

MEMO# 2722

April 29, 1991

MINUTES, MARCH 27TH MEETING

April 29, 1991 TO: MARKETING COMMITTEE NO. 16-91 INDUSTRY STATISTICS COMMITTEE
NO. 6-91 RE: MINUTES, MARCH 27TH MEETING

@@
@@@@@@@@@@@@@@@@ The Committee on Industry Statistics met on March 27th. These minutes are divided into five issues that were discussed. Issue 1. Current status of centralized collection initiative Institute staff reported on the status of the initiative to become the centralized collection agency for the industry. Developmental tasks for this initiative have been divided into five tracks. Following is a status report for each. TRACK I - Collection and dissemination of performance related data The Institute has acquired a historical database consisting of raw performance related data, NAV and distribution information, from ICDI with the agreement that monthly updates will be provided. No dissemination of the ICDI data beyond the members is possible under ICI's contract with ICDI until after June 1, 1992. Diskettes containing historical information on approximately 2600 funds from 1962, or year of inception, until present are available to members for a fee. The monthly updates of this data can be obtained by member subscribers via the FUNDS system. The closed end pricing data, collected by the Institute, are also accessible though FUNDS. A letter mailed to members regarding the availability of these statistics generated many positive responses; 16 expressed interest in the open end performance related data and nine in the closed end pricing data. Track I is complete except for a proprietary license prohibition against multiple simultaneous use of FUNDS software in the license agreement between the ICI and the developers of FUNDS. It is expected that a resolution allowing expanded use can be obtained. TRACK II - Marketing of third party vendor software and products via FUNDS II The FUNDS II system will be available for vendors to distribute their products and services. Vendors may also provide software for our members designed to manipulate the raw performance related data and integrate it with other ICI data available via FUNDS II. Of the 12 vendors contacted regarding the central collection initiative, six expressed interest. ICI will aid vendors' services by conducting workshops to introduce members to their products. It was suggested that vendors may want to adopt pricing structures that recognize differences in ICI members' abilities to pay. Concerns arose about attracting service providers whose products and prices are appropriate for various segments of the membership, especially the smaller fund groups. TRACK III - Collecting primary performance related information by ICI ICI is receiving the NASDAQ feed in preparation of daily collection. At present the data is being transferred but is not yet being captured or stored. A cross reference will be set up between the NASDAQ ticker symbol and the ICI fund number. ICI is exploring the possibility of receiving a feed from the NSCC to supplement and verify this data. Any funds not reporting to NASDAQ will be asked for their cooperation in supplying their data. Beginning June 1991, ICI will request monthly performance related data from the funds while continuing to receive similar data from ICDI. This monthly collection will be used to confirm daily information, to

gather information that is not supplied daily, and to lay the foundation for collection while allowing comparison to an independent source, ICDI. Finally, it gives us our own data base free of the licensing restriction placed by ICDI.

TRACK IV - Collection of nonperformance related information

The growth and diversity of the mutual fund industry, as well as the increase in public, media and governmental interest in funds, has created extraordinary demand for data. A universal questionnaire has been designed to collect all the non-performance related data that is required by third party vendors. After review by the Committee, it was suggested that certain data items be moved to the monthly questionnaires that produce TRENDS. ICI is building its staff in preparation for the collection and dissemination of data. ICI may also hire consultants to advise in collection procedure, particularly in verification of data.

TRACK V - Dissemination of data

The data will be distributed to a broad base of subscribers, ranging from Institute members to third party vendors and the media.

Issue 2. Location and structure of the data collection initiative

A letter from Bill Crawford, President of ICDI had been mailed to the members of the Committee. Mr. Crawford suggested that ICDI should be considered to become the central collection agency. It was decided that though the cost of a Des Moines location would be less, ICI cannot enter into such an agreement because it would appear as if ICI were favoring a single vendor. Another deterrent is that many members would be reluctant to give confidential data (sales and redemptions) to an outside agency. Lastly, members must feel assured that the central collection agency is financially sound. Given all these considerations it was felt that ICI is the only viable candidate.

Issue 3. Technical design

The technical design of FUNDS II (Fund User Network Dissemination System) was presented by Mike Halbrook. At the center of the FUNDS II system is a host communications system that, along with the user's PC, controls the collection and distribution of data. FUNDS II is designed to run at multi-sites to transmit data and to receive data.

Issue 4. Access to data

A concern raised by the Committee was that members must have control over who has access to their data. A flag system could be set up to restrict certain vendors from obtaining their information. The data could also be restricted by the Institute through the pricing of the service.

Issue 5. Timing of portfolio data

To eliminate the problem of those funds whose quarter ends are not on the calendar quarter, there was a suggestion that an as-of-date be included on the universal questionnaire.

Issue 6. Use of transfer agents

Committee members discussed whether Transfer Agents could aid in the data collection process. It was thought that large Transfer Agents could transmit data for any fund groups directly to the ICI, thus speeding up the collection process. The general consensus of the Committee was that they need to review and clean up data coming from the Transfer Agent before it is ready to be passed to the Institute and therefore that source is not viable.

Anne Schafer Director, Statistical Research