

**OPENING REMARKS OF THE HONORABLE RUBÉN HINOJOSA**  
**HOUSE FINANCIAL SERVICES COMMITTEE**  
**SUBCOMMITTEE ON CAPITAL MARKETS**  
**“MUTUAL FUNDS: WHO’S LOOKING OUT FOR INVESTORS?”**  
**NOVEMBER 4, 2003**

Chairman Baker and Ranking Member Kanjorski,

I want to thank you for holding this third hearing on mutual funds this year, and for the additional hearing the Subcommittee will hold this Thursday on the same subject.

Mr. Chairman, I believe that this is going to be a very interesting hearing based on all the news reports I have read on the developments in the mutual fund industry, the SEC’s involvement and the role New York State Attorney General Elliott Spitzer has played in the investigations of malfeasance at certain mutual funds.

I was very alarmed to read in yesterday’s Congress Daily PM that Senate Governmental Affairs Chairwoman Susan Collins stated yesterday at a hearing before her Committee that "clearly, much more must be done to protect mutual fund investors, whether it is through legislation, tougher enforcement actions, new and stronger regulations, or all three."

Governmental Affairs Financial Management Subcommittee Chairman Peter Fitzgerald, R-Ill., inferred at that same hearing that federal law not only allows but "codifies" an "incestuous relationship" between mutual fund boards of directors and their investment advisers and managers.

If they are correct, then the mutual fund industry is in dire need of reform. However, what I would truly like to learn today is if this series of events in the mutual fund industry is merely limited to particular funds or if these recent scandals represent a more serious, systemic problem within the mutual fund industry that might require Congress to enact legislation to correct the situation. Many believe that adequate laws and regulations exist to police late trading and market timing issues raised in the suits against the mutual funds in question. I am not certain that I want the current allegations of abuse to cause an overreaction of legislation or regulations to sweep-up legal late processing with the illegal allegations.

Like most of my colleagues here behind the dais, I would like to learn more about market timing and late trading. I look forward to the witnesses’ testimony and to their views on whether adequate laws and regulations exist to police late trading and market timing issues.

For these reasons and more, this hearing is both timely and helpful

Thank you Mr. Chairman and Ranking Member Kanjorski.

I yield back the balance of my time.