

July 19, 2007

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

File Number 4-538

Dear Ms. Morris:

I am writing to comment on the SEC roundtable on Rule 12b-1 held on June 19, 2007 concerning mutual fund distribution fees and the reporting and payment of those fees.

Our firm, Access Data Corp., provides information technology support and services, including software systems, to investment advisory firms regulated by the Investment Company Act of 1940. Today, Access Data is one of the leading providers of technology and services that enable mutual fund companies to monitor and track detailed shareholder trading activities in order to detect excessive trading that may be in violation of the fund's trading policies. Access Data also is a leading technology and service provider for the calculation, tracking and reporting of compensation plans for internal sales staff (wholesalers), as well as external distributors (financial intermediaries).

Over the last ten years, the mutual fund industry has witnessed a significant change in the way shareholder account information is maintained and processed. Traditionally, mutual fund companies contracted with registered transfer agents to provide shareholder account and recordkeeping services. These contracts were overseen by the investment company's independent board and subject to audit and regulatory controls.

Today, it is estimated that as much as 50% of mutual fund shareholders are maintained in sub accounts held by financial intermediaries. The services provided by these financial intermediaries include shareholder services, investment advice, marketing support and other services that help individuals invest in a wide array of mutual funds. The services offered by financial intermediaries have proven to be an efficient and effective means of selling to and servicing mutual fund shareholders. The ICI estimates that 89% of all mutual fund sales are made through third party distribution channels (financial intermediaries).¹

During the recent SEC forum on 12b-1 reform, the question was posed whether payments made to financial intermediaries in the form of 12b-1 fees are appropriate and whether individual shareholders understand the fees they are paying. Since 12b-1 payments are aggregated and reported at the fund level rather than at the shareholder account level, it is reasonable to question if shareholders have the information they need to evaluate the fees they pay for their individual holdings.

Shareholder Account Transparency

Shareholder account transparency was an important element in solving the market timing violations that occurred in omnibus accounts held by financial intermediaries. Once again, shareholder account transparency for fee payments is at the heart of the debate over regulatory reform. In short, to achieve account level transparency and calculate fee payments at the shareholder account level, the mutual fund must have access to shareholder information from financial intermediaries. Once this data is available to fund companies, they can utilize technology tools to calculate and report 12b-1 payments at a shareholder account level.

¹ Investment Company Institute, 2007 Investment Company Fact Book, Section 6, Figure 6.14..

Some may suggest calculating fees at the account level is too difficult and expensive, but the technology already exists to aggregate shareholder information from third party financial intermediaries and calculate payments at the shareholder account level. In our work with asset management firms to meet the requirements of SEC Rule 22c-2, we have already established technology and services to achieve full shareholder account transparency, as well as technology tools to perform financial calculations at the account level. To suggest that the solution can not be created, or that the cost is prohibitive, is inaccurate.

Appropriate Use of 12b-1 Payments

The appropriate use of 12b-1 payments was also discussed during the recent SEC forum. The issue was raised whether 12b-1 payments were being used for broader purposes than what the Rule initially intended. Today, this question is almost impossible to answer since the lack of fee transparency has created confusion for both the fund companies and fund shareholders related to the types of fees that are passed between the funds and financial intermediaries, and the purpose for those fee arrangements.

While the recent SEC forum focused primarily on 12b-1 payments, there are other fee arrangements between fund companies and financial intermediaries that should be considered as part of a broader discussion related to revenue sharing arrangements. One of these arrangements is referred to as a service fee plan, which is reimbursement from the fund for shareholder services provided by the financial intermediary. Another category of fee arrangement is referred to as sub transfer agent fees, which are paid for sub accounting services provided by the financial intermediary. There can also be revenue sharing agreements between the advisor (paid from assets of the advisor) and the financial intermediary. Although there are contractual agreements in place between the fund company, or the fund advisor, and the financial intermediary for each of these arrangements, the shareholder has no way to determine which fees are paid for specific services, let alone which fees are deducted from his or her account versus paid from assets of the advisor.

Once again, some may suggest that calculating different fee types by category at the account level is too difficult and expensive, but again the technology already exists to calculate, track and report these multiple types of payments at the shareholder account level. The technology also exists to determine payments made to financial intermediaries from individual shareholders (assets of the shareholder's fund account) versus payments made by the advisor (from assets of the advisor).

Summary

For over 60 years, the industry as a whole has maintained the highest standards of integrity and investor confidence. The current system provides choices for individual shareholders in terms of the fees they pay and the services they wish to buy for those fee payments. It is time, however, to ensure that shareholders have full disclosure and fee transparency so that they can make an informed decision related to the fees they pay versus the services they receive. We are already seeing that shareholder account transparency is helping fund management companies and fund boards to protect shareholders from market timing violations. Likewise, we believe that fee transparency at the shareholder account level will achieve similar positive results, and will help our industry maintain the highest standards of integrity and investor confidence.

Respectfully,

James J. Dolan
Chairman and CEO
Access Data Corp.