

MEMO# 20790

January 17, 2007

Consolidation of NASD and NYSE Member Regulation Operations

[20790]

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TO: BOARD OF GOVERNORS No. 4-07

PRIMARY CONTACTS - MEMBER COMPLEX No. 4-07

SEC RULES COMMITTEE No. 5-07 RE: CONSOLIDATION OF NASD AND NYSE MEMBER
REGULATION OPERATIONS

As we previously informed you, on November 28, the NASD and NYSE announced the signing of a letter of intent to consolidate their member regulation operations into a new, independent self-regulatory organization. The proposed consolidation now requires approval by NASD members. On Monday, December 18, 2006, all NASD member firms should have received a proxy statement and official proxy card to vote on amendments to NASD by-laws related to the proposed consolidation. The voting period on the proposed plan will end on Thursday, January 18, 2007.

The Institute supports the proposed consolidation. By eliminating overlapping regulation, establishing a uniform set of rules, and placing oversight responsibility in a single organization, the consolidation plan should increase the efficiency and consistency of securities industry oversight and reduce overall regulatory costs. Given the potential and expected benefits of the consolidation to investors and the securities industry as a whole, if you have not done so already, we recommend that Institute members who are NASD member firms vote in favor of the plan.

If you have any questions about the proposed consolidation or its impact on investment companies, please contact me at 202-326-5901, Elizabeth Krentzman at 202-326-5815 or

Ari Burstein at 202-371-5408.

Paul Schott Stevens
President

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