

## Breakpoints Checklist

When considering their obligations to provide all available breakpoint discounts on sales of Class A shares of front-end load mutual funds, member firms may review the following Breakpoints Checklist, which may help member firms evaluate their breakpoint compliance programs and confirm whether they are capturing all relevant categories of information to provide customers all available breakpoint discounts.

FINRA reminds member firms that their registered representatives must understand the terms upon which mutual funds offer breakpoints – including the rules regarding rights of accumulation, letters of intent and householding – to confirm they are correctly providing breakpoint discounts to customers.

- Does the customer hold shares of any funds within the same fund family in any accounts with the firm?
  - Record the current value of the shares of the fund already held by the customer in their 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<sup>1</sup> 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.



## FINRA Compliance Tool Disclaimer

This optional tool is provided to assist member firms in fulfilling their regulatory obligations. This tool is provided as a starting point and you must tailor this tool to reflect the size and needs of your firm. Using this tool does not guarantee compliance with or create any safe harbor with respect to FINRA rules, the federal securities laws or state laws, or other applicable federal or state regulatory requirements. This tool does not create any new legal or regulatory obligations for firms or other entities.

**Updates** – This tool was last updated on February 1, 2022. This tool does not reflect any regulatory changes since that date. FINRA periodically reviews and update these tools. FINRA reminds member firms to stay apprised of new or amended laws, rules and regulations, and update their WSPs and compliance programs on an ongoing basis.

Member firms seeking additional guidance on certain regulatory obligations should review the relevant FINRA [Topic Pages](#), including the [Breakpoints Topic Page](#).

**Staff Contact(s)** – FINRA's Office of General Counsel (OGC) staff provides broker-dealers, attorneys, registered representatives, investors and other interested parties with interpretative guidance relating to FINRA's rules. Please see [Interpreting the Rules](#) for more information.

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<sup>1</sup> Many fund families allow investors to include shares held in accounts of family members and other related parties to be included when calculating rights of accumulation. The rules governing family member and related party accounts can vary by fund family. Often eligible related party accounts include those held by the customer, a spouse, domestic partner, or minor or disabled child, family-controlled trust accounts, college savings plan accounts, family member individual retirement accounts, and specified other family-related accounts. You should check the fund's prospectus to determine which accounts are eligible for rights of accumulation when calculating sales charge discounts.