

ICI Executive Committee Issues Statement on Mutual Fund Fiduciary Obligations to Shareholders, September 2003

Executive Committee of the Board of Governors of the Investment Company Institute

Statement on the Fiduciary Obligations of Mutual Funds to Individual Shareholders Regarding Late Trading, Market Timing, and Related Issues

September 25, 2003

Mutual funds' fundamental obligation is to place their shareholders' interests above all else. Certain practices involving mutual funds have been alleged that, if true, are inconsistent with this obligation, incompatible with mutual funds' duty to treat shareholders fairly and equitably, and intolerable if mutual funds are to serve individual investors as effectively in the future as they have in the past.

The Executive Committee commends the New York Attorney General's office and the U.S. Securities and Exchange Commission for their investigative efforts and forceful responses to alleged practices that have compromised or harmed the interests of individual mutual fund shareholders.

Recognizing that investigations by government officials are ongoing and that more facts may develop, the Committee pledges the Institute's full cooperation with all efforts to examine these and any related matters. The Committee further pledges that the Institute will work with the U.S. Securities and Exchange Commission and other government officials to take whatever steps are necessary to ensure that, at a minimum, the following initial policy objectives are met:

First, every mutual fund and every intermediary should be required to take any steps needed to provide reasonable assurance that existing legal prohibitions regarding the late trading of mutual fund shares are strictly adhered to.

Second, no mutual fund should ever permit an individual or institutional investor to engage in otherwise proscribed trading activity in exchange for compensation or the provision of similar benefits to the fund's adviser or other fund affiliate.

Third, no mutual fund should ever selectively release non-public information regarding its portfolio investments in a manner that is harmful to some or all of the fund's shareholders.

The Committee notes that the President and Institute staff have been in contact with the SEC and other government officials. The Committee directs the President and the staff to continue to work with government officials to address these matters. The Committee further directs the Chairman of the Institute to recommend to the Board of Governors, at its meeting on October 3, 2003, additional steps, including the establishment of working groups, that the Institute should take.