December 17, 2010

The Honorable Manju Ganeriwala
Treasurer
Commonwealth of Virginia
Department of the Treasury
James Monroe Building, 3rd Floor
101 N. 14th Street
Richmond, Virginia 23219

Dear Madame Treasurer:

My name is Niels Holch and I am the founder of a shareholder advocacy organization called the Coalition of Mutual Fund Investors ("CMFI"). CMFI was established in 2003 to represent the interests of individual mutual fund investors on public policy issues at the Federal level. You can learn more about our organization and its advocacy efforts at www.investorscoalition.com.

I attended an industry conference a few weeks ago, sponsored by the National Investment Company Service Association ("NICSA"). At the event, I learned that Edward Jones—a large broker-dealer—and the American Funds are finalizing a process with the Commonwealth of Virginia for converting directly-held investor accounts onto an Edward Jones omnibus account platform.[1] My understanding is that this is primarily occurring for those accounts offered through financial advisors in Virginia's 529 plan.

Edward Jones and other large broker-dealers assert that holding individual fund share positions on omnibus account platforms will create operational efficiencies at the investor level. These broker-dealers also assert that 529 plan participants will benefit from this conversion. And a related question is whether the Virginia 529 plan will benefit through lower costs.

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[1] Omnibus accounting, also called "subaccounting," permits broker-dealers and other financial intermediaries to aggregate mutual fund transaction requests from their customers into one consolidated order for each mutual fund on a daily basis. A fund handles this order as a single transaction, treating the financial intermediary—instead of each underlying investor—as the account holder and as the shareholder of record. This consolidated account is referred to as an omnibus account within the financial services industry. It is an operational structure very similar to purchasing stocks and bonds in "street name."