

Highlights of
ICI Accomplishments and Activities
1940–2005

HIGHLIGHTS OF ICI ACCOMPLISHMENTS AND ACTIVITIES

1940–2005

The Investment Company Institute (ICI) is the national association of U.S. mutual funds and other investment companies. Its history as an organization dates from the very creation of the modern U.S. fund industry in 1940, when the U.S. Securities and Exchange Commission and fund industry leaders identified the need for an organization to facilitate the effective functioning of funds under the U.S. legislative and regulatory framework. Over the years, ICI's efforts in performing this central role have grown in direct correlation to the growing acceptance and recognition of mutual funds as the most effective tool available to the average investor seeking to achieve long-term financial objectives. This role is in keeping with the three missions entrusted to the Institute—namely, to encourage adherence to high ethical standards by all industry participants; to advance the interests of funds, their shareholders, directors, and investment advisers; and to promote public understanding of mutual funds and other investment companies.

MAJOR MILESTONES AND INITIATIVES

1940 CREATION OF THE INVESTMENT COMPANY ACT, FUND INDUSTRY TRADE ASSOCIATION

President Franklin Delano Roosevelt signs the Investment Company Act of 1940, establishing the structure and regulatory framework for the modern mutual fund industry. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC later becomes the Investment Company Institute.

1944 FUND INDUSTRY STATISTICAL EFFORTS BEGIN

The NAIC begins collecting investment company industry statistics. In 1944, this statistical collection includes 68 mutual funds with \$882 million in assets under management; by 2004, ICI's statistical collection includes 8,042 mutual funds with \$8 trillion in assets under management.

1949 FUND AND SHAREHOLDER MILESTONES

Mutual fund shareholder accounts total 842,198 in 91 funds.

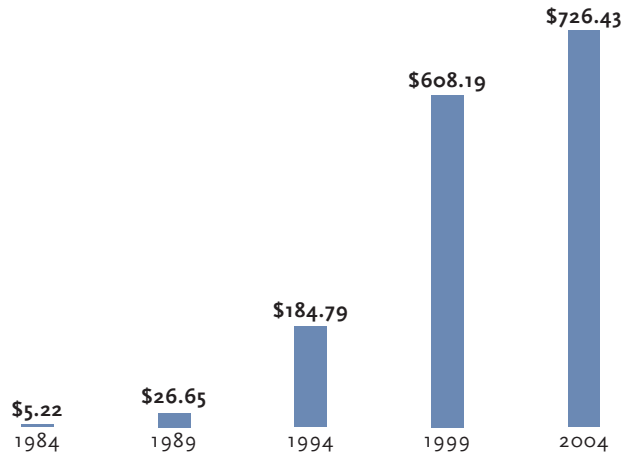
1954 STRENGTHENING THE ROOTS OF THE OWNERSHIP SOCIETY IN AMERICA

Household net purchases of fund shares exceed those of corporate stock for the first time, and the NAIC initiates a nationwide public information program emphasizing the role of investors in the U.S. economy and explaining the benefits of the investment company model as a means for the average investor to participate in U.S. economic growth.

1955 **OPENING UP FOREIGN MARKETS TO U.S. INVESTORS**

The fund industry introduces the first U.S.-based mutual fund investing in foreign securities. In the ensuing years, ICI will work to secure an appropriate regulatory framework to facilitate this important innovation and numerous others that have served to open up a wide range of foreign securities markets to the investor of modest means.

PROVIDING CONVENIENT ACCESS TO FOREIGN MARKETS *(billions of dollars of assets in U.S.-based world equity and bond funds)*



Source: 2005 Investment Company Fact Book

1959 **FUND AND SHAREHOLDER MILESTONES**

Mutual fund shareholder accounts total 4.3 million in 155 funds.

1959 **INITIATING AN INDUSTRY-WIDE FORUM FOR FUND LEADER INTERACTION**

ICI holds its first *General Membership Meeting* in New York City to bring fund leaders together to discuss industry issues. Over the years, ICI expands its conference and workshop program for industry professionals to cover a variety of specific industry topics and disciplines, such as fund governance, operations, taxation, accounting standards, and securities law developments.

