

COMMENT LETTER

September 30, 2003

ICI Chairman Calls for Mutual Fund Representation on NYSE Board, September 2003

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Mr. John S. Reed
Chairman and Chief Executive Officer
New York Stock Exchange
11 Wall Street
New York, NY 10005

Dear Chairman Reed:

I am writing on behalf of the Investment Company Institute, the national association of mutual funds. As an initial matter, we would like to express our appreciation of your willingness to take on the important responsibility of serving as Chairman and Chief Executive Officer of the New York Stock Exchange. If there is anything we can do to assist you, please let us know.

One of your most important tasks will be to continue the review of the New York Stock Exchange's corporate governance structure that is currently underway. In that regard, I urge you to secure representation for mutual funds on the board of the Exchange.

As the Exchange stated in its recent white paper summarizing its corporate governance structure, "the investing public is the Exchange's ultimate constituency" and the Exchange's "own interests, and the interests of its member organizations and listed companies, must align with the interests of the investing public." Mutual funds are the primary vehicle through which investors—especially middle-income investors—participate in the equity markets. As of year-end 2002, equity mutual funds held approximately \$2.2 trillion in U.S. stock.¹ Moreover, according to the most recent ICI-SIA survey of equity ownership, 61 percent of investors' holdings of stock were in the form of stock mutual funds, compared to 39 percent through direct ownership of equities. In the case of investors with total equity investments of \$40,000 to \$60,000, 75 percent of such investments were through equity mutual funds.¹ We believe that this demonstrates that, if the interests of investors are to be adequately represented at the Exchange, it is necessary for mutual funds to play a greater role within the NYSE's governance structure.

Giving mutual funds a greater voice at the Exchange is especially important in light of the number of fundamentally important issues that are now before the NYSE. For example, over the past several years, the Institute has made several recommendations to the Exchange in an attempt to address difficulties that mutual funds face when trading on the NYSE. It is our hope that, by giving mutual funds a great voice at the Exchange, we will be able to work constructively to address these important issues.

Thank you for your consideration of our views. If you have any questions or would like to discuss these issues in more depth, please do not hesitate to contact me or the Institute's President, Matthew P. Fink.

Sincerely,

Paul G. Haaga, Jr.
Chairman

cc: Robert G. Britz
President, Co-Chief Operating Officer and Executive Vice Chairman

Catherine R. Kinney
President, Co-Chief Operating Officer and Executive Vice Chairman

ENDNOTES

1 See Investment Company Institute, [2003 Mutual Fund Fact Book](#), at 28.

2 Unpublished data from Investment Company Institute and Securities Industry Association, Equity Ownership in America (Fall 2002).

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