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Assistance to Mutual Funds - Improving Products and Services, Strengthening the Regulatory Framework and AMFI - Report of Mr. David Silver

Financial Institutions Reforms and Expansion (FIRE) Project

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Price Waterhouse LLP
1616 North Fort Myer Drive
Arlington, VA 22209
Tel (703) 741-1000
Fax (703) 741-1616

Financial Institutions Reforms and Expansion (FIRE) Project
128 T V Industrial Estate Worli Bombay 400 025
Telephone 4946630 4963599
Fax (91 22) 4963555

Price Waterhouse LLP

April 8, 1997

Mr. G A. Shenai
Chairman of AMFI
Managing Director Canbank Mutual Fund
Orient House
Ballard Estate
MUMBAI-400 038

Dear Mr. Shenai

At the request of the Association of Mutual Funds in India ("AMFI"), Price Waterhouse LLP ("PW") arranged for continuing assistance to AMFI by Mr David Silver, a world renowned expert in mutual funds Mr Silver, the former President of the Investment Company Institute ("ICI"), the Trade Association of the United States Mutual Fund Industry, now serves as President of ICI Mutual Insurance Company Mr Silver, who is credited as a "father" of the Unit Trust of India ("UTI") for his support of the concept during a 1964 USAID sponsored consultancy, has an abiding interest in the future of the mutual fund industry of India During Mr. Silver's stay, January 15-23, 1997, he was assisted by Mr Lewis J Mendelson, Senior PW Mutual Fund Consultant, and Mr R N K Prasad This assistance was carried out under the US Agency for International Development Financial Institutions Reform and Expansion ("FIRE") Project which is administered by PW

I. Purpose of Assistance

Mr Silver's visit was designed to help AMFI to implement and develop its program to improve the credibility of the mutual fund industry and the public's acceptance of mutual funds, and to strengthen AMFI and the regulatory environment for mutual funds In public appearances, including press and TV interviews, and meetings with representatives of the Ministry of Finance, securities brokers and representatives of mutual funds, Mr Silver evaluated India's Mutual Fund Industry, including its regulatory environment, and suggested how it could better realize its potential of serving investors and the securities markets At AMFI's General Membership Meeting, he described the structure, operations and policies of the ICI and the keys to the successful growth of the fund industry in the U S and recommended a programme to strengthen AMFI

II. Contents of Report

The report reviews Mr Silver's recommendations in three general areas which should help to create greater credibility and increased public acceptance for the Mutual Fund Industry They are

- improving the product, mutual funds, and the schemes they offer, and the way the mutual fund industry does business and serves its clients,

- strengthening the regulatory framework for mutual funds in order to provide greater protections to unitholders; and

- strengthening AMFI in order to ensure that it develops the operations, structure, capacity and policies to become a strong, continuous, effective and respected voice for the fund industry

III. NEXT STEPS

AMFI and the fund industry would benefit from further expert consultation and assistance from the FIRE Project in providing direction, structure and expertise to various AMFI Committees and Subcommittees including

- Administration;
- Legislative and Regulatory (Government Relations), including Product Development,
- Research and Operations, including Standardization of Valuation and Performance Measurements, Marketing and Economic Analysis,
- Professional Standards, including Fund Operations and Training,
- Information Services, including Press and Media Relations.

The FIRE Project also can assist in the completion of

- outstanding educational brochures;
- the AMFI Code of Conduct,
- an AMFI Compliance and Operations Manual,
- AMFI Advertising Guidelines,
- Standardization of Valuation and Performance Measurements,
- Uniform Accounting Standards, and
- Training

IV. DISTRIBUTION OF THE REPORT

Under the terms of the PW/FIRE Project, the report will be distributed to USAID and SEBI We request your permission to distribute the report to selected participants in the Indian Capital Market and we will advise you of the same We will not distribute the report in its entirety to the media directly, however, we will note comments on its contents from time to time in response to media enquiries

Mr. G.A. Shenai
Chairman of AMFI
April 8, 1997
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We sincerely appreciate the warm welcome and cooperation which AMFI's Board Members and its members provided to Mr Silver and our staff.

Upon reading this report and its recommendations, please feel free to contact me with any questions. I can be reached at tel 496-3599, fax 496-3555 Thank you

Sincerely,

W. Dennis Grubb

W. DENNIS GRUBB
PRINCIPAL CONSULTANT CAPITAL MARKETS

Enclosure

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I. EXECUTIVE SUMMARY

This is a review of the continuing assistance given to the Association of Mutual Funds in India ("AMFI") by the FIRE Project during January and February, 1997, as part of its ongoing effort to assist the fund industry In July and August 1996, FIRE had designed a comprehensive strategic plan to improve the credibility of the industry Working closely with AMFI, FIRE also designed and laid the foundation for an AMFI Investor Awareness Campaign, a long term educational and promotional effort

FIRE invited Mr David Silver, former Chief Executive Officer of the Investment Company Institute ("ICI" or "Institute"), the trade association of the U.S. mutual fund industry, to participate during January 1997, as a Special Consultant in this assistance. Mr. Silver is an internationally recognized authority on mutual funds. As a result of assistance he rendered to India's securities markets through a 1964 USAID Project, Mr Silver is recognized as a "father" of the Unit Trust of India ("UTI") and thus holds an abiding interest in the future of India's Mutual Fund Industry

Mr. Silver visited India from January 13-23, 1997. The broad objective of his visit was to assist in developing and implementing AMFI's program to improve the credibility of the mutual fund industry and the public's acceptance of mutual funds He reenforced the FIRE Project's earlier recommendations, particularly with respect to its comprehensive plan to strengthen AMFI and to energize AMFI's efforts to promote regulatory reform and higher professional standards. Specific goals of Mr. Silver's visit included:

- assessing the regulatory environment for mutual funds;
- assisting in strengthening AMFI and the fund industry, and
- better informing policy makers, fund salesmen, securities industry leaders, the media and the investing public about how mutual funds could realize their full potential as a practical investment medium for a broad segment of the public and as a catalyst to the development of India's capital markets.

Mr. Silver's views and recommendations received wide exposure. Over the course of his visit, he:

- opened the Third Annual Seminar on the Mutual Fund Industry sponsored by the UTI Institute of Capital Markets and AMFI, with a Keynote Address, "Reflections on Regulation the Role of Industry,"

- discussed the regulatory environment for mutual funds with the relevant department heads and staff of the Ministry of Finance in New Delhi,

- participated in a Panel Discussion on Regulation of Mutual Funds as part of a

Technical Session during the UTI/AMFI Seminar and subsequently submitted a written assessment on the Regulatory Environment for Mutual Funds,

- described the organization and operations of the ICI in the United States, discussed the factors which contributed to the growth of the fund industry in the United States and presented recommendations for strengthening AMFI and developing the fund industry "The Investment Company Institute's Role In Promoting the US Mutual Fund Industry A Model for AMFI?" to the Annual General Meeting of AMFI Members.

- discussed his recommendations for strengthening AMFI in detail with AMFI's Chairman and key board members;

- participated in round table discussions, workshops and seminars with securities industry leaders and mutual fund sellers in New Delhi and Mumbai,

- briefed U.S. Ambassador Frank Wisener, members of his staff and the leadership of USAID on the purposes of his visit, the status of India's Mutual Fund Industry and the steps it needs to take to achieve greater acceptance; and

- provided the media with numerous interviews, including two televised interviews.

Mr. Silver found that SEBI's 1996 Mutual Fund Regulations, by setting the right tone and direction, have significantly improved the regulatory environment for mutual funds and their unitholders. He urged the industry to take a pro-active stance in coping with its problems and suggested that with SEBI's continued surveillance and enforcement behind AMFI standards, they could make a meaningful contribution to the quality of mutual fund regulation. In sum, Mr. Silver recommended:

- creating a wider variety of mutual fund schemes to provide "families of funds" for lifetime investing; ending guaranteed redemptions and assured rates of return;

- supporting a strong and comprehensive regulatory environment, including harmonizing the operations and practices of UTI and other public sector funds with those of private sector funds which are fully subject to SEBI regulation; and

- structuring and staffing AMFI to enable it to better serve its members

Based upon the recommendations made by Mr Silver and discussions with industry leaders over the course of his visit, and taking into account the concerns expressed by AMFI's leadership, the FIRE Project developed an AMFI Action Memorandum. It contains eleven concrete and detailed steps for implementing Mr Silver's recommendations and a suggested AMFI Committee Structure with defined functions for achieving its goals At a Special Meeting of its Board of Directors on February 13, called to consider FIRE's proposals, AMFI indicated its general acceptance of recommendations contained in FIRE's Action Memorandum.

II. BACKGROUND

In July and August 1996, FIRE designed a comprehensive strategic plan for AMFI to improve the credibility of the industry and the public acceptance of mutual funds. The plan called for AMFI to establish five departments or committees· professional standards, government relations, statistical research and analysis, information services and membership services. Working closely with AMFI, FIRE also designed and laid the foundation for an AMFI Investor Awareness Campaign, a long term educational and promotional effort built around seven basic documents, five of which were provided by FIRE as first drafts to AMFI and two for which FIRE provided specifications to AMFI FIRE subsequently revised two of the original drafts and the draft AMFI Code of Conduct in accordance with AMFI's comments

To help AMFI's members and professional participants in the fund industry to understand the potential of mutual funds and to expose them to the standards and practices employed in developed markets, and particularly in the USA, the FIRE Project invited Mr. Silver to participate during January 1997 as a Special Consultant in this assistance. FIRE arranged for wide exposure of Mr Silver's views among policy makers, regulators, Indian Mutual Funds, securities industry leaders, fund salesmen, professional market participants, investors and the media through seminars, workshops, round table discussions, interviews and private meetings.

