



17 of 118 DOCUMENTS

Copyright 2010 Euromoney Institutional Investor PLC  
All Rights Reserved  
Fund Action

August 23, 2010

**LENGTH:** 386 words

**HEADLINE:** 12b-1 Reform Brings Back Omnibus Issue

**BODY:**

--Stan Wilson

The Coalition of Mutual Fund Investors will be taking another shot this fall at persuading the Securities and Exchange Commission to require that all beneficial owners of mutual fund shares traded in the market through brokerage omnibus accounts be individually identified. The opportunity to do so will be provided by SEC's proposal to reform Rule 12b-1, comments on which are due Nov. 5. On Aug. 18, the Coalition produced a white paper arguing that cloaking individual fund share transaction inside omnibus accounts led to hidden brokerage costs. In an interview, Niels Holch, CMFI's executive director, told FA the white paper would be used by the investor group to strengthen its case for piercing the veil of omnibus accounts as part of the SEC's 12b-1 reform.

Holch said the white paper had been produced in response to SEC reactions last year to an earlier 2009 attempt CMFI had made to persuade the Commission of the merits of mandating that individuals trading mutual fund shares through omnibus accounts be identified. The SEC has a regulation now that lets funds get the identities of fund share traders upon request-if the fund needs the information to combat market timing.

The SEC was ambivalent on broadening identification applications. It saw merits in Holch's arguments that, aside from countering market timing, providing shareholder information would help money market funds "know their customers" as new SEC rules require, and make sure that investors get breakpoints due to them. But, said Robert Plaze in a letter to Holch last year, what Holch and CMFI wanted could cause fund managers to "sort through and analyze huge amounts of data" on shareholder transactions. "In most cases, these costs would be borne directly by shareholders," he added. The associate director of the SEC's Division of Investment Management did add, however, that the points the Coalition is raising would be considered in the context of the work done to alter Rule 12b-1.

The Coalition has argued that what it wants done can be accomplished relatively cheaply using systems of the National Securities Clearing Corporation. So far that view has not swayed the SEC, which is finding its own 12b-1 reforms under fire from the industry even without the added requirement that omnibus accounts be transparent.

**LOAD-DATE:** September 7, 2010