

**MEMO# 19104**

August 19, 2005

## **AUGUST 18TH STORY IN REUTERS**

©2005 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [19104] August 19, 2005 TO: BOARD OF GOVERNORS No. 38-05 CEOS COMPLIANCE MEMBERS No. 10-05 INVESTMENT COMPANY DIRECTORS No. 22-05 PRIMARY CONTACTS - MEMBER COMPLEX No. 32-05 PUBLIC COMMUNICATIONS COMMITTEE No. 9-05 SEC RULES MEMBERS No. 94-05 SALES FORCE MARKETING COMMITTEE No. 8-05 SMALL FUNDS MEMBERS No. 72-05 RE: AUGUST 18TH STORY IN REUTERS I am writing to you on a matter of deep concern to me personally as well as to the Institute and all its members. Reuters carried a report on August 18th that the Institute "has quietly changed its stance and now says that it doesn't represent fund shareholders." Today's Ignites declares that the ICI has "officially stopped representing investors." I categorically reject the implication of these reports that the ICI no longer concerns itself about the interests of fund shareholders. Over and over during my tenure as President here, in public and private remarks, I have emphasized that the fiduciary obligations of both fund advisers and fund directors demand unswerving loyalty to the interests of mutual fund investors. I also have emphasized that, from the perspective of fund managers, putting the interests of shareholders first is the only successful business strategy. In profoundly important respects – in both legal and practical terms – the interests of fund sponsors and fund investors are closely aligned. The Institute's public policy positions reflect this same bedrock conviction: a sound legal and regulatory framework, one that fully protects and affirmatively advances the interests of fund investors, is absolutely indispensable to the industry's success. I believe that the record of the Institute's work and advocacy over many years demonstrates that we have been true to the mission entrusted to us in our bylaws – advancing the interests not just of funds, their directors and advisers, but those of fund shareholders as well. The Reuters report has as its point of departure the undeniable fact that the members of the Institute consist of investment companies and their advisers. We are not an organization whose membership includes investors or shareholders as such, and in this sense we do not and cannot claim to represent them. In light of the biting criticism leveled at the Institute in the past for claiming to "represent" fund shareholders, we have sought to be careful in the way we articulate our role. The distinction is an important one, if somewhat too subtle to be captured accurately by the press. I hope this helps to clarify the recent press report. I would appreciate your contacting me personally at 202-326-5901 to discuss this or any other aspect of our work. Paul Schott Stevens President

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