Board IQ

Industry News Roundup
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Private Equity Group Purchases Nuveen: Nuveen Investments announced this month that it has accepted a buyout from a private equity group led by Madison Dearborn Partners. The group will acquire Nuveen for $5.75 billion, a 20% premium to the firm's recent stock price. In addition, the new owner will assume Nuveen's debt. At the same time, Nuveen announced that its president, John Amboian, will become chief executive on July 1.

Wachovia Securities Fined Over Fund Charges: The NASD has fined Wachovia Securities $2 million on top of restitution for charging excessive fees to customers in mutual funds and other investments, reports *The Wall Street Journal*. According to the regulator, Wachovia Securities overcharged more than 1,300 customers in fee-based brokerage accounts. Some were charged inappropriate fees between 2001 and 2004 and several hundred customers with Class A mutual fund shares were charged duplicative account fees, though they paid sales charges. The firm had an inadequate supervisory system to watch over its Pilot Plus fee-based brokerage accounts. A spokesman tells the *Journal* that Wachovia has suspended opening Pilot Plus accounts.

SEC's ComplianceAlert Publication Debuts: The SEC's Office of Compliance and Inspections has issued a new publication aimed at chief compliance officers and compliance staff called *ComplianceAlert*. The publication will inform CCOs about deficiencies that inspectors have uncovered during exams. The most recent issue emphasizes that fund groups need to ensure that inappropriate trading of fund shares isn't occurring under the guise of "as-of" trades. As-of trades refers to the handling of trade orders that fund shops receive after they have determined a fund's NAV. The concern is that brokers abuse as-of trades. If, for example, equity securities increase in value after an NAV has been struck, they could buy the fund shares and lock in a profit.

Putnam Fee Litigation Continues: Judge George O'Toole, Jr., in the U.S. District Court, District of Massachusetts, ruled this month to allow plaintiffs to conduct discovery on institutional fees that Putnam charges. However, it's unclear if O'Toole will allow the information to be used as evidence in the plaintiffs' efforts to prove that Putnam has violated the Investment Company Act by charging excessive fees. The plaintiffs plan to prove that Putnam charged excessive fees by comparing Putnam's institutional fees to its retail fund fees. The litigation is similar to other suits at 12 other fund groups, a handful of which have been dismissed or dropped by plaintiffs.

Study: Funds Powerless to Stop Omnibus Timing: A study by the Coalition of Mutual Fund Shareholders has found that fund groups are increasingly claiming they can't enforce market-timing restrictions when omnibus shareholder accounting is used. Nearly 100% of prospectuses for funds that don't have short-term redemption fees now make such claims, the study reports. In comparison, a similar study by the group in 2005 found that only 53% of prospectuses for funds that charged no redemption fees contained such language. The study is titled "An Evaluation of Mutual Fund Redemption Fees and Other Market Timing Procedures."

401(k) Plans Leaving Retail Funds: New research shows some 401(k) plans are leaving retail mutual funds to lower expenses, prompted by a heightened focus on fees, reports the *Chicago Tribune*. In 2006, according to Greenwich Associates, just 54% of plans offered retail funds, compared to 64% two years earlier. Plans are replacing them with investments called commingled funds or collective-investment trusts. Those investments have asset allocations and objectives similar to the funds they're replacing, but they are more lightly regulated and offer lower pricing. Some combine retail funds and proprietary investments.

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