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What's Your 22c-2 Status?

The deadline for compliance with the last phase of SEC's Rule 22c-2 is looming, so what is the industry doing to get ready?

The rule requires that fund companies have individual account level data in order to be able to catch market-timers. The deadline for the final provision of data sharing is October 16.

Recently, the Coalition of Mutual Fund Investors released a study entitled, "An evaluation of Mutual Fund Redemption Fees and other Market-Timing Policies," that found that for mutual funds, identifying market timers in accounts maintained by intermediaries is still difficult to say the least.

"The problem is as much with the intermediaries as with the fund companies," said Todd Moyer, SVP at STN Sungard, a company that provides funds with an account level data sharing tool, in an interview.

SunGard's system allows fund companies to turn to them as a third party provider to access account level data, thus eliminating the need for them to reach out to hundreds of intermediaries.

"PFPC and STN's 22c-2 solution allows fund companies to obtain their data in one location from every intermediary, with the ability to run analytics against all data and utilize the numerous reports the system has to offer to provide to their compliance officers," Peter Rigopoulos, VP and senior director at PFPC, a partner of SunGard, told the *MFWire*.

"The biggest problem is in securing the data, which consists of investors' social security numbers," Moyer said.

According to Moyer, there are three levels on which the data must be secured, data level security, warehouse security, and pipe and transmission line security.

About 50 fund companies currently use SunGard's service.

There are two ways for a fund company to handle compliance with 22c-2: they can outsource the process to a company such as SunGard, or they can keep the process in house.

"Fund companies need to weigh the cost, resources, and security of data, among other items, when deciding between building their internal systems or outsourcing to companies like PFPC, which has already spent the time, resources and dollars to build a turnkey solution for both the fund company and intermediary industry," Rigopoulos said.

"Most companies I've seen so far have outsourced the process. Once fund boards reviewed these factors internally, many decided it made sense to outsource the work to an organization that already had the appropriate technology infrastructure and expertise in place," Rigopoulos added.

So how prepared is the fund industry in general for the October 16 deadline?

"I think most companies are pretty well prepared so far, but I'm sure there will be a push right before the deadline," Rigopoulos said.

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