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III. FIRE RECOMMENDATIONS

Mr Silver's recommendations related to three broad areas and are intended to

1) improve mutual funds and their schemes as products and the way the mutual fund industry conducts business through assistance in developing sounder more diversified products and maintaining product integrity and simplicity;

2) strengthen the regulatory framework in which mutual funds operate to provide greater protections to unit holders; and

3)strengthen AMFI, helping it to develop the operations, structure, capacity and policies to become a strong, continuous, effective and respected voice for the fund industry.

Detailed recommendations are set forth below.

A. Improve the Product and the Way the Mutual Fund Industry Does Business

1. Encourage Policies that Allow the Funds to Develop New Products.

Encourage and adopt regulatory policies that permit funds to have the widest variety of investment objectives and techniques These could include establishment of.

- Money Market Schemes;
- Municipal Bond Schemes;
- Pension Schemes and
- Index Schemes, and

allowing schemes to engage in hedging techniques to reduce risk or increase the possibility of greater returns.

2. Maintain product integrity and simplicity.

Attempts by mutual funds to simulate a bank account, guaranteed investment or government obligation will engender further investor disenchantment and lead to greater regulation and complexity

B. Strengthen the Regulatory Framework to Provide Greater Protections for Unitholders and the Investing Public

1. Manage Funds Solely in the Interests of their Unitholders.

Mutual funds as trusts must be managed solely in the interests of their beneficiaries, the unitholders Any business practice which is not totally consistent with this principle should not be tolerated, unless specifically authorized by carefully crafted rules that are in accord with its spirit

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a Minimize conflicts of interest

Formulate rules to prevent any ancillary source of profit to those affiliated with mutual funds so significant that it detracts from the single minded loyalty demanded of fiduciaries (e.g , permitting persons associated with a scheme, such as an AMC, to speculate in fund shares)

b Prohibit self-dealing

Assure the fairness to a scheme and its unitholders of "associated transactions," those between schemes and related persons such as sponsors and others who control, or are controlled by, fund asset management companies ("AMCs").

2. Support Comprehensive Regulation and Enforcement.

Support a comprehensive well-functioning system of regulation backed by vigorous enforcement.

a Eliminate unsavory practices

Take steps to eliminate extravagant advertising; unjustified claims promising unrealistic performance or illusory guarantees; unchecked conflicts of interest and any ancillary sources of profit to those affiliated with mutual funds which threaten to compromise the Manager's primary duties, such as speculating in fund shares Do not tolerate any practices which are not totally consistent with the basic duty to administer Mutual Funds solely in the interest of their beneficiaries, the unit holders.

b Permit private rights of action by Unitholders

Specifically permit mutual fund unit holders to bring law suits against their mutual funds in order that sponsors, AMCs and trustees may be held accountable to investors through this device

3 Develop a Level Playing Field.

Enact legislation which will enable SEBI to harmonize the mutual fund operations and practices of UTI and other preexisting mutual funds with those of all other industry participants and securities market professionals without limiting economic innovation The protections which the law and the regulatory framework provide should apply equally to all funds and investors in like financial products The complete integration and harmonization of UTI's mutual fund operations with those of the rest of the fund industry would strengthen the entire industry and rationalize the entire regulatory framework

4. Protect against unsound capital structures.

Control "pyramiding," "leveraging" "carrying on activities as underwriters" by formulating rules which carefully define and circumscribe such activities

5. Protect the physical integrity of fund assets.

Assure the independence of fund custodians.

6. *Develop and Adopt:*

a Uniform Industry Valuation Guidelines

To increase the probability that investor purchases and redemptions will be valued fairly; that fund performance will be accurately measured, and that management compensation and fund expense limits, which are percentages of total net assets, will be calculated correctly, AMFI should recommend uniform valuation guidelines for the industry

b Forward Pricing

To minimize the potential for dilution of the interests of unitholders, adopt forward pricing for all funds and narrow the interval between valuations

c Uniform Accounting Standards

To standardize and upgrade disclosures, the industry and its accountants and auditors should agree upon and implement generally accepted accounting standards for mutual funds

7. *Increase Transparency.*

Increase the scope, frequency and accessibility of information about the funds and their investments

a Adopt Broader, More Frequent Disclosures

Add information about portfolio turnover ratios and descriptions of any affiliated/associated transactions, the reasons for them and the amounts involved in each to annual and semi-annual reports Require this kind of information and the kinds of disclosures required to be in Annual Reports (other than additional audits) to be made semi-annually for the next two years and thereafter quarterly

b Make SEBI a Center for Information Distribution

Establish a Public Information Centre SEBI, by making information distribution one of its principal functions, demanding and collecting reliable information and immediately providing the means for its quick and efficient recirculation to the market, could dramatically improve the transparency and fairness of the market

C. Build AMFI into an Effective Voice for the Fund Industry

1. *Hire a Professional Staff.*

AMFI should immediately start the rapid build-up of a high quality professional staff with the capacity to play an appropriate role in helping create and facilitate the growth of the fund industry which lies ahead It will need to develop expertise in four areas

- Regulatory and Legislative Affairs,
- Media Relations, Investor Education and Training,
- Economic and Statistical Research, and Operations

2. *Influence the Regulatory Environment.*

The industry should take a proactive stance in the regulatory process and in coping with industry problems not just on an *ad hoc* or individual fund basis, but through AMFI, its industry association AMFI is now in a position to adopt and implement "Best Practices Codes" setting higher standards and filling gaps where greater clarity and uniformity are needed. AMFI should become a continuing point of contact between the regulator and the industry AMFI's Office of General Counsel must have the ability to consult closely with policy-making bodies regarding pending legislation and with SEBI to assure that it gets the benefit of the industry viewpoint and that the industry understands SEBI's views. Nothing will be more important than this ability to influence the regulatory environment.

3. Promote High Professional Standards.

AMFI should also independently address questions which would otherwise be the subject of government action. Examples of effective actions from the U.S experience include development of a uniform yield formula for fund advertising and promotional literature; a model Code of Ethics, and Code dealing specifically with Insider Trading by fund personnel

4. Provide Guidelines and Training.

AMFI might also wish to

- recommend guidelines such as compliance and procedures manuals and
- provide training seminars dealing with.
  - compliance matters,
  - trustees' and directors' responsibilities; and
  - orientation of new AMC and fund employees,
- develop procedures for the rapid and efficient settlement of mutual fund transactions and to create uniformity, and
- provide workshops, manuals and interactive videos at cost to the industry.

5. Take the Lead in Investor Education.

AMFI should continue to play a major role in investor education by providing press releases, media contacts and educational brochures, meeting public requests for information and members' needs for shipments in bulk of brochures on which they can imprint their names. Such a programme can be a continuing significant source of free publicity for the industry. As a sustaining part of its Investor Awareness Campaign, AMFI might wish to follow the example of the ICI which ten years ago created a special annual prize awarded by impartial experts to those reporters who have done the best job in writing financial stories of special interest to individuals and families about personal financial planning

6. Build a Data Base and Create a Research Department.

The information that a Research Department accumulates and the studies it performs should be readily available to the industry The Department should be able to

- monitor the flow of funds in and out of the industry and observe which kinds of funds are selling and being redeemed,
- classify funds by objective, load vs no-load, closed-end or open, types ~~of~~ sales forces, among others;

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- compile and maintain a comprehensive historical data base which may be derived from members' monthly reports to AMFI
- cover the entire industry and serve as the source of AMFI's own research
- be able to perform marketing studies or surveys; and
- continuously track demographic trends, such as aging population vs. young people to guide promotional efforts by tracking changes in the composition of the industry and of fund unit holders.

7. *Create an Operations Department.*

An Operations Department can assist the industry and its transfer agents in introducing uniformity which is good for all investors and broker-dealers by investigating computer developments on a common basis

IV. NEXT STEPS

FIRE's Continuing Support. The PW FIRE Project recommends that AMFI take immediate steps to

- hire a full-time Chief Executive Officer,
- restructure its administrative functions,
- constitute committees or workgroups for various tasks, and
- launch its countrywide Investor Awareness Campaign

FIRE also recommends that AMFI assign Committees and/or Subcommittees to carry out the steps described in its Action Memorandum consistent with AMFI's Comprehensive Plan and the ICI Model, as follows:

1. AMFI Administration.

Hire a professional staff, adopt a work plan, organizational chart and budget, set goals, priorities and dates, and assign Committees and independent contractors to begin working on the programme

2. Legislative and Regulatory (Government Relations).

Identify legislative goals and, working with SEBI, the Ministry of Finance, the Reserve Bank of India; and other concerned Government Departments, increase the industry's impact on legislative and regulatory matters that affect its vital interests and those of its unit holders, including:

(a) product development:

preparing legislative strategies and regulatory changes for broadening the range of products and investment techniques offered by the fund industry to possibly include, among others:

- money market schemes;
- municipal bond schemes;
- index schemes, and
- tax benefitted retirement schemes, and

allow funds to use hedging techniques and derivative securities to minimize risk and/or seek possible enhanced returns;

(b) continuing regulatory liaison:

clarifying and improving regulations through Interpretive Letters and review of proposed and existing regulations whether enunciated in the Mutual Fund Regulations or statutes, and

(c) restructuring and integration of UTI.

