

MEMO# 9251

September 17, 1997

DRAFT COMMENT LETTER ON REVISED NASD NON-CASH COMPENSATION PROPOSAL

* See Memorandum to Closed-End Investment Company Committee No. 32-97, SEC Rules Committee No. 87-97 and Unit Investment Trust Committee No. 55-97, dated September 8, 1997. [9251] September 17, 1997 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 33-97 SEC RULES COMMITTEE No. 91-97 UNIT INVESTMENT TRUST COMMITTEE No. 57-97 RE: DRAFT COMMENT LETTER ON REVISED NASD NON-CASH COMPENSATION PROPOSAL

Attached for your review is a draft letter on the NASDs revised non-cash compensation proposal.* The draft letter expresses general support for the proposal, but recommends that the NASD reinstate a provision that would restrict the payment of cash incentives directly to persons associated with an NASD member. The letter states that these payments raise the same concerns, and should be treated the same, as awards of non-cash compensation to individual representatives. In addition, the draft letter reiterates the Institutes recommendation that the proposal be revised to permit NASD members to create in-house incentive programs that focus on a designated broad investment objective or category, rather than including all investment company securities sold by the member. Finally, the letter suggests technical changes related to the proposed implementation of the rule amendments. Comments on the proposal must be filed by September 26th. If you have any comments on the attached draft letter, please call me at (202) 326-5822 by Tuesday, September 23rd. Frances M. Stadler Associate Counsel Attachment (in .pdf format)