

MEMO# 6652

February 13, 1995

PROPOSAL TO AUTOMATE COMMUNICATIONS BETWEEN MUTUAL FUNDS AND TRUST COMPANIES

February 13, 1995 TO: OPERATIONS COMMITTEE No. 8-95 RE: PROPOSAL TO AUTOMATE
COMMUNICATIONS BETWEEN MUTUAL FUNDS AND TRUST COMPANIES

Enclosed for your consideration is a copy of a proposal developed by the Institute's Bank Broker/Dealer Advisory Committee to improve the flow of information between mutual funds and trusts. The proposal recommends certain modifications to NSCC mutual fund services to accommodate the participation of trust companies and bank trust departments ("trust companies"). We respectfully request that you review the proposal and complete and return the attached response form to the Institute by March 10, 1995. Your input is needed to assist the Institute, the Committee and the NSCC in gauging the nature and level of mutual fund support for the proposal. The Committee initiated work on the proposal last year following visits to selected trust operations where members observed the use of costly and inefficient manual procedures for processing substantial volumes of mutual fund statements - opening each statement and key- entering mutual fund account and transaction data into trust systems. The Committee's trust company representatives report increasing difficulty in handling the paperwork burden of a steadily growing volume of both no-load and load mutual fund activity. As NSCC mutual fund services were enhanced last year to accommodate no-load fund processing, the proposal is of interest to the entire mutual fund community. The proposal seeks to benefit trust companies by reducing costs and obviating redundant processing. Advantages for mutual funds would be a reduced demand for reconciliation assistance and servicing support along with the obvious benefit of facilitating continued growth of mutual fund activity in the trust environment. The proposal describes the use of the Fund/SERV and NETWORKING services as they could apply to trust companies. Please review the proposal with the understanding that it could be implemented in stages. The initial stage would be the extension of Fund/SERV participation to trust companies, followed by development of a new NETWORKING level ("Level 5") enabling the automated exchange of account level information between funds and trust companies, and finally the creation of "dual NETWORKING" functionality to permit the transmission of NETWORKING files for certain accounts to both trust companies and broker/dealers. - 2 - Thank you for your attention to this matter. If you have any questions in connection with your consideration of this proposal, please do not hesitate to contact either one of us. Alan Halfenger may be reached at 201/ 319-4488 and Don Boteler may be reached at 202/ 326-5845. Alan Halfenger Donald J. Boteler Chairman Vice President Bank Broker/Dealer Advisory Committee Operations Attachment Enclosure

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