

The Honorable Arthur Levitt  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549

SEC File No.: 4-439

Dear Chairman Levitt:

I am writing to you out of concern for the financial security of the 88 million shareholders in U.S. mutual funds. These shareholders depend on the Securities and Exchange Commission to protect their interests, and the Commission has indeed been an effective advocate on their behalf. Yet there is much work that still needs to be done to ensure that mutual funds operate in the best interests of their shareholders.

I believe that the SEC should act as soon as possible to adopt the following reforms for the benefit of mutual fund shareholders:

- **Portfolio Disclosure:** Require that funds: disclose their portfolios on a monthly basis within 60 days of the end of the month, post their portfolio holdings on the Internet in a format that is easy to download and analyze, post their proxy voting policies and voting records on the Internet, and provide paper copies of portfolio holdings, proxy voting policies and voting records upon request.
- **Fund Fees:** Require funds to provide actual expenses paid on shareholders' account statements, and to include brokerage expenses in the expense ratio provided in funds' fee tables.
- **Fund Advertising Rules:** Amend advertising rules to minimize misleading effect of fund ads, e.g., prohibit young funds from advertising one-year performance results, or require that ads showing one-year results include equally prominent disclosure of performance for each of the preceding ten years for both the fund and an index that fairly reflects the fund's investment/risk characteristics.
- **Fund Advertising Guidance:** Clarify that the SEC will consider it fraudulent and misleading under the federal securities laws if funds do not include qualifying information about investment performance that is necessary for an advertisement not to be misleading, including but not limited to: after-tax performance, performance of an index that fairly reflects the fund's investment/risk characteristics, and current performance.

- **Deals Between Funds and Affiliates:** Conduct a comprehensive review of SEC exemptions from affiliated transaction rules to determine whether the exemptions create demonstrable benefits to shareholders, and close loopholes in the affiliated transaction rules to prohibit persons or companies that are in a position to influence a fund's practices and policies from directly or indirectly engaging in securities transactions with the fund.
- **Arbitrage Pricing:** Clarify that funds must, as required under federal law, fair value their portfolio securities when an event or events, occurring subsequent to the close of the exchange on which a fund's securities are traded, may have a material effect on the fund's net asset value.
- **Government in the Sunshine:** Provide public access to information regarding the SEC's regulatory agenda and policies. Namely:
  - Prohibit SEC staff from participating in industry conferences unless the host provides reasonable access to press and shareholder advocates, and staff comments are made on the record;
  - Post summaries on the SEC's website of all pending oral or written requests for no-action or interpretive positions and oral responses to such requests, and post complete copies of all written responses to such requests, as soon as the responses are provided; and
  - Require that requests for exemptions be filed on the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system, decline to review or comment upon draft exemptive requests (i.e., requests that have not been publicly filed), and forbid the filing of an amended application once a public notice of the application has been published in the federal register.

I hope that the SEC will make these reforms a top priority. Best wishes for a productive New Year.

Sincerely,