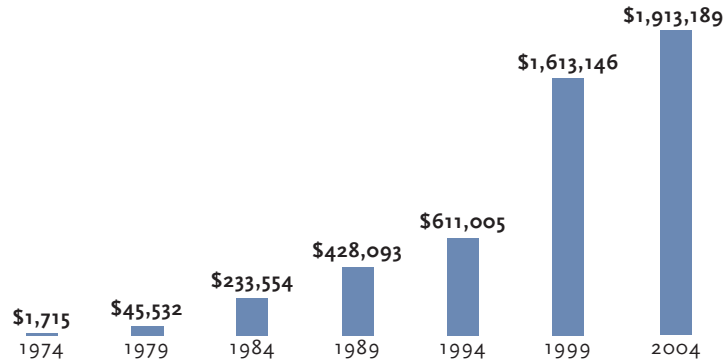
1962 **CREATION OF RETIREMENT PLANNING OPTIONS FOR THE SELF-EMPLOYED**

The Institute supports the creation of “Keogh” accounts, which afford tax relief to self-employed individuals and their employees. ICI helps prepare model Keogh plans and custodial agreements in the implementation phase of the legislation.

1965 INITIATING AN EDUCATION PROGRAM FOR INDUSTRY PROFESSIONALS

ICI identifies the need for a forum to educate industry professionals within various disciplines, inaugurating the *School of Investment Company Management* in cooperation with the School of Business Administration of New York University. In the 40 years since, this program — now called the *Mutual Funds and Investment Management Conference* — has evolved into a venue through which legal, accounting, and compliance professionals interact, participate in panel discussions, and hear from industry regulators and other experts on important issues affecting funds' service to shareholders.

PROVIDING CONVENIENT ACCESS TO THE U.S. MONEY MARKET *(total assets in U.S. money market funds in millions of dollars)*



Source: 2005 Investment Company Fact Book

1969 FUND AND SHAREHOLDER MILESTONES

Mutual fund shareholder accounts total 10.2 million in 269 funds.

1970 CREATION OF COMMITTEE TO ADDRESS FOREIGN MARKET ISSUES

The Institute forms an industry standing committee to consider foreign market regulatory issues, including removing impediments that hinder portfolio investment abroad by U.S. funds, strengthening corporate governance in foreign markets, and protecting U.S. funds' rights as investors on behalf of their shareholders.

By year-end 2004, more than 800 U.S.-based funds hold \$726 billion in equity and bond funds investing predominantly in foreign markets.

1971 BIRTH OF MONEY MARKET FUNDS

The first money market mutual funds are created, offering investors a complement to their long-term fund investment strategy and a competitive alternative to traditional passbook savings accounts. In subsequent years, ICI strongly supports the SEC's efforts to develop regulatory standards to help ensure that money market mutual funds fulfill their objectives of seeking to maintain a stable net asset value per share.

1974 CREATION OF IRAS

The Institute works successfully for the passage of legislation authorizing the creation of the first Individual Retirement Accounts as a means for workers not covered by employer-sponsored retirement plans to help secure their future.

By the end of 2004, Americans invest \$3.5 trillion for retirement through IRAs.

1976 CREATION OF TAX-EXEMPT FUNDS

The Institute obtains legislation permitting the creation of tax-exempt funds. These funds provide investors with tax-free income and are a significant source of capital to state and local governments for investment in infrastructure, schools, hospitals, and other critical municipal projects.

By the end of 2004, Americans invest \$638 billion in tax-exempt bond and money market funds.

1977 REDUCTION IN THE COST OF REGULATORY FEES

As requested by the Institute, the SEC permits funds to subtract redemptions of fund shares from new sales when computing SEC registration fees. Over the years, this saves mutual fund shareholders billions of dollars. For example, in 2004 alone, long-term mutual funds save \$113 million and money market funds save \$1.35 billion in registration fees.

1979 FUND AND SHAREHOLDER MILESTONES

Mutual fund shareholder accounts total 9.8 million in 526 funds.

1980 SERVING AS AN ACCURATE SOURCE FOR STATISTICAL DATA ON FUNDS

The Institute first provides statistical data to the Federal Reserve Board on money market funds. Over the years, ICI becomes an authoritative source for statistical data on funds for the Federal Reserve, the SEC, other federal agencies, policymakers, academics, and other industry observers. ICI now compiles, analyzes, and disseminates roughly 100 reports annually on the more than \$8 trillion that investors hold in U.S. investment companies.

