

**MEMO# 25225**

May 25, 2011

# **Draft ICI Comment Letter on Proposed Amendments to FINRA's Cash Compensation and Revenue Sharing Disclosure Rules**

[25225]

May 25, 2011

TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 30-11  
SEC RULES COMMITTEE No. 55-11  
SMALL FUNDS COMMITTEE No. 21-11 RE: DRAFT ICI COMMENT LETTER ON PROPOSED AMENDMENTS TO FINRA'S CASH COMPENSATION AND REVENUE SHARING DISCLOSURE RULES

As you know, FINRA has proposed final rule amendments to NASD Rule 2830 that would, among other things, require broker-dealers to make new disclosures to investors regarding the receipt of "additional cash compensation," including revenue sharing. [\[1\]](#) Comments are due Tuesday, May 31.

Our draft comment letter is attached. The letter reiterates our long-standing support for enhanced disclosure to help investors assess and evaluate a broker's recommendations, as well as our long-standing argument that such disclosure should be required for all retail investment products, not just mutual funds. Without going into any detail, the letter expresses strong support for many aspects of the proposal, including the substance, timing, and method of making the required disclosure.

Given the related Dodd-Frank studies and FINRA's own disclosure concept proposal from last year, however, the letter recommends that the Commission consider whether the current proposal would be readily absorbed into one or more of those broader initiatives, or whether it may soon be rendered moot, duplicative, or in need of extensive revisions.

Should FINRA move forward anyway, the letter urges it to better define the rule's scope so that it is appropriately limited to retail investors and does not apply to principal underwriters. We also recommend that FINRA simplify the required disclosure by requiring brokers to list the names of fund complexes from which they receive additional cash compensation, rather than specific offerors.

Please provide any comments on the draft letter to me ([rcg@ici.org](mailto:rcg@ici.org) or 202/371-5430) or Mara Shreck ([mshreck@ici.org](mailto:mshreck@ici.org) or 202/326-5923) by noon on Friday, May 27.

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Securities Regulation - Investment Companies

[Attachment](#)

**endnotes**

[\[1\]](#) See ICI [Memorandum](#) No. 25185, dated May 12, 2011.

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