

## **ISU Networks Institute Holds D.C. Summit**

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Source: Indiana State University

WASHINGTON, D.C. - Indiana State University students and faculty joined financial services industry leaders, policymakers and state and federal regulators Tuesday and Wednesday for a regulatory reform summit sponsored by Networks Institute for Financial Services and the Insurance Regulation Committee of the American Bar Association.

Networks is an ISU School of Business outreach made possible by a \$20 million grant from the Lilly Endowment.

The event covered topics ranging from the mutual fund scandal to the future of terrorism risk insurance.

"It's great to have a group such as Networks that's a very objective bystander working to bring different interested parties together for this kind forum where a policy maker or an expert in the field can talk about the issues," said Sen. John Sununu, R-N.H., who serves on both the banking and commerce committees.

"This is a watershed moment for Indiana State University. It means we can establish a presence in Washington and we can become involved in regulatory policy," said ISU President Lloyd W. Benjamin III.

"We are entering what is expected to be a very active session in Congress, with new legislation being proposed. The Security and Exchange Commission and state agencies have been active in formulating new rules as well," said Liz Georgakopoulos, Networks executive director.

Georgakopoulos said Networks expects to open an office in Washington in the coming months. While Congress is likely to make "substantial progress" in such areas as federal regulations for the now largely state-regulated insurance industry and in mutual fund reforms, "that does not necessarily mean we will see the president sign a bill," Sununu said.

The senator said lawmakers need to be educated about the complicated mutual fund industry.

"And we don't have enough independent research," he said.

It is in the area of research that ISU and Networks can play a vital role, said Benjamin and Ron Green, dean of ISU's School of Business.

"Part of our mission is to provide appropriate research for the business community. We have the experience and expertise to provide that research," Green said.

"How our students and faculty can be engaged in that kind of research in the national interest and begin to help shape policy is very important," said Benjamin.

Jay Page, a graduate student pursuing a master's degree in business administration, researched the area of mutual funds for Sen. Evan Bayh, D-Ind. Page, of Vincennes, created a matrix of four House and Senate bills so Bayh "could have a snapshot of the issues."

Page also researched companies the SEC has investigated for rules violations. Areas of concern include market timing where companies buy and sell short-term in violation of the generally accepted philosophy as mutual funds as long-term investment and the failure of some mutual fund dealers to fully disclose all fees, Page said.

The stakes are high. More than 90 million Americans have made investments totaling more than \$7 trillion in mutual funds including 21 percent of all retirement savings and 98 percent of Section 529 college savings plans.

Events elsewhere in Washington on Wednesday underscored the timeliness of the Networks summit at the Sofitel Lafayette Square Hotel and the Ronald Reagan Building at Washington's International Trade Center.

The SEC met to consider new mutual fund regulations and Federal Reserve Board Chairman Alan Greenspan appeared before the House Banking Committee.

"It's absolutely critical" for Networks to have a Washington presence, said Charles T. Richardson, a partner in the Washington law firm Baker & Daniels and chairman of the firm's financial services team. "The terrain has been shifting over the past two or three decades and more action in the

regulation of banking and insurance is centered right here," Richardson said. It is possible Congress will act on mutual fund reform this year, said Richardson. "The public is energized, the public is interested. The mutual fund issue has commanded our attention since last Labor Day and when attention is focused on a single issue, usually Congress will act, even in an election year," he said.

Like Sununu, Richardson said action is even more likely concerning government-sponsored entities such as Fannie Mae and Freddie Mac.

"The education curve [for lawmakers] is a lot less steep than for insurance, banking and mutual funds," he said.

"Issues now before Congress will determine the economic environment that these industries will be working in for decades to come," said Mary Ann Boose, an associate professor at ISU and coordinator of the university's insurance and risk program.

"Terrorism insurance doesn't sound like a big decision, but it is," she said. "Whether or not there is another terrorist attack, the fact that the government has chosen whether or not to interact with industry to provide the safety net will probably impact a lot of other government decisions in the future," Boose said.

Terrorism risk insurance is scheduled to expire at the end of 2005 and Congress has given the Treasury Department until June 2005 to come up with a recommendation on how to proceed. Wayne Abernathy, assistant treasury secretary for financial institutions, told the summit the department will need every bit of that time to study the issue.

Seeing the debate over such issues firsthand is "precious," Boose said. "To see people and hear the whole presentation ? it's not a sound bite, I'm not reading a transcript. I'm actually seeing him or her deliver their message. It's extremely valuable to have that opportunity."

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