1981 CREATION OF A UNIVERSAL IRA

The Institute successfully works to obtain legislation permitting all workers to open tax-deductible IRAs. Prior to this legislation, Americans contribute approximately \$3 billion a year to IRAs. During the period of expanded availability (1982 through 1986), Americans contribute on average \$34 billion per year to IRAs.

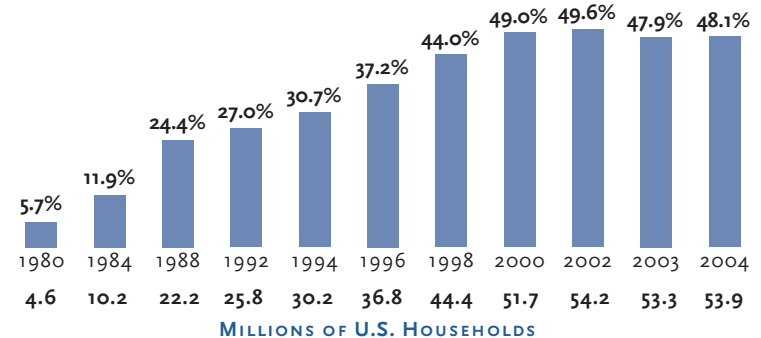
1983 SIMPLIFYING MUTUAL FUND PROSPECTUSES

The Institute supports an SEC initiative that shortened and simplified the mutual fund prospectus. By making the disclosures more readable, the simplified prospectus helps inform investors more effectively. This initiative—and subsequent efforts involving ICI and its members—helps address the need for fund disclosure documents that fund shareholders find useful in making investment decisions.

1983 PROVIDE STATE TAX EXEMPTION FOR SHAREHOLDER DIVIDENDS DERIVED FROM U.S. GOVERNMENT BOND FUNDS

Following a Supreme Court ruling in the case of American Bank & Trust Co. v. Dallas County, ICI leads a decade-long effort to prevent states from taxing mutual fund shareholders on the dividends they derive from U.S. government bonds.

U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS, 1980–2004
(number and percent of all U.S. households)



Source: "U.S. Household Ownership of Mutual Funds in 2004," Fundamentals

1986 SIMPLIFYING INVESTOR TRANSACTIONS

Under ICI leadership, the mutual fund and brokerage industries, with assistance from the National Securities Clearing Corporation, create a centralized, automated clearance and settlement service—Fund/SERV—which quickly became the standard for communicating investor transactions between distribution intermediaries and mutual fund transfer agents. Fund/SERV saves mutual fund shareholders hundreds of millions of dollars in processing costs.

1987 ANALYZING FUND TRANSFER AGENT COSTS AND SERVICE TRENDS

The Institute initiates a biennial study, *Mutual Fund Transfer Agent Trends and Billing Practices*, to provide reliable and comparative data regarding transfer agent service trends and costs to fund sponsors, advisers, and directors.

1987 CREATION OF ICI MUTUAL INSURANCE COMPANY

ICI's Board of Governors authorizes the creation of ICI Mutual Insurance Company (ICIM), a captive insurance company providing insurance and risk management services to ICI member funds. ICIM is also a leader in providing fund independent directors with comprehensive insurance coverage tailored to their needs. ICI Mutual now provides fidelity and D&O/E&O insurance to more than 60 percent of total fund industry assets, making it the leading provider of such insurance to funds.

1988 STANDARDIZED INVESTMENT PERFORMANCE DISCLOSURE

Under ICI leadership, a task force of mutual fund sponsors develops standardized formulas to compute mutual fund yields and total returns. These standards enhance uniformity among funds and enable fund investors to compare performance among mutual funds. The SEC bases its 1988 rule on the recommendations of this task force.

1989 FUND AND SHAREHOLDER MILESTONES

Mutual fund shareholder accounts total almost 58 million in more than 2,900 funds.

1989 PROMOTING INVESTOR EDUCATION

The ICI Education Foundation (ICIEF) is formed. ICIEF, an educational affiliate of ICI, partners with government agencies and other nonprofit organizations to help develop, promote, or enhance investor education initiatives on behalf of the fund industry.

1991 ENHANCING CREDIT STANDARDS FOR MONEY MARKET FUNDS

At the Institute's request, the SEC tightens the standards for permissible investments by money market funds. These new rules reduce the risks to money market fund investors by enhancing the credit quality of portfolio holdings.

