

Mutual Fund Industry Sees Progress in Latest Decision on Bond Fund Volatility Ratings, November 1997

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Washington, DC, November 14, 1997 - The president of the national association of the mutual fund industry said that "progress was made" in today's NASDR board decision establishing a pilot program allowing bond fund volatility ratings in sales literature, subject to various conditions. "The NASDR Board of Directors recommended some meaningful safeguards that will help to protect investors. The resolution is a step in the right direction," said Matthew P. Fink.

The ICI president said the mutual fund industry was gratified that the NASDR board recommended prohibiting the ratings from being called "risk" ratings and requiring that they be in a narrative form. "These were two key points that the Institute had stressed in its meetings and [communications](#) with the NASDR Board. The NASDR's recommendations would limit the potential for investor confusion, such as making clear that the ratings be truly objective in nature," said Mr. Fink.

Mr. Fink further observed that the 18-month pilot program will benefit from SEC review. "The SEC, which has been leading the charge for improved disclosure, will invite public comment and have final approval on the program. The fund industry sees the bond fund volatility ratings program as a work in progress that can be improved at each step to better serve investors," he said.

"The mutual fund industry is committed to promoting investor awareness through improved disclosure. We hope that investors will continue to look at a variety of information, not just volatility ratings, when making investment decisions," Mr. Fink concluded.

The Investment Company Institute is the national association of the American investment company industry. Its membership includes 6,661 open-end investment companies ("mutual funds"), 443 closed-end investment companies, and 10 sponsors of unit investment trusts. Its mutual fund members have assets of \$4.160 trillion, accounting for approximately 95 percent of total industry assets, and have over 59 million individual shareholders.