3. Research and Operations Committee:

(a) Prepare an AMFI Model Advertising Code which would define uniform standards for advertising, continuously monitor the advertisements of its members and those for competing products; and recommend changes in the AMFI Code as necessary;

(b) Analyze and evaluate the history and impact on the industry of marketing strategies featuring "guaranteed" redemption schemes and "assured" and/or "indicative" returns, and recommend alternative marketing strategies and means of safeguarding the interests of investors and the credibility of the industry,

(c) Maintain, initially with an outside source, the industry database, including statistics on performance and investor demographics, and conduct continuous performance studies;

(d) Immediately develop uniform methods of accounting, valuation and policies for segregation of assets, as well as determining appropriate reserve requirements for any entities which guarantee fund redemption prices or returns;

(e) Develop accounting standards for Mutual Funds over the longer term in coordination with the Institute of Chartered Accountants of India and SEBI, and

(f) Assist the industry and its transfer agents in introducing uniformity by investigating computer developments on a common basis

4. Professional Standards Committee.

(a) Complete and implement the AMFI Code of Conduct and create other compliance mechanisms, such as an AMFI Model Compliance and Operations Manual and internal reporting forms, reports and schedules to help trustees, funds, AMC's and their employees understand and meet their responsibilities, including helping to define the role of Compliance Officer,

(b) Structure and plan initial training of fund trustees, directors, compliance officers and other employees of AMC's, including explaining SEBI's new regulations and the AMFI Code of Conduct and helping the funds to adapt to them,

(c) Set standards for sellers of mutual fund schemes to be observed by members in dealing with those who market their schemes; and

(d) Establish "best practice" standards for various aspects of fund operations, including swift and accurate processing of unitholder transactions, back office procedures, required disclosures and advertisements

5. Information Services Committee.

Play a major role in investor education by providing press releases, media contacts and

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educational brochures, meeting public requests for information

(a) Prepare and update educational brochures such as the Investors' Guide , Agent's Handbook, Mutual Fund Performance Analysis and AMFI Directory,

(b) Structure and plan training of fund sellers and conduct Investor Conferences;

(c) Maintain media contacts, prepare press releases, conduct public relations and collect news abstracts, and

(d) Create special annual prizes to be awarded by impartial experts to those reporters or TV journalists who have done the best job in publishing or presenting financial stories of special interest to individuals and families about personal financial planning

APPENDIX I REFLECTIONS ON REGULATION THE ROLE OF INDUSTRY

Keynote Address by David Silver

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REFLECTIONS ON REGULATION: THE ROLE OF INDUSTRY

Keynote Address

By David Silver

Unit Trust of India/Association of Mutual Funds in India
Third Annual Mutual Fund Seminar

Mumbai, India
January 20, 1997

Reflections on Regulation: The Role of Industry

Keynote Address
By David Silver

Mumbai, India
January 20, 1997

It is now some 33 years since my first visit to India On this, as well as on my three previous trips, I have come in connection with some facet of the securities industry and the regulatory framework in which it operates In 1964, as an official of the American Securities and Exchange Commission, my mission was to advise on issues of Stock Exchange regulation as well as on steps to encourage individual share ownership. It was on that trip that I pressed for the speedy enactment of the law which provided for the creation of the Unit Trust of India In 1989 I was honored in being invited to deliver the keynote address at the celebration of the 25th anniversary of the UTI and by being (too generously) described as the father of that child which had by that time quite grown up On that visit I was in time to note the stirrings of deregulation which was to make it possible to create the private mutual fund industry and also to urge that the government permit investment in India by foreign institutional investors. Finally, in 1992, I was pleased to speak at a seminar here in Bombay on a variety of regulatory and other issues which needed to be addressed to achieve a healthy securities industry deserving of public trust and investor confidence.

I have dwelt, perhaps overlong, on these prior visits not as exercise in nostalgia but because on each occasion a major concern was the proper linkage between the private sector

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securities business and the public sector regulatory apparatus Or, perhaps to put the same thought somewhat differently, the extent to which the entrepreneurial zeal of the private sector should be modulated by government regulation designed to protect the public against fraud or more subtle forms of overreaching

In recent years in an academic setting I have had occasion to reflect upon this important, but highly complex issue I wish I could claim that after 40 years in government and industry my conclusions derive from some profound insights but they do not; at most I can offer only a few modest observations. I am thankful that the Price Waterhouse, USAID FIRE Project has enabled me to share my views on regulation and self regulation Price Waterhouse is to be specially commended for its broad and multi-faceted approach to the problems associated with capital market reform.

First and foremost I should state my belief that it is not, under modern circumstances, a proper role of government to make investment decisions for individuals by restricting legitimate investment options either on the basis of paternalism or to protect or encourage some particular sector of the economy

In the area of pooled funds, this means that, subject to full disclosure, funds with the widest variety of investment objectives and investment techniques should be permitted This rules out prohibitions based upon the belief that the public must be protected against speculative investments on the one hand or that some overriding national goal somehow justifies the creation of roadblocks to block highly desirable investments

In the U S , the latter point is best illustrated by attempts to prevent the establishment of money market funds in the early 1980s, on the grounds that it was a greater social good to protect banks (and inferentially bank profits) than to permit individuals of modest means to realize market rates of return on their savings or to be able to utilize the conveniences built into money market funds such as check writing. Proponents of this view never acknowledged that the denial of market rates of return to less affluent families was an implicit tax on them and a corresponding subsidy to the banking sector which paid low rates on bank savings accounts.

I might note that money market funds ultimately prevailed As a result of this legislative victory millions of investors flocked to money market funds which have now almost reached one trillion dollars in assets; without any discernible damage to the economic health of the country or indeed to the banking industry, despite the doomsday predictions of the bankers and bank regulators. And, in my view, it is the money market fund which is the keystone of the modern mutual fund industry in the U S It is, therefore, gratifying to see that SEBI's new rules contemplate the creation of money market funds However, I must confess disappointment with the assumption of jurisdiction over money market funds by the RBI Suffice it to say that in countries where bank regulators have asserted such jurisdiction they usually promulgate rules which make the creation of such funds impossible

The second principle to which I subscribe no less firmly than the first is that economic

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freedom provides no license to steal from or lie to investors or to conceal material facts from them In this regard I can only repeat what I said in my prior talks here In 1992 I stated "Economic deregulation should provide no license for . crooks to swindle investors . Sound regulation backed by vigorous enforcement maintains and builds (investor) confidence. Extravagant advertising, unjustified claims promising unrealistic performance or offering illusory guarantees . (as well as) unchecked conflicts of interest can cause immeasurable harm to small investors and bring discredit on the financial markets that can last a generation." In my 1989 talk I sounded the same themes and included an additional warning to the effect that "The adoption of new rules that remain unenforced is worse than futile All that is accomplished is increased disenchantment of the public Thus the securities industry has a strong stake in a comprehensive and well functioning system of . regulation and enforcement.. "

I want to make it clear today that legitimate regulation is not confined to a search for thieves. For example, rules designed to protect the integrity of mutual funds, such as SEBI's existing and proposed rules that open-end funds must maintain 85% of their portfolios in liquid securities or that a fund cannot change its investment objectives without a shareholder vote protects the integrity of the product. While one may quarrel with the details of such rules, it is difficult for me to consider them as anything but reasonable and appropriate exercises of government regulation

Speaking of product integrity there is one further point I should make as forcefully as I can The mutual fund concept is a marvelously simple one At low cost investors receive the benefits of professional management and the diversification of investment risk However, the concept should not be twisted into something it is not - a mutual fund investment, is not a bank account, it is not a guaranteed debenture, it is not a government obligation Attempts to graft features onto mutual funds to simulate such investments can only confuse investors as to what mutual funds are and will inevitably cause investor disenchantment leading to greater regulation and greater complexity I know the perceived realities of the retail investment scene in India. I heard all the arguments back in '89 and '92, but who can seriously say that the mutual fund industry is in better shape today than it would have been if guarantees of all kinds, had been prohibited?

When dealing with mutual fund regulation, it is well to remember that you are dealing with fiduciary relationships The legal relationship between those who manage mutual funds and investors derives from the law of trusts which imposes strict obligations on stewards of other people's money In fact, unlike American mutual funds, your funds are organized under a statute which explicitly recognizes mutual funds as being trusts In this connection, I might note that trust law places upon trustees and similar fiduciaries the highest duty of loyalty As stated in the American Restatement of the Law of Trusts (which is similar in all common-law jurisdictions,) "The trustee is under a duty to the beneficiary to administer the trust solely in the interest of the beneficiary" In my view any business practice, which is not totally consistent with this succinct and basic duty. should not be tolerated unless specifically authorized by carefully crafted laws or rules which are in accord with its spirit

It is formulating rules dealing with conflicts of interest there is one guideline I would especially commend Care should be taken not to permit any ancillary source of profit to those affiliated with mutual funds so significant that it detracts from the single minded loyalty demanded of fiduciaries For example, permitting persons associated with a fund to speculate in fund shares has been shown in other countries to undermine such loyalty.

