

ICI VIEWPOINTS

NOVEMBER 7, 2011

Washington Post Columnist Ignores Regulation, Transparency of Funds

By Paul Schott Stevens

Today I submitted the following letter to the editor of the *Washington Post*:

Mutual funds are among the most regulated and transparent investment vehicles available, with investor protection as a defining principle. In his [Sunday column](#), Steven Pearlstein chose to ignore that record.

Mutual funds use futures, swaps, and other derivatives to offer diversified investment strategies and to manage risks for the benefit of their shareholders. Academics and other investment experts have long stressed the importance of holding commodities in a diversified portfolio, and mutual funds help bring those benefits to retail investors.

Some of these strategies are executed through wholly owned offshore subsidiaries, as explicitly allowed by the Internal Revenue Service in more than 50 rulings. Both funds and their subsidiaries are subject to IRS and Securities and Exchange Commission requirements that, among other things, limit their use of leverage and otherwise protect investors. Funds also disclose the investment activities and holdings of their wholly owned subsidiaries. Under the law governing mutual funds, these offshore subsidiaries cannot engage in any activity that mutual funds could not directly pursue.

Your columnist was made aware of these facts. Unfortunately, they didn't fit the story he had in mind.

Paul Schott Stevens was President and CEO of ICI.