

ICI President Calls for Reform of Mutual Fund Disclosure, March 2007

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‘Quick-Start Guide’ Plus Web Access Will Better Inform Investors, Stevens Says

Palm Desert, CA, March 26, 2007 – Mutual fund investors could receive better, more useful disclosure of the key information they need if regulators adopted something like the “quick-start guide” used by high-tech companies, Paul Schott Stevens, President and CEO of the Investment Company Institute, said today.

Addressing ICI’s Mutual Funds and Investment Management Conference here, Stevens said that “a clear, concise document that highlights the key information that a fund buyer wants and needs, in an easy-to-understand form,” would better serve a fund buyer’s needs than today’s system, which relies upon sending each investor a fund’s prospectus. Under the new system that Stevens envisions, the prospectus and additional disclosures would be available to investors on the Internet, or on paper upon request.

“As our lives and the tools we use grow increasingly complex,” Stevens said, experts in the technology field “have developed one answer – the ‘quick-start’ guide. You may have noticed that every consumer electronics product you’ve bought recently – be it a digital camera or an MP3 player or a software program – comes with one. With this guide, you can use the device without having to slog through a long, detailed, but often confusing user’s manual.”

Stevens stressed that the new system would not deprive investors of important disclosures. “In today’s world, we do not have to choose between either flooding all investors’ mailboxes with fat prospectuses or shortchanging the information available to the market,” Steven said. “That is a false choice, because we can call upon the power of the Internet to give quick and easy access to the additional information

some investors may want.”

ICI research has shown that only one-third of mutual fund purchasers consult the fund prospectus before investing in a fund. Other ICI studies show that in 2006, 92 percent of fund investors have Internet access, and 70 percent went online every day.

Streamlining disclosure is just one example, Stevens said, of instances where regulators can increase investor protection while enhancing the efficiency and competitiveness of U.S. financial products, including mutual funds. In another example, Stevens praised an initiative by Andrew Donohue, director of the Securities and Exchange Commission’s Division of Investment Management, to review the workload of mutual fund boards.

“Fund boards, and independent directors specifically, are integral to the structure laid down in the Investment Company Act of 1940,” Stevens said. “That structure has supported successfully the rise within just the past generation of mutual funds as the nation’s largest financial intermediary. ... ICI has a long record of support for strong, well-informed boards.”

But, Stevens added, “Boards today are dealing with new and expanded responsibilities, enormous detail and complexity, and a host of new issues and pressures.” The ICI President commended Donohue for “critically re-examining the tasks we have assigned to fund directors, making sure that directors can and do devote their time and attention to the matters that count most, and allowing directors to concentrate on tasks that are in keeping with the role of a board.”

ICI is the national trade association for the mutual fund industry. The Mutual Funds and Investment Management Conference, co-sponsored with the Federal Bar Association, is one of ICI’s premier annual meetings. More than 1,650 fund executives, directors, and service providers have gathered for this year’s conference.