

SPEECH

May 6, 2015

Looking Back, Looking Forward: 75 Years of Leadership

Looking Back, Looking Forward: 75 Years of Leadership

ICI Leadership Dinner 57th Annual General Membership Meeting

Paul Schott Stevens
President and CEO
Investment Company Institute

May 6, 2015
George Washington's Mount Vernon

Remarks given by ICI President and CEO Paul Schott Stevens before guests at ICI's Leadership Dinner, held May 6, during the Institute's 57th annual General Membership Meeting. These remarks have been adapted for the ICI website.

Ladies and gentlemen, dear colleagues, friends, and honored guests—good evening, and welcome to you all.

I have eagerly anticipated this year's Leadership Dinner for some time. The dinner is a fitting occasion to celebrate the Institute's anniversary and to reflect on the growth and success of funds, and fund investing, over the past 75 years.

It is a great privilege to convene our industry's leadership—as well as so many distinguished guests from here and abroad—at Mount Vernon, the home of the greatest leader in the history of our nation. Whether you are a first-time visitor or have come many times before, being at George Washington's beloved home is always a great pleasure.

The Institute convened its first Leadership Dinner in 2005 as a means of bringing industry leaders together. Each year for the past decade, this event has provided an occasion to strengthen our personal ties and to discuss critical issues of the day.

This year, however, we reflect not just on one year but on 75, as we celebrate the 75th anniversary of the Institute and of the key legislation that gave rise to the modern fund industry.

Investment trusts in the United States boomed in the late 1920s, during the frothy years just before the stock market crash, but they were virtually unregulated and plagued with gross abuses.

In 1940, to remove the “cloud” under which the industry had continued to operate during the Depression, and to gain the trust of investors, industry leaders of the day resolved to set aside competitive interests and to work with Congress and the Securities and Exchange Commission, or SEC, to create a new legal framework for funds.

The fruit of these efforts was the Investment Company Act of 1940—legislation that was endorsed by both the SEC and the industry, passed unanimously by both houses of Congress, and signed into law by President Franklin Roosevelt on August 23rd, 1940.

Summer that year had barely turned to fall when competing fund sponsors decided to build on this success and strike up another partnership.

Heeding the SEC’s call for a trade group to interact with the Commission in implementing the new legislation, fund industry leaders in the United States established a national committee of investment companies, which held its first meeting on October 1st.

One year later, the committee took on a permanent form—as the National Association of Investment Companies, or NAIC. In 1961, the NAIC became the Investment Company Institute.

No one in 1940—not the Roosevelt administration, the Congress, the SEC, the industry nor the investing public—could have foreseen the remarkable success that this new legislative framework would enjoy in years to come.

They could not have envisioned the spectacular growth that would ensue for fund investing in the United States—nor, I think, would they have predicted the important, continuing role that the Investment Company Institute would come to play on behalf of funds, their shareholders, directors, and advisers.

As 1940 ended, just 68 U.S. mutual funds managed less than half a billion dollars in fewer than 300,000 shareholder accounts. Today, nearly 8,000 U.S. mutual funds manage nearly \$18 trillion in more than 265 million shareholder accounts.

And over this 75-year period, an ad-hoc industry committee has grown into a leading global association for investment funds that engages on an extraordinary array of public policy issues.

A remarkable record indeed. But how, one might ask, has it been possible?

As our predecessors at the dawn of the modern industry clearly understood, the trust of fund investors is, and always will be, the foundation of any success we experience.

Each and every dollar of the nearly \$18 trillion entrusted to us today is a tangible expression of shareholders’ confidence in funds as a means to achieve their most important financial goals. But every dollar is also an implicit challenge to us all—a challenge to

maintain a culture deserving of that high confidence, a challenge to earn that confidence each day through the loyalty we show to our investors' interests and the care that we take in managing their assets.

It is a culture that seeks to put investors' interests first and foremost—and it is a culture that we must do all we can to preserve, and to communicate to those who come after us.

Ralph Waldo Emerson observed, "Culture is one thing and varnish is another." You can tell the difference between the two, I think, by how people act and what they value.

