OPENING STATEMENT - MUTUAL FUNDS

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This is an open meeting of the Securities and Exchange Commission. We have two items relating to mutual funds on the agenda this morning.

Mutual Fund Disclosure

Today, we are considering a final rule to improve the disclosure provided to mutual fund investors. One key aspect of our recent proxy rules was the requirement that corporations show, in a line graph in the proxy statement, the performance of their common stock against a broad index, such as the the S&P 500, and against an index of competing companies. This comparative approach to disclosure is designed to show investors how their company is doing standing alone, and also how its performance compares to others. This comparison of performance records is an essential part of evaluating how well the company has been managed. While it is interesting to know that a company's stock price has increased 30% over a ten-year period, for example, it is much easier to evaluate that record if you know that the overall market in the same period was up 250%.

Today's rule would provide the same form of diclosure to mutual fund investors. Mutual funds, other than money market and index funds, would be required to compare through a ten-year graph how an investment of $10,000 in the fund performed relative to a comparable investment in a relevant index of securities. This will enable shareholders to see whether their funds are beating, matching, or underperforming the relevant market. That will be a significant enhancement over simply knowing a specific percentage of return without a relevant comparison.

Today's rule would also follow our recent rule on closed-end fund and require mutual funds to disclose the name of the person principally responsible for making investment decisions for mutual funds. The rule would also improve the "per share" cost information provided to mutual fund investors.

Off-the-Page Sales

The second item on today's agenda is a proposed rule that would permit mutual funds to sell through "off-the-page" prospectuses. These advertisements would be required to include information about fees and expenses, historical performance data, investment objectives and policies, investment risks, tax consequences and redemption procedures. After reading this, an investor could invest in a fund using a coupon in the advertisement, rather than first having to obtain the full prospectus. However, the information contained in the published material would be a prospectus, and there would be prospectus liability for any misstatements.