It is not my purpose today to discuss in any detail the existing regulatory structure or SEBI's new rules or other aspects of fundamental trust law except as they illustrate general principles I might mention one point however In the U S. the job of the securities regulator has been immeasurably assisted by the inclusion within the Investment Company Act and the other securities laws of the specific right of mutual fund shareholders to bring lawsuits against mutual funds and their sponsors which misrepresent the truth or do not live up to representations they have made. I think this approach is worthy of further study in India. Fund sponsors should be accountable to find investors

All things considered I find it remarkable that in the five years of its statutory existence, SEBI has addressed all of the significant areas in which pooled funds can encounter problems Thus, I am very comfortable in stating that India now has a major league regulatory system which compares favorably with mutual fund regulation anywhere This does not mean that the present system is perfect It must be kept in mind that SEBI has not had a clean slate on which to write in at least two respects First, the operations and practices of the UTI mutual funds and, to a certain extent, bank sponsored funds were in some degree institutionalized before SEBI was

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created and are naturally resistant to change

Second, mutual funds do not exist in a vacuum - they exist within a general social and financial and legal environment Mutual fund operations and the distribution of their units are inevitably affected by the operations of stock exchanges, investment banks, brokers, clearance and settlement procedures and overriding considerations such as the general attitude of government towards economic innovation Too often have I seen government officials confuse deregulation with a mere lengthening of the leash. But a longer leash leaves control in the hands that hold it and what has been lengthened can be shortened

Within the present legal and social environment SEBI's new mutual fund rules are both sensible and balanced responses to industry problems In only a very few instances do I have any questions about the desirability of a particular regulatory approach. Be that as it may, there are clear limits on what regulation by itself can accomplish. Sure certain problems go beyond regulation. Even if the regulatory system was perfect there would still be room for further improvement in the operations of mutual funds

In my experience, there are certain improvements in business practices which are best accomplished if they come from the industry itself Even with the most laudable of intentions, regulators are not in the mutual fund business and therefore are not positioned to fashion the most practical remedies or to spot new problems as early as those who are in the business This observation brings me to my third theme which is the pro-active role of industry in the regulatory process

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For many years in the U S and increasingly in other countries, the industry has seen the wisdom of taking a pro-active stance in coping with industry problems While it is possible for an industry to put together a committee and act on an ad hoc basis to deal with a specific problem a much more efficient way of handling such issues is through an industry association In this regard, I was most pleased to see in the Mutual Fund 2000 Report that SEBI has lent its encouragement to an expansion of the role of industry through AMFI, the industry's recently created association This development itself must be regarded as being highly positive because it is not a universal axiom among mutual fund regulators that industry should play an important role Some governments essentially ignore the mutual fund industry with little or no ongoing contact between business and government For example, until recent years this was the situation in the U K which, in my view, inhibited investor protection and the development of the industry - although the blame in this instance must be shared by the British industry which historically seemed to see no benefit in co-operating with government.

Perhaps it is in this area that I can speak with some authority having been both a staff member of the U S Securities and Exchange Commission as well as having been privileged to be the CEO of the Investment Company Institute, the American mutual fund trade association from 1977 to 1991 From this vantage point, I can give personal testimony to the advantages to the industry, government and investors of a well staffed and efficient industry association

The Investment Company Institute was founded in 1941 only a year after the basic mutual fund regulatory statute, the Investment Company Act of 1940, was enacted It was created

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because of the excellent experience of the Securities and Exchange commission in working with an ad hoc industry group in fashioning the statute in 1940 After the statute was enacted, the SEC requested that the industry group find a way to continue in an organized form to act as a continuing point of contact between the Commission and the industry. It is, therefore, easy to understand why the ICI which was born of that request, while not a formal self-regulatory organization, has always been in close liaison with the SEC.

Over the years the ICI has addressed many questions which in other countries would have been the subject of government action. For example, the ICI developed a uniform yield formula which income funds utilize in their advertising and promotional literature In the late 1970s the Institute developed a model Code of Ethics which is in general use throughout the industry and in 1995 developed a specific code dealing with insider trading by fund personnel. While the ICI has no legal authority to compel its members to follow its recommended procedures and guidelines, the SEC takes note of whether a fund is in compliance during its periodic inspections As one may assume, the SEC is in a position to exercise a considerable amount of pressure on funds not in compliance

Beyond quasi-regulatory activity, the Institute has also developed compliance manuals for its members dealing with state law and investment advisers and has recommended other specific compliance procedures Moreover, the Institute provides training seminars dealing with compliance matters, as well as training courses for new fund employees The Institute's Operations Department has helped develop procedures for the rapid and efficient settlement of

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mutual fund transactions and to create uniformity

While the list of ICI actions taken over the years to improve regulation and the quality of industry practices is too long for these remarks, there is one I would particularly like to note In the last three years the Institute has expanded its training and compliance activities to include the directors of mutual funds Building on a small program, a new Division was created last year to provide ongoing education to both independent and inside directors under the guidance of a standing committee composed of fund directors and staffed by a senior Institute vice president

Activities of the Institute in the field of investor education are too numerous to discuss - one however deserves special mention Ten years ago the Institute created and funded a special annual prize, awarded by reputed experts to those reporters who have done the best job in writing financial stories of special interest to individuals and families about personal financial planning - an area which business reporters often ignore.

The creation of a trade association such as the ICI cannot be accomplished overnight The staff of the ICI is over 150 and even at that size a significant number of projects are delegated to subcontractors. It must also be remembered that the ICI also engages in a broad range of activities on behalf of its members, including research and statistics, public information, industry operations, as well as legislative and regulatory matters

As I survey the mutual fund situation as it now exists in India, it seems clear that this would be a most opportune time for AMFI to commence building a professional full-time staff Obviously, the beginnings must be modest I recall when I joined the ICI in 1966 industry assets were approximately $30 billion, about one hundredth of where they are today. At that time there were about 23 staff members but the Institute nevertheless provided most of the services it provides today although in less comprehensive form Not only can a professional staff become a valuable resource to the industry in the areas described above but with the passage of time and the accumulation of experience, knowledge and an institutional memory, these professionals come to be looked upon as leading authorities by the industry and by government. Indeed, many of the daily contacts between the staff of American regulators and the ICI staff are initiated by the regulators to obtain the benefit of the accumulated experience which forms part of the basic fabric of the ICI.

This, then, is my major message today and I hope a contribution to the future direction of the mutual fund industry of India Based on my four decades of experience in the mutual fund industry and a three decade association with India, I confidently assure my friends in the mutual fund industry that the best is yet to come. I can speak with confidence on this point. When I joined the American industry in 1966, our industry was about the same size as yours is now Thus, our past is your future You must look beyond the vagaries of the market at the moment and think ahead to the industry of the future If you do that you will see the wisdom of the rapid build-up of the capacity of your industry's trade association to play an appropriate role in helping create and facilitate the growth which most assuredly lies ahead

APPENDIX II THE INVESTMENT COMPANY'S INSTITUTE'S ROLE IN PROMOTING THE US MUTUAL FUND INDUSTRY

A ROLE MODEL FOR AMFI

The Investment Company Institute's Role In Promoting the Us Mutual Fund Industry: A Model for AMFI?

Remarks of David Silver
(Transcribed by Lewis J. Mendelson)

The Investment Company Institute ("ICI") provides the US industry with the strength of unity As Benjamin Franklin said, " We must all hang together or assuredly we shall all hang separately." The ICI plays a key role in formulating, improving and refining the rules and the legislation under which the industry operates Its activities are reflected in the daily pursuits of its members and the sense of dedication of the US Mutual Fund Industry

The Institute functions in four areas

- Regulation
- Media Relations
- Economic and Statistical Research, and
- Operations

The **General Counsel's Office** of the ICI maintains liaison with governmental authorities· the Securities and Exchange Commission ("SEC"), the Internal Revenue Service ("IRS") and any other agency of the US that affects the industry and its shareholders. It consults closely with the United States Congress regarding pending legislation and with the regulatory staff of the SEC, assuring that the SEC gets the benefit of the industry viewpoint and that the industry understands the SEC's views While the industry together can act on *ad hoc* issues, we have found that the Institute's continuous involvement in regulatory issues, the understanding it creates and the long build-up of our institutional memory is an ever more valuable asset If, today, the SEC wants to change a rule adopted in 1972, the industry is in position to say, "Here's why you did it, then The current proposal doesn't meet your prior standards " The SEC listens carefully and will modify its position to meet legitimate objections of the industry Nothing is more important than this ability to influence the regulatory environment.

Through its **Public Information Department** the Institute has contributed much to the success of the of the industry Our staff takes a broader view Its promotional efforts are guided by demographic and market research It tracks changes in the composition of the industry and of fund shareholders Its research led to defining and developing the "family of funds" concept. The ICI staff promoted the mutual fund family as a long term, not short term, investment medium, a "lifetime investment program" for the ordinary investor . one which will take you through your life cycle This department provides press releases, media contacts and educational brochures It meets public requests for information and members needs for shipments in bulk of brochures on which they can imprint their names This program is a continuing significant source of free publicity for the industry

One of the Institute's most successful efforts has been in helping the public to understand the role of mutual funds in personal finance Ten years ago the Institute established its Annual Media Prizes for the best stories to do with personal finances Until then there was little in the financial columns aimed at individual and family finance Recipients are selected by a distinguished independent panel of journalism professors and important journalists. The Institute has awarded a series of $2,500 prizes in different categories (large and small papers, magazines, electronic media, etc) The awards have succeeded beyond expectations and created an enormous reservoir of good will among the press Each year submissions come pouring in. The investing public has benefitted from the increased focus on the field of personal finance Inevitably, mutual funds are often a center piece of these articles.

