MEMO# 5557

February 4, 1994

STATUS OF COMMITTEE PROJECTS

February 4, 1994 TO: TRANSFER AGENT ADVISORY COMMITTEE NO. 5-94 RE: STATUS OF COMMITTEE PROJECTS ____ The following is a summary of each of the Transfer Agent Advisory Committee projects discussed at the January 20th meeting. 1.) Transfer of Retirement Assets The Transfer of Retirement Assets task force has held several meetings to discuss a proposal to develop an automated system for the transfer of retirement assets. This proposal was presented to NSCC and DTC at a task force meeting on November 30, 1993. The task force received a joint response from the NSCC and DTC to the proposal. During the Advisory Committee meeting on January 20th, a recommendation was made that the task force consider the development of interim or alternative proposals to expedite transfers of assets. On February 9th, a meeting of the task force will be held in Boston to evaluate the response received from NSCC/DTC and the Advisory Committee's recommendations. The task force will update the Committee on the result of this meeting. Copies of the task force proposal and the NSCC/DTC response are enclosed. The task force members are: Jennefer Baxter Liberty Jan Clifford MFS Pat Cooper Keystone Mary Crooks Oppenheimer Jim Gearin Fidelity Rich Giangregorio Pioneering Mike Gillespie Pioneering Jack Kelly Merrill Lynch Larry Kiefer American Capital Terrie Westren T. Rowe Price - 2 - 2.) Abandoned Property To help prepare for a possible federal regulatory initiative, committee members recommended the formation of a task force to catalogue the practices of mutual fund transfer agents in seeking to locate lost shareholders. While the Operations Committee has, in the past, been surveyed on this issue, an updated survey may be necessary to document current in-house search techniques and the use of outside services by mutual fund transfer agents. The SEC's Division of Market Regulation is currently meeting with industry groups to gain an understanding of what measures transfer agents use to locate lost or missing shareholders. Information gathered by the task force will be useful to the Institute in representing the industry's interest in discussions with the SEC. The task force members are: Vincent Marra (Chairman) Prudential Katherine Cook Nationwide Joan Dowd BFDS William Fronk Kemper Cynthia Jones Colonial Steven MacNeil Scudder 3.) Gifts of Shares During the Advisory Committee meeting, members discussed recommendations to improve the process by which donations of mutual fund shares are made to non- profit institutions. The Institute has been contacted by a national organization of recipient institutions regarding difficulties its members are encountering with gifts of shares. Some benefactors have experienced long delays in effecting gift transfers due to the legal requirements requested for this type of transaction. The Institute agreed to seek the development of simplified instructions for these transactions. Randy Gore (DST) proposed that the non-profit institution submit a request to have the shares be redeemed on the sme day as the shares are transferred. His proposal is enclosed. Members are asked to provide comments on the proposal to Justine Phoenix (202/326-5850) by February 28, 1994. 4.) Power of Attorney The Institute received a letter from a financial planner who felt that the legal requirements for a Power of Attorney were out-dated and burdensome. The letter was distributed to Committee members at its September 27, 1993 meeting and discussed on January 20th. The consensus of the committee was that, in general, the current legal requirements to transact a redemption with a Power of Attorney were appropriate and in the interest of protecting the shareholder's assets. The Institute will respond to the financial planner and express the consensus of the Committee as discussed at the January 20th meeting. - 3 - 5.) 401(k) Third Party Administrators The Committee discussed a proposal by Peggy Schooley (American Funds Service Company) to meet with 401(k) Third Party Administrators and discuss operational issues and concerns as they relate to transfer agents. Also, for consideration was the discussion of transmission processing to allow for a more efficient update of plan participant transactions to the mutual fund's transfer agent system. Committee members volunteered to provide contacts at the following firms: Craig Alvey (Winsbury) Barclays Ed Falvey (Keystone) Mercer Debra Lee Goldberg(TSSG) ACTI Larry Kiefer (American Capital) Trust Consultants Joe Jimenez (USAA) Hazelhurst Hewitt Peggy Schooley and Justine Phoenix will contact the firms to determine the level of interest in a possible meeting with the Transfer Agent Advisory Committee and will update the Committee on the results of these discussions. 6.) NSCC and New Fund/SERV Greg Spero (NSCC) updated the Committee on the progress of new Fund/SERV. The deadline for converting to new Fund/SERV is June 30, 1994; at this time old Fund/SERV will cease to exist. At the Committee's recommendation, the Institute agreed to send reminder notices to member firms who have not contacted the NSCC with regard to their plans for converting to new Fund/SERV. The NSCC provided the Institute with a list of these firms and on February 1st, Kevin Farragher sent them a memorandum reminding them of the NSCC deadline. 7.) Transfer on Death At the Operations Chairman Advisory Group meeting in October, 1993 members were asked to provide copies of their procedures for Transfer on Death. The Institute has received copies from Oppenheimer and Kemper. Several Committee members expressed interest in receiving copies of these procedures. Enclosed are: Oppenheimer and Kemper's procedures, Securities Transfer Association procedures and an article from the Probate Law Journal of Ohio (date May/June 1991). Your contributions and your involvement on these projects is greatly appreciated. The next Transfer Agent Advisory Committee meeting will be held on April 27, 1994 in Washington. D.C. A separate meeting notice will be mailed to Committee members. If you have any questions, please contact me at 202/326- 5850. Thank you for your participation. Justine Phoenix Director-Operations/ Transfer Agency

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