

**CSF Administrative Issues Task Force**  
**Straw Man Comparison of Omnibus Conversion Process for Mutual Fund Industry vs. 529 Industry**  
**4/25/2016**

	<b>Mutual Funds</b>	<b>529's</b>
Process:	<ul style="list-style-type: none"> <li>• Intermediary notifies fund</li> <li>• Agree on what data changes hands</li> <li>• Fund sets-up omnibus accounts</li> <li>• Accounts move via NSCC B52 records</li> <li>• Intermediary balances accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Intermediary notifies fund</li> <li>• Parties agree to timeframe and files needed for data conversion</li> <li>• Intermediary builds accounts on sub-account platform</li> <li>• Intermediary builds sub-files on their platform</li> <li>• Fund sets-up omnibus accounts</li> <li>• Data conversion takes place</li> <li>• Intermediary &amp; TA/Fund balance</li> <li>• Movement of accounts via NSCC B52 records used; F53 record used for communicating earnings / principle breakdown</li> </ul>
Timeframes for conversions:	<ul style="list-style-type: none"> <li>• Primarily up to intermediary</li> </ul>	<ul style="list-style-type: none"> <li>• 1<sup>st</sup> time implementation allow for 12 months for new accounts; 1<sup>st</sup> time full conversions have taken 18-24 months</li> <li>• Subsequent conversions via B52 records 4-6 months</li> <li>• 529 conversions have been processed as both data conversions and B52 records; data conversions can add 3 months to the time line as data requires program mapping</li> <li>• Complexity of 529 plan features and unique processes would determine timeframe</li> <li>• State approval/education add 1-3 months to overall time frame</li> </ul>
Aggregation:	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Program manager is responsible for aggregation requirements; the master aggregator would need to incorporate files from one to many intermediaries into aggregation process and have a process to report data back to intermediaries</li> <li>• Determine aggregation requirements for the state sponsor and if any information required is not standard</li> <li>• Understand how the investment strategy change counter will work on accounts that convert from direct accounts to omnibus account</li> </ul>

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Planning & Testing:	<ul style="list-style-type: none"> <li>Minimal effort required for TA or fund.</li> </ul>	<ul style="list-style-type: none"> <li>529 omnibus conversions are handled primarily as a project to insure all applicable files are sent/received and balanced</li> <li>Determine and agree to the level of testing to occur, discuss and accept any potential risks, for functionality that may not/cannot be tested due to limitations</li> <li>Discuss testing environment and any limitations</li> <li>Ensure agreements are on target or completed prior to testing</li> <li>Effort would depend on scope of conversion, additional testing is required to handle account level details</li> </ul>
Reporting:	<ul style="list-style-type: none"> <li>Files for sales reporting &amp; blue sky reporting may need to be developed or updated.</li> </ul>	<ul style="list-style-type: none"> <li>The program manager is responsible for reporting data to the state(s); based on agreements with the State, the PM may require information from intermediaries on the number of accounts and/or a breakdown of beneficiary information to perform their State reporting requirements</li> <li>Understand current structure of reports and frequency, and determine if additional reporting is required if it is not provided in DSA/DSP files</li> <li>Determine if there is reporting to the state that is not provided in base line DSA/DSP files. Ex. special reports may need to be created if any beneficiary information (.i.e. name, address, SSN, etc.) is provided to the state that is not provided thru regular reports</li> <li>Determine what information is provided to third parties that is not base line in DSA/DSP files. Ex. special reports may need to be created for information that is normally provided to CSPN and Strategic Insight OR determine if it will be provided as N/A (i.e. AIP accounts)</li> <li>Identify mapping of transcodes early on in the project cycle; some transcodes may not be available for 529 transactions so determine what transcodes firms will use</li> </ul>

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Pain Points with 529 Omnibus Conversions:	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Intermediaries stated that implementing omnibus conversions has been a challenge</li> <li>• From an intermediary perspective, there is certainly brokerage platform development that needs to be completed to interface with the sub accounting platform; however, in large part, this development is only required for the first 529 plan conversion</li> <li>• The conversion process is more manual</li> <li>• Receipt of prices for 529 funds is later than for mutual funds and could delay nightly processing</li> <li>• Systematic agreements may have to be reestablished and not copied from TA depending on dealer and program</li> <li>• If account owner elects to switch dealers after an omnibus conversion there is not currently an automated way to accomplish that change</li> <li>• Third party aggregators add complexity</li> </ul>