

MEMO# 32495

May 29, 2020

ICI Operations White Papers Highlight Recommended Practices for Intermediated Accounts

[32495]

May 29, 2020 TO: ICI Members
Bank, Trust and Retirement Advisory Committee
Broker/Dealer Advisory Committee
Operations Committee
Small Funds Committee
Transfer Agent Advisory Committee SUBJECTS: Distribution
Operations
Recordkeeping
Settlement RE: ICI Operations White Papers Highlight Recommended Practices for Intermediated Accounts

We are pleased to announce the publication of two white papers intended to improve operational transparency and efficiency while reducing operational risks related to the servicing of mutual fund shares held by intermediaries on behalf their customers.

[*Estimating Omnibus Account Dividend and Capital Gain Disbursements*](#) focuses on the unique challenges funds experience with intermediary omnibus accounts held on the transfer agency system when attempting to accurately determine the breakdown between cash versus reinvested dividends and capital gains. Failure to accurately estimate the breakdown may result in less-than-optimal cash utilization or availability that could depress fund performance and increase funds' cost of operation and operational risk. The white paper encourages intermediaries to pursue one of the listed strategies to provide funds with important transparency into shares entitled to receive cash or reinvested dividend and capital gain payments. Funds are provided a sample model that uses transparency information to improve estimation.

[*Mutual Fund Share Class Conversions: A Matrix of Possibilities*](#) addresses the growing demand for efficient, cost-effective ways for intermediaries to initiate movement of shareholders between share classes of the same fund portfolio. Converting mutual fund shares may occur due to a shareholder's changing investing circumstances, activities of a financial professional providing advice to the shareholder, or due to certain automatic conversion features of a share class. The white paper presents a matrix of planned and ad-

hoc conversion events and provides recommended practices on how to efficiently complete conversions. It identifies various operational challenges with share class conversions while highlighting options that mitigate risk and enhance transparency of the activity to facilitate fund oversight and reporting needs.

These white papers reflect the work by task forces of ICI's Broker/Dealer Advisory Committee (BDAC) and include the input of ICI member funds, intermediary partners, and service providers. All parties are encouraged to review and, where practicable, adopt the recommended practices to benefit the distribution and operational processing of mutual fund shares in support of all mutual fund shareholders.

Papers are publicly available in the [Publication and Resources-White Papers](#) section of www.ici.org and on select committee pages. ICI members are encouraged to share both papers with their service providers and intermediary partners to educate all parties and improve operational efficiency while reducing risk in these important areas. Questions or comments may be directed to the undersigned (jeff.naylor@ici.org; 202-326-5844).

Jeff Naylor
Director, Operations and Distribution

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.