I have been directly involved in the work of ICI for 15 years. Some here have been involved in it for much longer. Industry associations thrive only with the active support of their members, and ICI has provided the opportunity for collaboration by a very large number of men and women over many years—by executives of fund sponsors, members of fund boards, professionals of many kinds, and generations of Institute staff. On our board, and on numerous committees, taskforces, and working groups, they have devoted their time and talents to addressing diverse issues, both large and small—but always with a shared objective.

George Washington once said, "It is the peculiar boast of our country that happiness is alone dependent on the collective wisdom and virtue of her citizens, and rests not on the exertions of any one individual." I believe this same sentiment holds true for the success of our industry—and of the Institute.

As we gather tonight, we all must be conscious of the generations of industry leaders upon whose shoulders we stand.

Beginning with Dorsey Richardson, there have been 35 industry executives who have chaired ICI over its lifetime. We are fortunate to have with us tonight seven of these former chairs, in addition to our current chair, Bill McNabb. We owe each of them a great debt of gratitude for their distinguished service. They include Jack Cogan, Jim Riepe, Jack Brennan, Paul Haaga, Marty Flanagan, Greg Johnson, and Ed Bernard.

Since Paul Bartholet in 1941, there have been nine individuals—including myself—who have led the ICI staff. I have been privileged to know two of these leaders, David Silver and Matthew Fink. Family obligations unfortunately have precluded Matt from joining us tonight and, sadly, Dave Silver passed away in 2013. But Dave's and Matt's tenures as ICI president were of decisive importance to creating the ICI of today.

Dave was instrumental in representing the industry in 1970 during debates over significant amendments to the Investment Company Act and in establishing [ICI Mutual Insurance Company](#). Matt was my mentor during the 1990s, when I served as ICI's general counsel. He left an enormous legacy in expanding our research activities, in advancing key policy initiatives, and in inaugurating the program for fund independent directors that has become the [Independent Directors Council](#), or IDC.

In addition to IDC's current chair, Paul Freeman, we are honored to have with us four of Paul's predecessors, including Jim Bodurtha, Bob Uek, Dorothy Berry, and Susan Kerley. Thanks to you, and to all the fund directors who work with IDC, for your commitment to strong and effective fund governance.

There are so many others here tonight deserving of special mention, including all of you who serve on our [Board of Governors](#), on one of our many [committees](#), or on [ICI's staff](#). You

embody the kind of engagement and dedication that has been the source of ICI's remarkable strength over many years. We are deeply grateful to you all.

As I said, we who are today's stewards of the fund industry and of its association build on the efforts of countless others who preceded us. Countless others will follow after us, shaping the industry's destiny over the next 75 years.

Perhaps, today, we can no better predict the fund industry of 2090 than our predecessors could foresee today's industry in 1940. I would venture to guess, however, that it will be an ever-more global enterprise. That underscores our debt to all those leaders who helped to launch [ICI Global](#) in 2011, and who have sustained it in its formative years.

Yes, we can take pride in our history and have confidence in our future. Yet we also should bear in mind that funds and fund investing are characteristic today of financial markets around the world. Many other organizations are dedicated, as we are, to serving the interests of fund shareholders and fostering the role of funds as vehicles for long-term saving and investment. Indeed, we are honored to have with us tonight esteemed colleagues from counterpart associations in many nations around the world. We are deeply grateful for the opportunities we have to work together with you, and with all the members of the [International Investment Funds Association](#). We thank you for being part of tonight's celebration.

On this 75th anniversary of the modern fund industry and of the Investment Company Institute, there indeed is much to celebrate and for which to give thanks.

But let this celebration here at the home of the greatest of our Founding Fathers serve always to remind us of the lesson of the founding generation of our industry's leadership: regardless of the anniversary we celebrate, or the level of success we enjoy, earning and keeping the trust and confidence of fund investors is the one sure way forward. Doing that will make our next 75 years as successful as our first.

Thank you again for your leadership and work on behalf of funds and investors around the world.