

MEMO# 19180

September 21, 2005

INSTITUTE LETTER TO NASD ON STATUS OF IMPLEMENTATION OF BREAKPOINT RECOMMENDATIONS

©2005 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. [19180] September 21, 2005 TO: PRIMARY CONTACTS - MEMBER COMPLEX No. 40-05 BANK AND TRUST ADVISORY COMMITTEE No. 14-05 BROKER/DEALER ADVISORY COMMITTEE No. 29-05 INDEPENDENT DIRECTORS COUNCIL No. 5-05 OPERATIONS COMMITTEE No. 20-05 TRANSFER AGENT ADVISORY COMMITTEE No. 50-05 SEC RULES COMMITTEE No. 51-05 SMALL FUNDS COMMITTEE No. 29-05 RE: INSTITUTE LETTER TO NASD ON STATUS OF IMPLEMENTATION OF BREAKPOINT RECOMMENDATIONS The attached letter from Paul Schott Stevens, the Institute's President, to Robert Glauber, Chairman of the NASD, provides an update to the NASD regarding progress toward the ICI's goal for the industry to populate the NSCC's Mutual Fund Profile Service ("Profile") with breakpoint schedules and policies by August 31, 2005. The Institute established this goal in May following Mr. Glauber's visit with the Institute's Board of Governors at its May 5, 2005 meeting.¹ As the letter notes, 66 fund complexes that together accounted for 91 percent of front-end load new sales for 2004 populated Profile as of August 31, 2005. When adding the 16 fund complexes that have confirmed they intend to populate Profile in the near future, 82 complexes that together accounted for 95 percent of last year's front-end load new sales will be complete. The letter states the Institute's intentions to continue working closely with members to achieve full industry participation in Profile and describes a number of ongoing activities in support of this objective. These very substantial efforts are all directed toward ensuring that mutual fund shareholders receive the sales load breakpoint discounts to which they are entitled. The Institute thanks its members for their continuing hard work on behalf of shareholders. ¹ See attached letter from Paul Stevens, President, ICI, to Robert Glauber, Chairman, NASD, dated September 19, 2005. ² The letter also reports on an Institute steering committee of industry representatives that currently is working on a redesign of Profile to update its technology and facilitate its use as an efficient operations processing tool for intermediaries. The letter further notes that the Institute also is coordinating industry input to assist the NASD in its work to develop and improve the NASD's web-based search tool that will provide public access to funds' breakpoint information in Profile, which will be launched next month.² The letter notes that the Institute also is working with the industry to fully implement the recommendation of the Joint NASD/Industry Task Force on Breakpoints that calls for broker/dealer transmission of client data to mutual funds to assist in the linking of accounts.³ The letter also notes the ICI Board's interest in what the NASD intends to do to require or encourage its members to integrate Profile data into their own

operations processing and information systems and to share the client data necessary to improve the provision of breakpoint opportunities for investors. If you have any questions about any of the foregoing, please contact Kathy Joaquin (202- 326-5930) or the undersigned (202-326-5845). Donald J. Boteler Vice President – Operations Attachment (in .pdf format) 2 See Institute Memorandum No. 19174 (September 19, 2005). 3 See Task Force Recommendation (L) Broker/Dealer Transmission of TIN/BIN Data to Mutual Funds. A full copy of the July 2003 Report of the Joint NASD/Industry Task Force on Breakpoints can be found on the NASD website at http://www.nasd.com/web/groups/rules_regs/documents/rules_regs/nasdw_006434.pdf.

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