INVESTMENT COMPANY INSTITUTE

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INSTITUTE RESPONSE TO EDITORIAL ON FREQUENCY OF DISCLOSING PORTFOLIO HOLDINGS

[12219] July 17, 2000 TO: BOARD OF GOVERNORS No. 42-00 PRIMARY CONTACTS - MEMBER COMPLEX No. 48-00 PUBLIC INFORMATION COMMITTEE No. 29-00 SEC RULES COMMITTEE No. 97-00 RE: INSTITUTE RESPONSE TO EDITORIAL ON FREQUENCY OF DISCLOSING PORTFOLIO HOLDINGS The Institute recently was asked by USA Today to provide a response to an editorial on the frequency with which mutual funds report their portfolio holdings. The editorial discussed recent calls for the SEC to require funds to disclose their portfolio holdings more frequently than semi-annually, as is currently required. The Institute's response noted that the Institute and its members periodically have considered whether funds should have to provide investors with a listing of securities more than twice a year, and each time have reached the conclusion that this proposal "is a solution in search of a problem." The response questioned the need for more frequent disclosure, and pointed out some of its drawbacks, including encouraging short-term trading and making it possible for "short-term speculators" to harm long-term shareholders by front-running a fund. The Institute asserted that portfolio disclosure can be improved, for instance, by providing more information about a fund's investments by category, with graphics illustrating the holdings' relative weight. Our response concluded, however, that "requiring more frequent listings of the fund's investment portfolio would take us in the wrong direction." Copies of the editorial and the Institute's response are attached. Matthew P. Fink President Attachments Attachment (in .pdf format)