



OMNIBUS CLEARING

NEXT GENERATION
INVESTOR RECORD KEEPING

Annual Research Report

Current Statistics for the US Mutual Fund Transfer Agency Market Market Size, Participants and Analysis of Growth

Fall 2024

Introduction

The purpose of this report is providing data on the current mutual fund transfer agency market. The report will discuss total market size, its growth and future direction. The report provides data on the participants that service the mutual fund transfer agency industry and provides insights into its possible direction for existing service providers. We have estimated market share of the service providers. The primary source for the underlying analysis is the annual SEC reporting via its TA-2 filings required for a registered transfer agent. Other sources providing data including Depository Trust Company (DTCC) and historical data provided by KDS Partners' research.

A transfer agency system is classified as a custodial system. Many capabilities need to present including payment of distributions to investors, investor statement and confirmation capabilities and year-end tax reporting. The other primary custodial systems are brokerage systems, trust systems and retirement plan (401k, etc.) systems. This report concerns transfer agent processing for US open ended mutual funds only.

The report examines the factors contributing to the changes in this transfer agent market and identifies potential growth opportunities that remain within the United States. Most mutual fund investor records are held not on mutual fund transfer agency systems but on brokerage and retirement plan systems (see table #1).

The following are important concepts that Impact mutual fund transfer agency systems.

1. Investor records for ETF assets are kept at DTCC (Depository Trust Company) and on Brokerage Systems. There is virtually no transfer agency involved except for creation processes that is limited to few accounts.
2. 401K and DC retirement accounts are on separate record-keeping systems because mutual fund transfer agency systems don't meet their processing requirements. The retirement plan processing model use the omnibus processing and clearing methodology.
3. Sub-accounting for No load funds is easily done by brokerage systems and as result most brokerage systems use the omnibus processing and clearing methodology
4. Sub-accounting for load funds is done primarily by SurPAS (BNY Mellon), SS&C and Envision. These systems assist other brokerage platforms to use the omnibus processing methodology.

These considerations continue to impact mutual fund transfer agents by reducing the number of accounts available for processing. As seen below Omnibus recordkeeping (AKA sub-accounting) has played a very important role in the service model for mutual funds and mutual fund transfer agents.

Platform Processing Type for Mutual Funds Shareowner Recordkeeping
Table #1

	System Type	Number of Accounts processed*	Percentage of total Record Keeping
1	Brokerage System (using Omnibus Clearing)	300 MM	54%
2	401K System (using Omnibus Clearing)	188 MM	34%
3	Transfer Agency Systems	64 MM	12%
4	Trust Systems	N/A	
Total		552 MM	100%

* (Source SEC TA-2 filings, ICI (Investment Company Institute annual FACT Book) and KDS partners research)

Some of the reason for the use of Omnibus clearing is shown in table #2. Often the reasons given for omnibus clearing is a question of ‘who owns the client?’ the financial investment management company creating the product or the distributor of the product. Distributors have won as they generally use brokerage systems or retirement plan systems to account for all assets their clients own which of course can contain products from many investment management companies offering mutual funds.

Omnibus Clearing/Sub-accounting Service Market Opportunities (table #2)

1.	Record keeping revenue opportunities for Load and No-Load Mutual Funds by product distributors (Brokerage platforms)
2.	401K Plans (Defined Contribution) DC
3.	Sweep Money Market Funds
4.	State Sponsored Retirement Plans
5.	529 Plans
6.	Health Savings Plans
7.	Wealth Management Products i.e. Robo Advisors and ‘wrap accounts’
8.	Fractional Share Accounting for Brokerage Systems
9.	Block Chain Clearing Companies for Bit Coin Wallets
10.	Omnibus Clearing for Specialized financial products

History of Number of Accounts since 2003 by Source (table #3)

