

**MEMO# 23676**

August 4, 2009

# **Institute Comment Letter on FINRA's Proposed Compensation Rule Amendments**

[23676]

August 4, 2009

TO: SEC RULES MEMBERS No. 83-09  
SMALL FUNDS MEMBERS No. 46-09  
BROKER/DEALER ADVISORY COMMITTEE No. 43-09  
ETF ADVISORY COMMITTEE No. 25-09 RE: INSTITUTE COMMENT LETTER ON FINRA'S  
PROPOSED COMPENSATION RULE AMENDMENTS

As we previously informed you, [\[1\]](#) FINRA recently published for comment proposed Rule 2341 to replace existing NASD Rule 2830, which governs FINRA members' cash and non-cash compensation arrangements in connection with investment company securities. [\[2\]](#) Among other things, the proposed rule would impose additional disclosure requirements upon broker-dealers if they receive any form of cash compensation other than the standard sales charges or service fees paid in connection with the offer and sale of mutual fund shares, and would modify the requirements for detailed disclosure regarding cash compensation in fund prospectuses.

The Institute submitted a comment letter on the proposal, a copy of which is attached. In short, the letter:

- Stressed the Institute's longstanding support for enhanced disclosure to help investors assess and evaluate a broker's recommendations for all retail investment products;
- Expressed support for the proposed broker disclosures as part of this broader initiative;
- Recommended that brokers be permitted to provide the required information by

providing generalized disclosure, either in paper or by email, to investors referring them to information on the broker's Web site;

- Urged FINRA to eliminate, rather than modify, the requirement for detailed disclosure of cash compensation arrangements in fund prospectuses; and
- Offered several practical and technical comments on the proposal.

Mara Shreck  
Associate Counsel

[Attachment](#)

**endnotes**

[\[1\]](#) See Institute Memorandum 23568 (June 19, 2009).

[\[2\]](#) See FINRA Regulatory Notice 09-34 (June 2009).

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