

PFPC Launches Fully Automated Wash Sales Processing System for Mutual Funds

Accuracy Improved for Calculation of Sensitive, Year-end Capital Gain Distributions

PRNewswire
WILMINGTON, Del.

PFPC Inc., the mutual fund and retirement plan services member of The PNC Financial Services Group, Inc. (NYSE: PNC), today announced that it has launched a fully automated wash sales processing system for equity mutual funds. The system, for the first time, enables mutual funds serviced by PFPC to process complicated wash sales automatically. Wash sales have significant tax implications and occur when a security has been sold and then repurchased during a 30-day period before or after the original sale date.

"In today's high-volume markets, mutual funds that routinely buy and sell identical security positions find that wash sale situations often occur," said T. Richard Keyes III, vice president and senior tax director for PFPC. "It has always been a time-consuming and labor-intensive effort to accurately process wash sales. However, these efforts have always been necessary because the disallowed losses that arise from wash sales transactions are significant components of the annual capital gain distribution calculations for mutual funds. An incorrect wash sales calculation will carry through to the capital gain distribution calculation for a fund, which could result in a significant over- or under-distribution for that fund. We believe that automating the processing of wash sales will increase the accuracy and efficiency of these calculations for the mutual funds we service."

Wash sales occur when an investor or fund sells a security and buys the same security again within a 30-day period before or after the sale. U.S. tax law prohibits an investor from taking a capital loss deduction when that investor has bought a "substantially identical" security 30 days before or after the trade, thereby making the initial sale a "wash." The prohibition against wash sales is intended to prevent investors from selling a depreciated security, generating a capital loss, and then repurchasing the same security, thereby being placed in the same economic position as if the original sale had not occurred. In addition to their tax implications, federal securities laws also prohibit wash sales carried out to create the false or misleading appearance of trading in a security.

PFPC's new automated wash sales system conducts on-line, real-time analyses of wash sales transactions for equity mutual funds. The system:

- * Automatically identifies and flags wash sales
- * Matches wash sales with the repurchased securities
- * Disallows the capital loss for tax purposes
- * Recalculates the tax bases of remaining security positions
- * Adjusts the purchased security's holding period

Nontaxable and taxable mergers and spin-offs, tender offers, stock dividends and stock splits (including reverse splits) are also processed within the system. At present, the PFPC wash sales system only handles equity securities, but it is anticipated that by 2002, the system will also include wash sales processing for debt instruments.

"Without question, the addition of an automated wash sales processing module to a core investment accounting system is a significant improvement from a tax point of view," says David J. Mangefrida, Jr., National Director of Investment Company Tax Services for Ernst & Young, LLP. "Automation results in a significant increase in efficiency for the mutual funds and a substantial decrease in the tax risk of miscalculating a fund's taxable income."

A member of The PNC Financial Services Group, Inc., PFPC is the second largest provider of mutual fund accounting services in the United States. PFPC is the largest mutual fund full-service transfer agent, and also provides sub-accounting, advanced output solutions and shareholder services, custody, securities lending, integrated banking transaction services and alternative investment services. PFPC clients comprise some of the world's most successful financial services companies, including brokerage firms, pension and investment managers, insurance companies and banks. PFPC's affiliate, PFPC International Ltd., based in Dublin, Ireland, has served the international funds community since 1993. Contact PFPC by email at information@pfpc.com.

The PNC Financial Services Group, Inc., headquartered in Pittsburgh, is one of the nation's largest diversified financial services organizations, providing regional community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services.

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to PFPC's transfer agency and fulfillment services, including statements regarding the expected performance and benefits of these services. Forward-looking statements are typically identified by words such as "believe," by future or conditional verbs such as "will" or "should," or by variations of such words or by similar expressions. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, all of which change over time. These forward-looking statements speak only as of the date of this press release, and PNC assumes no duty to update forward-looking statements.

The following factors, among others, could cause actual results to differ materially from those anticipated in the forward-looking statements: PFPC's inability to continue the development and implementation of its services as planned; changes in the competitive market in which the services will be offered; economic conditions; the impact, extent, timing, and cost of technological changes; and the impact, extent and timing of legislative and regulatory actions and reforms. Additional factors that can affect forward-looking statements are identified in PNC's SEC reports, which are accessible on the SEC's web site and on PNC's web site.

MAKE YOUR OPINION COUNT - [Click Here](#)

<http://tbutton.prnewswire.com/prn/11690X75728217>

SOURCE: PFPC Inc.

Contact: Jeanette Harrison-Sullivan of PFPC Inc., +1-302-791-1400,
+1-508-871-9863, jean.harrison-sullivan@pfpc.com

Website: <http://www.pnc.com/>

Company News On-Call: <http://www.prnewswire.com/comp/701257.html>

<https://pnc.mediaroom.com/news-releases?item=74002>