

MEMO# 3002

August 12, 1991

RESULTS OF SHAREHOLDER CONFIRMATION SURVEY

August 12, 1991 TO: OPERATIONS COMMITTEE NO. 25-91 TRANSFER AGENT ADVISORY
COMMITTEE NO. 37-91 RE: RESULTS OF SHAREHOLDER CONFIRMATION SURVEY

We have completed the shareholder confirmation survey and highlights of the results are summarized below. The questionnaire was distributed to members of the Operations and Transfer Agent Advisory Committees on April 5, 1991 (see attached memo to Operations Committee No. 10-91 and Transfer Agent Advisory Committee No. 17-91). Forty responses were received which represented a 67% response rate. These responses included 1,164 mutual funds with 29.5 million shareholder accounts, representing 37% and 47% of the industry, respectively. Both discussions with task force and Committee members, and the survey results indicate that fund groups have virtually no interest in eliminating immediate confirmation statements for voluntary investment and voluntary redemption (non-check/draft) transactions. Therefore, the analysis presented concentrates on the elimination of immediate confirmation statements for certain automatic or systematic transactions, where it was felt that the elimination of such statements would be most beneficial to the industry. A summary of the major findings are as follows: - A number of money market funds do not send immediate confirmation statements to shareholders for certain transactions. Roughly one quarter of the funds do not send immediate confirmations for dividend reinvestment into the same fund, cash dividends, automatic investment purchases (AIPs) and systematic withdrawal payments (SWPs). Instead, they send monthly, or in several instances, quarterly statements. Forty-five percent of money market funds confirm draft/checkwriting redemptions monthly rather than immediately. -2- - For non-money market funds, 15% of the respondents indicated that for "non-retirement plan accounts" they had eliminated immediate confirmation of transactions involving dividend reinvestment into the same fund. Several respondents have also eliminated the immediate confirmation of AIPs (7.5%), SWPs (12.5%) and certain other transactions. Generally speaking, for "retirement plan accounts," a slightly higher percentage of respondents have eliminated immediate confirmation of various transactions. Where immediate confirmations have been eliminated for retirement plan or non-retirement plan accounts, most respondents indicated that quarterly statements were sent instead. - Where applicable, respondents were asked if they would prefer to eliminate the immediate confirmation of certain transactions and, in lieu thereof, send quarterly statements. As can be seen on Exhibit 1, a number of funds responded affirmatively. The survey results show that these funds could eliminate approximately 44.7 million confirmations annually, thereby resulting in savings of approximately \$14.3 million. - Respondents indicated that shareholders have a number of convenient ways to obtain account information in lieu of receiving immediate confirmations. For example, all retail funds make statements available immediately upon written or

telephone shareholder requests. All respondents reported having an "800" number for shareholders to call and speak with a representative. Twenty percent of the fund groups offer this service greater than 12 hours per day. Fifty-seven percent of the fund groups reported having an automated voice response unit available, through an "800" number, 96% of which are available 24 hours per day, 7 days per week. A majority of these systems allow shareholders to obtain account balance, last transaction and last dividend information as well as order duplicate copies of account statements. The detailed results of this survey have been enclosed for each participating fund group and are identified as "Enclosure A". If you wish to discuss any of the results, please call Kathy Joaquin (202/955-3583) at the Institute. -3- Based upon these results, we intend to pursue this matter with the Institute's legal department and determine what actions are necessary (i.e., SEC no-action letter, etc.) in order to allow funds the optional ability to eliminate the immediate confirmation of certain transaction types, including dividend reinvestment (into either the same fund or another fund), AIPs and SWPs. We will keep you informed of our progress on this project.

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Enclosure

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