

Breakpoints Checklist and Worksheet Overview

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To assist the financial industry in fulfilling its obligation to provide all available breakpoint discounts on sales of Class A shares of front-end load mutual funds, the Joint FINRA/Industry Task Force recommended that broker/dealers require registered representatives to complete standardized checklists or worksheets, which record the relevant account data, when executing Class A shares transactions. [See Report of the Joint FINRA/Industry Task Force on Breakpoints](#), pp. 13, Recommendations E, F.

To assist members firms in implementing this Task Force recommendation, FINRA and an industry working group, led by William Alsover of Centennial Securities, have developed a Breakpoint Checklist and Breakpoint Worksheet, which are designed to help members and associated persons gather the information necessary to deliver available breakpoint discounts. The Checklist provides an outline of the questions that should be asked to gather the information necessary to deliver breakpoints and the worksheet is designed to record the pertinent information.

FINRA believes that use of these documents will aid members and associated persons in gathering the information necessary to deliver breakpoint discounts on eligible transactions. These documents are provided as "guidelines," which members may wish to use; members may wish to tailor these guidelines to reflect the rules of the mutual funds that they sell, their business models, or their record keeping systems. Thus, firms may want to edit these documents to reflect the specific rules of the mutual funds that they sell by including definitions of the term "related parties" or by asking for current value or historical cost, depending upon the rules of the mutual fund.

Although FINRA believes that use of these documents will facilitate the full and accurate delivery of breakpoint discounts, members are reminded that registered representatives must understand the terms upon which mutual funds offer breakpoints, including the rules regarding rights of accumulation, letters of intent, and valuation, to ensure the delivery of breakpoint discounts. Thus, use of these forms does not diminish members' obligation to train and supervise registered representatives that sell mutual funds. Likewise, use of these forms does not constitute a "safe harbor" with respect to a member firm's obligation to comply with applicable rules and regulations.

Breakpoints Checklist

- Does the customer already hold shares of any funds within the same fund family in his account?
 - Record the current value of the shares of the fund already held by the customer in his account, or the historical cost of those shares, depending upon the rules of the fund family.

- Does the customer hold shares of any funds within the same fund family in any other accounts outside the firm?
 - Identify all accounts in which the customer holds shares of any fund within the same fund family, whether these accounts are held:
 - At other broker/dealers, or
 - In other types of accounts, such as 401(k) plans, 529 plans or variable annuity subaccounts.
 - Record the BIN/TIN for each account in which the customer holds any funds within the same fund family.
 - Record the current value or historical cost, depending upon the fund family's rules, of the shares held by the customer in each account.
 - Record if the customer declines to provide such information or indicates that he or she has no other holdings.

- Do related parties of the customer hold shares of any funds within the same fund family in accounts at this broker/dealer, other broker/ dealers or in other platforms, such as 401(k) plans or 529 plans?
 - Identify all related parties who hold shares of any fund within the same fund family and identify all accounts in which the customer holds shares of any fund within the same fund family, whether these accounts are held:
 - At other broker/dealers, or
 - In other types of accounts, such as 401(k) plans, 529 plans or variable annuity subaccounts.
 - Record the name of each party and their relationship to the customer.
 - If the mutual fund allows a right of accumulation for the identified related parties:
 - Record the BIN/TIN for each account in which a related party holds any funds within the same fund family; and
 - Record the current value of the shares held by related parties in each account or historical cost, depending upon the fund family's rules.
 - Record if the customer declines to provide such information or indicates that no related parties hold shares of funds within the same fund family.

- How much is the current purchase?
- What are the customer's total holdings that may be counted toward determining breakpoint eligibility?
 - Add the total holdings identified in responses to questions 1-4 (*i.e.*, all holdings in the customer's accounts and the accounts of related parties), using either current market value or historical cost, depending upon the fund family's rules.
- Determine whether the customer is entitled to breakpoint based upon his total holdings and the holdings of all related parties.
 - If applicable, record the breakpoint discount that is available to the customer.
- Does the customer have a letter of intent on file that would entitle the customer to a further discount?
 - If yes, apply the appropriate discount, which is either the discount available pursuant to the letter of intent or the discount available based upon total holdings, whichever is greater.
 - If the letter of intent can be applied retroactively, review other recent purchases to ensure that the appropriate discount was applied.
 - If the customer does not have a letter of intent, review whether his or her investment patterns make a letter of intent appropriate.

Use of this checklist does not constitute a "safe harbor" with respect to a member firm's continuing obligation to comply with applicable rules and regulations.

Breakpoints Worksheet

Account Name: _____ **SSN/TIN/BIN:** _____

Today's Date: _____ **Broker's Name:** _____

1. Total holdings of customer at firm:

TIN/BIN on Accounts	Holdings in Account (Current value (NAV) or historical cost)	Total
_____	\$ _____	
_____	\$ _____	
_____	\$ _____	\$ _____

2. Total holdings of customer outside firm:

Customer declined to provide Customer provided (record below)

TIN/BIN on Accounts	Account Type	Holdings in Account (Current value (NAV) or historical cost)	Total
_____	_____	\$ _____	
_____	_____	\$ _____	
_____	_____	\$ _____	\$ _____

3. Total holdings of related parties:

Customer declined to provide Customer provided (record below)

TIN/BIN on Accounts	Name/Relationship	Holdings in Account (Current value (NAV) or historical cost)	Total
_____	_____	\$ _____	
_____	_____	\$ _____	
_____	_____	\$ _____	\$ _____

4. Today's purchase amount:

\$ _____

5. Total holdings:

\$ _____

6. Does the total qualify for a breakpoint discount?

Yes No

a. What breakpoint discount applies? _____%

7. Is there a letter of intent on file that would entitle the customer to a further breakpoint?

Yes No

a. If customer has letter of intent, is it retroactive?

Yes No

i. If yes, record the current value or historical costs of eligible prior purchases.

\$ _____

ii. What breakpoint discount is available based upon the letter of intent?

_____ %

8. If there is not a letter of intent, should customer sign one?

Yes No

9. Record the highest breakpoint discount available to the customer.

_____ %

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