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Mutual Fund Investor Confidence Restoration Act of 2003

Congress: 108 (2003–2005, Ended)

Chamber: Senate

Policy Area: Finance and Financial Sector

Introduced: Nov 25, 2003

Current Status: Read twice and referred to the Committee on Banking, Housing, and Urban Affairs. (text of measure as

Latest Action: Read twice and referred to the Committee on Banking, Housing, and Urban Affairs. (text of measure as introduced: CR S16017-16022) (Nov 25, 2003)

Official Text: <https://www.congress.gov/bill/108th-congress/senate-bill/1971>

Sponsor

Name: Sen. Corzine, Jon S. [D-NJ]

Party: Democratic • **State:** NJ • **Chamber:** Senate

Cosponsors (2 total)

Cosponsor	Party / State	Role	Date Joined
Sen. Dodd, Christopher J. [D-CT]	D · CT		Nov 25, 2003
Sen. Lieberman, Joseph I. [D-CT]	D · CT		Nov 25, 2003

Committee Activity

Committee	Chamber	Activity	Date
Banking, Housing, and Urban Affairs Committee	Senate	Referred To	Nov 25, 2003

Subjects & Policy Tags

Policy Area:

Finance and Financial Sector

Related Bills

No related bills are listed.

Mutual Fund Investor Confidence Restoration Act of 2003 - Directs the Securities and Exchange Commission (SEC) to revise securities regulations to require: (1) an open-end management investment company to make specified mutual fund cost disclosures in its periodic report to shareholders, including costs, fees, expenses and compensation, in a manner that facilitates comparison among different companies; and (2) an independent audit of such disclosures and certification by the investment adviser and the chairman of the board of directors of such company.

Amends the Investment Company Act of 1940 (ICA) to require the investment adviser to a registered investment company to report at least annually to the company board of directors regarding certain revenue sharing arrangements and directed brokerage arrangements.

Imposes a fiduciary duty upon the company's board of directors to: (1) see that the company's investment adviser's direction of brokerage transactions serves the best interests of company shareholders; and (2) determine that revenue sharing arrangements serve the best interests of company shareholders.

Amends the Securities Exchange Act of 1934 to require a broker's written disclosure to purchasers of mutual funds of specified compensation, fees and conflicts of interest.

Amends the ICA to revise mutual fund governance requirements, including: (1) a prohibition against service by an interested person as chairman of the board of directors; and (2) establishment of an independent committee to select board of director nominees.

Revises accountant selection requirements. Replaces selection by a majority of the board of directors of a registered management company or registered face-amount certificate company with selection by an audit committee. Requires the audit committee to consist of independent members of the board of directors. Allows the audit committee to be the entire board of directors if no separate committee or equivalent body exists to oversee the company's accounting and financial reporting processes and audits of its financial statements.

Requires a registered investment company to inform its directors if an SEC inspection report identifies significant deficiencies.

Requires certification by the chairman of the board and chief compliance officer that specified procedures are in place regarding compliance with statutory and internal controls.

Revises rules and regulations prohibiting fraudulent, deceptive, or manipulative courses of conduct to include adoption of a code of ethics and additional compliance procedures by mutual fund companies.

Prohibits: (1) joint management of mutual funds and hedge funds; and (2) short term trading.

Instructs the SEC to: (1) prescribe standards governing the obligation of mutual funds to employ fair value methods of net asset value determination in order to prevent dilution of the interests of long-term investors; (2) require that mutual funds and investment advisers to disclose publicly their formal policies with respect to such obligation, including market timing and short term trading; (3) issue rules to prevent late trade transactions; and (4) require disclosure of insider transactions.

Directs the General Accounting Office to study and report to specified congressional committees on: (1) the possible benefits of establishing a Mutual Fund Oversight Board; and (2) the coordination of open-end management company

misconduct enforcement efforts among SEC headquarters and regional offices and appropriate State regulatory and law enforcement entities.

Directs the SEC to study and report to specified congressional committees on: (1) its supervision and enforcement resources dedicated to oversight of open-end management companies; (2) the use of soft dollar arrangements by investment advisers; (3) market timing and late trading of mutual funds; (4) the increased rate of arbitration claims and decisions involving mutual funds since 1995; and (5) financial literacy among mutual fund investors.

Actions Timeline

- **Nov 25, 2003:** Introduced in Senate
- **Nov 25, 2003:** Read twice and referred to the Committee on Banking, Housing, and Urban Affairs. (text of measure as introduced: CR S16017-16022)