions that were included in [legislation] which was approved overwhelmingly by both Houses of Congress and signed into law by President Bush. [P]ay parity will enable the SEC to continue to attract and retain qualified and dedicated staffs.”

May 2002

ICI President's Speech at Mutual Fund Industry's Annual Meeting

"If [the Institute's founding President] were here today, I believe he'd agree that fund shareholders are best served by having mutual funds regulated by a single agency—a strong, well-funded SEC.... [W]e have a responsibility to support legislation that gives the SEC sufficient resources to do its job. As we noted in recent testimony, this includes supporting the SEC's ability to attract and retain qualified staff by compensating them at appropriate levels."

October 2002

ICI Letter to U.S. House of Representatives Speaker Dennis Hastert

"On behalf of the Investment Company Institute, I write to urge that before adjourning for the year, Congress act to fund fully the SEC.... We believe it imperative that Congress provide the SEC with its full FY 2003 funding increase as soon as possible. A well-funded SEC will allow it to meet its enhanced obligations in the aftermath of recent accounting scandals and to continue to provide effective oversight of our financial markets. Congress must act decisively to provide the SEC with necessary resources to ensure essential investor protection.... Such action will help restore investor confidence in our financial markets and benefit our economy as a whole."

January 2003

ICI Press Release Supporting Major Funding Increase for the SEC

"The mutual fund industry strongly supports President Bush's proposal for the largest-ever increase in the SEC's budget.... [F]inancial resources for the SEC are essential to provide effective regulatory oversight and to allow the agency to continue important investor protection and awareness initiatives. A well-funded SEC will allow it to meet its enhanced obligations in the aftermath of recent corporate scandals and to continue to ensure essential investor protection. The mutual fund industry's support for strong SEC regulation and funding is based on our conviction that continuation of SEC responsibility for all aspects of mutual fund regulation is in the long-term interest of mutual fund shareholders and the industry itself."

February 2003

ICI Letter to House Financial Services Committee

"[W]e have repeatedly expressed our support for strong and effective SEC regulation, substantially increased SEC funding and pay parity for SEC staff. Before the close of the last Congress, we urged leaders in both Houses to appropriate the full level of increased SEC funding authorized in the Sarbanes-Oxley Act. Our support for additional SEC resources is based on our longstanding conviction that strong and effective regulation of the securities marketplace generally and mutual funds in particular benefits fund shareholders and the fund industry."

March 2003

ICI President's Speech at Mutual Fund Legal Conference

"Adequate financial resources for the SEC are absolutely essential to effective regulatory oversight, and are a more reassuring alternative for fund shareholders than self-regulation. We applaud the Bush Administration for proposing to nearly double the SEC's 2004 budget to \$842 million from its level in 2002. Similarly, we commend Chairmen Mike Oxley and Richard Baker and their colleagues on the House Financial Services Committee for supporting a bill to bolster the SEC's ability to attract and retain the economists, accountants, and compliance examiners it so badly needs. The Institute has endorsed this legislation and we are hopeful it will be enacted swiftly."

April 2003

ICI Testimony Submitted to the House Committee on Appropriations

"The Institute supports this enhanced level of funding to support the SEC's operations, especially those of the Division of Investment Management, which regulates the mutual fund industry. Such resources will help the SEC to carry out its many important initiatives, which include, among other things, adopting requirements for improved shareholder reports, analyzing the feasibility of requiring new compliance related rules for investment companies and investment advisers, finalizing rules to combat money laundering, and finalizing amendments to the mutual fund advertising rules.... These important initiatives, which will affect millions of American investors, will require additional staff to see that they are properly analyzed and to develop appropriate recommendations."

April 2003

ICI Testimony Submitted to the Senate Committee on Appropriations

"The Institute urges Congress to provide appropriations at a level sufficient to ensure the SEC's ability to fulfill its regulatory mandate."

The Administration's FY 2004 budget proposes SEC funding at a level of \$841.5 million. This greatly exceeds last year's appropriation of \$711.7 million.... Such resources will help the SEC to carry out its many important initiatives."

May 2003

ICI President's Speech at Mutual Fund Industry's Annual Meeting

"Our support for effective SEC regulation, inspections, and enforcement in the interest of investors must be unshakeable.... But this successful system of regulation will falter, and investor confidence will be shaken, if the SEC lacks the financial and staff resources to do the job. We have continuously supported increased SEC appropriations, and most recently endorsed legislation bolstering its ability to attract and retain key professional staff, including lawyers, economists, and accountants. We are also pleased to see that the Bush Administration is proposing to nearly double the SEC's 2004 budget from its level in 2002, a proposal we strongly endorse."

September 2003

ICI President's Statement Regarding SEC Chairman Donaldson's Action Plan

"The Institute will do all we can to support the Commission and the SEC staff as each step is developed and the need for possible reforms determined. In addition, Chairman Donaldson announced that he intends to strengthen the SEC's ability to foresee potential problems that could harm investors or undermine their confidence in the integrity of our markets. Mutual fund companies welcome this initiative, and will offer any assistance that the Commission deems helpful."

December 2003

ICI Chairman's Op-Ed in The Wall Street Journal

"The significant new policies the fund industry is calling for will benefit millions of investors by substantially diminishing potential conflicts of interest and strengthening the operating integrity of mutual funds. Fund investors need these new protections. But tough requirements, whether old or new, have to be followed and enforced. Three weeks ago, Institute President Matthew Fink told Congress that fund executives "who acted willfully against the interest of fund shareholders should be sanctioned severely. Those found to have violated criminal laws should be sent to prison. The law enforcement message should be loud, clear and memorable." Supporting vigorous enforcement is not an empty promise; mutual funds have long endorsed increased funding for the SEC. And we pledge to work hard to ensure the Commission gets the resources it needs to fulfill its mission of protecting investors."