

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON H.R. 2420, THE MUTUAL FUNDS INTEGRITY
AND FEE TRANSPARENCY ACT OF 2003
WEDNESDAY, JUNE 18, 2003**

Mr. Chairman, thank you for the opportunity to offer my initial thoughts on H.R. 2420, the Mutual Funds Integrity and Fee Transparency Act, before we hear from our witnesses.

The dynamic mutual fund industry constitutes a major part of our equities markets, and it has, without question, worked to democratize investing for millions of Americans. Despite this tremendous success, securities experts have continued to regularly examine how we can improve the performance of the mutual fund industry in order to advance the interests of investors.

As you know, Mr. Chairman, I have made investor protection one of my top priorities for my work on this committee. I consequently share your concerns that our committee must conduct vigorous oversight to examine whether our regulatory system is working as intended and to determine how we could make it stronger.

During our last hearing on mutual funds, several individuals raised concerns about some practices within the mutual fund industry. Because we identified no consensus for addressing these matters, I joined with my colleague, Congressman Bob Ney, in writing to the Securities and Exchange Commission after the hearing. In replying to our letter, the Commission's staff suggest several areas for reform and for further study. In order to ensure that today's hearing record is complete, I request unanimous consent to enter into the record the response that Congressman Ney and I recently received from the Commission.

In addition, Mr. Chairman, you also contacted the Commission after our last hearing to request their observations and recommendations regarding mutual funds. H.R. 2420 attempts to codify several reforms proposed by the Commission in its response to you. In general, H.R. 2420 seeks to enhance the disclosure of mutual fund fees and costs to investors, improve corporate governance for mutual funds, and heighten the awareness of boards about mutual fund activities.

While many of these reforms may be good ideas, we should explore whether they can instead be achieved without a legislative mandate either through the adoption of industry best practices or the promulgation of regulations by the Securities and Exchange Commission. As you know, Mr. Chairman, I generally favor industry solving its own problems through the use of self-regulation or the adoption of best practices whenever possible.

Nevertheless, if we decide to mark up H.R. 2420 in the weeks ahead, we should ensure that each provision in the bill is properly designed to help individual investors to make better decisions. We should also examine the effects of the changes on smaller mutual funds and whether these reforms will create barriers to entering the mutual fund marketplace. We should further determine whether the benefits of imposing a reform will outweigh its costs.

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Moreover, H.R. 2420 contains provisions not included in the Commission's report. In my view, we must carefully examine these additional legislative mandates to ensure that they will not produce unintended consequences. For example, H.R. 2420 would prohibit an interested person from serving as the chairman of the board of a mutual fund. While recognizing that there may be benefits to an independent board chairman, the Commission's report questions whether there is a need to mandate such a change if a majority of a mutual fund board is already independent.

In closing, Mr. Chairman, I look forward to hearing from our distinguished witnesses on this important legislation. Mutual funds have successfully worked to help middle-income American families to save for an early retirement, higher education, and a new home. We need to ensure that this success continues. I therefore hope that we will not rush into a markup on H.R. 2420 before we can work together on these matters.

I yield back the balance of my time.
