The text below is an excerpt from the ICI Mutual risk management study *Shareholder Authentication: Managing the Risk of Fraudulent Transactions.* The full study may be accessed at www.icimutual.com/ShareholderAuthentication.

Risks Associated with Particular Transactions

In considering shareholder authentication issues, many fund groups evaluate the relative risks associated with particular transactions or combinations of transactions. In this regard, fund groups may consider, among other things:

- the size of transactions (whether in absolute terms or relative to previous transactions made by particular shareholders);
- the potential for certain transactions (e.g., changes in a shareholder's bank account of record or address of record) to facilitate *future* fraudulent activity;
- the extent to which certain transactions might be viewed as potentially suspicious *in combination with* other transactions (e.g., redemptions occurring after changes to account information, including redemptions processed on the same day as an address change, or wire redemptions processed within a certain number of days of a change in bank account information);
- the extent to which certain transactions might be viewed as potentially suspicious in light of other facts and circumstances (e.g., a purchase request that is far in excess of a low account balance, or a one-time redemption to a foreign bank account); and
- the means by which transactions requests have been transmitted (e.g., transaction requests submitted by e-mail might be viewed as less secure).

Fund groups may (and often do) reach different conclusions about the potential risks involved with particular transactions or combinations of transactions. Some fund groups, for example, may impose the same transaction limits on purchases, redemptions, and exchanges, while other fund groups may conclude that purchases and/or exchanges present a lower fraud risk—and therefore may have higher transaction limits—than redemptions.