The Research Department monitors the flow of funds in and out of the industry, observing which kinds of funds are selling and being redeemed. It classifies funds by objective, load vs. no-load, types of sales forces, among others. Its data base, which goes back to 1960, is derived from members' monthly reports It covers the entire industry and is the source of the Institute's own research. The Research Department also does marketing studies or conducts surveys directly for members For example, they entrust it with the names of shareholders for personal interviews It regularly accumulates information which it makes readily available to the industry For example, it continuously looks at demographic trends, such as aging population vs young people

In 1982, the Research Department found that the fund's shareholder base was increasingly among the aging Then, with the major movement into money market funds, surveys revealed five million new shareholders who had never before owned funds. They were ten years younger, with extraordinary educational achievements -- 75 to 80 percent were college educated. They started coming to mutual funds because money market funds provided a much better return than banks The industry understood their concerns We said "This is the future. They will come in They will stay with us This is a turning point in the industry." The ability of the Institute to carry out such surveys enabled its members to make vital marketing decisions solidly based on statistics and marketing research Also, Statistical Releases about the industry generate endless exposure in the press and media. All such information is released on a statistical, rather than individual, basis.

The Operations Department assists the industry and its transfer agents in introducing uniformity which is good for all investors and broker-dealers. It investigates computer developments on a common basis This information is useful on a technical level for the industry In recent years the **Training Division** has trained new employees of mutual funds. It provides workshops, manuals and interactive videos at cost to the industry, its facilities are open to members or groups that want to study mutual funds Member funds and participating members receive results of investigations and take advantage of the Institute's expert facilities The Institute also takes responsibility for protecting the interests of member directors and, as part of this responsibility, provides training for them

The **sum total** of these departments' work is much greater than the parts Research leads to legislation. Statistical information often becomes the basis for an SEC Rule Changes in the tax law to allow Individual Retirement Accounts ("IRAs") of up to $4,000 per family per year to be tax deferred were based upon Institute data on aging and demographics. The Institute together with the banking and insurance industries, which united in our common interest, brought the data to Capital Hill. Its enactment in 1976 benefitted all intermediaries and investors Although this program was cut back somewhat in 1986, IRAs, invented by the ICI, now account for approximately 10 percent of mutual fund assets, $300 billion (thousand million). When members think about their ICI dues, they calculate the annual advisory fees on their IRA accounts and they realize that they receive value many times over for their ICI dues.

Funding AMFI. I hope you will consider seriously funding your Association to move forward on common issues to promote the growth of the industry ICI membership dues are based on assets under management and are split between the AMC and the fund sometimes 50-50, sometimes according to a formula. The allocation can be discussed between the AMC and the trustees

The ICI's current budget is in the $20-$22 million range --all raised through membership dues The ICI also sponsors several successful conferences on taxes and accounting, on operations and a General Membership Meeting These produce approximately $400,000 to $500,000 per year It also maintains a reserve account to cover one year's operations. The ICI's dues policy is partially progressive and partially regressive Dues are very low for very small funds. We try to give them guidance and help them stay on the highway On the other end of the spectrum, for the absolute giants, dues scale down We don't want Fidelity to pay 30-40 percent of the Institute's dues. To avoid disproportionate influence, no member, regardless of size pays more than 10 percent of the Institutes dues.

Staffing the ICI. The ICI, even in its earliest days, has had no difficulty in recruiting and maintaining a high calibre staff In 1966, when I joined the ICI's staff, its offices were in New York The industry was smaller, its problems fewer, and its contacts were also fewer. In 1970, it moved from New York to Washington, D C The move was a good one The Institute has kept relatively small. Even now it has only 150 employees, much less than the major bank and insurance associations which are in the 350 to 400 range It is a good professional organization with high intellectual quality and it pays well The ICI never hires from the industry, rather the industry hires from the ICI Our board has agreed on a "no raiding" policy When staff members want to leave after five years they can make their own arrangements, indicating their availability to the industry

Significant Events. The Institute has played an important role in creating and shaping the significant events in the evolution of the U S Mutual Fund Industry These include

- the development of money market funds which brought in a new class of younger highly educated and achieving investors, and now account for one-third of the total assets of the industry--approximately one trillion dollars,

- the "family of funds" concept which permits a mutual fund sponsor to diversify its product line by offering a variety of funds with every kind of investment objective It means that money can remain under the control of one adviser and enables one fund sponsor to meet the changing needs of an investor over a lifetime-- to establish a lifetime investment program,

- the Individual Retirement Accounts, IRA's, which now account for approximately ten percent of all fund assets, and

- common technology which standardizes forms and processes, simplifying the purchasing and redemption processes for investors and brokers.

The SEC. The Institute recognizes the importance of the SEC as the first line of defense in protecting the investing public I am always somewhat surprised that an individual in Des Moines, Iowa or Santa Fe, New Mexico will write a check, representing a significant part of his financial worth, to a mutual fund in Boston, where he doesn't know anyone. This act which is repeated time and again in the US is indicative of the level of trust of the fund industry in the US The SEC is the highest fortress of protection The Institute lends its full support to the SEC, but will, nevertheless, criticize it when it believes it is wrong

Non-SRO Status. You have asked whether the ICI is a Self Regulatory Organization ("SRO"). The National Association of Securities Dealers, Inc (the "NASD") is a formal SRO It licenses securities salesmen and can penalize brokers The ICI is not a formal self regulatory organization It has no power to discipline its members However, the ICI does exercise moral suasion which is more than enough to maintain high industry standards For example, the ICI has adopted a yield formula which is observed by 100 percent of its membership If it was found that a member was using a different formula, the SEC, rather than the ICI, would follow through

Credibility. In the last analysis what the Institute brings to the industry is credibility. It is able to appear, if not impartial, at least reasonably objective It provides informed speakers for TV interviews to speak about mutual funds It generally adds value to the industry as a whole It protects the reputation of the industry by cooperating in the rule-making process which designed to protect the integrity of the industry. It provides Model Codes of Conduct for members and Insider Trading Rules for portfolio managers When the SEC inspects a fund it checks to see if it is adhering to the ICI Code or a stricter standard.

The Institute speaks for the industry and mutual fund shareholders The Fidelity Funds, the largest in the US, have thousands of first rate people They are capable of marketing securities or influencing the tax laws on their own However, they are also good members of the ICI in recognition that an individual member, no matter how excellent its staff, doesn't have the credibility that the Institute does Moreover, individual funds have never perceived that they could go it alone The largest fund recognizes that the smallest could bring it down Thus, the largest members are happy to engage in cooperative efforts to raise standards

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APPENDIX III AN ASSESSMENT OF REGULATORY ENVIRONMENT FOR INDIA'S MUTUAL FUNDS

THE REGULATORY ENVIRONMENT FOR INDIA'S MUTUAL FUNDS

An Assessment
As of January 1997

By David Silver

(Transcribed by Lewis J. Mendelson)

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THE REGULATORY ENVIRONMENT FOR INDIA'S MUTUAL FUNDS

An Assessment As of January 1997

By David Silver

In the competition for capital in the evolving global market, decision makers around the world increasingly are recognizing that the strength, integrity and fairness of a country's capital market can make a decisive difference in its economic development Investors will come into India's securities markets to the degree that they feel a high level of trust and confidence An appropriate regulatory framework and a vigorous, well-trained and effective regulator can add immeasurably to the level of confidence necessary to tip the balance to broad based participation in the markets. SEBI has made enormous progress toward these goals in the five years of its statutory existence.

All things considered, it is remarkable that SEBI in its 1996 Mutual Fund Regulations has addressed all of the significant areas in which pooled funds, such as mutual funds, can encounter problems Thus, I am very comfortable in stating that India now has a major league regulatory system which compares favorably with regulation anywhere

This does not mean that the present regulatory framework and the system that supports it are perfect In at least two respects SEBI has not had a clean slate on which to write First, the operations and practices of the Unit Trust of India ("UTI") mutual funds and to a certain extent, public sector sponsored bank and insurance funds, were in some degree institutionalized before SEBI was created and are naturally resistant to change

Second, Mutual funds do not exist in a vacuum---they exist within a general social, financial and legal environment. Mutual fund operations and the distribution of their units inevitably are affected by the operations of stock exchanges, investment banks, brokers, clearance and settlement procedures, depositories, and such overriding considerations as the attitude of the government towards economic innovation Too often I have seen government officials confuse deregulation with a mere lengthening of the leash But a longer leash leaves control in the hands that hold it and what has been lengthened can also be shortened

We cannot help but recognize that there are clear limits on what regulation by itself can accomplish Since certain problems go beyond regulation, even if the system were perfect, there would still be room for further improvement in the operations of mutual funds Within the present legal an social environment, SEBI's 1996 Mutual Fund Regulations are both sensible and balanced responses to industry problems In only a very few instances would I question the desirability of a particular regulatory approach

It is widely accepted that mutual funds present a unique regulatory challenge They involve large amounts of highly liquid assets and may be managed by persons who often are not personally known to their shareholders and who may be associated with larger enterprises involved in other businesses In view of the possible conflicts of interests to which fund managers may be exposed, and considering the early history of investment companies in the United States, unitholders of mutual funds require special protections

The first principle in fund regulation derives from the fact that mutual funds are trusts Under Trust Law trustees and similar fiduciaries must observe the highest duty of loyalty to the beneficiaries of the trust *"The trustee is under a duty to the beneficiary to administer the trust solely in the interest of the beneficiary* " That means *solely* in the interest of the unit holders Any business practice which is not totally consistent with this succinct and basic fiduciary duty should not be tolerated unless specifically authorized by carefully crafted laws or rules which are in accord with its spirit SEBI has recognized this principle by requiring each mutual fund to adopt a Code of Ethics which includes a version of it tailored to mutual funds and plainly states that "Trustees and AMCs must avoid conflicts of interest in managing the affairs of the schemes and keep the interest of all unitholders paramount in all matters "

I have reviewed the regulatory environment for India's Mutual Funds through a prism which applies to mutual fund regulation around the world Successful mutual fund regulation provides seven major areas of protection for investors. It should.

