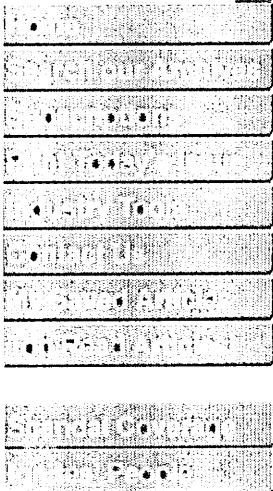


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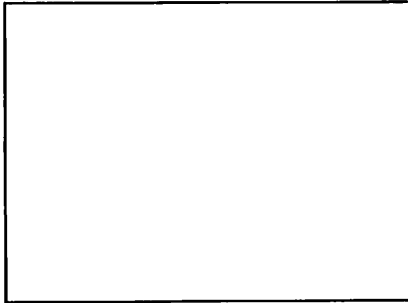
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Rep. Baker Happy with Reforms, Staying Vigilant

Article published on May 27, 2004

By *Colin Dodds*

Representative Richard Baker (R-La.), who authored the first fund reform bill months before news of the fund scandal broke, says he is happy with how legislators and regulators are addressing fund reform, even without fund legislation being passed.

The Senate Banking Committee said in April, after a lengthy series of hearings, that it would not pursue fund reform legislation this year. The committee took over Baker's Mutual Funds Integrity and Fee Transparency Act of 2003 after that bill passed the House 418-2 last November.



Richard Baker

Despite the fact that there are not likely to be any new fund laws soon, the SEC has picked up most of the key provisions of the bill that passed the House, Baker said in an interview with *Ignites.com*.

The thoroughness of the SEC's rulemaking has made legislation unnecessary for the time being, he said.

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Baker is, however, keeping close tabs on the industry and is monitoring the rulemaking process to see which proposals pass. He may hold hearings early next year to see where the reform of the fund business stands once the SEC finishes its rulemaking, he says.

One proposed reform that has been contested by the fund industry from the start is a rule requiring that the chairman of a fund's board be independent. But Baker says he is optimistic that the SEC will pass the rule.

In fact, the congressman is confident that, given the SEC's rulemaking schedule, there will be closure on fund-reform issues by the end of the year.

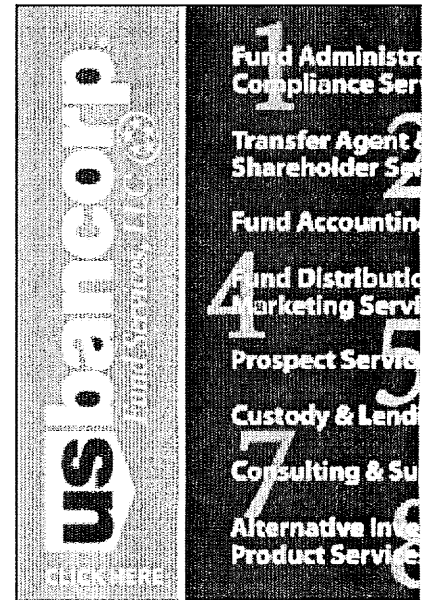
But at the same time, at least one senator, Peter Fitzgerald (D-Ill.), is still pressing for fund-reform legislation.

Fitzgerald is continuing his outreach to his Senate colleagues, says spokesman Kurt Heath. Fitzgerald by no means considers the matter of fund legislation dead, he says.

His doggedness on the issue appears to be making some headway, if slowly. Senator John McCain (R-Ariz.) signed on earlier this week as the 11th co-sponsor of Fitzgerald's Mutual Fund Reform Act of 2004.

Fitzgerald has brought up the possibility of introducing his far-reaching bill as an amendment to another bill that has more momentum. But most observers in Washington agree that without the Banking Committee's blessing, such a tactic has little chance of success.

Given the complexity of the issues being tackled, it makes a lot of sense for the SEC to handle fund reform, says Niels Holch, founder of **The Coalition of Mutual Fund Investors**, a



shareholder advocacy and lobbyist.

The SEC has done a good, thorough job in its rulemaking process thus far, says Holch. And it doesn't make much sense to have that process going on simultaneously with the congressional lawmaking process on the same issues, he says.

Congress as a whole is taking a wait-and-see approach as the SEC works through its rule proposals, says Holch.

But Fitzgerald may try a bold move, such as introducing his bill as a floor amendment, Holch adds. Fitzgerald is leaving the Senate after this year and has little to lose by ruffling some feathers, he says.

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