Plan Sponsor Voice
Nationwide Retirement Solutions
a Nationwide Financial company
A Publication of Nationwide® Retirement Solutions – a Nationwide® Financial company

Nationwide produces this publication to provide public defined contribution plan sponsors with information about federal legislative and regulatory activity that may be relevant to plan administration and/or design.

PLAN SPONSOR ALERT

A Special Edition of your Federal Legislative and Regulatory Report

March 7, 2005

Redemption Fees - Voluntary, not Mandatory

On March 3rd, the Securities and Exchange Commission (SEC) unanimously voted to permit – but not require – mutual funds to impose redemption fees on short-term trading activity. This ruling applies to trades placed by participants within retirement plans that are processed by intermediaries and third party administrators, such as Nationwide Retirement Solutions.

This is a reversal from the earlier proposed regulations that would have imposed a mandatory 2% redemption fee for trades that occurred within five days of purchase in all mutual funds to address abusive market timing trading activity. This new approach permits but does not require this action and allows funds to assess up to a 2% redemption fee on the amount of the sale. This fee would be retained by the fund.

Under the revised ruling, mutual fund companies will have new rights to request information on the individual participant activity within retirement plans to identify transactions and impose trading restrictions on those found to be violating the fund's market timing policies. The rule requires that funds have written agreements with the third party administrators and other intermediaries that will:

Provide shareholder identify and transaction information at the request of the fund

Implement the fund's established trading restrictions against investors that the fund has identified as violating its market timing policies

Because this new rule does not provide a standard approach to redemption fees, the SEC has stated that they will open a new comment period on this issue. The Commissioners recognized that implementing different redemption fee requirements for various funds [such as in regard to the required holding period, exceptions (such as for hardship or de minimus distributions), the amount of fee, and the form of accounting] could cause problems for third party administrators and other intermediaries.

Nationwide will continue to work with the mutual fund companies that are part of the investment line-up within your plan to implement the redemption fees and trading requirements that are imposed.

The SEC release is not yet available. When it becomes available, Nationwide Retirement Solutions will conduct an in-depth analysis...look for it in the next Legislative Report. In addition, the SEC release will be placed as a link on the nrsforu.com Web site, in the Employer section – under Legislative/Regulatory, as soon as it's available.

Keeping watch

Nationwide Retirement Solutions continues to monitor SEC and various attorneys-general investigations into mutual-fund trading practices and related issues. You can find the most recent information on these issues on the Employer page of your plan Web site. In addition, we report guidance on legislative and regulatory activity relevant to government sector defined contribution plans through *Plan Sponsor Voice* newsletter – distributed quarterly – next edition due in May 2005.

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NRS-0943ALERT-0105