1 Prohibit various forms of self dealing
2 Provide for economic regulation of the remuneration of affiliates
3. Restrict unsound capital structures
4 Require clear disclosure of investment objectives and policies
5 Protect the physical integrity of assets
6. Assure fair valuation of investor purchases and redemptions
7 Assure that investors receive accurate periodic reports about the funds and their investments

Before I discuss those standards, there is a basic assumption that applies under most legal frameworks which for historic reasons does not yet fully apply here It is that the protections which the law or regulatory framework provide should apply equally to all funds and investors in like financial products I was pleased to see that the definition of "Mutual Fund" in the Mutual Fund Regulations was broad enough to encompass the Unit Trust of India ("UTI") and that efforts are being made to bring UTI's mutual fund operations further under SEBI's regulatory aegis The complete integration and harmonization of UTI's mutual fund operations with those of the rest of the fund industry would strengthen the entire industry and rationalize the entire regulatory framework

1. Prohibit Self-dealing. SEBI, in its 1996 Mutual Fund Regulations, correctly identified "associated transactions" as a cause for concern They are transactions between schemes and related persons such as sponsors and others who control or are controlled by fund asset management companies ("AMCs") Such transactions could include using the fund as a kind of burial ground for securities issued or owned by one of their associates or a joint venture in which the fund bears more than a fair share of the investment risk and the associate receives more than a fair share of the profits SEBI's regulations require that the trustees quarterly review the fairness of all transactions carried out between the mutual funds, AMC and its associates The definition of "associate" hinges on 10 percent control and appears to cover first tier associates. If an AMC enters into a securities transaction with any associate a report to that effect must immediately be sent to the trustees The standards set by the regulations set the proper direction

Self dealing transactions undercut the credibility and inhibited the growth of the mutual fund industry in the United States prior to the adoption of the Investment Company Act of 1940 That legislation, which was co-sponsored by the industry, banned all affiliated transactions unless the parties could demonstrate their fairness in advance to the SEC and it then made a finding of fairness. The definition of "affiliate" hinged on ownership of only 5 percent of the associate's voting securities and covered second tier affiliates as well as first. The procedures adopted by the SEC included publication of a notice of the application which described the terms of the transaction and permitted interested parties to appear and protest any such transaction This has worked exceptionally well

Were I a trustee responsible for ensuring the fairness of such transactions, I would be concerned over my possible liability for transactions I did not specifically evaluate and authorize. I would try to introduce a number of internal safeguards, including advance review procedures, so that with my fellow trustees and I could carefully screen the fairness of proposed transactions Even then, I still might be uncomfortable because I could still be second guessed after the fact

Other conflicts of interest. In formulating rules dealing with conflicts of interest, there is one guideline I would especially commend Care should be taken not to permit any ancillary source of profit to those affiliated with mutual funds so significant that it detracts from the single minded loyalty demanded of fiduciaries For example, permitting persons associated with a scheme, such as an AMC, to speculate in fund shares has been shown in other countries to undermine such loyalty

2. Economic Regulation of Remuneration of Affiliates. The 1996 Mutual Fund Regulations include comprehensive regulations setting maximum fees that may be charged by AMC's for advisory services, defining what expenses must be borne by the AMC, and limiting total fund expenses as a percentage of total assets The regulations also set parameters for selling expenses and sales loads that may be borne by unitholders

I believe that regulation is only part of the answer for keeping costs and expenses reasonable Regulations set outside limits, they do not guarantee efficient rates Competition and economies of scale aided by good disclosures and informed investors are also part of the answer Consistently low expenses can make a significant difference in how well a fund performs *vis a vis* its competitors and in how well a fund meets its unitholders' expectations As unitholders come to realize this and focus on the impact of expenses on fund performance, the expense ratios of India's funds should decline

Those are the carrots Unitholders also need to carry a stick In the U S the job of the regulator has been immeasurably assisted by the inclusion within the Investment Company Act and other securities laws of the specific right of shareholders to bring lawsuits against mutual funds, defaulting trustees and other fiduciaries which misrepresent the truth or do not live up to representations they have made Shareholders in the U S can also sue if fund advisory fees are unreasonable This approach is worthy of further study in India.

Fund sponsors should be accountable to fund investors Sponsors organize funds, appoint trustees, set up AMC's and directly or indirectly control their operations. Often mutual fund schemes are bought on the basis of the sponsor's reputation Sponsors may "fully guarantee" returns promised in their fund schemes' offer documents if they state the manner in which such guarantees are to be met. Sponsors or their associates also may act as brokers, effecting transactions in securities of up to 5 percent of the daily gross business of a fund, or as distributors, so long as that fact and the brokerage or commission paid is disclosed semi-annually. They may also own as much as 49 9 percent of their fund's custodian.

The 1996 Mutual Fund Regulations contain a general requirement that sponsors, among others, "shall make such disclosures or submit such documents as they may be called upon to do so by (SEBI)." [Sec 58(1)] The inclusion of this principle in the regulations is very important First, it is a recognition of the need to assert jurisdiction over sponsors. Second, it points the way toward future reporting requirements if and as necessary The regulations also require trustees to ensure that the AMC has "not given any undue or unfair advantage" to any "associates" or dealt with any associate of the AMC "in any manner detrimental to the interests of unitholders." [Sec 18(6)] The principle is correct, but the trustees' ability to exercise that kind of control over the sponsors needs to be reenforced. The accountability of sponsors to unit holders is not yet commensurate with the sponsors' powers

3. Unsound Capital Structures. Mutual funds must make sense as an investment for the common man. Liquidity and simplicity should be among a fund's most attractive features That lesson was learned the hard way by the U S industry In the U S prior to the "Great Crash" of 1929, when closed-end companies predominated, they were a high stakes play A thin layer of equity ownership often controlled layers of different classes of investments. The companies were also highly leveraged and could and often did invest in other investment companies, creating pyramided schemes In those pre-Investment Company Act days putting money into an investment company with a complicated capital structure was too often the beginning of a dizzying roller coaster ride which left investors confused and at a loss and limited the credibility of the fund industry

The 1996 Mutual Fund Regulations are intended to guard against the worst features of complicated capital structures "Pyramiding," cross investing in other schemes of the same or another AMC, may not exceed 5 percent of the net asset value of the *mutual fund* (Seventh Schedule, Item 4) However, the meaning of this restriction may need clarification For example, it would appear that a small scheme which is part of a large mutual fund could invest more than 5 percent of its (the scheme's) net assets in another scheme or schemes if the aggregate investment by all the fund schemes does not exceed 5 percent

The regulations permit mutual funds to borrow only to meet temporary liquidity needs for the purpose of repurchase, redemption or the payment of interest or dividends [Sec 44(2)] Borrowing is limited to 20 percent of the net asset value of the scheme and may not exceed six months It is not clear whether this restriction would allow rolling six month periods which, in effect, would mean that schemes could be continually leveraged up to 20 percent If so, this provision may require further tightening

The Regulations allow Mutual Funds to carry on activities as underwriters provided that the underwriting obligation shall not at any time exceed the total net asset value of the scheme [Sec.46 (1) and (2)] The extent of the fund's underwriting risk is somewhat circumscribed by the Restrictions on Investments contained in the Seventh Schedule Item 2 requires that "No mutual fund under all its schemes should own more than 10 percent of any company's paid up capital carrying voting rights " This could still leave funds dangerously exposed to underwriting risks

Rules designed to protect the integrity of mutual funds such as requiring open end funds to maintain 85 percent of their portfolios in liquid securities or that a fund may not change its investment objective without a shareholder vote protect the integrity of the mutual fund as a concept There is another more subtle threat to product integrity which bears mention in this context. Attempts to graft features onto mutual funds to simulate bank accounts, guaranteed debentures or government securities can only confuse investors as to what mutual funds are and will inevitably cause investor disenchantment leading to greater regulation and greater complexity

4. Clear disclosure of investment objectives and policies. Although there does not appear to be a specific instruction in any Schedule or Form saying so in a few succinct words, it would appear that funds would be required to disclose their investment objectives and policies in Offer Documents and advertisements and that any changes in them could be made only with the approval of three fourths of fund shareholders.

The 1996 Mutual Fund Regulations require that every fund adopt a Code of Conduct that requires the trustees and AMC to "ensure the dissemination to all unitholders of adequate, accurate, explicit and timely information fairly presented in a simple language about the investment policies, investment objectives, financial position and general affairs of the scheme " The Code of Conduct must also contain a requirement that trustees and AMCs "carry out the business and invest in accordance with the investment objectives stated in the offer documents and take investment decision(s) solely in the interest of unitholders " (Fifth Schedule, Items 2 and 6)

The Regulations also require that a mutual fund scheme's offer document "contain disclosures which are adequate in order to enable investors to make informed investment decision(s) " [Sec 58 (3)] Advertisements for any scheme must include its investment objectives [Sec 30(2)] The trustees are required to obtain the consent of three fourths of the unitholders "when any change in the fundamental attributes of any scheme or the trust or . any other change would modify the scheme or affect the interest of the unitholders is proposed to be carried out ." [Sec 18(15)] Although terms like "investment policies," "investment objectives" or "fundamental attributes" are not defined, if questions arise as to their meaning, SEBI can define them in accordance with its power to issue clarifications and guidelines.

