

**MEMO# 18905**

May 31, 2005

# **IMPLEMENTATION OF CENTRAL BREAKPOINT SCHEDULE AND LINKAGE DATABASE**

©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. URGENT/ACTION REQUESTED [18905] May 31, 2005 TO: PRIMARY CONTACTS - MEMBER COMPLEX No. 24-05 BANK AND TRUST ADVISORY COMMITTEE No. 7-05 BROKER/DEALER ADVISORY COMMITTEE No. 21-05 OPERATIONS COMMITTEE No. 11-05 TRANSFER AGENT ADVISORY COMMITTEE No. 26-05 SMALL FUNDS COMMITTEE No. 20-05 RE: IMPLEMENTATION OF CENTRAL BREAKPOINT SCHEDULE AND LINKAGE DATABASE I am writing to bring personally to your attention an important issue requiring urgent follow-up across the industry. As you are aware, the Institute has been urging members to comply with the recommendations of the Joint NASD/Industry Task Force on Breakpoints ("Task Force") since the Task Force published its report in July of 2003.<sup>1</sup> While most of the Task Force's recommendations have been implemented, many members have not yet complied with the recommendation to populate the NSCC's Mutual Fund Profile Service (MFPS) with their breakpoint schedules and linkage rules in order to provide mutual fund intermediaries with a centralized electronic source of information about breakpoint opportunities for clients (the "Recommendation"). To provide a single source of breakpoint information to the public and to registered representatives who are not associated with a firm that is an NSCC participant, the NASD has created a web-based search tool that accesses funds' breakpoint information as populated in MFPS. At my invitation, Robert Glauber, Chairman of the NASD, addressed the Institute's Board of Governors at its meeting earlier this month to discuss issues of interest to mutual funds. Mr. Glauber began by expressing his serious concerns regarding the fund industry's slow pace in complying with the Recommendation. Mr. Glauber strongly urged fund groups that have not yet done so to populate MFPS with their breakpoint schedules and policies without further delay. The Institute agreed to redouble its efforts to assist members in complying with the Recommendation and to set a target date for full industry compliance. To that end, the Institute's operations group will continue with its monthly conference calls to help members with questions regarding the Recommendation, how to populate MFPS with breakpoint and other information, updates on current industry progress, and initiatives to 1 See Institute Memorandum No. 18753 (April 8, 2005) and No. 18531 (February 10, 2005). 2 improve the ease of use of MFPS and set priorities for MFPS enhancements. In addition, we have established an industry-wide goal of full compliance with the Recommendation as soon as possible, but not later than August 31, 2005. We are also working closely with the NSCC to develop a tracking tool to monitor each fund group's current status with respect to the Recommendation. Very shortly, we will begin to provide status reports for members and

the NASD periodically throughout the summer to track the industry's compliance with the Recommendation. Thank you for your prompt attention and cooperation regarding this important matter. If you have any questions about any of the foregoing, please do not hesitate to contact Kathy Joaquin (202-326-5930) or Don Boteler (202-326-5845) of the Institute staff, James Kiernan (212- 855-5662) of the NSCC staff, or your fund group's NSCC account representative. Paul Schott Stevens President

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