

**INTERNATIONAL INVESTMENT FUNDS ASSOCIATION  
FINAL DECLARATION**

**18<sup>TH</sup> ANNUAL CONFERENCE, RIO DE JANEIRO OCTOBER 18  
and 19, 2004**

**REPUTATION IS OUR MOST IMPORTANT ASSET**

The 18th Conference of the International Investment Fund Associations (IIFA) took place in Rio de Janeiro, Brazil, on the 18<sup>th</sup> and 19<sup>th</sup> of October 2004. It was kindly hosted by the Brazilian Association of Investment Banks (ANBID). Delegates from the Funds Associations from nearly 30 countries participated, representing some 90% of total global fund assets of US\$14,500 billions. Assets have increased by about 30% over the last 12 months.

The theme of the conference was “Reputation is Our Most Important Asset”. The theme of the first day of the Conference was “Industry Integrity”, while on the second day delegates addressed issues relating to “Focusing on the Investor”.

Throughout the conference delegates stressed the importance of maintaining and enhancing investor confidence in funds. This demands the highest standards of integrity among fund industry participants, as well as the provision of quality advice to informed investors.

Delegates agreed that the achievement of these aims depends critically on an effective partnership between regulators and the industry. The balance of responsibilities between regulators and the industry may

differ according to the circumstances of each country. Delegates, however, agreed on a number of principles that should apply.

To be effective and to serve the public interest, regulation should be responsive to changes in the market and, in particular, should allow innovation; it should be based on a full understanding of the market; and effective mechanisms should be available to ensure compliance. Delegates stressed the importance of ensuring that regulation is proportionate, balanced and cost-effective. Excessive costs of regulation will ultimately be passed on to investors, and could lead to the growth (already seen in a number of countries) of products that are perceived as similar to investment funds although they are subject to lower levels of investor protection.

To maintain the highest standards of integrity, industry associations at times may need to call on their members to go beyond legal requirements in serving investors. While the circumstances of each country will differ, this can be done through the development, by the industry itself, of best practice, codes of conduct or standards. It may also be achieved through industry proposals to regulators.

The importance of the partnership between regulators and industry bodies was well illustrated by substantive discussion of the work of IOSCO (the International Organization of Securities Commissions). Delegates were informed by representatives of IOSCO of the extensive work of that organization which relates to investment funds. All agreed on the importance of committing to a collaborative dialogue between IOSCO and industry representatives.

Discussion during the second day provided opportunities to share practice in developing clear and effective ways of communicating with investors, in developing mechanisms to improve the levels of advice available to investors, and in raising levels of understanding among investors. These are all areas in which close co-operation between regulators and industry bodies can help maintain confidence in investment funds and ensure that investors make well informed choices.

There was also a discussion of funds as shareholders. Delegates considered it appropriate for national funds associations to consider encouraging their members to develop a policy on the exercise of voting rights in the best interest of investment fund investors.

The investment fund industry can play an important role in the future well-being of individuals. It does so in particular by providing a transparent and flexible vehicle for retirement and long term savings. In addition it provides capital-raising opportunities for companies and can have an important impact on the efficiency of capital markets. Conscious of these responsibilities, delegates re-affirmed their commitment to safeguarding the interests of fund investors at all times. They further committed themselves to continuing to initiate and support efforts that demand the highest levels of integrity and transparency.

Rio de Janeiro

19 October 2004