5. Protection of the Physical Integrity of Assets. It is critically important that the integrity of fund assets be maintained. An independent custodian can not only protect the physical safety of fund assets, but can also help to assure the efficient administration of the fund through the record keeping procedures built into its operations It is very much in the interests of unit holders that this function be carried out in a thoroughly professional manner. The 1996 Mutual Fund Regulations require every mutual fund to appoint a registered custodian to carry out the custodial services for the schemes of the fund and to notify SEBI within 15 days of the appointment. (Sec 26) The appointment must be entered into with the prior approval of the trustees and the "Custodian Agreement" must "contain clauses which are necessary for the efficient and orderly conduct of the affairs of the custodian."(Sec. 27)

I question whether, in light of the importance of maintaining the independence of the custodian, allowing a sponsor and its associates to hold almost 50 percent of the voting rights of the custodian, and just under 50 percent of the directorships of the custodian (Sec.26) is the best course The ownership by a sponsor's of up to 49 9 percent and large representation on the custodian's Board of Directors allows the sponsor to cast a large shadow over the custodian's operations which may suggest a lack of independence

6. Fair Valuation of Investor Purchases and Redemptions. Establishing the correct NAV is central to almost every aspect of fund operations and materially effects unitholders. NAV determines sale and redemption prices directly for open end funds and influences market prices of closed end funds. Fund performance is measured in terms of changes in NAV per unit. It affects investors' perceptions of the AMC's abilities and influences future sales and redemptions of a scheme Finally, the value of the scheme helps to determine management compensation and fund expense limits because they are calculated as a percentages of total net assets.

Fairness requires that NAV be calculated on a uniform basis One of the most difficult determinations lies in the valuation of thinly traded and unlisted securities The Eighth Schedule of the 1996 Mutual Fund Regulations sets forth an appropriate standard. It requires such securities to be valued "in good faith" by the asset management company based on principles approved by its board and reported on as "fair and reasonable" by the fund's auditors While the standards are appropriate, there is still room for discretion by the AMC's For example, equities are to be valued on the basis of capitalization of earnings solely or in combination with net asset value, using for purposes of capitalization, the P/E ratios of comparable traded securities and with an appropriate discount for lower liquidity " This is an area where the Assciation of Mutual

Funds in India ("AMFI") could make an important contribution by providing uniform valuation guidelines for the industry

Another worrisome area, arises from the practice of historical pricing rather than forward pricing "Historical pricing" means that funds use the last quoted price rather than the next or "forward" price for all securities they own Historical pricing can result in dilution of the interests of existing unitholders in rising markets. It also allows investors to time their purchases in a rising market in order to receive a lower price (i e pay less). Similarly, in a declining market, redeeming unitholders may receive greater values and dilute the interests of remaining unitholders. This potential for dilution is exacerbated by the interval permitted between valuations which may be as much as one week I strongly recommend the adoption of forward pricing for all funds and that the interval between valuations be narrowed

7. Accurate Periodic Reports About the Funds and Their Investments. It is axiomatic that securities markets must be transparent If capital is the heart of the securities market, reliable current information is its lifeblood. Both are necessary for the markets to work Mutual fund investors need continuous relevant information about their investments portfolios, costs and expenses, performance, portfolio turnover ratios, repurchase programs, and any changes in management or operational procedures

SEBI, recognizing this principal, requires funds to adopt Codes of Conduct that would require:

> "Trustees and AMC's and trustees .. (to) ensure the dissemination to all unitholders of adequate, accurate, explicit and timely information fairly presented in simple language about the investment policies, investment objectives financial position and general affairs of the scheme "

Reports to SEBI. The 1996 Mutual Fund Regulations establish the general principle that every mutual fund, AMC, trustee, custodian, sponsor of the mutual fund shall make such disclosures or submit such documents as they may be called upon to do by (SEBI). [Sec. 58(1)] More specifically, funds and AMCs are required to furnish SEBI

(a) copies of annual audited statements of accounts, including a balance sheet and profit and loss account for the fund and in respect of each scheme, once a year;
(b) a copy of six monthly unaudited accounts,
(c) a quarterly statement of movements in net assets for each of the schemes of the fund; and
(d) a quarterly statement, including changes from the previous periods, for each scheme

Reports to which unitholders have access. Mutual funds and their AMC's are required to publish an annual report, in a prescribed form, or abridged summary of it, in an advertisement within six months of the end of the fund's fiscal year If a summary is published it must be accompanied by a note that the full report will be available for inspection at the fund's Head

Office and a copy made available to the unit holder at a nominal fee as specified by the fund (Sec 56) The Annual Report and details of investments and deposits revealing entire schemewise portfolios must also be forwarded to SEBI (Sec 57) The annual report must contain various kinds of information, which any investor would find highly useful, including

- the report of the Board of Trustees on operations of the schemes and the fund as a whole and the future outlook of the fund,
- Balance Sheet and Revenue Account,
- Auditor's Report,
- a brief statement of the Board of Trustees on

  -Liabilities and responsibilities of the Trustees and the Setlor,
  -Investment Objective of each scheme,
  -Basis and policy of investment underlying the scheme,
  -A prescribed statement on market value fluctuations, and
  -Trustees comments on the performance of the scheme, with full justification,

- Schemewise Historical per unit statistics for the past three years, including

  (a) NAV per unit,
  (b) gross income per unit broken into components;
  (c) aggregate of expenses, write off, amortisation and charges, per unit,
  (d) net income per unit,
  (e) unrealized appreciation/depreciation in value of investments, per unit;
  (f) if the units are traded or repurchased/resold, the highest and lowest prices per unit during the year and the price earnings ratio,
  (g) Per unit, ratio of expenses to average net assets by percentage,
  (h) Per unit, ratio of gross income to average net assets by percentage (excluding transfer to revenue account from past year's reserve but including unrealized appreciation on investments); and
  (I) per unit NAV

In addition, twice yearly, within two months of March 31 and September 30, the fund and AMC are required to publish unaudited financial results in a prescribed form "and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund," in an English Daily Newspaper circulating in the whole of India and in a newspaper in the language of the region where the head office is located (Sec 59) "The trustees are also bound to make such disclosures to the unit holders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments " (Sec 60)

The only additional disclosures I could suggest adding are portfolio turnover ratios and descriptions of any affiliated/associated transactions, the reasons for them and the amounts involved in each However, I would like to see the kinds of disclosures required to be in Annual Reports (other than additional audits) to be made more frequently, perhaps semi-annually at first and then quarterly I would also like to see the information become more easily and freely accessible to unit holders

The 1996 Mutual Fund Regulations have introduced a number of meaningful steps to raise the level of transparency surrounding mutual funds The reliability and comparability of the information provided to investors must also be continually upgraded Further steps to agree upon and implement generally accepted accounting standards for mutual funds would be welcome.

SEBI also could dramatically improve the transparency and fairness of the market, by making information distribution one of its principal functions, becoming an information clearing house, demanding and collecting reliable information and immediately providing the means for its quick and efficient recirculation to the market. SEBI could do this without greatly taxing its resources by establishing a Public Information Centre.

Enforcement. There is one theme which bears repeating in every market and which I stated in India in 1989 "(T)he adoption of new rules that remain unenforced is worse than futile All that is accomplished is increased disenchantment of the public Thus the securities industry has a strong stake in a comprehensive and well functioning system of regulation. and enforcement."

To sum up, SEBI's 1996 Mutual Fund Regulations have significantly improved the regulatory environment for mutual funds and their unitholders They set the right tone and direction. Although there is more to be done, much can be accomplished by the industry through a pro-active stance in coping with industry problems SEBI has lent its encouragement to an expansion of the role of industry through the Association of Mutual Funds in India ("AMFI") the industry trade association This development in itself must be viewed as highly positive

AMFI is now in a position to improve the regulatory environment in which it operates by adopting and implementing Codes setting higher standards and filling gaps where greater clarity and uniformity are needed These could include formulating uniform accounting and valuation methods; and policies for segregating assets; adopting an AMFI Code of Ethics and a Model Compliance Manual; drafting an AMFI Model Advertising Code to ensure uniform definitions of key concepts and providing standards for performance measurement. With SEBI's continued surveillance and enforcement behind them, AMFI standards could make a meaningful contribution to the quality of mutual fund regulation.

APPENDIX IV ACTION MEMORANDUM

ACTION MEMORANDUM

TO : Mr G A Shenai
Chairman, Association of Mutual Funds in India ("AMFI")

FROM :Lewis J Mendelson
Mutual Fund Consultant, Price Waterhouse FIRE Project

RE :Implementation of David Silver's Recommendations
For Strengthening AMFI

RECOMMENDATION: That AMFI take immediate steps to

- hire a professional staff
- adopt a work plan, organizational chart and budget
- set goals, priorities and dates
- assign Committees and independent contractors to begin working on achieving the programme recommended by Mr Silver

I. INTRODUCTION

The month of January may prove to be an extremely fortunate one for AMFI Mr Silver's appearance at the UTI-AMFI sponsored Third Annual Mutual Fund Seminar, the AMFI General Membership Meeting and the series of round table discussions with mutual fund and securities industry leaders were very well received His recommendations gave us all a lot to think about and act upon

My forthcoming USAID Report will discuss in greater detail Mr Silver's assessment of the mutual fund industry and his recommendations for improving its products, services and regulation. However, it will not be distributed for a few weeks To continue to ride the enthusiasm and momentum created by Mr Silver, this Memorandum attempts to summarize his recommendations for strengthening AMFI You may wish to use it as a Checklist and to help you and the AMFI Board of Directors take the decisions which will enable AMFI to develop the operations, structure, capacity and policies to become a strong, continuous, effective and respected voice for the fund industry

II. Mr. Silver's Recommendations for Strengthening AMFI

In his remarks before the AMFI General Membership Meeting and his Keynote Address before the AMFI - UTI Seminar, Mr Silver suggested that AMFI

1 **Build a Professional Staff.** AMFI should immediately start the rapid build-up of a high quality professional staff with the capacity to play an appropriate role in helping create and facilitate the growth of the fund industry which lies ahead It will need to develop expertise in four areas Regulation, Media Relations, Economic and Statistical Research and Operations

2 **Influence the Regulatory Environment.** The industry should take a proactive stance in the regulatory process and in coping with industry problems not just on an *ad hoc* or individual fund basis, but through AMFI, its industry association AMFI should become a continuing point of contact between the regulator and the industry AMFI's Office of General Counsel must have the ability to consult closely with policy-making bodies regarding pending legislation and with SEBI to assure that it gets the benefit of the industry viewpoint and that the industry understands SEBI's views Nothing will be more important than this ability to influence the regulatory environment.

