

# ING TO CHANGE ITS EXCESSIVE TRADING POLICY AS PART OF COMPLYING WITH NEW SEC RULE 22C-2

IN 2003 THE MUTUAL FUND INDUSTRY CAME UNDER GREAT SCRUTINY about “excessive trading” of some shareholders, which could lead to increased costs and potentially reduced performance for other shareholders. In an effort to curb these trading excesses, many Fund Companies and intermediaries, including ING, developed and began to enforce excessive trading policies.

These policies can be difficult for Fund Companies to monitor for people who invest through retirement plans. The SEC has enacted Rule 22c-2 of the Investment Company Act of 1940 to help them detect and restrict excessive traders within these accounts. Intermediaries such as ING play a major role in assisting the Funds.

Under the Rule, intermediaries will be required to provide participant information and trade details whenever the Fund Company asks. If the Fund Company then detects an excessive trader (as defined by the Fund Company’s policies) and instructs ING to restrict or even prohibit trades from that participant, ING must do so. These obligations, which are effective October 16, 2007, are spelled out in formal “Information Sharing Agreements” required under the Rule. Failure to comply with these Agreements could result in the Fund Company rejecting the intermediary’s trades.

Excessive trading policies vary among companies. Some restrict purchases for a period of time following a redemption above a dollar amount, others limit the number of “round trips” (buy-sell) during a period, a few involve collecting a redemption fee and others are more complex. Imposing each Fund Company-specific policy against all participant trades would be confusing to participants and costly. Rule 22c-2 allows a Fund Company to rely on an intermediary’s trading policy if the Fund Company deems it effective and many Fund Companies may prefer to rely on an intermediary’s policy rather than obtain detailed data for their own monitoring. As a result, in consultation with some of ING’s most significant Fund Company partners, ING is changing its policy effective October 16, 2007.

## 1. ING actively monitors fund transfer and reallocation activity within its variable insurance and retirement products to identify Excessive Trading.

ING currently defines Excessive Trading as:

- a. More than one purchase and sale of the same fund (including money market funds) within a 60 calendar day period (hereinafter, a purchase and sale of the same fund is referred to as a “round-trip”). This means two or more round-trips involving the same fund within a 60 calendar day period would meet ING’s definition of Excessive Trading; or
- b. Six round-trips within a twelve month period.

The following transactions are excluded when determining whether trading activity is excessive:

- a. Purchases or sales of shares related to non-fund transfers (for example, new purchase payments, withdrawals and loans);
- b. Transfers associated with scheduled dollar cost averaging, scheduled rebalancing or scheduled asset allocation programs;
- c. Purchases and sales of fund shares in the amount of \$5,000 or less;
- d. Purchases and sales of funds that affirmatively permit short-term trading in their fund shares, and movement between such funds and a money market fund; and
- e. Transactions initiated by a member of the ING family of insurance companies.

2. If ING determines that an individual has made a purchase of a fund within 60 days of a prior round-trip involving the same fund, ING will send them a letter warning that another sale of that same fund within 60 days of the beginning of the prior round-trip will be deemed to be Excessive Trading and result in a six month suspension of their ability to initiate fund transfers or reallocations through the Internet, facsimile, Voice Response Unit (VRU), telephone calls to the ING Customer Service Center, or other electronic trading medium that ING may make available from time to time (“Electronic Trading Privileges”). Likewise, if ING determines that an individual has made five round-trips within a twelve month period, ING will send them a letter warning that another purchase and sale of that same fund within twelve months of the initial purchase in the first round-trip in the prior twelve month period will be deemed to be Excessive Trading and result in a six month suspension of their Electronic Trading Privileges. According to the needs of the various business units, a copy of the warning letters may also be sent, as applicable, to the person(s) or entity authorized to initiate fund transfers or reallocations, the agent/registered representative or investment adviser for that individual. A copy of the warning letters and details of the individual’s trading activity may also be sent to the fund whose shares were involved in the trading activity.



3. If ING determines that an individual has used one or more of its products to engage in Excessive Trading, ING will send a second letter to the individual. This letter will state that the individual's Electronic Trading Privileges have been suspended for a period of six months. Consequently, all fund transfers or reallocations, not just those which involve the fund whose shares were involved in the Excessive Trading activity, will then have to be initiated by providing written instructions to ING via regular U.S. mail. During the six month suspension period, electronic "inquiry only" privileges will be permitted where and when possible. A copy of the letter restricting future transfer and reallocation activity to regular U.S. mail and details of the individual's trading activity may also be sent to the fund whose shares were involved in the Excessive Trading activity.
4. Following the six month suspension period during which no additional Excessive Trading is identified, Electronic Trading Privileges may again be restored. ING will continue to monitor the fund transfer and reallocation activity, and any future Excessive Trading will result in an indefinite suspension of the Electronic Trading Privileges. Excessive Trading activity during the six month suspension period will also result in an indefinite suspension of the Electronic Trading Privileges.
5. ING reserves the right to limit fund trading or reallocation privileges with respect to any individual, with or without prior notice, if ING determines that the individual's trading activity is disruptive, regardless of whether the individual's trading activity falls within the definition of Excessive Trading set forth above. Also, ING's failure to send or an individual's failure to receive any warning letter or other notice contemplated under this Policy will not prevent ING from suspending that individual's Electronic Trading Privileges or taking any other action provided for in this Policy.
6. Each fund available through ING's variable insurance and retirement products, either by prospectus or stated policy, has adopted or may adopt its own excessive/frequent trading policy. ING reserves the right, without prior notice, to implement restrictions and/or block future purchases of a fund by an individual who the fund has identified as violating its excessive/frequent trading policy. All such restrictions and/or blocking of future fund purchases will be done in accordance with the directions ING receives from the fund.

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