



Vendors Vying for Redemption Fee Rule Customers

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Competition is heating up among vendors offering redemption-fee-rule compliance offerings, especially as the deadline nears and firms are rolling out new products.

A number of firms, including **Access Data Corp.**, **Bisys**, **DST**, **Envision Financial Systems**, **PFPC** and **SunGard**, among others, are all competing in this space.

While many of the products offered for the rule have much in common — virtually all provide a user interface layer, an analytics engine and a data warehouse — observers say one of the most attractive features a product can provide is ease of use.

Peter Delano, a senior analyst at research and consulting firm the **TowerGroup**, says ease of use ties in to keeping costs down. It allows fund companies to minimize the number of operations and technology employees they need to add in order to support the redemption fee rule, which is also known as 22c-2.



Delano says value is important. He says a low-cost solution, or one that can also help the fund company drive business results through better information about their intermediaries, is a plus.

In addition to economics, Denise Valentine, a senior analyst at technology consulting and research firm **Celent**, says the speed and accuracy at which data is procured is extremely important as well.

Valentine places ease of use at a close second.

She also says that because the rule came about recently and spawned these new services, it is hard to compare them, since for the most part they are not battle tested.

Access Data recently launched a shareholder transaction data exchange network, Access Data Exchange, or AccessDX, to provide processing of shareholder data among mutual fund companies and financial intermediaries.

Frank Polefrone, senior vice president of product development, says 15 mutual fund companies use Access Data products, but he declined to break down the number of clients using its offering for 22c-2 compliance specifically. He says the company has a big competitive advantage with a system that is already in place compared to those that must still go through beta testing.

According to Access Data, another AccessDX advantage is that it aggregates data from all sources, including the DTCC /NSCC, as well as private intermediary networks.

However, Access Data is not the only company with this capability. SunGard is among the companies that also offer it.

SunGard spokeswoman Melissa Loverme says that from the perspective of SunGard Transaction Network (STN), making the the service available to fund companies and financial intermediaries along with its data warehousing capabilities makes it competitive. Beta trials will begin in the summer with a handful of customers, she says.

Marty Burns, vice president of product development for STN, says the company is still in final

development for defined contribution plans, and he expects to have test versions installed internally soon. Engagements with fund companies should follow in about a month after testing.

Another popular vendor strategy is to focus on a client's needs and cater offerings to them.

DST stresses putting a client's strategy first because chief compliance officers and fund boards interpret their responsibilities for 22c-2 compliance differently.

Scott Hawkins, systems officer for DST's 22c-2 product, TA2000 Transparency, says the company can support clients in a number of different ways from any source — not unlike its competitors.

"We can store that data in a data warehouse, we can do ad hoc reporting, and then we can take it all the way to where we can integrate with the transfer agency environment," Hawkins says.

DST spokeswoman Jill Metzler says the company can store the data in its own transfer agency environment and process the data on a daily basis, which provides continuous oversight of short-term trading and all other fund rules.

DST is live with certain clients now and rolling out others, Metzler says.

Christine Gill, vice president and senior director of PFPC's global product management group, also highlights product flexibility. She says PFPC's 22c-2 offering is a Web-based tool that enables fund companies to approach the redemption fee rule according to how they think it makes the most sense. Some take in data on a regular basis while others have decided to take a more risk-based approach. She plans to begin beta testing in the next month or so.

Jeanette Harrison-Sullivan, vice president of corporate communications at PFPC, says she expects a significant enhancement to the program in the near future as well.

Bisys is also touting a service for 22c-2 compliance. The firm says its 22c-2 offering is available to clients who employ Bisys as a transfer agent and distributor. The service includes shareholder information agreement negotiations and execution; tracking and monitoring technology; trade compliance; analysis of account-level transaction data; reports tailored to the needs of the fund, boards and CCOs; and management of trade exceptions.

But SunGard, too, plugs a fully outsourced service.

At the end of the day, aside from the economic advantages and flexibility proclaimed by the companies themselves, Valentine points to the number of clients who have signed on or are beta testing the product as a signal of the overall confidence for a particular offering.