MEMO# 19194

October 12, 2005

REMARKS BY INSTITUTE PRESIDENT AT EQUITY MARKETS CONFERENCE

 [19194] October 12, 2005 TO: BOARD OF GOVERNORS No. 49-05 CEOS CLOSED-END INVESTMENT COMPANY MEMBERS No. 54-05 SEC RULES MEMBERS No. 111-05 SMALL FUNDS MEMBERS No. 87-05 UNIT INVESTMENT TRUST MEMBERS No. 21-05 RE: REMARKS BY INSTITUTE PRESIDENT AT EQUITY MARKETS CONFERENCE On September 22, Institute President Paul Schott Stevens spoke at the Institute's 2005 Equity Markets conference.* In his speech, Mr. Stevens noted that the Institute began holding the Equity Markets Conference in 1999 to address some of the regulatory and structural developments in the securities markets affecting mutual funds. He remarked that the Institute and its members care about market structure issues because of the dual role that mutual funds play in the financial marketplace – "first, as the intermediary of choice for individual investors; and second, as investors ourselves on behalf of our shareholders." He noted that more than half of all U.S. households now own stocks directly or through mutual funds and that ownership of equities has become central to America's retirement nest eggs. Mr. Stevens also noted that events of the past two years have served to remind us all of the "bedrock propositions upon which every successful fund manager bases its business: loyalty and care – loyalty to the interests of the fund's investors, and care in fulfilling its responsibilities to them." Next, Mr. Stevens remarked that market structure reforms have a significant impact on funds and other institutional investors. "[G]reater efficiencies in the markets result in lower costs and better execution for funds and hence for their shareholders." He cited the Institute's support for the adoption of Regulation NMS, which enables increased automation of order execution and increased interaction of investor orders. He urged all market participants to work together to ensure that the new rules are implemented effectively. Mr. Stevens noted the New York Stock Exchange's plans to become a "hybrid" market, incorporating elements of a traditional auction market with those of an electronic market. He * A copy of Mr. Stevens' remarks is available on the Institute's website at http://www.ici.org/statements/remarks/05_equity_stevens_spch.html. 2 commended the NYSE's proposal and stated that it is an important step in implementing automation on the Exchange and facilitating more efficient trading of listed securities. Mr. Stevens next observed the importance of keeping investor trading information confidential. "It is important that we all work together to create an environment in which investors have confidence that their interests take precedence over the interests of intermediaries." He noted that one "key ingredient" is preserving the confidentiality of the information that investors entrust to their intermediaries. Noting the significant stake in the markets represented by mutual funds and their shareholders, Mr. Stevens called for continued

strong enforcement and oversight of the markets by the Securities and Exchange Commission to protect the confidentiality of investor trading information and eliminate “leakage.” Mr. Stevens then commended the Commission on its recent proposals concerning the operation and structure of the self regulatory organizations. He noted that “markets and investors would benefit from establishment of a single set of standards for market participants to follow – especially standards that implicate core investor protections and that are designed to prevent violations of the securities laws.” He cautioned the SEC, however, to avoid establishing rules that are unnecessarily burdensome. In closing, Mr. Stevens noted that the Institute looks forward to working with all concerned parties “to achieve the full potential and preserve the integrity of these markets, and thereby advance the interests of our shareholders.” The conference also included remarks from SEC Commissioner Annette L. Nazareth, Nasdaq’s President and Chief Executive Officer Robert Greifeld, and the NYSE’s Chief Executive Officer John A. Thain. Jane G. Heinrichs Assistant Counsel

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