



NASAA

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November 3, 2003

The Honorable Michael G. Oxley
Chairman
Committee on Financial Services
2128 RHOB
Washington, DC 20515

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
B-301C RHOB
Washington, DC 20515

The Honorable Richard H. Baker
Chairman
Capital Markets, Insurance and GSE
Subcommittee
2129 RHOB
Washington, DC 20515

The Honorable Paul E. Kanjorski
Ranking Member
Capital Markets, Insurance and
GSE Subcommittee
2353 RHOB
Washington, DC 20515

Dear Congressmen:

On behalf of the North American Securities Administrators Association (NASAA)¹, I want to commend you for your ongoing efforts to champion the need for stronger protection of mutual fund shareholders. Specifically, NASAA supports the goals of H.R. 2420, *The Mutual Fund Integrity and Fee Transparency Act of 2003*, which the Financial Services Committee approved in July. By strengthening the independence and governance responsibilities of mutual fund boards of directors and improving disclosures of mutual fund fees and expenses, this legislation will go a long way toward helping the nation's 95 million mutual fund shareholders regain confidence in an industry that has helped meet their financial goals.

In light of the recent criminal and civil charges brought by state officials, as well as civil charges brought by the U.S. Securities and Exchange Commission (SEC), you may wish to make the bill stronger when it is considered by the full House of Representatives. The results of the SEC survey released today confirm the need to strengthen the bill.

Additional abusive mutual fund business practices have come to light since July, when the Committee approved H.R. 2420. In September, New York Attorney General Eliot Spitzer launched an investigation into improper trading in the mutual fund business. To date, more than a dozen mutual funds are under investigation and several mutual fund employees have either pleaded guilty, been charged or settled with state regulators. Last week, Massachusetts Secretary of the Commonwealth William Galvin filed a civil

¹ The oldest international organization devoted to investor protection, the North American Securities Administrators Association, Inc., was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

complaint against a Boston-based mutual fund family and two of its investment officers charging unlawful “market timing.”

The investigations of mutual fund trading practices launched by state officials and the SEC demonstrate both the value-added benefits of state securities regulation and the complementary relationship between state and federal regulators. State regulators remain committed to working with the SEC. We appreciate your suggestions to coordinate and improve the dialogue between state and federal officials.

As you know, in September, NASAA and the SEC announced a joint initiative to address issues of communication and cooperation between federal and state securities enforcement authorities. The initiative focuses on enforcement activities relating to regulated entities. I believe the improved dialogue between state and federal regulators has led to increased coordination in significant enforcement actions, such as those in the ongoing mutual fund scandal.

Mutual funds play a vital role in the retirement security of all Americans. We look forward to working with you and other members of the Committee as you explore ways to protect mutual fund investors and help restore their confidence in our nation’s financial markets. Please contact Deborah House, NASAA’s Director of Policy at 202-737-0900 if we may be of further assistance as you move forward on this issue.

Sincerely,

A handwritten signature in black ink that reads "Ralph A. Lambiase". The signature is written in a cursive, flowing style.

Ralph A. Lambiase
NASAA President
Connecticut Securities Director