

**MEMO# 15816**

March 27, 2003

## **NASD MUTUAL FUND BREAKPOINT ASSESSMENT**

[15816] March 27, 2003 TO: BROKER/DEALER ADVISORY COMMITTEE No. 14-03 RE: NASD MUTUAL FUND BREAKPOINT ASSESSMENT As part of its review of broker/dealers regarding discounts on front-end sales charges of mutual funds, the NASD is requiring certain member firms that sold front-end load (Class A) funds to conduct a self-assessment of breakpoint compliance. Member firms that had more than a de minimis number of mutual fund transactions in Class A shares during the period beginning January 1, 2001 through December 31, 2002 will be required to complete a self- assessment by May 15, 2003. For more information regarding the assessment, please refer to the NASD's website: [http://www.nasdr.com/breakpoints\\_assessment.asp](http://www.nasdr.com/breakpoints_assessment.asp). As part of the self-assessment, the NASD has instructed members to retain all supporting records and documentation used to complete the assessment. This documentation includes the "relevant pages of the prospectus and/or statement of additional information that show the breakpoint schedules, permissible account linkages, provisions for the valuations of holdings, letters of intent, reinstatements and exchanges." Currently, the development of a central repository of all mutual fund breakpoint schedules and account linkage privileges is under discussion by the NASD breakpoint task force. In the interim, in order to assist dealer firms in completing the assessment, the NASD believes it would be helpful if mutual fund firms were to post on their respective websites their breakpoint schedules as well as any other policies such as letters of intent, rights of accumulation, reinstatements and exchanges that would result in a reduced sales load. The NASD believes that this would greatly reduce the time and effort involved by dealer firms in accessing the various mutual funds' schedules and policies, and thus facilitate the completion of firms' assessments. Accordingly, the NASD has asked the ICI to ask its members to consider posting breakpoint and related information on their websites. If you have any questions regarding this request, please contact Justine Phoenix at 202/326-5850 or me at 202/326-5845. Thank you for your prompt assistance. Donald J. Boteler Vice President - Operations