

ICI Issues Statement Regarding SEC Action Against Mutuals.com, December 2003

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Washington, DC, December 5, 2003 - The Securities and Exchange Commission's action against both Mutuals.com and the firm's entire senior management strongly reinforces the Investment Company Institute's call for a [hard 4 pm reporting deadline](#) for mutual fund transactions and mandatory stiff penalties for abusive short-term trading of funds.

The mutual fund industry makes no excuses for instances where fund company employees have breached their fiduciary responsibilities to shareholders. We have urged government officials to pursue every trail, no matter where it leads, and to impose swift and severe sanctions where it is found that anyone violated their duties and responsibilities to shareholders. We have called for [significant reforms](#), and expressed strong support for [reforms others have proposed](#). All of this must continue in the weeks and months ahead.

The SEC's [allegations](#) against Mutuals.com, as in the other major cases the government has recently brought involving third party intermediaries, illustrates the extraordinary length some financial market participants will go to circumvent rules and processes designed to protect shareholders and promote integrity. In the complaint yesterday, the SEC found that hundreds of mutual fund companies repeatedly sought to prevent Mutuals.com from trading in their funds, even barring anyone at the firm from trading. Yet the complaint makes clear that Mutuals.com repeatedly sought to evade such restrictions and prohibitions, even going so far as creating new companies to evade detection.

Reforms must be structured to provide the SEC and fund companies with the tools necessary to stop any individuals, whether mutual fund company employees or third parties like brokers, investment advisers, or hedge fund managers, who consider preying upon mutual funds and their shareholders for personal gain.

Although not popular with many in the financial services industry, ICI and the mutual fund industry continue to believe that rules such as a hard 4 pm close and stiff fees for trading in and out of funds will preclude the efforts of those who would seek to game the system for personal gain. We stand ready and willing to work with regulators and other government officials in considering what additional reforms are needed to help restore confidence in mutual funds as investments that truly put the interests of individual investors above everything else.