

MEMO# 7581

January 24, 1996

OCTOBER 18, 1995 MEETING SUMMARY & FEBRUARY 9, 1996 MEETING NOTICE

January 24, 1996 TO: BANK BROKER/DEALER ADVISORY COMMITTEE No. 3-96 RE: OCTOBER 18, 1995 MEETING SUMMARY & FEBRUARY 9, 1996 MEETING NOTICE

Enclosed
please find the summary of the October 18, 1995 Bank Broker/Dealer Advisory Committee meeting and several attachments. The next meeting of the Bank Broker/Dealer Advisory Committee and the Vendor Advisory Group will take place on February 9, 1996 at the Belleview Mido Resort Hotel in Clearwater, Florida. The February 9 meeting agenda, the draft prototype Fund/SERV legal agreement and the draft addendum to the standard Networking agreement will be sent to you shortly. We look forward to seeing you in Florida. Alan Halfenger Diane Butler Chairman - Bank Broker/ Director - Operations Dealer Advisory Committee & Fund Custody Attachment INVESTMENT COMPANY INSTITUTE BANK
BROKER/DEALER ADVISORY COMMITTEE VENDOR ADVISORY GROUP OCTOBER 18, 1995 MEETING SUMMARY The major discussion points and actions agreed upon at the October 18, 1995 meeting of the Bank Broker/Dealer Advisory Committee and the Vendor Advisory Group are summarized below. The meeting agenda and list of attendees are attached. 1. Approval of June 27, 1995 Meeting Summary The meeting summary was approved as written. 2. Trust Proposal for Fund/SERV and Networking A. Processing for Trusts Chris Hayes of NSCC distributed the attached draft document which outlines the file format modifications needed to support the trust proposal. Chris will supply activity record information as well. He indicated that NSCC could have the necessary changes made to the Fund/SERV and Networking systems within three months. B. Commitment Letters - DTC Bank Participants Lisa Dougan of DTC provided the attached list of 22 banks that have committed to using the Fund/SERV system through DTC once the trust proposal changes have been made. This level of commitment is sufficient for DTC to enable processing across its computer-to-computer facility ("CCF"). DTC was to get CCF development slotted in the two weeks following the meeting. Based on the level of commitment from trust companies through DTC, the trust proposal was approved for programming, testing and implementation by the Committee. Each person at the table indicated when their respective organizations could have the necessary programming completed. Based on this feedback, it was agreed that organizations should plan to have programming completed by the second quarter of 1996. Chris indicated that NSCC would begin coding at the beginning of 1996. Testing partners will be needed as soon as possible. Mark Kelley of First Trust and Vito Limitone of Wells Fargo Bank indicated that they are ready to test on behalf of trust companies. C. Commitment Letters - Other Trusts/Trust System Vendors Katie Sevcik of Norwest Bank and Ann Freidman of the ABA indicated that the ABAs Mutual Funds Processing Task Force has put significant effort into -2- gaining support for the system