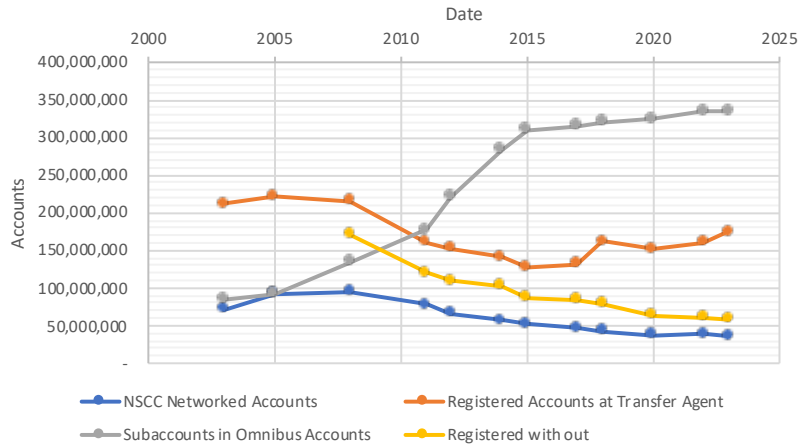
This data shows the dominance of Fidelity and Vanguard in the mutual fund industry. The two families have over 60% of the total number of accounts reported to the SEC from their annual TA-2 filing. It also depicts the decline of the DTCC networking solution and now dominance of omnibus clearing. This change show particularly the move of mutual load fund positions previously held on transfer agents’ systems that are now held on brokerage system. One can see (yellow) line continuing to fall as it represents accounts held on transfer agent systems. As well as the blue line of networked accounts held at funds (Source DTCC). This continues to drop at a rate of approximately 2-5 million accounts per year.

Assets of Mutual Funds have continued to grow (See table # 7) but opportunities for mutual transfer agents to service these accounts continue to decline. The reasons for this ambiguity are apparent as the three other system alternatives service most of the accounts.

SEC TA-2 Filings History of Networked, Registered and Subaccounts

Date	NSCC Networked Accounts	Registered Accounts at Transfer Agent	Registered at TA Without Vanguard and Fidelity	Subaccounts in Omnibus Accounts	ETF Assets Trillions	National Financial (these are in DST sub)	Vanguard (1)	Fidelity Institutional (2)	Total (1)+(2)	% of Registered
2023	36,024,313	174,505,929	58,028,293	335,000,000	\$ 8.10	69,256,559	27,293,659	89,183,977	116,477,636	66.75%
2022	38,631,000	160,033,432	60,512,187	335,000,000	\$ 7.20	56,093,795	23,841,815	75,679,430	99,521,245	62.19%
2020	37,800,000	151,799,524	64,001,331	325,000,000	\$ 5.40	46,122,169	22,478,412	65,319,781	87,798,193	57.84%
2018	42,596,811	162,392,336	79,536,327	320,000,000		37,214,168	26,946,034	55,909,975	82,856,009	51.02%
2017	46,797,953	131,814,427	85,181,513	315,000,000	\$ 3.40	31,307,348	21,843,758	23,263,723	45,107,481	34.22%
2015	52,433,182	127,345,267	87,210,795	310,000,000		29,776,684	18,659,164	19,771,810	38,858,444	30.51%
2014	56,731,420	141,132,997	103,127,151	283,722,405		28,259,817	17,806,566	20,199,280	38,005,846	26.93%
2012	65,758,912	152,499,956	108,814,235	220,496,200		26,342,836	16,972,563	26,713,158	43,685,721	28.65%
2011	77,645,233	161,039,472	120,399,020	177,500,000	\$ 0.99	26,060,462	15,784,076	24,856,376	40,640,452	25.24%
2008	94,600,000	215,075,970	170,603,352	134,400,000		18,903,291	15,217,200	29,255,418	44,472,618	20.68%
2005	93,000,000	221,819,533		93,000,000						
2003	72,000,000	211,943,984		84,500,000						

Registered, NSCC Networking and Subaccount Account History



Revenue per position has been used by the transfer agency industry rather than revenue per client account as used in a brokerage account. Below are some approximations of the range by service type of the costs for this service per position. KDS Partners has a separate report on the revenue potential for all segments.

Revenue Ranges for Mutual Fund Transfer Agency by type of recordkeeping (table \$3)*

	Type Mutual Fund Charges for Recordkeeping	Revenue Per Account (Position)
1	Full-Service Transfer Agency including “arms and legs”	\$16-\$22
2	Remote recordkeeping (SaaS) for transfer agency	\$5-8
3	Subaccounting recordkeeping	\$1-\$4
4	Networking Accounts Level 3* Processing	\$8
5	No Load Fund Recordkeeping and access	25-40 bps

*Source KDS Partners research

The following table #4 is an extract from TA-2 of all mutual fund transfer agency entities reporting mutual fund accounts and compares the prior year data. This report contains 2023 data reported on March 31, 2024 for the prior year so it also the starting balance for 2024.

