

**MEMO# 20700**

December 18, 2006

## **Four Firms Settle NASD Charges Relating to Mutual Fund Sales Charge Waivers**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20700] December 18, 2006 TO: BROKER/DEALER ADVISORY COMMITTEE No. 49-06 COMPLIANCE MEMBERS No. 52-06 SEC RULES MEMBERS No. 109-06 SMALL FUNDS COMMITTEE No. 32-06 RE: FOUR FIRMS SETTLE NASD CHARGES RELATING TO MUTUAL FUND SALES CHARGE WAIVERS NASD announced that it has settled with four NASD member firms over charges that the firms failed to identify investors who could purchase Class A mutual fund shares at net asset value, without a front-end sales charge.\* NASD alleged that the firms' supervisory systems and procedures were inadequate, and failed to ensure that customers who qualified for NAV transfer programs received the appropriate NAV pricing. As a result, certain investors allegedly incurred front-end sales charges that they should not have paid, or purchased other share classes that subjected them to higher fees and the potential of contingent deferred sales charges. NASD fined the four firms a total of \$850,000, and ordered the firms to pay a total of \$43.8 million in remediation to clients who were eligible for, but did not receive, NAV pricing. In settling these matters, the four firms neither admitted nor denied the charges. Mara Shreck Assistant Counsel \* See "NASD Fines Four Firms for Supervisory Failures Relating to Mutual Fund Sales Charge Waivers," NASD Press Release (Dec. 13, 2006), available at [http://www.nasd.com/PressRoom/NewsReleases/2006NewsReleases/NASDW\\_018080](http://www.nasd.com/PressRoom/NewsReleases/2006NewsReleases/NASDW_018080).

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