

FAQ

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Mutual Fund Share Pricing: FAQs

Frequently Asked Questions About Mutual Fund Share Pricing

Mutual funds are required by law to determine the price of their shares each business day. A fund's net asset value (NAV) per share is the current value of all the fund's assets, minus liabilities, divided by the total number of shares outstanding. A fund's share price, or offering price, is its NAV per share plus any applicable sales charge (the offering price of a fund without a sales charge would be the same as its NAV per share).

How are fund share prices regulated?

The Investment Company Act of 1940, the centerpiece of mutual fund regulation, requires that each business day a fund calculate its NAV per share based on the current value of all the fund's assets. Specifically, Rule 2a-4 states that this NAV per share must reflect the current market value of the fund's securities, as long as market quotations for those securities are readily available. Other assets should be priced at fair value, determined in good faith by a fund's board of directors. Fair value is an estimate of the amount the fund would reasonably expect to receive for the security upon its current sale.

The specific time for pricing is set initially by the fund's board of directors. Most funds price their shares at 4 p.m. Eastern time. The time at which a fund prices its shares can be found in the fund's prospectus. Rule 22c-1 requires "forward pricing," which means that shareholders purchasing or redeeming shares receive the next computed share price following the fund's receipt of the transaction order.

Any income and expenses (including any fees) must be accrued through the date the share price is calculated. Changes in holdings and in the number of shares must be reflected no later than the first calculation of the share price on the next business day.

Funds typically value exchange-traded securities using the most recent closing prices from the exchange on which the securities are principally traded, even if the exchange closes before the fund's daily pricing time (which occurs with many foreign securities). If a material event that will likely affect the value of a security occurs after the exchange closes and before the fund's share price is determined, it may be necessary to determine the fair value of the security in light of that event.

How does the fund pricing process work?

Mutual fund pricing is an intensive process that takes place in a short time frame at the end of the day. Generally, a fund's pricing process begins at the close of the New York Stock

Exchange, normally 4 p.m. Eastern time. The fund's accounting agent, which may be an affiliated entity such as the fund's adviser, or a third-party servicer such as the fund's administrator or custodian bank, is usually responsible for calculating the share price. The accounting agent obtains prices for the fund's securities from pricing services and directly from brokers.

Pricing services collect securities prices from exchanges, brokers, and other sources and then transmit them to the fund's accounting agent. Fund accounting agents internally validate the prices received by subjecting them to various control procedures. For example, depending on the nature and extent of its holdings, a fund may use one or more pricing services to ensure accuracy.

Where do I find fund share prices?

Although daily calculation of mutual fund share prices is required by the Investment Company Act of 1940, disseminating those prices to the media through Nasdaq is voluntary. Nevertheless, the vast majority of mutual funds release their daily share prices through Nasdaq. For a fund's share price to be published in the next day's morning newspapers, it must be delivered by 6:05 p.m. Eastern time to Nasdaq. As prices are received by Nasdaq, they are instantaneously transmitted to wire services and other subscribers, such as market data vendors and brokerage houses. Wire services in turn transmit the prices to their client newspapers. If a fund does not submit a price to Nasdaq by the deadline, newspapers will print a blank space or "NA" next to the fund's name.

In addition to newspapers, daily fund prices are available on the fund sponsor's website, through 1-800 telephone number services offered by the fund sponsor, and on financial websites. Prices for exchange-traded funds are [discussed here](#).

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