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# SEC issues rule requiring mutual funds to list votes

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WASHINGTON — Over industry objections, the Securities and Exchange Commission acted Thursday to require mutual funds to inform investors how they voted on decisions at the companies whose shares they hold.

One SEC commissioner dissented in the watchdog agency's move, which will bring a significant change in the way mutual fund companies operate. Commissioner Paul Atkins said the new rule will hurt investors' returns by imposing heavy costs on mutual fund companies that are likely to pass them on.

In a 4-1 vote, the SEC adopted a rule that for months has drawn objections from the mutual fund industry, including heavyweights Vanguard and Fidelity, as being unnecessarily burdensome and costly. Some investor advocates have sided with the big funds on the same grounds.

The SEC action was a victory for the AFL-CIO, whose pension fund is a major investor. The labor organiza-

**INVESTING** Mutual funds will now have to list their proxy votes on the Internet. Industry leaders Vanguard and Fidelity had opposed the decision.

tion had organized protests last month outside Fidelity offices nationwide.

U.S. stock funds managed \$3.4 trillion in assets in 2001, or nearly a third of all shares, for 93 million Americans.

Under current rules, fund companies are not obligated to tell anyone how they cast their ballots on corporate moves — not even investors on whose behalf the votes were collectively cast.

Starting in July, fund companies will be required to tell shareholders who request such information how they cast their proxy votes.

"There are conflicts of interest in the way votes are exercised," or at least potential conflicts, SEC Chairman Harvey Pitt said before the vote.

Atkins, who voted against the rule, said it "will impose

costs upon funds that will decrease shareholder returns."

Matthew Fink, president of the Investment Company Institute, the fund industry's lobbying group, issued a statement saying that the new rule will bring no new benefits to shareholders, but will make the investment process for mutual funds more political.

SEC commissioner Cynthia Glassman, who supported the rule with reservations, said she had seen no compelling evidence that investors are interested in how their mutual fund companies vote.

The industry says a fund's proxy votes can number in the thousands, as many funds have hundreds or thousands of company holdings.

To make it less costly for the industry, the SEC modified its earlier proposal so that fund companies will be required only to make the voting information available on the Internet, not to mail the material to shareholders.