

**Statement of Congressman Bob Ney  
Before the Capital Markets Subcommittee hearing on  
“Mutual Fund Industry Practices and Their Effect on Individual Investors”**

Thank you Mr. Chairman. I am pleased to be here for this important hearing. I think that ensuring investors are protected and have access to high quality information should always be a top priority of this committee.

There can be no doubt that mutual funds have been an important tool in the democratization of our capital markets. Investing in securities used to be the privilege of an elite few. Now, over 50% of US households invest in the markets. Mutual funds have been vital in giving investors access to our markets through a safe and affordable channel. Many Americans lack either the time or expertise to manage their own investments, so they trust mutual funds to do this for them.

Because of the increase in demand for safe investment vehicles the mutual fund industry has grown and become highly competitive. There are now over 600 firms offering over 8,000 different mutual funds. Investors currently have the ability to choose between a number of different types of funds, from indexed to actively managed, depending on their investment needs. Furthermore, due to the fierce competition in the fund industry, and the massive cash flow into funds, the cost to investors for participating in these funds has dropped dramatically. The GAO and SEC have reported that fees are declining, and an ICI study found that mutual fund fees have declined consistently over the years, 40% since 1980.

What we are here to determine today is whether or not the funds have done enough to provide investors with the information they need on what kinds of fees are being charged and how those affects investors returns. More importantly the question is

whether or not investors understand the fee structure of mutual funds, and if the fees are priced fairly. Currently there is a rigorous and highly regulated disclosure regime, with investors being able to look up mutual fund costs and fees in a number of different places, from the Internet to prospectuses. The question is, do we need to do more? We certainly must keep the needs of investors in mind as we proceed today as well as the need to maintain investor confidence. The goal of this review should be to build investor confidence in our markets - which remain the best regulated in the world - not to tear it down.

I want to again thank Chairman Baker for holding this hearing and being an active watchdog for our nation's investors. I look forward to hearing from our witnesses; it is certainly a distinguished panel.