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From the Archives

Investor Coalition Targets Omnibus Accounts

Article published on August 12, 2004

The Coalition of Mutual Fund Investors, a lobbying group representing shareholders, says that omnibus trading accounts have facilitated market timing and that brokerages should be required to disclose more information about the accounts. So reports *The Street.com*.

The group, which was formed in reaction to the fund scandals, says efforts to deter market timing will fall short unless regulators force brokerages to report all customer trades made each day through an omnibus account. It says the anonymous trading in such accounts hides the identity of timers and could thwart the SEC's proposal to make fund firms impose a 2% redemption fee on all frequent trades.

According to a survey conducted by the coalition, many large fund firms state in their prospectuses that they cannot effectively police their omnibus accounts. Since thousands of individual trades are consolidated into one big trade, funds cannot single out timers and timing activity.

While the SEC's redemption fee proposal would

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make omnibus accounts more transparent. Niels Holch, the coalition's executive director and a partner in the Washington law firm **McGuiness & Holch**, says it still leaves an opening for timers. It would make brokers disclose customer trades made in an omnibus account to funds on a weekly basis, rather than the daily reporting the coalition recommended.

Sen. Peter Fitzgerald (R-Ill.), who introduced a fund reform bill, has backed the coalition's call for daily disclosure. Brokerages will probably oppose the proposal, and financial firms maintain that omnibus accounts protect the privacy of all their clients.

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