

ICI President Asks Mutual Fund Leaders to Take Additional Concrete Steps to Reinforce Investor Confidence, May 2003

ICI President Asks Mutual Fund Leaders to Take Additional “Concrete Steps” to Reinforce Investor Confidence

Washington, DC, May 22, 2003 - Investment Company Institute President Matthew P. Fink today told mutual fund leaders that they must be prepared to take “concrete steps” to help reinforce the confidence of American investors.

“The fact that mutual funds are the principal means by which most middle-income Americans make long-term investments will mean very little if individual investors lose faith in long-term investing,” Fink said during an [address](#) at the Institute’s annual General Membership Meeting. The Institute is the national association of the investment company industry. Its members include mutual funds, closed-end funds, exchange-traded funds, and sponsors of unit investment trusts.

Institute President Matthew P. Fink

“If the mutual fund industry is to enjoy future success, we must be prepared to take additional concrete steps—now, and in the weeks and months to come—to help reinforce investors’ confidence,” Fink said in calling upon mutual fund leaders to help restore the confidence lost by investors in the aftermath of a series of corporate and accounting scandals.

“Since millions of our friends and neighbors harbor serious concerns about the integrity and fairness of our capital markets, we must assume responsibility for taking meaningful actions to restore their faith and confidence,” he said.

Fink outlined four specific principles that should guide mutual fund leaders in their efforts to restore investor confidence.

- First, Fink stressed that the fund industry’s support for [effective SEC regulation](#), inspections, and enforcement in the interest of investors must be unshakeable. “Popular confidence in mutual funds is built on the effectiveness of the core fiduciary principles set forth in the Investment Company Act of 1940,” Fink said. “We must never permit these principles to be undermined, diluted, or eclipsed.”
- Second, Fink urged mutual fund leaders to actively support regulatory changes that are likely to provide significant benefits to investors. “While we do not have an obligation to blindly endorse every proposal for regulatory change,” Fink said, “we are obligated to carefully consider each proposal and to judge it by one standard and one standard alone—will it advance the interests of investors?”
- Third, Fink urged mutual fund leaders to be prepared whenever necessary to help investors by undertaking voluntary measures that go beyond law and regulation. “Mutual funds not only have introduced millions to investing, but have played a major role in voluntary efforts to educate Americans about the basics of investing,” Fink said. “We also must be vigilant in identifying situations where we should establish more demanding standards and practices than are required by law or regulation.” Fink noted that the Institute currently is working on a compliance paper on side-by-side management of mutual funds and hedge funds, a model code of ethics, and a revised model fund audit committee charter.
- Fourth, Fink urged fund leaders to continue helping investors by supporting programs and policies that will assist them in saving for their long-term goals. “We have an obligation to see to it that national policy assists investors,” Fink said, noting strong fund industry support for a number of bills now before Congress, including: the [“Pension Preservation and Expansion Act of 2003,”](#) introduced by Congressmen Rob Portman (R-OH) and Ben Cardin (D-MD), which would strengthen and expand the employer-sponsored retirement system, offer new protections to participants, and help retirees preserve their assets and income; [“The Pension Security Act,”](#) introduced by Congressman John Boehner (R-OH), which would increase the flow of meaningful investment advice to 401(k) participants, subject to strict fiduciary regulation and full and fair disclosure; and [H.R. 1989](#), introduced by Congressman Paul Ryan (R-WI) to provide for the deferral of tax on reinvested mutual fund capital gain distributions.

In addition to these guiding principles, Fink outlined several initiatives and activities the Institute has undertaken to help restore investor confidence. For example, Fink said, the Institute is supporting a major increase in the [SEC's budget](#); is working closely with regulators and the brokerage industry to address problems the NASD discovered with [breakpoints](#) for fund sales; has called on the Financial Accounting Standards Board to require the [expensing of stock options](#); and is expanding its educational programs for mutual fund directors.

Moving forward, Fink said, the fund industry will continue to welcome constructive suggestions that will enable fund companies to maintain its tradition of integrity and serving shareholders.

"We have succeeded because the interests of those who manage mutual funds are well aligned with the interests of those who invest in mutual funds," Fink said. "Our future will mirror our past success only if we redouble our commitment, day-in and day-out, to provide useful service to investors."

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