

## Changes Have Come, Quietly

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Reforms that work best benefit mutual fund shareholders.

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Since mutual funds rarely seek the spotlight when advancing reforms, observers might be unaware of the industry's longstanding efforts to protect the interests of its 93 million shareholders. The fund industry's quiet but forceful calls for corporate and market reforms should not be mistaken for acquiescence. Mutual funds consistently have sought improved accountability, strengthened oversight, and effective regulation.

Perhaps more important than any single action is the standard our industry uses in determining when we should act. Simply put, the fund industry focuses on reforms that would benefit our shareholders. For example:

In 1998, the industry began urging the New York Stock Exchange to require shareholder [approval of stock option plans](#) to prevent the stealth transfer of shareholder wealth and voting power to management. In 1999, we followed up on our support for decimalization and reduced trading costs by supporting improvements in the function and regulation of equity markets. In 2000, we initiated a call for broad disclosure reforms in the municipal securities marketplace. And in each of these years, we called for [adequate resources](#) for the SEC to do its job.

All of this occurred long before Enron and other recent debacles. This year alone, the fund industry has called for [earnings announcements](#) to be filed with the SEC promptly and improved to avoid misleading investors; stronger disclosure rules for [loans to and insider selling](#) by senior executives; disclosure of [critical corporate accounting policies](#); and new [legislation](#) to promote better accounting standards, more independent auditor oversight and substantially increased resources for SEC enforcement.

A mutual fund's primary responsibility is to help its shareholders achieve their investment objectives. In addition to collective industry action, fund managers influence internal corporate matters through their individual efforts. Whether through proxy votes or focused informal discussions, this is another form of effective action that serves fund shareholders.

When it comes to corporate and market reforms, mutual funds are workhorses, not show horses. We are obligated to manage funds exclusively in the best interests of our shareholders. Just don't expect a press release every time we take action to protect our shareholders' interests.

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