

FOR IMMEDIATE RELEASE

Contacts: John Collins 202-326-5864  
Chris Wloszczyna 202-326-5889**ICI STATEMENT ON TODAY'S ANNOUNCEMENT BY NEW YORK ATTORNEY GENERAL**

**Washington, DC, September 3, 2003** – *The following is a statement from Investment Company Institute President Matthew P. Fink:*

“The legal standards and duties regarding trading and valuation of mutual fund shares are clear and longstanding.

“Mutual funds and the ICI support strict compliance with and vigorous enforcement of the law on behalf of mutual fund shareholders.”

Fink issued the statement in response to reports that a hedge fund has settled charges that it had improperly engaged in late trading in and market timing of mutual funds shares.

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ICI-03-95

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**ICI CHAIRMAN'S STATEMENT  
ON NEW YORK ATTORNEY GENERAL'S ANNOUNCEMENT**

Washington, DC, September 4, 2003 – *The following statement is from Investment Company Institute Chairman Paul G. Haaga, Jr.:*

“If, as alleged yesterday, certain fund managers have violated legal standards or their own policies in return for payments from hedge funds, we urge strong and prompt remedial action by government officials. Fund shareholders have every right to expect that investment professionals will adhere to the highest standards of legal and ethical conduct. If it is true that some have failed to meet these standards and abused the public’s trust, there are serious wrongs that must be righted.

“Working with government officials and others, we pledge to redouble our efforts in support of the bedrock principle that the interests of mutual fund investors always come first.

“For more than a half century, mutual fund companies have worked hard to earn the trust of tens of millions of individual investors. Shareholder confidence is every mutual fund’s most precious asset. As we learn more about the practices described yesterday, the ICI and the mutual fund industry will take whatever steps are necessary to restore and reinforce shareholder confidence.”

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ICI-03-96



THE CHAIRMAN

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

September 4, 2003

Matthew P. Fink  
President  
Investment Company Institute  
1401 H Street, NW  
Suite 1200  
Washington, DC 20005

Dear Mr. Fink,

As you are aware, the New York Attorney General yesterday announced a settlement and an on-going investigation of a hedge fund and its managers for late trading and market timing with respect to a number of mutual funds. These are, of course, very disturbing allegations and I am sure that you are as deeply concerned about these allegations as I am. Our examination and enforcement staffs are conducting a vigorous and broad-based investigation into these types of abuses. Where we find there have been violations of the federal securities laws, we will bring appropriate and meaningful enforcement actions.

You may assist us in this effort by urging your members promptly to seek assurances from their selling broker-dealers and other intermediaries that they are following all relevant rules and regulations, as well as internal policies and procedures, regarding the handling of mutual fund orders on a timely basis. As you know, forward pricing is a long-standing and fundamental principle with respect to the purchase and sale of mutual fund shares and helps ensure fairness to all mutual fund shareholders.

I also urge you to remind your members of their obligations with respect to market timing activity and request that they review their market timing policies and procedures, as well as their fair valuation procedures, for sufficiency in addressing concerns in this area.

Mutual funds are the investment vehicle of choice for millions of Americans and play an important role in our markets. We seek your help in ensuring that the mutual fund industry fulfills its obligations to shareholders.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Donaldson".

William H. Donaldson



# MEMORANDUM

INVESTMENT COMPANY INSTITUTE

[16501]

September 5, 2003

TO: BOARD OF GOVERNORS No. 44-03  
PRIMARY CONTACTS - MEMBER COMPLEX No. 73-03  
COMPLIANCE ADVISORY COMMITTEE No. 70-03  
SEC RULES MEMBERS No. 118-03  
SMALL FUNDS MEMBERS No. 48-03  
ACCOUNTING/TREASURERS MEMBERS No. 40-03

RE: MEMBER REVIEW OF HANDLING OF MUTUAL FUND ORDERS AND MARKET  
TIMING POLICIES

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In view of the New York Attorney General's recent action involving a hedge fund and its managers for late trading and market timing with respect to a number of mutual funds, SEC Chairman Donaldson sent a letter (attached) requesting that the Institute promptly urge its members to take certain steps to assure compliance with applicable regulatory requirements. Accordingly, I urge all Institute members to immediately:

- seek assurances from your selling broker-dealers and other intermediaries that they are following all relevant rules and regulations, as well as internal policies and procedures, regarding the handling of mutual fund orders on a timely basis; and
- review your market timing policies and procedures, as well as fair valuation procedures, for sufficiency in addressing concerns in this area.

I am sure that you appreciate the vital importance of these issues in maintaining the confidence of mutual fund investors. Please contact the Institute's staff if you have any questions.

Matthew P. Fink  
President

Attachment



# INVESTMENT COMPANY INSTITUTE

MATTHEW P. FINK  
PRESIDENT

September 5, 2003

The Honorable William H. Donaldson  
Chairman  
U.S. Securities and Exchange Commission  
450 Fifth Street, NW, Room 6000  
Washington, DC 20549

Dear Chairman Donaldson:

Thank you for your September 4<sup>th</sup> letter.

Like you and many others at the Commission, the Institute and its members are deeply concerned over the allegations described in the New York Attorney General's complaint. The ICI and the fund industry welcome the SEC's immediate and thorough review of these allegations, and pledge our complete cooperation in any efforts you may undertake. If true, the business practices alleged in the complaint grossly abused investor trust. We will do all that we can to make it clear that such behavior is intolerable and inexcusable.

With respect to your specific request, the Institute earlier today wrote to all of our members urging them to (1) seek assurances from their selling broker-dealers and other intermediaries that they are complying with all relevant rules and regulations, and internal policies and procedures, regarding the handling of mutual fund orders on a timely basis, and (2) review their market timing policies and procedures, and fair valuation procedures, for sufficiency in addressing concerns in this area. Our memo noted the vital importance of these issues in maintaining the confidence of mutual fund investors. A copy of the memo is enclosed.

The Institute and its members will do everything in our power to assist the SEC in the days and weeks to come, and will keep you fully informed as our efforts in these and other areas continue.

Sincerely,

Enclosure

cc: The Honorable Paul S. Atkins  
The Honorable Roel C. Campos  
The Honorable Cynthia A. Glassman  
The Honorable Harvey J. Goldschmid

Paul F. Roye, Director  
Division of Investment Management

Stephen M. Cutler, Director  
Division of Enforcement

Lori A. Richards, Director  
Office of Compliance Inspections and Examination