



## Redemption Fee Rule Sparks Flurry of Outsourcing

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As the October compliance deadline draws near, preparations for compliance with 22c-2, the mutual fund redemption fee rule, are in full swing and vendors are signing on new customers.

Observers say this is no surprise, and they expect a flurry of announcements over the next month or so as to whether or not the compliance deadline will be extended beyond October 16.

The redemption fee rule will require intermediaries to provide fund firms with information on individual investors' trading activities to ensure that procedures to eliminate market timing are being followed.

Investment Company Institute spokesman Chris Wloszczyna says the number of intermediaries subject to requests for transaction details is "in the thousands." While he says the ICI is of the understanding that fund firms are making progress in establishing agreements, the ICI does not have a quantitative measure of such developments.

"I'm sure they will continue to work toward that end," Wloszczyna says.

One recent example of a new redemption fee rule deal is Access Data, which says Julius Baer Investment Management selected its SalesVision software to manage sales and asset reporting across its distribution channels.

According to Access Data, SalesVision provides "clean, controlled and consistent asset and sales data aggregated from multiple financial intermediary platforms."

The company says benefits include improved enterprise sales reporting, automated calculation and tracking of sales compensation, and ongoing monitoring of detailed trading activities.

Access Data also says SalesVision will enable ad hoc queries of detailed information across product lines, including mutual funds and institutional accounts. Julius Baer has also contracted with Access Data to provide data management services and will synchronize SalesVision with existing customer relationship management, or CRM,

systems to provide a complete view of client sales activities and results.

“We like the fact that SalesVision enables us to leverage Access Data’s extensive experience in acquiring and aggregating detailed subaccounting information from financial intermediaries,” says Tony Williams, CEO of Julius Baer, in a prepared statement.

Williams did not return calls for further comment.

Of Access Data’s 21 SalesVision clients, 14 are “using multiple services [from AccessData], which include 22c-2 as part of it,” says senior vice president of product development Frank Polefrone.

Polefrone says Access Data’s competitive advantages include its “huge head start” in terms of data sources, as it has been aggregating data from financial intermediaries since it established the product in late 2002.

Access Data acquired its first 22c-2 clients in mid-2004. Ariel Capital is also a customer.

But Access Data isn’t the only company that can boast of inking a new client.

Another new redemption fee rule customer is CMC Interactive, which provides full-service retirement plan solutions through Web-based technology. CMC has selected SunGard Transaction Network to help comply with 22c-2.

The company says it is now in line to meet the industry’s regulatory compliance deadline.

SunGard’s STN 22c-2 Services and CMC’s Relius Administration retirement recordkeeping product will route requested data to mutual fund companies or through the NSCC.

“Automation is critical,” says CMC Interactive principal Michael Calandra in a prepared statement. “SunGard is helping make it possible for us to be in compliance with this regulation without placing additional burdens on our daily processing requirements... And being ready to meet the compliance deadline gives us a competitive advantage.”

Calandra was not available for further comment by deadline.

For his part, Kevin Rafferty, president of SunGard Transaction Network, says, “STN 22c-2 Services integrates with existing SunGard and third-party solutions so that our customers’ normal processing is not disrupted and they can comply with SEC Rule 22c-2 without making significant changes to their existing infrastructure.”

SunGard did not return calls for comment.

SunGard’s STN 22c-2 Services links the data path from financial intermediaries to the

NSCC to fund companies and transfer agents. Services include data warehousing, data request monitoring, an analytics engine, reporting and administration.

Other companies competing in this space include Bisys, DST, Envision Financial Systems and PFPC, among others, and they are not likely to stand still either.

DST spokeswoman Jill Metzler says the company has several clients in various stages of implementation with its 22c-2 product.

Denise Valentine, a senior analyst at technology consulting and research firm Celent, says companies have different needs and desires, from those who want something quick and easy to those who value interface reporting, and there's "something for everyone" out there. "It's a matter of your budget and what you need to run your business," she adds.

The choices are basically to build it yourself or buy it, but, Valentine says, "regulatory is something that folks tend to want to buy the support for because it's continually changing."

Valentine is in the camp that expects to see a flurry of announcements from now until October 16. Calling regulations "a bit of a wild card," Valentine says, "I think you have to behave as though that's the deadline."

Some companies may have had conversations with vendors [EM] and even contracts on their desks [EM] but may not sign until the last minute, she says.

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