

ICI VIEWPOINTS

JUNE 11, 2015

Facing the Future: A Conversation with Former Chairmen

By Candice Gullett

On the second day of ICI's annual General Membership Meeting (GMM), held May 6–8 in Washington, DC, three former ICI chairmen sat down with current ICI President and CEO Paul Schott Stevens to share the lessons they learned over the course of their careers, as well as during their years of service as volunteer leaders at ICI.

The panelists included Jack Brennan, chairman emeritus of the Vanguard Group; Paul G. Haaga, former chairman of the board, Capital Research & Management; and James Riepe, senior adviser and retired vice chairman, T. Rowe Price Group. Their long history and continued involvement in the financial services industry fit perfectly with this year's GMM theme, Stevens explained to the packed house. The theme of "ICI at 75: Facing the Future," he said, was intended "to acknowledge our debt to the past—to generations of fund leaders whose efforts made today's fund industry and today's ICI a reality. But the theme also aims to remind today's and tomorrow's leaders of our responsibility to safeguard and build on this great legacy."

A Culture of Commitment

The panelists agreed that ICI has a unique culture among trade organizations, and that this culture is one of the main reasons that ICI has been successful. When first becoming involved with the Institute, Riepe said, he was impressed by the fact that, once everyone gathered at the Institute to meet, they "put their ICI hats on"—meaning that they left self-interest behind. "The other trade organizations have nothing like this," he said.

ICI's leadership in helping the industry put aside competitive concerns and coalesce around common solutions has been very meaningful, added Brennan. "People who compete like crazy in the marketplace will rally around what's right for the investor at the end of the day," Brennan noted. Riepe pointed out that "it's not like this has been 'kumbaya' for 75 years," but "the spirit of the thing, right from the beginning of my involvement, has been really quite incredible."

This commitment to doing the right thing for the shareholder is a key facet of the ICI culture, the chairmen said. For example, when a late-trading scandal broke in 2004, the industry collectively decided to confront the problem head-on, rather than simply discounting the scandal as the actions of a few bad apples. This was important, said Haaga, because "we're an industry built on trust."

Keeping the interests of shareholders at the forefront is not only the right thing to do, said Riepe, it's in the industry's best long-term interests—fund companies are most successful when their shareholders are doing well, he explained.

Top-Notch Research and Expertise

Stevens pointed out that ICI's expertise in gathering and analyzing data dates back to its origins, and helps to differentiate the Institute from other trade organizations. ICI's research is used by the industry, but also by regulators, he explained. Brennan added that ICI's research feels different than the industry's, "for all the good reasons." Policymakers, he said, accept ICI data as "honestly put together as opposed to [being] put together for a specific purpose. And I think that's really powerful." Indeed, ICI's data have been critical in numerous debates throughout the industry's 75 years, Riepe emphasized, including recent debates over money market fund reform and systemically important financial institution (SIFI) designation.

Another thing that has helped build ICI's reputation in Washington is its ability and willingness to work *with* regulators, rather than reflexively opposing any regulation. For example, said Brennan, during the financial crisis ICI and the industry worked closely with the Securities and Exchange Commission to ensure that the 2008 money market fund regulations strengthened the product, protected

shareholders, and didn't impede the markets. And Haaga recalled that during the late-trading scandal, "We embraced the regulatory solutions and never pushed back in a way that I think many industries would have."

In other instances, Haaga remembered, ICI worked with members to develop sets of best practices, which Stevens said can supplement or even work better than formal rules. A set of best practices can show an industry's commitment to fixing the problem at hand and possibly help it avoid overly restrictive regulations that can hurt shareholders, explained Riepe.

A Legacy of Collaboration

With much laughter and with deep camaraderie evident, the chairmen noted that friendship made it much more possible to get agreement on tough issues.

"You compete like crazy, but there are a lot of awful deep friendships that come out of this. That matters," said Brennan. "Work is work. But at the end of the day, if you can do good things for your investors, for your company, and your industry, and do it with people you value because they have high character, integrity, and you like them—how good is that?"

Stevens wrapped up the session by reminding the crowd that the opportunity to create these kinds of connections is a primary reason for gathering at GMM. The chairmen agreed, and as they exhorted the audience to move on to their next opportunity to learn and network, Haaga slyly said that he wanted the last word. He announced, to much laughter and applause, "We left you a perfect industry. Don't screw it up!"

For other GMM highlights, please visit http://gmm.ici.org/gmm/2015/15_highlights.

Candice Gullett is an editor at ICI.