

MEMO# 1593

December 13, 1989

ICI SURVEY OF TRANSFER AGENT FEES*

December 13, 1989 TO: MEMBERS - ONE PER COMPLEX NO. 39-89 OPERATIONS
COMMITTEE NO. 24-89 RE: ICI SURVEY OF TRANSFER AGENT FEES*

In 1987 and again in 1988, the Institute commissioned the accounting firm of Coopers & Lybrand to perform comprehensive studies of mutual fund transfer agent costs, services and billing practices. The final reports presented detailed analyses of data grouped by investment objective, method of distribution, classification of transfer agent arrangement (external, captive, etc.), number of accounts, dividend frequency and other criteria. These studies were widely regarded by ICI members as providing essential information in reviewing their transfer agency arrangements. On the basis of an Operations Committee recommendation, a third study will be conducted and completed as early as possible in 1990. This year, primary responsibility for conducting the study will remain with the Institute staff. The Institute has again retained Coopers & Lybrand on a consulting basis to assist with the study and to maintain continuity with the previous methodology. It is our current intention to update this study annually. The 1990 survey will request data regarding transfer agent costs, services and billing practices for participating funds' fiscal years ending during the 1989 calendar year. While the survey will, to the extent practicable, attempt to include the same respondents as the 1988 survey for the sake of comparability, it will seek to increase the sample size by some 60 funds to a total of approximately 400 funds of about 70 different complexes, in order to reflect growth and change in the industry and to ensure representational validity. The final 1990 report will provide comparative analyses of the current data to the data collected in the prior studies.

*Please note: ONLY PARTICIPANTS WILL RECEIVE SURVEY RESULTS. -2- IT SHOULD BE NOTED THAT AS WITH THE PRIOR SURVEYS, THE 1990 SURVEY REPORT WILL BE PROVIDED ONLY TO FUND GROUPS WHICH CHOOSE TO PARTICIPATE. THE OBLIGATIONS OF PARTICIPANTS ARE (1) TO FURNISH TRANSFER AGENT COST DATA ON A CONFIDENTIAL BASIS TO COOPERS & LYBRAND IF REQUESTED AND (2) TO PAY A PROPORTIONATE SHARE OF THE COST OF THE SURVEY. SOME PARTICIPANTS MAY NOT HAVE TO PROVIDE DATA SINCE THE SURVEY WILL BE BASED ON DATA FROM A REPRESENTATIVE SAMPLE OF FUNDS, BUT EQUITY REQUIRES THAT ONLY GROUPS WHICH AGREE TO PROVIDE THEIR DATA RECEIVE THE RESULTS OF THE SURVEY. As with the 1988 survey, the cost of this year's survey will be shared by the participants in accordance with an asset based fee schedule. The cost of participation in the survey, which will be billed prior to distribution of the final report, is as follows: TRANSFER AGENT PARTICIPANT FEES

Total assets of Open-end Funds	Member Participation in Complex (as of 11/30/89)	Fee
Over - \$10 Billion		\$6,000
\$5 - \$10 Billion		\$5,000
\$2 - \$5 Billion		\$4,000
\$1 - \$2 Billion		\$2,000
\$0.25 - \$1 Billion		\$1,000
Under - \$0.25 Billion		\$500

The Institute will sponsor a one-day workshop in Washington, D.C. during January, 1990 (the tentative date is January 18) for member firms who have agreed to participate and have been selected for the survey sample. The purpose of the workshop

is to review the survey questionnaire in detail with individuals who will be responsible for actually completing the questionnaire and to answer as many of the questions as possible that will inevitably arise throughout the course of the survey. Experienced survey team members of Coopers & Lybrand will lead the discussion, which will include a general overview, a question and answer period and smaller group instruction sessions. Based on our experience with this survey in prior years, this workshop will be extremely valuable in facilitating the timely delivery of accurate data. If you agree to participate and are selected for the survey, we strongly urge you to send the appropriate person to this workshop. Survey participants will be notified of the exact date and place as soon as they are determined. -3- ACTION REQUESTED Your organization is invited to participate in the transfer agency cost survey. So that we may proceed with this project as quickly as possible, it is important that we hear from you promptly as to your interest in participating. Please return the attached form to the Institute by January 5, 1990 to indicate whether or not your organization will participate. You may contact Donald E. O'Connor, Vice President - Operations (202/955- 3550) if you have questions about this project. David Silver President Attachment

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