

MEMO# 2226

September 27, 1990

CENTRALIZED DATA COLLECTION AND DISSEMINATION PROJECT

September 27, 1990 TO: BOARD OF GOVERNORS NO. 72-90 MEMBERS - ONE PER COMPLEX
NO. 40-90 RE: CENTRALIZED DATA COLLECTION AND DISSEMINATION PROJECT

The growth and diversity of the mutual fund industry, as well as the increase in public, media and governmental interest in funds, has created an explosion in the requirements for data about the industry and individual funds. This information is required by fund management companies, various service providers to the mutual fund industry, others in the financial marketplace, regulatory bodies, the media, and the public. This growing demand for mutual fund data has led to several problems: o mutual fund companies are often overwhelmed by requests for data, most of which is already publicly available; o much of the information that has been compiled on individual funds is not readily available in an electronic format; o the cost of accessing the data that is available has often been high, and in some cases fund groups have had to pay for data they supplied to vendors in the first place; and o some fund groups are concerned about the accuracy of data being used by others to calculate their investment performance. In addition, the Institute has had to rely on outside sources for basic mutual fund performance information. Such information is needed to support regulatory, legislative and public information objectives. In its capacity as a primary repository of data about the industry, excluding investment performance information, the Institute has been aware of the growing needs for a modern data collection and dissemination system for its members and other data consumers. As a result, the Investment Company Institute -2- has undertaken a project to become a centralized collector and disseminator of publicly available data about individual funds, including for the first time information needed to compute fund investment performance (e.g. NAVs, distributions, date and price of distribution reinvestment). The Institute's role will be that of a utility, applying modern technology to the efficient collection and dissemination of data provided by thousands of funds and needed by hundreds of end users. The major benefits of the project will be a completed system that will: o provide a standardize electronic format for mutual funds to report and verify data that is currently collected in a variety of formats; o provide timely dissemination of data and information to members and other data consumers; o allow data vendors the flexibility and choice of either using their own data collection procedures or subscribing to receive the Institute's data at a reasonable cost; and o enhance the possibilities for analysis of industry data by making a wide variety of data available in a common, machine readable format to numerous participating data analysts and value added vendors. This project will be conducted in two stages: STAGE I The Institute will provide members with access, on a subscription basis, to data compiled and maintained by Investment Company Data Inc. (ICDI), a Des Moines, IA based company specializing in mutual fund information. The Institute has recently acquired rights to a

historical database from ICDI, and has a two year agreement under which ICDI will provide ICI with monthly updates to this performance data. Once the ICDI database has been integrated with the ICI data and the monthly update procedures have been perfected, the Institute will sublicense the use of this data to members only, associate members will not be included. No dissemination of the -3- ICDI data beyond the members is possible under ICI's contract with ICDI until after June 1, 1992. You will be advised in the near future of the terms and conditions for subscription to this data service. STAGE II The Institute will develop its own data collection and dissemination system which will be integrated with historical information drawn from the ICDI database. The new system will be a major feature of FUNDS II, a substantially improved version of FUNDS, the Institute's computer communications network linking the ICI with its members. FUNDS II will contain a more robust user interface which will greatly reduce the time needed to input and verify data while allowing for faster and more reliable transmission of data to subscribers. The new Industry Statistics Committee will assist the Institute in developing standard computer file formats for periodically reporting and verifying individual fund data. Once compiled in these formats, the data could be used not only to supply the Institute's data needs but also to respond to requests from other data collectors. Although the Institute will be collecting the primary information needed to compute individual fund performance, it will not publish calculated performance. Consequently, members and other subscribers to the new database service will need to compute their own performance numbers or rely on the services of third party vendors for that service. We expect data analysts may develop standardized software that can be integrated with the FUNDS II system to facilitate members' use of this new resource. For further information about the data collection and dissemination project, contact Richard Pogue, Jacob Dreyer or Michael Halbrook at the Institute. David Silver President

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