

FundPOINT® Market Timing Data



A comprehensive, industry-only solution for Rule 22c-2 compliance requirements

“Market Timing” or “Frequent Trading” – the practice of moving large amounts of money in and out of mutual funds to exploit short-term pricing inefficiencies – has become an intense focus of regulators. This scrutiny has led to heavy fines, costly restitution to investors, and new regulations from the SEC. Most notably, Rule 22c-2 (the “Redemption Fee Rule”) imposes significant burdens on both fund companies and their downstream distribution partners in the areas of disclosure, transaction monitoring, and imposing short-term redemption fees.

The Importance of Knowing the Rules at the Share Class Level

One of the cornerstones of the SEC’s Rule 22c-2 is that fund companies must disclose their policies and rules within each fund’s prospectus and statement of additional information (SAI). Unfortunately, these policies have become more complex in recent years. Compounding the problem is a lack of uniformity within the industry in addressing frequent trading. Rather than adopting a “one-size-fits-all” approach, most mutual fund companies have tailored their policies to specific funds and even to specific share classes.

With over 500 fund companies, 8,000 U.S. open-end funds, and 23,500 share classes, the odds of not communicating rules effectively to investors are great. The fallout means alienating investors who may be blocked from a fund and/or hit with a redemption fee. In extreme cases, fund managers may even close the fund to an entire retirement plan to avoid potential lawsuits by disgruntled investors over large redemption fees.

FundPOINT Market Timing Data Simplifies Your Compliance Challenge

Service providers face a stiff challenge in understanding and clearly communicating market timing policies to investors and retirement plan participants. NewRiver’s FundPOINT Market Timing Data solution tracks the rules variations for all the funds your firm sells. Powered by NewRiver’s patented process technology for capturing and processing all pertinent daily filings in the SEC’s EDGAR system, FundPOINT Market Timing Data ensures that your firm is always using the most current information available in your point-of-sale disclosure systems and back-office operations. Because market timing policies vary by fund company and by individual fund, you need a single resource to help you manage these complex rules variations. FundPOINT Market Timing Data offers a broad, comprehensive data feed that is an industry-best solution.

Who Is FundPOINT Market Timing Data Designed for?

- **Broker/Dealers** – gives reps ready access to the latest market timing rules to inform investors and avoid Rule 22c-2 violations
- **Retirement Plan Providers/Administrators** – simplifies compliance by eliminating the burden of tracking rules variations within the plan offering
- **Trust Officers** – a vital resource to communicate market timing policies for trusts using mutual funds as underlying investments
- **Mutual Fund Companies** – provides competitive insight as well as Web-based information on their own funds (for example, for call center staff)

Market Timing Miscommunication is Poor Investor Relations



Mutual Fund Company



Financial Intermediary



Rules Not Communicated



Unhappy Investor

Mutual Fund Company defines its frequent trading policy, restrictions, and associated short-term redemption fees in the fund prospectus or supplement. Financial Intermediary must disclose these “redemption fee” policies for funds to investors during sales transactions.

If any Financial Intermediary does NOT disclose the redemption fee policy, investors may inadvertently trigger a “redemption fee” by the Mutual Fund Company.



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Intelligent Document Fulfillment

Benefits to Your Firm

- **Enhance Customer Service** – Avoid the “third rail” of sensitive market timing violations by relying on the most recent compliance documents – viewed conveniently and electronically – to communicate redemption fees to investors and plan participants.
- **Increase Operational Efficiency** – Our paperless, Web-based market timing data set ensures timely, accurate, EDGAR-sourced information for both your front-end sales transactions and back-end office administration.
- **Improve Appropriate Trading** – Your reps can feel comfortable knowing they are using the industry’s most reliable and accurate information source to communicate market timing policies at the point-of-sale to investors or plan participants.
- **Get Competitor Insight** – Aside from keeping abreast of the market timing rules of your fund lineup, FundPOINT Market Timing Data can also be used to keep up to date on competitor’s mutual fund market timing rules and strategies.

Coverage

In many cases market timing policies are specific to individual funds and even share classes. FundPOINT Market Timing Data, which is fund CUSIP-specific, provides timely, accurate, and definitive EDGAR-sourced data for each share class. FundPOINT Market Timing Data encompasses 50 data points in five categories:

FundPOINT Market Timing Data Categories	Data Points
Market Timing Policy	6
Transaction Restrictions	9
Exchanges	12
Redemption Fees	5
Redemption Fee Waivers	18
TOTAL	50

Features

- **Simplified Compliance, Superior Service** – relieves your firm from the burden of tracking rules variations for all the funds you sell, and allows you to proactively communicate this information to your customers through a Web-based tool
- **Patented Process Technology** – extracts the latest market timing rules from the most up-to-date documents on EDGAR using NewRiver’s patent-protected process
- **A Paperless Approach** – eliminates the hassle of searching through paper prospectuses and SAIs, or the delay of receiving this information from fund companies
- **Real-Time Auditability** – via dynamic, electronic links to data points on the latest fund prospectus or SAI using NewRiver’s AuditAnchorsSM technology
- **The Industry’s Most Comprehensive Coverage** – provides 100% fund coverage of U.S. open-end mutual funds and includes 50 data points to meet a variety of fund company market timing strategies (see inset box)

So Many Rules, So Little Uniformity

Redemption Fees – There are about nine different variations on the fee charged, ranging from 0.1% to 2%. Also, there are over 30 unique redemption fee time periods specified across the industry, ranging from 7 days to 24 months.

Fee Waivers – Fund companies grant specific waivers of their frequent trading policies for certain life events or transactions such as reinvested distributions, death, disability, omnibus, rebalancing, systematic withdrawal plans, fee-based programs, defined contribution plans, and fund initiated exchanges.

Sanctions – As policies have evolved, intermediaries have resorted to several different measures to control occurrences of frequent trading:

- *Account Blocking* – More than 1,700 funds use this measure with block durations ranging from 30 to 90 days.
- *Roundtrip Limits* – A recent review identified slightly over 6,000 funds with a specific roundtrip limit. However, as with redemption fees, there is little standardization among these rules.
- *Reject/Restrict Policies* – More than 14,000 funds claim to have the right to reject or restrict certain transactions. A smaller subset of these also reserves the right to delay executing an exchange transaction.

About NewRiver, Inc.

NewRiver develops innovative technology solutions that help financial leaders simplify investor disclosure – providing transparency and cost savings to the delivery of fund data and investor communications. Since 1995, the company has helped some of the world’s leading financial organizations move from paper to electronic disclosure via an easy-to-use, cost-effective, managed service offering. NewRiver pioneered the first electronic prospectus, and is the only company to guarantee its data to be “compliance grade” which allows customers to reduce risk, lower compliance costs and increase revenues. Through a patent-pending, automated process NewRiver efficiently monitors 5 million data points from over 23,500 fund CUSIPs. Further, the company’s unique “paperless” approach improves the investor experience while offering a real alternative to the environmental impact of paper-only delivery. Relied on daily by over 100 leading financial services firms, and millions of investors, NewRiver is a trusted and growing solution provider facilitating the transition from paper-based mutual fund information to electronic.

To learn more, please visit our website www.newriver.com or call 978-247-7200.