

MEMO# 19068

August 5, 2005

IMPLEMENTATION OF CENTRAL BREAKPOINT SCHEDULE AND LINKAGE DATABASE - JULY 15, 2005 STATUS REPORT

©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 [19068] August 5, 2005 TO: PRIMARY CONTACTS - MEMBER COMPLEX No. 31-05 BANK AND TRUST ADVISORY COMMITTEE No. 10-05 BROKER/DEALER ADVISORY COMMITTEE No. 26-05 OPERATIONS COMMITTEE No. 17-05 TRANSFER AGENT ADVISORY COMMITTEE No. 39-05 SMALL FUNDS COMMITTEE No. 25-05 RE: IMPLEMENTATION OF CENTRAL BREAKPOINT SCHEDULE AND LINKAGE DATABASE - JULY 15, 2005 STATUS REPORT The Institute has been urging members to comply with the recommendations of the Joint NASD/Industry Task Force on Breakpoints.¹ Many ICI members still need to comply 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"). We have also informed our members that the NASD plans to launch a web-based search tool this year that accesses funds' breakpoint information as populated in MFPS, in order to provide a single source of breakpoint information to the public and to registered representatives that are not associated with a firm that is an NSCC participant. The NASD has strongly urged fund groups that have not yet done so to populate MFPS with their breakpoint schedules and policies without further delay. In addition, the Institute has established an industry-wide goal of full compliance with the Recommendation as soon as possible, but no later than August 31, 2005. The Institute's operations group has been working closely with members and the NSCC on this issue. In tracking the industry's progress we are continuing to survey the top 100 NSCC fund group participants to confirm the status of their completion of the general security, breakpoint schedule, and linkage rules records to comply with the Recommendation. Those fund groups that are complete as of July 15, 2005, and those that have indicated they will be complete by August 31, 2005 are listed in the attached Status Report. If you do not find your fund complex listed in this attachment we urge you to update the MFPS database with your breakpoint schedules and linkage rules as soon as possible. We will continue to survey fund 1 See Institute Memorandum No. 18970 (June 23, 2005), No. 18905 (May 31, 2005), No. 18753 (April 8, 2005) and No. 18531 (February 10, 2005). 2 participants and to provide status reports for members and the NASD periodically over the next few months to track the industry's compliance with the Recommendation. In addition, to updating the MFPS database as soon

as possible, we encourage each fund group to develop a process to ensure that their data remains current. The Institute is continuing to hold monthly conference calls to help operations members with questions regarding the Recommendation, how to populate MFPS with breakpoint and other information, updates on current industry progress, and initiatives to improve the ease of use of MFPS and set priorities for MFPS enhancements. We invite you or your designated representative to participate in the next conference call, which has been scheduled for Friday, August 26, 2005 from 11:00 to 12:00 pm ET. The dial in number to for the call is 1-888-704-0559 and the pass code is 33297. For security reasons the pass code and the call leader's name (Kathy Joaquin) will be required to join the call. Questions regarding this initiative may be directed to either Kathy Joaquin at the ICI at 202-326-5930 or James Kiernan at the NSCC at (212-855-5662). Thank you for your prompt attention and cooperation regarding this important matter. Donald J. Boteler Vice President – Operations Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 19068, or call the ICI Library at (202) 326-8304 and request the attachment for memo 19068.

Copyright © by the 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.