

SPEECH

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ICI Chairman, President Discuss Investor Confidence, Other Issues

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Washington, DC, May 22, 2003 - Investment Company Institute Chairman Paul G. Haaga, Jr. President Matthew P. Fink urged mutual fund leaders and others attending the Institute's 2003 General Membership Meeting to remain open to new ideas that benefit mutual fund shareholders and to be prepared to take additional "concrete steps" to help reinforce the confidence of American investors.

In his [remarks](#), Haaga stressed the importance of standing up for the interests of mutual fund shareholders and explained that mutual funds need effective critics for the same reason funds need effective directors and regulators — to bring a fresh outside perspective and enforce the industry's very high standards. In his [address](#), Fink outlined four specific principles that should guide mutual fund leaders in their efforts to restore investor confidence.

Video excerpts from Mr. Haaga's and Mr. Fink's speeches are linked below.

Fund industry continues to embrace new ideas that will better serve investors...

Text of video clip [Paul G. Haaga, Jr., ICI Chairman]:

"We have never wavered in our belief that tough and meaningful investor protection is essential to investor confidence and our industry's well being. We have continued to cooperate with regulators and to embrace new ideas — including some from our harshest critics — which we believe would bring about more effective oversight, and better serve investors. For example, we listened and acted when commentators said the prospectuses we offer all mutual fund shareholders were too difficult to understand. We embraced this challenge, and with our [strong support](#), the SEC enacted major disclosure reform that transformed prospectuses into readable, plain-English documents."

Four steps funds can take to restore investor confidence...

Text of video clip [Matthew P. Fink, ICI President]:

“This morning I have outlined four areas where we can help restore investor confidence: by supporting effective SEC regulation in the interest of investors; by supporting changes in regulation that would benefit investors; by undertaking voluntary measures that help investors; and by supporting programs that assist investors in saving for their futures. We are very, very active today in all of these areas. ... As I suggested in a different context earlier in my talk, these actions we’re taking may be gratifying, but we cannot confuse feeling gratified with being satisfied. We can do more, we must do more, we will do more. As we plan our future steps, we welcome constructive suggestions — from you in the audience and your firms, from policymakers here in Washington, from scholars, from journalists, and — as Paul Haaga said — from our critics.”

Shareholders’ resiliency is a reflection of investor education efforts...

Text of video clip [Paul G. Haaga, Jr., ICI Chairman]:

“The resiliency of our shareholders is a reflection of the fund industry’s ongoing efforts to help keep investors educated and informed. In the five years before the bear market began, the stock market, as measured by Standard & Poor’s 500 Index, rose more than 20 percent annually. These unprecedented gains undoubtedly gave some investors the impression that the only direction the stock market goes is up. The Institute sought to counter this impression at the height of the market’s bubble by [cautioning investors](#) that extraordinarily high equity returns were unsustainable. More recently, as bond prices have been boosted by interest rates at historic lows, we have cautioned investors about the impact [rising rates](#) would have on bond prices.”

Our obligation is to ensure that national policy assists investors...

Text of video clip [Matthew P. Fink, ICI President]:

“It is not mentioned in the Declaration of Independence or the Constitution, but the ability of Americans to look forward to a dignified retirement and to support their children’s education have become bedrocks of American life. We have an obligation to see to it that national policy helps investors. ... Equally important, we must support measures that encourage all working Americans to save and invest for a multitude of reasons for their future. This is the reason we support the [President's proposal](#) on double taxation of dividends.”

Standing up for the next generation of improvements to long-term savings opportunities...

Text of video clip [Paul G. Haaga, Jr., ICI Chairman]:

“We will continue acting in the best interests of our shareholders. For example, this year we will stand up for the next generation of improvements to our nation’s retirement and education savings systems to enhance long-term savings and investment opportunities for all working Americans. We will also stand up to ease the concerns of millions of fund shareholders frustrated by tax rules that force them to pay tax on capital gains when they

do not sell shares in their funds. We will urge Congress to approve legislation to allow our shareholders to defer all taxes on capital gains distributions so long as those distributions are reinvested in additional fund shares. And we will continue to stand up for reform in the governance of corporate America, reform of the securities markets on which we depend, and broad reform of the financial services industry in which we operate.”

Fund industry must assume responsibility for restoring investors’ confidence...

Text of video clip [Matthew P. Fink, ICI President]:

“The fact that mutual funds are the principal means by which [middle-income Americans](#) make their long-term investments will mean very little if individual investors lose faith in long-term investing. Since millions of our friends and neighbors harbor serious concerns about the integrity and fairness of our capital markets — even if for reasons entirely unrelated to our actions or their mutual fund holdings — we here today must assume responsibility for taking meaningful actions to restore their confidence.”

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