1994 ADDRESSING INDUSTRY ETHICAL PRACTICES

A Blue Ribbon Task Force of ICI members issues best practice recommendations on personal investing by fund personnel to guard against conflicts of interest. In a voluntary effort to address such conflicts, the Institute's Board of Governors calls on every mutual fund to adopt the recommendations, which included a series of strict policies and procedures in this area.

1994 EXPANDING INDUSTRY RESEARCH PROGRAM

Former Federal Reserve Board Economist John Rea joins the Institute to expand ICI's research efforts. Over the next decade, ICI research and statistical efforts—and collaborative efforts with organizations like the Employee Benefit Research Institute and Securities Industry Association—help increase the breadth of accurate information on funds and their role in the financial markets and the U.S. economy.

In 2005, ICI research focuses on public and policymaker understanding of competitive forces in the financial services industry—including fund investor demand and its impact on fund services and costs—and the role of funds in helping Americans meet retirement and other long-term savings objectives.

1995 CREATION OF A FORMAL EDUCATION PROGRAM FOR FUND DIRECTORS

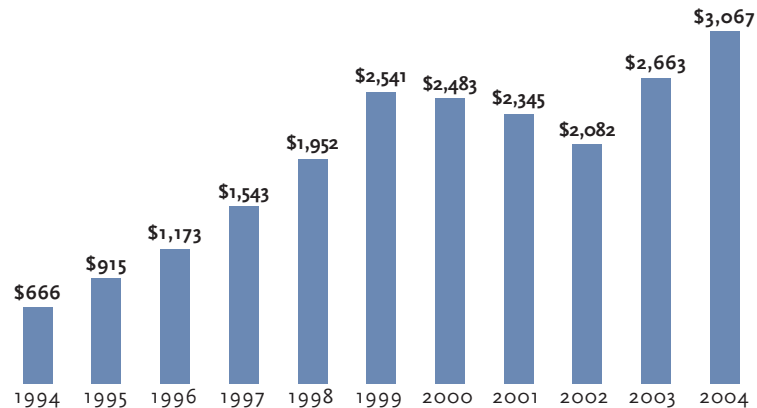
The Institute launches a major educational program for fund directors, including annual conferences, workshops, regional meetings, and publications. The program helps fund directors remain informed and enhances their ability to fulfill their obligations to fund shareholders.

1996 PROMOTING UNIFORM FEDERAL REGULATION OF MUTUAL FUNDS

The Institute helps secure legislation preempting inconsistent and often conflicting state regulation of mutual funds while still fully preserving state authority to prosecute fraud and abuse. This legislation eliminates regulatory requirements that increased fund costs, hindered innovation, and diverted scarce state government resources away from state enforcement activities that better protect investors.

PROVIDING A RELIABLE INVESTMENT FOR RETIREMENT SAVING

(total mutual fund retirement assets in billions held in IRAs and employer-sponsored defined contribution accounts)



Source: "Mutual Funds and the U.S. Retirement Market in 2004," Fundamentals

1996 CREATION OF IRAs FOR SMALL BUSINESSES

The Institute supports passage of the Small Business Job Protection Act, which creates SIMPLE IRAs and facilitates the creation of retirement savings plans for small businesses.

By year-end 2004, ICI estimates there were nearly 400,000 SIMPLE IRA plans with nearly 1.8 million Americans participating in them.

1996 HELPING FUND BOARDS IMPROVE GOVERNANCE PRACTICES

ICI releases the first in an ongoing series of Directors' Practices Studies to help benchmark fund board practices and policies. This Study serves as an authoritative source of information on a range of fund governance issues, and as a reliable industry benchmark to help inform fund boards as they review and set fund director compensation.

1997 SIMPLIFYING MUTUAL FUND TAXATION—REPEAL OF THE 30 PERCENT TEST

The Institute obtains repeal of a tax provision that limited mutual fund portfolio management activities. The repeal of the 30 percent test modernizes the Internal Revenue Code by removing restrictions that hampered a fund's ability to take advantage of opportunities to improve investment returns for fund shareholders.

1997 CREATION OF ROTH IRAS

The Institute supports passage of the Taxpayer Relief Act, which allows Americans to make after-tax contributions to Roth IRAs, creating another means for working Americans to save for retirement.

