



INVESTMENT COMPANY INSTITUTE

MARY S. PODESTA
SENIOR COUNSEL

November 10, 2004

Mark Mowrey
Deputy Assistant United States Trade Representative
for Europe and the Mediterranean
Office of the US Trade Representative

Dear Mr. Mowrey:

The Investment Company Institute¹ appreciates the opportunity to express its support for a strong US-EU transatlantic relationship. US financial services firms, such as US asset management firms, have long been actively engaged in discussing policy and regulatory issues with officials of the European Union. We believe it is helpful for the US government also to be engaged with its EU counterparts on certain policy issues that are of importance to US firms.

As you know, Europe is an important market for the asset management industry. Many Institute members manage investment companies and pension funds outside the United States, including mutual funds domiciled in the European Union that are sold under the EU UCITS Directive. Moreover, our members manage approximately 1,000 US funds (with over \$569 billion in assets) that have a global or international focus, and many of these global and international funds invest in Europe. Our members, therefore, have experiences both investing and managing assets in the European Union.

The markets for managing pension and mutual funds in the US and the EU are open to firms headquartered in each other's jurisdiction. As of June 30, 2004, European fund managers or their affiliates managed 11.3% of mutual fund assets in the United States. Moreover, the second largest pension manager in the US – Barclays Global Investors – is a EU firm. Although the Institute does not have comparable data on the market share of US firms in the EU, we understand from our members that many US firms have entered the EU asset management market.

We believe the US-EU dialogue comes at a critical time when more and more of the actions of one government affect firms headquartered in other jurisdictions. The "global" economy is better served if regulators and governments work closely together to achieve their policy goals and avoid unintended consequences. We believe closer

¹ The Investment Company Institute is the national association of the US investment company industry. Its membership includes 8,545 open-end investment companies ("mutual funds"), 630 closed-end investment companies, 135 exchange-traded funds, and 5 sponsors of unit investment trusts. Its mutual fund members have assets of about \$7.468 trillion. These assets account for more than 95% of assets of all U.S. mutual funds. Individual owners represented by ICI member firms number 87.7 million as of mid 2004, representing 51.2 million households.

coordination and consultation at an early stage of policymaking would greatly enhance the workability of rules that affect financial services firms providing services in the US and in the EU.

In this regard, closer cooperation between the US Securities and Exchange Commission and the Committee of European Securities Regulators is a significant and positive step towards better coordination and consultation. We strongly support the enhanced cooperation and collaboration announced by the SEC and CESR in May 2004. Discussion aimed at providing better understanding of each other's regulatory framework and coordinating efforts to achieve common goals would be extremely beneficial and could lead to increased economic integration.

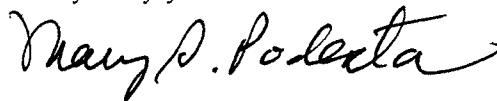
We also recommend that the US government take an additional step of establishing a continuing dialogue between the US Treasury Department and the EU's rotating Presidency and the working group of the Council of Economic Ministers. Economic policy is often decided in the first instance by the EU's Council of Economic Ministers in co-decision with the European Parliament (rather than at the level of CESR regulations). Regular dialogue and consultation with Council policymakers during the formulation of primary legislation could greatly deepen the relationship between the US and the EU and avoid articulation of policy goals that have an unintended detrimental effect on US firms.

We also believe that there should be more transparency with respect to the subject matters that are discussed between the US and EU. By providing information about the specific matters that are the subject of discussion and allowing industry to comment, the US and EU could engender greater industry support for the US-EU dialogue. In addition, we also encourage the US to bring together EU and US government officials and private sector representatives to discuss significant current issues. This type of forum will facilitate transparency on issues of concern on both sides of the Atlantic and provide an opportunity for private industry to discuss and exchange views with both US and EU officials.

* * * * *

The US and the EU already have a strong economic relationship. We encourage the US government to foster that relationship by promoting closer cooperation and consultation among officials with the participation of industries that are affected by economic policy decisions made by governments. We look forward to being part of the enhanced relationship and participating actively towards that goal.

Very truly yours,



Mary S. Podesta
Senior Counsel