

plans” would be eliminated from Item 18(a). The proposals would also add “waivers for particular classes of investors” to the enumeration in both Items 8(a)(2) and 18(a). To assist investors and financial intermediaries in finding all information about breakpoints, the prospectus would be required to state, if applicable, that additional information concerning sales load breakpoints is available in the SAI.

Our proposed amendments would add an instruction to require that the description of arrangements resulting in breakpoints include a brief summary of shareholder eligibility requirements. This summary would be required to include a description or list of the types of accounts (e.g., retirement accounts, accounts held at other financial intermediaries), account holders (e.g., immediate family members, family trust accounts, solely-controlled business accounts), and fund holdings (e.g., funds held within the same fund complex) that may be aggregated for purposes of determining eligibility for sales load breakpoints. We believe that requiring such a summary of the eligibility requirements for sales load breakpoints in the mutual fund prospectus would assist investors and financial intermediaries in better understanding the ways in which investors may take full advantage of breakpoint opportunities.

We request comment generally on the proposed requirement to disclose in the prospectus arrangements that result in breakpoints in sales loads, including a summary of shareholder eligibility requirements, and specifically on the following issues:

- Is the proposed requirement for a brief description in the prospectus of arrangements that result in breakpoints in, or elimination of, sales loads appropriate or necessary? Should this description include a brief summary of shareholder eligibility requirements with respect to sales load breakpoints? Is there any additional information that we should require? Would these proposed requirements benefit investors or other parties?

- As discussed above, our proposals would require a mutual fund to provide a brief description of arrangements that result in breakpoints in its prospectus, and would require any additional details regarding these arrangements in the SAI. Is this proposed division of disclosure regarding breakpoints appropriate? Is there information that would be required in the prospectus under our proposals that is more appropriate for the SAI, or vice versa? Is the information regarding breakpoints for affiliated persons of the fund and

breakpoints in connection with a reorganization more appropriately included in the SAI or in the prospectus? Should we permit a mutual fund to choose whether to include information regarding breakpoints in either its prospectus or SAI? Should we require that all information regarding breakpoints be included in the prospectus? Would the breakpoint information that we propose to require in the prospectus detract from other important information in the prospectus? How should we strike a balance between requiring enhanced disclosure and not overwhelming investors with information that they do not consider important?

- Should the information we are proposing to require in the prospectus be required in another location, such as the confirmation, account statement, document provided by a financial intermediary prior to share purchases, or shareholder report?

B. Disclosure of Methods Used to Value Accounts

We are also proposing to require a mutual fund to describe in its prospectus the methods used to value accounts in order to determine whether a shareholder has met sales load breakpoints, including the circumstances in which and the classes of individuals to whom each method applies.¹⁸ The methods required to be disclosed, if applicable, would include historical cost, net amount invested, and offering price.¹⁹ We believe that requiring a mutual fund to describe in its prospectus the methods that it uses to value accounts in determining breakpoint eligibility would assist investors and financial intermediaries in more effectively determining investors' eligibility.

We request comment generally on the proposed requirement to describe the methods used to value accounts and specifically on the following issues:

- Is our proposed requirement that a mutual fund describe the methods used to value accounts in order to determine whether a shareholder has met sales load breakpoints appropriate? Would our proposals provide sufficient information to investors? Should we require any additional information about these methods?

¹⁸ Proposed Item 8(a)(3) of Form N-1A.

¹⁹ See Section I, “Introduction and Background,” *supra* (discussing net asset value, public offering price, and historical cost methods of valuing accounts). We refer here to “net amount invested” rather than “net asset value,” and to “offering price” rather than “public offering price,” because these are the terms currently used in Form N-1A. See Instruction 3(a) and (b) to Item 8(a)(1) of Form N-1A.

- Is the prospectus the most appropriate location for a description of the methods used to value accounts? Should we require or permit this disclosure to be included in the SAI, confirmation, account statements, shareholder reports, document provided by a financial intermediary prior to share purchase, or some other location?

C. Disclosure Regarding Information and Records Necessary to Aggregate Holdings

The proposals would also require a mutual fund to state in its prospectus, if applicable, that, in order to obtain a breakpoint discount, it may be necessary at the time of purchase for a shareholder to inform the fund or his or her financial intermediary of the existence of other accounts in which there are holdings eligible to be aggregated to meet sales load breakpoints.²⁰ In addition, a mutual fund would be required to describe any information or records, such as account statements, that may be necessary for a shareholder to provide to the fund or his or her financial intermediary in order to verify his or her eligibility for a breakpoint discount. The description would be required to include, if applicable:

- Information or records regarding shares of the fund or other funds held in all accounts (e.g., retirement accounts) of the shareholder at the financial intermediary;²¹
- Information or records regarding shares of the fund or other funds held in any account of the shareholder at another financial intermediary;²² and
- Information or records regarding shares of the fund or other funds held at any financial intermediary by related parties of the shareholder, such as members of the same family or household.²³

In addition, if a mutual fund permits breakpoints to be determined based on historical cost, it would be required to state in its prospectus that a shareholder should retain any records necessary to substantiate historical costs because the fund, its transfer agent, and financial intermediaries may not maintain this information.²⁴

We believe that prospectus disclosure regarding the information or records that may be necessary for a shareholder to provide would facilitate the correct application of breakpoint discounts in transactions in which shares are

²⁰ Proposed Item 8(a)(4)(i) of Form N-1A.

²¹ Proposed Item 8(a)(4)(i)(A) of Form N-1A.

²² Proposed Item 8(a)(4)(i)(B) of Form N-1A.

²³ Proposed Item 8(a)(4)(i)(C) of Form N-1A.

²⁴ Proposed Item 8(a)(4)(ii) of Form N-1A.