By year-end 2004, an estimated 12.8 percent of U.S households are invested in Roth IRAs.

1998 IMPROVING FUND DISCLOSURE— DEVELOPMENT OF FUND PROFILES

The Institute leads the fund industry's involvement in the SEC's development of the "fund profile," an innovative effort to improve investors' understanding of their fund investments. Working with the SEC, the North American Securities Administrators Association, and eight mutual fund sponsors, ICI engages in research to determine investor needs and preferences concerning disclosure, and helps create an understandable and readable prototype document that summarizes the information essential to investor decisionmaking. ICI supports the SEC's further efforts in 1998 to simplify and improve fund disclosure by, for example, requiring a standardized user-friendly summary similar to the profile at the front of every fund prospectus.

1998 ENHANCING THE ROLE OF FUNDS AS INVESTORS

The Institute forms an Equity Markets Advisory Committee to enhance the industry's role in making equity securities markets work more effectively for investors who invest in the market through mutual funds. ICI efforts have broadened in the years since in support of initiatives that help keep fixed-income and other markets functioning properly.

1999 SUPPORTING STRONG AND UNIFORM CONSUMER PRIVACY PROTECTIONS

The Institute supports provisions in the Gramm-Leach-Bliley Act that provide national standards for the sharing of consumer information among fund affiliates. ICI helps funds conform their operations to the requirements of Regulation S-P, an SEC rule implementing the privacy protections enacted under the new law. Over the years, the Institute consistently supports a rigorous and uniform national privacy standard that eliminates disparate treatment of consumers based upon their state of residence, and which also eliminates the need for funds and other businesses operating nationally to develop a variety of privacy notices tailored to state or local government requirements.

1999 OPPOSING EFFORTS TO WEAKEN INVESTOR PROTECTIONS

The Institute successfully opposes a legislative initiative that would have repealed core anti-self-dealing provisions of the Investment Company Act of 1940 by allowing broker-dealers to sell securities to funds they sponsor. The Institute vigorously and successfully argues that the proposal was too broad and could lead to conflicts of interest detrimental to fund shareholders.

1999 INDUSTRY BEST PRACTICES FOR FUND DIRECTORS

An Advisory Group of Institute members, including independent directors, issues a series of 15 best practices concerning fund governance. In a voluntary effort to enhance fund governance, the Institute's Board of Governors urges every mutual fund to adopt the recommendations that enhance the independence and effectiveness of fund directors in fulfilling their responsibilities to shareholders. The Council of Institutional Investors, a leading proponent of corporate governance, calls the Institute's best practices "far-reaching, extending beyond current legal requirements, industry practices, and in some cases ... surpassing practices currently endorsed by the Council and other groups."

1999 HELPING GUIDE FUND INDUSTRY POLICY ON ANTI-MONEY LAUNDERING

Before anti-money laundering (AML) rules are proposed for mutual funds, ICI helps protect shareholders from the threat of money launderers by publishing an AML guidance paper. In the wake of the terrorist attacks of September 11, 2001 and after the enactment of the PATRIOT Act that year, the Institute helps members implement AML responsibilities under new rules, establishing working groups and holding conferences and workshops on the topic. ICI also helps prevent unnecessary duplication of regulatory efforts, significantly reducing AML compliance costs without weakening AML protections for fund shareholders.

1999 FUND AND SHAREHOLDER MILESTONES

Mutual fund shareholder accounts total 226 million in 7,791 funds.

2000 RESPONDING TO Y2K AND OTHER MAJOR OPERATIONAL CHALLENGES

The Institute spearheads the fund industry's involvement in a multi-year effort to combat potential operational mishaps caused by the changeover to the new millennium. The Y2K efforts serve as but one example of “behind-the-scenes” work performed by ICI — responding to the 9/11 terrorist attacks and the Hurricane Katrina catastrophe are others — to ensure against the disruption of funds' service to shareholders. These efforts are an outgrowth of the work performed by an ICI Operations standing committee formed in 1969.

2001 ENHANCING AND SIMPLIFYING RETIREMENT AND EDUCATION SAVINGS PLANS

The Institute successfully supports legislation increasing tax-preferred contributions to IRAs and 401(k) plans, permitting catch-up contributions to these plans for older participants, and enhancing “portability” of retirement assets. These measures help Americans better prepare for retirement and provide greater control of their retirement assets. The Institute also supports increased contribution limits for Coverdell Education Savings Accounts (ESAs) and enhanced tax benefits of both ESAs and Section 529 plans.