3 **Promote High Professional Standards.** AMFI should also independently address questions which would otherwise be the subject of government action. Examples of effective actions from the U S experience include development of a uniform yield formula for fund advertising and promotional literature, a model Code of Ethics, and Code dealing specifically with Insider Trading by fund personnel

4 **Provide Guidelines and Training.** AMFI might also wish to

- recommend guidelines such as compliance and procedures manuals and
- provide training seminars dealing with
  - compliance matters,
  - trustees' and directors' responsibilities; and
  - orientation of new AMC and fund employees, and
- develop procedures for the rapid and efficient settlement of mutual fund transactions and to create uniformity

It could also provide workshops, manuals and interactive videos at cost to the industry

5 **Take the Lead in Investor Education.** AMFI should continue to play a major role in investor education by providing press releases, media contacts and educational brochures, meeting public requests for information and members' needs for shipments in bulk of brochures on which they can imprint their names Such a programme can be a continuing significant source of free publicity for the industry As a sustaining part of its Investor Awareness Campaign, AMFI might wish to follow the example of the ICI which ten years ago created a special annual prize awarded by impartial experts to those reporters who have done the best job in writing financial stories of special interest to individuals and families about personal financial planning

6 **Build a Data Base and Create a Research Department.** The information that a Research Department accumulates and the studies it performs should be readily available to the industry The Department should be able to

- monitor the flow of funds in and out of the industry and observe which kinds of funds are selling and being redeemed
- classify funds by objective, load vs no-load, close-end or open, types of sales forces, among others
- compile and maintain a comprehensive historical data base which may be derived from members' monthly reports to AMFI
- cover the entire industry and serve as the source of AMFI's own research
- be able to perform marketing studies or surveys directly for members, including furnishing the names of shareholders for personal interviews; and
- continuously track demographic trends, such as aging population vs. young people to guide promotional efforts by tracking changes in the composition of the industry and of fund unit holders

7. **Create an Operations Department.** An Operations Department can assist the industry and its transfer agents in introducing uniformity which is good for all investors and broker-dealers by investigating computer developments on a common basis This kind of information is useful on a technical level for the industry

III. AMFI'S NEXT STEPS

Following the series of round table discussions hosted by PW on January 22, it was suggested that AMFI set up additional Committees to engage more members in its activities and enlist stronger support for the organization. Below are listed eleven steps distilled from the suggestions of industry leaders and Mr Silver over the course of his visit They are organized and prioritized as suggested by Mr Silver and taking into account the concerns expressed by AMFI's leadership

1 Set up administrative functions Take immediate steps to

- hire a professional staff
- adopt a work plan, organizational chart and budget
- set goals priorities and dates
- assign Committees and independent contractors to begin working on achieving the programme recommended by Mr Silver

2. Formulate uniform

- accounting and valuation methods, and

- policies for segregation of assets

3 Complete AMFI Investor Education Brochures

- Investor's Guide
- Agent's Handbook and
- Understanding Fund Performance
- AMFI Membership Directory

Submit to Focus Groups, revise and publish

4 Train Fund Sellers (as Trainers) and conduct Investor Conferences

5 Complete, circulate and adopt AMFI's Code of Conduct, AMFI's Model Compliance and Operations Manual, and train trustees and AMC's officers, directors and employees

6 Set up groups to provide continuing liaison with regulators, policy makers and legislators and to promote legislative and regulatory changes which will enable the industry to

- develop new products such as Money Market Schemes, Municipal Bond Schemes, Index Schemes, Personal Equity Plans ("PEPS), Pension and other retirement benefit plans, and to permit funds to use hedging techniques and derivative securities] and
- suggest reforms to clarify and improve existing regulations

7 Draft a Model Advertising Code to ensure uniform definitions of yield, total return and indicative returns and provide standards for performance measurement, including benchmarks and periods of measurement

8 Undertake a market research study to evaluate the impact on the industry of marketing strategies featuring guaranteed redemption prices and assured or indicative returns and recommend actions to improve the industry's credibility with respect to such practices

9 Assign an outside agency to compile and maintain a data base of industry statistics and to conduct ongoing performance evaluations and marketing surveys and assist in producing "AMFacts" an Annual AMFI Factual Reference Book on the Fund Industry for members and the press.

10. Designate a Media Relations Officer and Institute Annual Awards for best

- investment performance in various categories
- disclosures and
- published articles and/or telecasts on personal and family finance

11. Compare the characteristics that distinguish UTI's structure, operations and regulation from those of AMFI's other members. Outline the steps necessary to bring UTI under the full regulation of SEBI and provide its unitholders the same protections as those who invest in funds which are fully regulated by SEBI.

IV. POSSIBLE AMFI COMMITTEES AND THEIR FUNCTIONS

Based upon subsequent discussions with your leadership, we have attempted to group the above steps and to suggest possible Committees through which to organize their activities consistent with AMFI's Comprehensive Plan and the ICI Model.

1. AMFI Administration Committee. This Committee will hire a professional staff; adopt a work plan, organizational chart and budget, set goals, priorities and dates; and assign Committees and independent contractors to begin working on achieving the programme recommended by Mr Silver

2. Legislative and Regulatory (Government Relations) Committee. This Committee or several subcommittees within it could identify legislative goals and working with SEBI; the Ministry of Finance; the Reserve Bank of India, and other concerned Government Departments increase the industry's impact on legislative and regulatory matters that affect its vital interests and those of its unit holders, including

(A) product development. preparing legislative strategies and regulatory changes for broadening the range of products and investment techniques offered by the fund industry to possibly include, among others:

- money market schemes;
- municipal bond schemes;
- index schemes;
- tax benefitted retirement schemes; and
- allowing funds to use hedging techniques and derivative securities to minimize risk and/or seek possible enhanced returns;

(B) continuing regulatory liaison clarifying and improving regulations through Interpretive Letters and review of proposed and exiting regulations whether enunciated in the Mutual Fund Regulations, the Companies Act, the Indian Income Tax Act, the Indian Trust Act, or wherever, and

(C) restructuring and integration of UTI

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3. Research and Operations Committee: This Committee or several subcommittees within it could

(A) prepare an AMFI Model Advertising Code which would define uniform performance standards for advertising yield, total return, indicative returns, etc and provide uniform standards for measuring performance, including benchmarks, periods and consistency over time It would continuously monitor the advertisements of its members and those for competing products and recommend changes in the AMFI Code as necessary

(B) analyze and evaluate the history and impact on the industry of marketing strategies featuring "guaranteed" redemption schemes and "assured" and/or "indicative" returns; suggest reserve requirements for guarantors of such schemes; and recommend alternative marketing strategies and means of safeguarding the interests of investors and the credibility of the industry in the face of their continuing exposure to the possible failures of such funds to meet their stated goals

(C) maintain, initially with an outside source, the industry database, including statistics on performance and investor demographics, and conduct continuous performance studies

(D) immediately develop uniform methods of accounting, valuation and policies for segregation of assets, as well as determining appropriate reserve requirements for any entities which guarantee fund redemption prices or returns

(E) develop accounting standards for Mutual Funds over the longer term in coordination with the Institute of Chartered Accountants of India and SEBI

(F) assist the industry and its transfer agents in introducing uniformity by investigating computer developments on a common basis.

4. Professional Standards Committee. This Committee or several subcommittees within it could

(A.) complete and implement the AMFI Code of Conduct and create other compliance mechanisms, such as an AMFI Model Compliance and Operations Manual and internal reporting forms, reports and schedules to help trustees, funds, AMC's and their employees understand and meet their responsibilities, including helping to define the role of Compliance Officer

(B) be responsible for structuring and planning initial training of fund trustees, directors, compliance officers and other employees of AMC's, including explaining SEBI's new regulations and the AMFI Code of Conduct and helping the funds to adapt to them.

(C.) be responsible for setting standards for sellers of mutual fund schemes which would be observed by members in dealing with those who market their schemes.

(D) establish "best practice" standards for various aspects of fund operations including swift and accurate processing of unit holder transactions, back office procedures, required disclosures and advertisements

5. Information Services Committee. This Committee or several subcommittees within it could play a major role in investor education by providing press releases, media contacts and educational brochures, meeting public requests for information For example by

(A.) preparing and updating educational brochures such as the Investors' Guide , Agent's Handbook, Mutual Fund Performance Analysis and AMFI Directory

(B) structuring and planning training of fund sellers and conducting Investor Conferences

(C) maintaining media contacts, preparing press releases, public relations and collecting news abstracts.

(D) creating a special annual prize to be awarded by impartial experts to those reporters or TV journalists who have done the best job in publishing or presenting financial stories of special interest to individuals and families about personal financial planning

* * * * *

I would be pleased to answer any questions you, the AMFI Board or any members might have or to explain or discuss further any of the suggested steps or possible AMFI Committees

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