ICI Letter to WSJ Re: Requiring the Chair of Fund Boards to be Independent

February 24, 2004

The Wall Street Journal
200 Liberty Street
New York, NY 10281

To the Editor:

As President of the mutual fund association, I read with interest the debate between Ned Johnson (Chairman of Fidelity, the nation's largest fund group) and Jack Bogle (former Chairman of Vanguard, the second largest) regarding the proposal to mandate that the chair of every fund board be an independent director.

Mutual funds' success has been due to:

- Uniformity in tough regulatory standards, including requirements that all fund boards have a majority of independent directors, and that when there is a potential conflict with management there be a separate vote of independent directors.
- Diversity in fund structures, products, and services.

Whether to require an independent chair for all fund boards depends on whether such uniformity would advance the interests of fund shareholders.

In 1999, a blue ribbon committee of fund directors concluded that every board should have a super-majority of independent directors, but decided not to require an independent chair. Today, the independent directors of each fund can choose the chair they think best. The vast majority of boards, including both Fidelity and Vanguard, have decided not to have independent chairs. No evidence has been offered indicating that use of an independent chair benefits shareholders. Therefore, as in many other areas of mutual fund management, this is a matter best left to each board, rather than to government mandate.

Sincerely,

Matthew P. Fink
President
Investment Company Institute