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## Thought For the Month

### “The Role of the Chief Compliance Officer”

You may have read or heard that by October 5<sup>th</sup> of this year, mutual fund companies, including Aquila, must designate a Chief Compliance Officer (“CCO”). What does this new position mean for shareholders? This “Thought” will attempt to provide some insight on the subject.

As you may know, many mutual fund companies, including Aquila, already employ a compliance officer to oversee adherence to policies of regulatory agencies such as the Securities and Exchange Commission (“SEC”) and the National Association of Securities Dealers (“NASD”). In the past, however, this compliance officer has been under the control of the management company, creating, in some viewpoints, a possible conflict of interest. With the SEC’s designation of a Chief Compliance Officer, this new position will be under the control of a fund’s Board of Trustees, which is responsible for hiring/firing and setting the compensation level for the CCO. Additionally, the CCO will report directly to the fund’s Board and meet with the Board’s independent directors at least once a year with no fund management present.

Ultimately, the CCO acts as the Board’s eyes and ears, ensuring that regulatory requirements are complied with and that the management company, its distributor and its employees are adhering to internal policies and procedures. All this is designed to lessen the probability of illegal, unethical or improper conduct. We have always run the Aquila funds in a highly ethical manner. All in all, then, the creation of a Chief Compliance Officer is just another layer of protection offered to mutual fund shareholders.

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Aquila Distributors, Inc. – 9/04