Data on U.S. SEC Registered Mutual Fund Transfer Agents (01/01/2024) table #4
Source 2024 SEC TA-2 Filings

TA-2 2023 and 2022 Year End Data					
	Filing Transfer Agent	Shareholder Accounts 2023	Shareholder Accounts 2022	2023 % of Total	2023 Cumm %
0	Ignore National Financial Services LLC (see below this is subaccounted*)		56,093,795	0.00%	0.00%
	Ignore Ishares and black Rock 100 Million investors				
0	Ignore Fidelity Investments Institutional Operations Company, Inc.	89,183,977	75,679,430	0.00%	0.00%
1	The Vanguard Group, Inc.	27,293,659	23,841,815	0.00%	0.00%
2	American Funds Service Company/TA	19,505,336	20,437,388	33.61%	33.61%
3	SS&C, CIK 0000275143 (GUIDS)	8,732,123	6,967,254	15.05%	48.66%
4	Edward D. Jones Co., L.P. d/b/a Edward Jones	6,088,573	5,657,284	10.49%	59.15%
5	Price Rowe Services, Inc.	3,851,544	4,116,204	6.64%	65.79%
6	BNY Mellon Investment Servicing (US) Inc.	3,422,965	3,645,264	5.90%	71.69%
7	Invesco Investment Services, Inc.	2,648,220	2,927,213	4.56%	76.25%
8	U.S. BANCORP FUND SERVICES	2,241,040	2,311,866	3.86%	80.12%
9	Franklin Templeton Investor Services, LLC	1,830,277	2,011,858	3.15%	83.27%
10	FIS	1,535,143	1,505,972	2.65%	85.92%
11	Ultimus Fund Solutions, LLC	1,402,429	486,451	2.42%	88.33%
12	Janus Services LLC	1,161,983	1,306,552	2.00%	90.33%
13	American Century Services, LLC	1,070,019	1,086,945	1.84%	92.18%
14	Putnam Investor Services Inc.	897,234	1,017,375	1.55%	93.72%
15	UMB Fund Services, Inc.	670,151	70,703	1.15%	94.88%
16	The Northern Trust Company	448,849	610,044	0.77%	95.65%
17	AllianceBernstein Investor Services, Inc.	432,320	445,856	0.75%	96.40%
18	Integrity Fund Services, LLC	310,424	296,783	0.53%	96.93%
19	Commonwealth Fund Services, Inc.	289,243	14,883	0.50%	97.43%
20	BNY Mellon Investment Servicing (US) Inc. Second listing	279,578		0.48%	97.91%
21	State Street Bank and Trust Company	227,450	191,856	0.39%	98.31%
22	Gemini Fund Services, LLC	185,338	970,922	0.32%	98.62%
23	Phoenix Transfer	121,858		0.21%	98.83%
23	ALPS Fund Services, Inc.	100,892	382,419	0.17%	99.01%
24	Virtus Fund Services, LLC	92,934	110,587	0.16%	99.17%
25	Great Lakes Fund Solutions	69,293		0.12%	99.29%
25	Mutual Shareholder Services, LLC	59,667	27,819	0.10%	99.39%
26	SEI Institutional Transfer Agent, Inc.	55,437	51,655	0.10%	99.49%
27	Atlantic Shareholder Services, LLC	48,126	70,903	0.08%	99.57%
28	Saturna Capital Corporation	44,027	25,226	0.08%	99.65%
29	Harbor Services Group, Inc.	41,004	57,019	0.07%	99.72%
30	MFUG Investor Services	38,179		0.07%	99.78%
31	Nottingham Shareholder Services, LLC	31,101	41,413	0.05%	99.84%
32	Fenimore Asset Management Trust/TA	27,179	25,226	0.05%	99.88%
33	Brown Brothers Harriman	24,851		0.04%	99.93%
33	Mutual Fund Service CO	23,682		0.04%	99.97%
34	Pear Tree Advisors, Inc./TA	13,682	17,996	0.02%	99.99%
35	Dupree & Company Inc.	6,142		0.01%	100.00%
36	DST Systems, Inc. (Combined in #3)	-	3,467,556	0.00%	100.00%
37	MFS Service Center, Inc. in DST	-			100.00%
38					

Summary Data on U.S. SEC Registered Mutual Fund Transfer Agents (01/01/2024) table # 5

Source 2024 SEC TA-2 Filings` The following is a summary of the TA-2 data. There are only 35 mutual fund transfer agents today and 11 of them process 90% of the accounts.

Once Vanguard and Fidelity are excluded from the totals, it is possible to inspect the mutual fund transfer agent accounts processed by different vendors and transfer agents (see table #6 and table #7).

