

ICI President Comments on Inaccurate Media Report, March 2004

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Washington, DC March 22, 2004 - In a [speech](#) to a mutual fund legal conference in California this morning, ICI President Matthew P. Fink characterized as “entirely inaccurate” the suggestion in a Wall Street Journal article today that the ICI may have been aware of arrangements to facilitate abusive market timing in mutual funds. Fink said the article’s additional insinuation – that the ICI failed to share its knowledge with the SEC – was also “completely untrue.”

Fink noted that both of the article’s suggestions were belied by the ICI’s consistent efforts to find ways to restrict and deter suspected market timers. “The purpose of the November 2000 conference call – and many other ICI efforts like it – was to identify effective ways to restrict market timing, not facilitate it. One of the major subjects discussed was whether the ICI should ask the SEC for legal authority to impose additional restrictions on market timers. In fact, we made this request to the SEC ten weeks later.”

Fink said that during the call, “ICI members described a number of steps they had implemented to restrict market timers and prevent or deter abusive short-term trading. These included denying suspected market timers the ability to invest in certain funds, limiting the number of roundtrip trades, requiring suspected market timers to provide prior notice of intended transactions, and forcing investors who failed to comply with such restrictions to redeem their investments.”

Most important, Fink said, “Whatever words members used – arrangement, restriction, limitation, method, technique, or deal – they meant the same thing. Everyone was discussing ways to protect long-term mutual fund investors from the abuses of short-term traders.”

Fink made it clear that the ICI reported everything it learned about market timing to the SEC. Fink said a January 16, 2001 letter to the SEC stated: “Fund groups have sought to employ a number of methods to try to deter market timing, such as imposing redemption fees, limiting frequent trading, and restricting exchange privileges.”

In short, Fink said, “at no point during these conference calls did any ICI staffer or ICI member suggest or imply that market timing or market timers were being accommodated, or should be accommodated. Indeed, the entire purpose of these discussions was to find forceful and effective ways to combat abusive short-term trading.” Fink said it is “sadly paradoxical to see serious and sincere efforts to combat abuses recast as an attempt to facilitate them. The ICI remains fully committed – today and tomorrow, as in years past – to focusing on serving the interests of fund shareholders and working constructively with policymakers to achieve those objectives.”

Links to Background Information

- [Chronology of ICI Activities and Statements re Market Timing](#)
- [ICI-SEC Correspondence re Market Timing & Delayed Exchanges](#)