Putnam Says Goodbye to Last Redemption Fees

By Beagan Wilcox Volz, *Ignites*, June 13, 2013

Putnam will eliminate the 1% redemption fee on 12 of its funds later this month, according to a recent regulatory filing.

With the change, Putnam becomes the latest firm to scrap redemption fees for frequent trades on all of its funds, a company spokeswoman confirms. Fewer than one in five mutual funds now carries redemption fees.

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"To best serve the interests of shareholders, Putnam will continue to actively employ a variety of tools, including fair value pricing and account monitoring," said a Putnam spokeswoman in a statement.

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But at least one industry observer is not convinced that the other methods firms are using to deter market timers are effective.

Niels Holch, executive director of the Coalition of Mutual Fund Investors, says most fund prospectuses state that intermediaries will impose the fund's market-timing policies if the fund cannot or that intermediaries will make sure their own policies are in line with the fund's goals of deterring frequent trading.

"They're basically outsourcing this to the intermediary," says Holch. Many intermediaries use omnibus accounting, whereby they submit either a net purchase or redemption order to funds each day, so it is difficult for funds to enforce their market-timing policies, he adds.

"[Funds] are getting aggregated information, so you have no idea what's going on within that omnibus account," Holch says.