1. Number of SEC Registered Mutual Fund Transfer Agents	35
2. Number of SEC Registered Mutual Fund Transfer Agents Processing more than one (1) million accounts	13
3. Number of SEC Registered Mutual Fund Transfer Agents Processing 90% of all US mutual fund accounts	11
4. Percentage of SEC Registered Mutual Fund accounts processed by SS&C (removing Vanguard and Fidelity)	70%
5. Approximate reduction of Accounts processed by Transfer Agents yearly due to accounts converting to sub-accounting	2-5 million
6. Percentage of accounts remaining on Transfer Agents systems that are Networked and as a result are potential candidates for sub-accounting in the future.	65%

The following table #6 gives the number of accounts reported via TA-2 that provide full service mutual fund transfer services. Full service means that the mutual fund has fully outsourced its transfer agency activities.

Primary SEC Registered Mutual Fund Transfer Agents (Table #6)

Source 2024 SEC TA-2 Filings

Vendors Offering Full Mutual Fund Transfer Agency Services	Number of Mutual Fund Accounts
SS&C (DST)	8,732,123
BNY Mellon	3,701,543
US Bancorp	2,241,080
FIS (Sungard)	1,535,143
Ultimus	1,402,429
UMB	670,351
Northern Trust	448,849
Integrity Fund Services	310,424
State Street	227,450
Gemini	185,338
Delta Data	121,858

The following table #7 gives an estimate of the number accounts that are on the five main provides of technology services. This would include the full-service model, the SaaS model and on Prem model that allows a fund to be its own transfer agent.

Mutual Fund Transfer Agent Software System and SaaS Providers (table #7)

Vendor	System Name	Number of Accounts Processed 2024	Percentage of Accounts Processed 2024*
SS&C (DST)	SS&C GlobeOp (AKA TA2000)	40,813,319	70.33%
FIS (Sungard)	InvestOne	4,711,503	8.12%
BNY Mellon	SuRPAS	9,511,538	16.87%
Envision Financial	Power Agent	1,815,217	4.28%
Delta Data	Phoenix	121,858	.21%

*Excludes Vanguard and Fidelity

Other Important Mutual Fund Investor Recordkeeping Facts

1. Vanguard and Fidelity represent 60% of all SEC registered mutual fund transfer agency accounts
2. Vanguard puts all new investor accounts on its brokerage platform
3. Fidelity processes many 401k accounts on their proprietary systems and an even larger portion of accounts on their brokerage platform. No new accounts are processed on transfer agency system.
4. According to the ICI Fact Book for 2023, ninety-one (91%) of new mutual fund gross sales are no-load funds. These investor records will be almost exclusively on 401K and Brokerage Systems platforms and not on mutual fund transfer agency platforms. These accounts will be processed under the omnibus recordkeeping concept in place on the brokerage and 401k platforms.

Summary

This detailed data and analysis are provided to elucidate the shifting dynamics within the mutual fund industry and the role of various financial products and services. By examining the historical account data and revenue models, stakeholders can gain a comprehensive understanding of the market trends, the decline of certain traditional systems, and the rise of innovative solutions such as omnibus record keeping AKA Mutual fund sub-accounting and fractional share accounting. The insights gleaned from this information are crucial for making informed decisions about future investments and strategies in this financial sector

Appendix

Mutual Fund Assets Held by Type (ICI Fact Book) (Table # 8)

Year Beginning	Total Mutual Fund Assets (Trillions)	IRA and DC Plans Mutual Assets** (Trillions)	ETF Assets Held (Trillions)*
2023	\$22.1	\$10.1	\$7.2
2024	\$25.5	\$11.9	\$8.1
2025	TBD	TBD	TBD

*At least 99% of all ETF assets are not held on Mutual Fund transfer agent's systems but are held on brokerage systems clearing via DTCC

** The vast. Majority of these assets are held on 401k and retirement plan systems and are not held on Mutual Fund Transfer agency systems.

Important Table of Number of financial processing entities

SEC Registered Mutual Fund transfer agents*	35
Mutual Asset Managers in US***	50+
Mutual Funds US**	8,582
ETF funds in the US**	3,304
Clearing Broker Dealers (non-omnibus)***	20
Omnibus Clearing only Brokers ***	5+
Introducing Broker Dealers ***	3,000+
Registered Investment Advisors (RIA)***	30,000+

*source SEC TA-2 filing

** source ICI Fact Book

*** KDS Partners Research

Disclaimer

KDS Partners has made every effort to include all relevant data in its report. It is possible that there may be omissions or corrections that may be needed in its present analysis. We expect to issue an updated version of this report in May once all TA-2 forms for 2024 are available. The numbers here are for SEC open-ended mutual funds and exclude closed-end funds, hedge and private equity accounts, and non-TA2 reported assets.



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