

MEMO# 13239

March 12, 2001

NASDR REITERATES PROHIBITION AGAINST PAYING CERTAIN NON-CASH COMPENSATION IN CONNECTION WITH TRAINING OR EDUCATION MEETINGS

[13239] March 12, 2001 TO: COMPLIANCE ADVISORY COMMITTEE No. 13-01 SEC RULES MEMBERS No. 22-01 RE: NASDR REITERATES PROHIBITION AGAINST PAYING CERTAIN NON-CASH COMPENSATION IN CONNECTION WITH TRAINING OR EDUCATION MEETINGS As we previously informed you, last summer NASD Regulation, Inc. ("NASDR") published additional guidance regarding the training or education exception to NASD Conduct Rule 2830.* While Rule 2830 generally prohibits third-party offerors from paying any form of compensation to associated persons of an NASD member, the training or education exception to the Rule (i.e., Rule 2830(I)(5)(C)) permits payments or reimbursements in connection with training or education meetings subject to certain conditions that were summarized in our previous memorandum. NASDR President Mary Schapiro recently wrote to the Institute to express concern that some "offerors sponsor trips that are laden with golf outings, cruises, tours or other entertainment, all under the umbrella of training or education meetings." According to the letter, while Rule 2830 permits an offeror to pay for an associated person's transportation, lodging and meals, it may not pay for golf outings, tours, or other forms of entertainment while at a meeting it sponsors for the purpose of training or education. Also, while the offeror may organize such events at its meeting, it may not pay for them or reimburse associated persons the costs of such events. Ms. Schapiro's letter encourages offerors to assist NASDR's members by not sponsoring training or education meetings that violate Rule 2830. She notes that such cooperation "will better protect investors from the problems that necessitated the adoption of [the rule]." * See Memorandum to Compliance Advisory Committee No. 27-00 and SEC Rules Members 50-00, dated July 20, 2000. 2Enclosed with Ms. Schapiro's letter was a copy of the guidance on this issue that NASDR published last summer. A copy of the letter to the Institute and its enclosure are attached. Tamara K. Reed Associate Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment to which this memo refers, please call the ICI Library at (202) 326-8304 and request the attachment for memo 13239. ICI Members may retrieve this memo and its attachment from ICINet (<http://members.ici.org>). Attachment (in .pdf format)

should not be considered a substitute for, legal advice.