

MEMO# 4975

July 14, 1993

INSTITUTE COMMENT LETTER ON SEC PROPOSAL TO EXCEPT RULE 144A DISTRIBUTIONS FROM TRADING RULES PROHIBITIONS

July 14, 1993 TO: INTERNATIONAL COMMITTEE NO. 16-93 SEC RULES COMMITTEE NO. 64-93
RE: INSTITUTE COMMENT LETTER ON SEC PROPOSAL TO EXCEPT RULE 144A DISTRIBUTIONS
FROM TRADING RULES PROHIBITIONS

The Institute has submitted the attached comment letter on the Securities and Exchange Commission's proposal to except certain distributions of Rule 144A-eligible securities from the prohibitions of Rules 10b-6, 10b-7 and 10b-8 under the Securities Exchange Act of 1934. These trading rules are designed to prevent investors from paying a price for a security in distribution that has been artificially raised or supported by any person participating in the distribution. The SEC proposes to except distributions of Rule 144A-eligible securities to qualified institutional buyers from these rules due to concerns that application of the rules may interfere with customary business practices in foreign markets and cause foreign issuers to avoid the U.S. market. The Institute letter supports the proposal, stating that application of the trading rules appears unnecessary in the case of qualified institutional buyers. As noted in our letter, the Institute position relies in part on the fact that the distributions will remain subject to the general antifraud provisions of the federal securities laws. We will keep you informed of developments. Angela C. Goelzer Associate Counsel Attachment

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