

**Fund Democracy
Consumer Federation of America
Consumer Action
Consumers Union**

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Consumer Groups Praise Mutual Fund Transparency Act of 2005

Leading consumer groups have written to Senator Daniel Akaka in support for his Mutual Fund Transparency Act of 2005. The Act promotes competition in the fund industry by requiring full disclosure of brokers' fees and conflicts of interest and enhances investor protection by strengthening the independence of mutual fund boards. The Act also ensures that brokers who provide individualized investment advice are subject to a fiduciary duty to their advisory clients and must act solely in their clients' best interests and fully disclose conflicts of interest.

"Under current law, a person who has had close personal and business relationships with fund management can qualify as an independent director," said Fund Democracy president and founder Mercer Bullard. "Senator Akaka's bill strengthens fund governance by prohibiting such conflicted individuals from serving as independent directors and ensuring that independent directors are actually elected by shareholders, rather than being selected by management."

Barbara Roper, CFA's Director of Investor Protection, said: "The recent mutual fund scandals exposed serious problems not only with the way mutual funds are operated, but with the way they are sold. This bill would help to address the worst of those problems, by strengthening the independence of fund governance, raising the standards that govern investment advice by brokers, and improving disclosures to investors. We strongly support its passage."

"Consumer Action strongly supports the section of the bill that calls on the SEC to study what information investors need to make informed investment decisions and methods to better disclose fees," said Consumer Action Executive Director Ken McEldowney. "Informed consumers are better able to look out for their own interests and help the market function properly."

Sally Greenberg, Senior Counsel for Consumers Union, said "Consumers Union applauds Senator Akaka for his pro-investor proposal. Brokers who give financial advice to investors – as many do – should be under the same fiduciary duties as investment advisers. This is common sense investor protection. We're only sorry the SEC's recent actions necessitate Senator Akaka's stepping in to fill the void."

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Fund Democracy is a nonprofit advocacy group for mutual fund shareholders that was founded in 2000 to provide a voice and information source for mutual fund shareholders.

The Consumer Federation of America (CFA) is a nonprofit association of 300 national, state, and local consumer groups, which in turn represent approximately 50 million Americans. CFA was established in 1968 to advance the consumer interest through research, education, and advocacy.

Founded in 1971, Consumer Action works on a wide range of consumer issues through its national network of 6,500 community based organizations.

Consumers Union, publisher of *Consumer Reports* magazine, is an independent nonprofit testing, educational and information organization serving only the consumer.