

MEMO# 8096

July 30, 1996

INSTITUTE COMMENT LETTER ON NASD NON-CASH COMPENSATION PROPOSAL

1 See Memorandum to Closed-End Fund Committee No. 18-96, SEC Rules Committee No. 72-96 and Unit Investment Trust Committee No. 27-96, dated July 10, 1996. July 30, 1996
TO: CLOSED-END FUND COMMITTEE No. 23-96 SEC RULES COMMITTEE No. 84-96 UNIT
INVESTMENT TRUST COMMITTEE No. 32-96 RE: INSTITUTE COMMENT LETTER ON NASD
NON-CASH COMPENSATION PROPOSAL

As we previously informed you, the SEC recently solicited comments on the NASDs proposed amendments to its rule governing non-cash and cash compensation in connection with the sale of investment company securities.¹ The Institute has filed the attached comment letter with the SEC regarding the proposal. The Institutes letter expresses support for the NASDs proposal and urges prompt SEC approval. In addition, in response to certain of the SECs requests for comments on specific issues, the letter: (1) opposes the imposition of recordkeeping requirements under the rule with respect to permissible gifts and entertainment; and (2) recommends that the NASD consider issues related to ordinary compensation practices (such as the practice of paying higher commissions to registered representatives for proprietary products than for non-proprietary products) as a separate matter, rather than in the context of the pending rule change proposal. Finally, the letter expresses concern about the short period provided for public comment on this important proposal and urges the SEC to establish longer comment periods in the future for significant rule proposals by self-regulatory organizations. Frances M. Stadler Associate Counsel
Attachment

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