changes from trust companies and trust system vendors that have not been involved in the process to date. A press release was put out by the ABA in September 1995. D. Trust Fund/SERV Legal Agreement/Trust Addendum to Standard Networking Agreement Katie Sevcik distributed a prototype Fund/SERV Legal Agreement which will be available for use by trust companies and fund companies once it is finalized. The finalized agreement will be distributed prior to the February 9, 1996 Bank Broker/Dealer Advisory Committee meeting. A draft addendum to the Standard Networking Agreement will be available by the next Committee meeting. E. SEC Approval of Trust Service Chris Hayes indicated that the NSCC is reviewing whether it will be necessary to seek SEC approval of the system change through a rule change filing. If a rule change filing is necessary, Don Boteler of the ICI suggested dovetailing it with a no-action request under Rule 10b-10 to relieve fund companies of the requirement to deliver paper confirms to trust companies. Tom Hamblin of American Funds indicated a preference for obtaining regulatory relief prior to programming the systems changes. 3. Dealer, Branch & Rep Numbering Franklin/Templeton recently conducted a survey of 12 fund companies on their success in obtaining dealer, branch and rep numbers when a clearing firm is involved in the transaction. The results indicate that fund companies consistently have difficulty obtaining dealer, branch and rep information from clearing firms. Walt Knorr of BHC indicated that while he is sympathetic to fund company needs, BHCs first responsibility is to its clients, many of whom request this confidentiality. Bob Adams of NFSC concurred with Walt. After some discussion, the Committee determined that an industry solution to the numbering issue is not feasible at this time. 4. Fund/SERV & Networking Enhancements Task Force Alan Halfenger of Alliance, and Chairman of the Committee, asked for a volunteer to represent the Bank Broker/Dealer Advisory Committee on the Broker/Dealer Advisory Committees ("BDAC") Fund/SERV and Networking Enhancements Task Force. Alan indicated that the volunteer would need to faithfully attend the meetings of both groups in order to properly represent the interests of the Bank Broker/Dealer Advisory Committee. Walt Knorr volunteered for and was subsequently granted the assignment. The next BDAC Fund/SERV and Networking Enhancements Task Force meeting was scheduled for November 15, 1995. -3- 5. NSCC Update A. Enhancements Status - Current & Future Plans The NSCC is moving forward with development of the Daily Price/Rate module of the Mutual Fund Profile which will be a mechanism for the input and dissemination of daily fund NAVs (prices) and daily dividend factors (rates). Completion of this module is tentatively scheduled for the first quarter of 1996. The NSCC is also working on modifications to its Commission Settlement System. The NSCC has been selected by the ICI and fund industry representatives to develop a system to facilitate the movement of individuals retirement assets between fund companies and other financial service providers. B. Status Existing Systems Same Day Funds Settlement ("SDFS") will become effective on February 22, 1996. Starting on February 22nd, there will be one net payment via fed wire for activity from Fund/SERV, Networking and Commission Settlement. As of the meeting date, very few fund companies had provided NSCC with settling bank information which NSCC must have prior to the conversion to SDFS. Enclosed are several documents relating to settling bank selection procedures. Also enclosed is a list of the 45 no-load fund companies that are currently participants of NSCC. Five of them are doing T+1 settlements in same day funds. Greg Spero of NSCC will provide an updated list of all load and no-load funds that have the capability to do trade date settlement for money market fund transactions. 6. DTC Update Frank Petrillo of DTC reported on the upcoming BDUG Conference. He also noted that DTC has the capability to support T+1 settlement in same day funds. 7. T+3 Settlement Follow-up No issues were raised with respect to T+3 transaction processing. 8. ICI Update A. Open Meeting of Broker/Dealer Advisory Committee Kevin Farragher of the ICI indicated that the Broker/Dealer Advisory Committee was inviting non-members to a portion of its next meeting which was -4- held on November 27, 1995 in

San Francisco, California, just prior to the ICIs Operations Conference. B. Banking Regulators Reversal of Position on Confirmation Disclosure of Non-FDIC Insured Status Dorothy Donohue of the ICI reported on the apparent reversal of position by the federal banking agencies on disclosure of non-FDIC insured status on certain confirms and account statements. The attached memo was distributed at the meeting. C. NASD Rules for Bank Broker/Dealers Dorothy Donohue updated the group on the status of the NASDs proposed rules for bank broker/dealers. D. Indexing Cost Basis for Inflation Keith Lawson of the ICI provided an update on the provision of current legislation regarding indexing cost basis for inflation. A paper on the impact to mutual funds should this legislation be enacted was provided in the meeting materials. 9. Other Business A. Next Meeting The next meeting will take place on February 9, 1996 in Clearwater, Florida. There will be a tour of Franklin/Templeton and a dinner on February 8th for interested Committee members. B. New Name for Committee The meeting participants were asked to provide ideas for a new Committee name that more appropriately reflects the focus of the group. A form was provided for submissions. The new Committee name will be announced at the next meeting.

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