

**MEMO# 1839**

April 10, 1990

## **ICI SURVEY OF MUTUAL FUND CUSTODIAN SERVICES AND FEES**

April 10, 1990 TO: MEMBERS - ONE PER COMPLEX NO. 16-90 OPERATIONS COMMITTEE NO. 7-90 RE: ICI SURVEY OF MUTUAL FUND CUSTODIAN SERVICES AND FEES

The Institute has commissioned the accounting firm of Price Waterhouse to perform a comprehensive study of mutual fund custodian services and fees similar to the surveys performed for the Institute in the transfer agent area by Coopers & Lybrand. The Institute's objective in conducting the study is to provide a report that will serve as an important source of information for fund managers and directors in evaluating their custodian arrangements. The survey has been designed to:

1. Provide a more complete understanding of mutual fund custodian operations with regard to both domestic and global custody.
2. Enable participants to make meaningful comparisons to industry data in evaluating their own custodian contracts.
3. Identify the emerging trends in domestic and global services provided by custodians.
4. Ascertain the degree to which competition exists among custodians for both services and fees, by determining the extent to which various services are available and their associated fees.
5. Provide insights into developments regarding fund/custodian relationships and worldwide security settlement and clearing operations.
6. Establish a baseline for future analyses, including future Institute studies.

-2- The 1990 Custodian Survey questionnaires will be sent to fund participants who are selected as part of a representative sample of the Institute's data base of member funds from among the various categories of fund types. The sample will consist of approximately 275 funds drawn from 50 different complexes and will represent broad coverage of the major custodians in the industry, including some regional custodians. IT SHOULD BE NOTED THAT AS WITH OTHER SIMILAR SURVEYS, THE 1990 CUSTODIAN SURVEY REPORT WILL BE PROVIDED ONLY TO FUND GROUPS WHICH CHOOSE TO PARTICIPATE. THE OBLIGATIONS OF PARTICIPANTS ARE (1) TO FURNISH CUSTODIAN FUNCTION AND COST DATA ON A CONFIDENTIAL BASIS TO PRICE WATERHOUSE IF REQUESTED AND (2) TO PAY A 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. The cost of the custodian 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:

| CUSTODIAN SURVEY PARTICIPANT FEES |   |
|-----------------------------------|---|
| Total assets of Open-end Funds    | Member Participation in Complex (as of 3/31/90) |
| Fee Over - \$10 Billion           | \$7,500   |
| \$5 - \$10 Billion                | \$6,000   |
| \$2 - \$ 5 Billion                | \$4,500   |
| \$1 - \$ 2 Billion                | \$2,500   |
| \$0.25 - \$ 1 Billion             | \$1,250   |
| Under - \$ 0.25 Billion           | \$ 750  |

The Institute will sponsor a one-day workshop at The Madison Hotel in Washington, D.C. on May 2, 1990 for member firms and their custodian bank representatives 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. Survey team members of Price Waterhouse will lead the discussion, which will include a general overview, detailed review, and a question and answer period. Based on our experience with other surveys performed in prior years, this -3- 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(s) to this workshop. Complexes selected for the sample will be notified in advance of the workshop and will be supplied with further details regarding the workshop and a copy of the survey questionnaire for review. A registration form has been attached for your convenience should your complex be selected for the sample. ACTION REQUESTED Your organization is invited to participate in the custodian 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 Participation form to the Institute by Friday, April 20, 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 Attachments INVESTMENT COMPANY INSTITUTE 1990 SURVEY OF MUTUAL FUNDS CUSTODIAN SERVICES & FEES PARTICIPATION FORM CHECK ONE [ ] The mutual fund group listed below agrees to participate in the Investment Company Institute Survey of Custodian Functions and Fees. Participation includes a commitment to furnish custodian function and fee information if one or more funds in your group are selected for the Investment Company Institute/ Price Waterhouse sample and a pledge to pay a share of the survey cost based on the total open-end fund assets of your group. [ ] The fund group listed below will not participate. FUND GROUP:

\_\_\_\_\_ ADDRESS: \_\_\_\_\_

\_\_\_\_\_ TOTAL ASSETS 3/31/90: \_\_\_\_\_

\_\_\_\_\_ SURVEY CONTACT PERSON: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

\_\_\_\_\_ AUTHORIZED SIGNATURE \_\_\_\_\_

\_\_\_\_\_ NAME Return or fax to: Mr. Donald E. O'Connor Vice President - Operations Investment Company Institute 1600 M Street, N.W. - 6th Floor Washington, D. C. 20036 (FAX No. 202/293-7016) INVESTMENT COMPANY INSTITUTE 1990 SURVEY OF MUTUAL FUNDS CUSTODIAN SERVICES & FEES WORKSHOP May 2, 1990 The Madison Hotel 15th & M Streets, NW Washington, D.C. 10:00 a.m. REGISTRATION FORM NAME:

\_\_\_\_\_ FIRM: \_\_\_\_\_

\_\_\_\_\_ ADDRESS: \_\_\_\_\_

\_\_\_\_\_ TELEPHONE NO. \_\_\_\_\_

\_\_\_\_\_ NOTE: THIS FORM SHOULD ONLY BE COMPLETED FOR COMPLEXES SELECTED FOR THE SURVEY SAMPLE. PLEASE KEEP THIS FORM HANDY SHOULD YOU RECEIVE NOTIFICATION THAT YOUR COMPLEX HAS BEEN SELECTED. Please return or fax by Friday, April 27th to: Ms. Kathleen Joaquin Investment Company Institute 1600 M Street, NW - 6th Floor Washington, D.C. 20036 (FAX No. 202/293-7016) If you need a sleeping room for the night of May 1, 1990, please call The Madison Hotel at 202/862-1600 as soon as you are notified that your complex has been selected for the survey sample, and ask for the Investment Company Institute block. (Single/double: \$145.00 a night)

should not be considered a substitute for, legal advice.