2002 SECURING APPROPRIATE ACCOUNTING BOARD FEES

The Sarbanes-Oxley Act requires issuers of securities, including mutual funds, to pay fees to support two accounting boards. As recommended by ICI, mutual funds support these efforts to strengthen accounting and auditing standards, but suggest that accounting board support fees should be substantially lower for funds than for operating companies because fund financial statements are less complex. The adoption of this recommendation to lower accounting board support fees for mutual funds results in savings to funds and their shareholders in excess of an estimated \$35 million per year.

2003 FAIR TAXATION OF DIVIDENDS AND CAPITAL GAINS

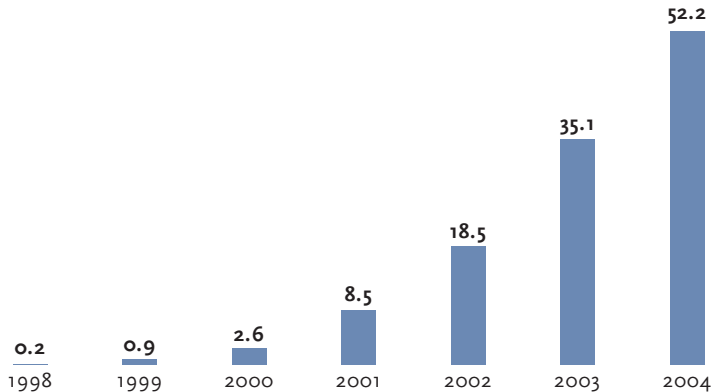
The Institute supports and works for provisions in tax legislation that provide mutual fund shareholders with the full benefit of lower tax rates on dividends and capital gains. The Institute's work addresses complicated aspects of the legislation and helps ensure that its tax benefits would “flow through” to fund shareholders.

2004 PROMOTING IMPORTANT FUND INDUSTRY REFORMS

The Institute supports SEC efforts to adopt fund industry reforms in response to trading abuses involving mutual funds, first uncovered in September 2003. ICI engages in comprehensive efforts to assist funds implementing the requirements of the SEC's new chief compliance officer rule. The rule is an outgrowth of an ICI proposal to the SEC a decade earlier that called for the establishment of minimum standards for all fund compliance programs.

PROMOTING EDUCATION SAVINGS PLANNING

(billions of dollars in Section 529 savings plans)



Source: 2005 Investment Company Fact Book

2004 CREATION OF THE INDEPENDENT DIRECTORS COUNCIL

To expand on ICI's historical efforts on behalf of the director community, ICI's Board of Governors agrees with a group of independent directors—including several serving on ICI's Board—to form the Independent Directors Council (IDC). The purpose in forming IDC is threefold: addressing the growing complexity of fund governance responsibilities by providing the director community a program of continuing professional development and education; ensuring timely dissemination of legislative, regulatory, and fund industry developments to the director community; and serving as a channel to communicate independent directors' views and recommendations to policymakers as they consider changes to the laws and regulations that impact funds' service to shareholders.

2005 SUPPORTING COMPREHENSIVE SECURITIES MARKET RESTRUCTURING

The Institute supports Regulation NMS, the most comprehensive restructuring of the securities markets in almost 30 years. Regulation NMS creates a market structure that promotes market efficiency, competition, price transparency, and the direct interaction of investor orders.

2005 SUPPORTING FAIR TAX TREATMENT OF MUTUAL FUND CAPITAL GAINS

The Institute supports legislation that would encourage more personal saving by allowing fund investors to keep more dollars invested longer. The Generate Retirement Ownership Through Long-Term Holding (Growth) Act (H.R. 2121 and S. 1740) would defer taxation of automatically reinvested capital gain distributions until mutual fund shares are sold, rather than taxing the gains every year.

The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.

ICI members include 8,518 open-end investment companies (mutual funds), 663 closed-end investment companies, 148 exchange-traded funds, and five sponsors of unit investment trusts. Mutual fund members of ICI have total assets of approximately \$8.5 trillion (representing more than 95 percent of all assets of U.S. mutual funds); these funds serve approximately 86.7 million shareholders in more than 51 million households.

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