



Bank of America announces further mutual fund actions

October 07, 2003

Bank of America today announced additional actions that the company will take as a result of its ongoing inquiry into mutual fund practices. These actions include the naming of several key leaders and advisors external to Bank of America to review mutual fund practices. Additionally, further information regarding restitution and the company's commitment to immediate changes to current practices also are being announced.

"Bank of America is committed to a comprehensive roadmap to ensure that our company's policies and practices in all of our businesses remain at the highest level of industry standards," said Chairman and CEO Ken Lewis. "Nothing is more important in our business than the trust and confidence of our customers and clients. Today we are announcing further actions that we believe demonstrate our resolve and commitment to sustaining that trust."

Independent review

Bank of America has engaged Dale Frey, retired president and chairman of the General Electric Investment Corporation, to serve as a special advisor. Frey will lead an independent review of the company's mutual fund policies and practices. As a part of this review, Frey will make recommendations to ensure Bank of America's mutual fund operations are conducted in the best interest of all of its customers.

Bank of America also has retained Maureen Scannell Bateman to conduct a complete legal and regulatory compliance review of the company's mutual fund business. Bateman is the former general counsel of State Street Corporation and of U.S Trust. Bateman, working as part of the independent review process, will develop any necessary recommendations to ensure the mutual fund business is conducted in the best interest of fund shareholders.

Finally, Bank of America also has engaged Promontory Financial Group to coordinate a detailed review of all technology, control and compliance systems related to the mutual fund business. This review will include all systems relating to sales, clearing and derivative and brokerage operations.

The work of each of these teams will be coordinated by Frey to ensure a comprehensive and independent review of the mutual fund operations is conducted and any necessary changes implemented.

Additional restitution

In order to demonstrate that the trust and confidence of customers is paramount, the bank is further announcing that it will establish a restitution fund for shareholders of Nations Funds who were harmed by the late trading and market timing practices of Canary.

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Previously, the company has committed to make restitution for any fund shareholders that may have been adversely impacted by the Canary market timing agreement. Additionally Bank of America committed to return to Nations Funds all funds management and advisory fees related to the Canary market timing agreement.

In addition, Bank of America also is announcing it will provide restitution for shareholders of third party mutual funds who were harmed by any late trading activities by Canary that are found to have occurred through the company in the event restitution is not otherwise available from Canary, its affiliates or its investors, or from any other third parties.

Additional actions

Bank of America is committing today to develop new policies throughout its various business units to eliminate all lending, derivatives, brokerage services or any other services relating to mutual fund trading activity by clients known to Bank of America to engage in active mutual fund market timing not permitted by the targeted funds. Additional compliance measures will be put in place to ensure that this activity does not occur and will be subject to review by the efforts led by Frey.

Finally, the company has pledged that there will be no special exceptions to the market timing policies established by Bank of America.

"I am pleased to serve as a special advisor to Bank of America and help lead the effort in developing and implementing a comprehensive response to the challenges facing the mutual fund industry as it responds to the New York Attorney General's complaint and concerns raised by the SEC and other regulatory agencies," Frey said. "I am confident that Bank of America can and should take a lead in helping to respond both to the legal inquiries and to necessary reforms. I believe Ken Lewis and the entire management team of the company are responding quickly and will be a leader in this effort."

William Carmichael, chairman of the Board of Trustees of Nations Funds, added: "We are gratified that Bank of America has taken these additional steps to ensure that its mutual fund operations are conducted in the best interests of fund shareholders. We are confident that Bank of America's additional steps will complement the independent and simultaneous investigation, with the assistance of outside experts, that has been launched by the independent trustees of the Nations Funds."