

MEMO# 3433

January 15, 1992

INSTITUTE LETTER ON NASD PROPOSAL TO EXEMPT BULK EXCHANGES OF MONEY MARKET FUNDS FROM NEGATIVE RESPONSE LETTER RULE

January 15, 1992 TO: SEC RULES COMMITTEE NO. 2-92 BROKER/DEALER ADVISORY
COMMITTEE NO. 1-92 RE: INSTITUTE LETTER ON NASD PROPOSAL TO EXEMPT BULK
EXCHANGES OF MONEY MARKET FUNDS FROM NEGATIVE RESPONSE LETTER RULE

As we previously informed you, the NASD has proposed an exemption for certain bulk exchanges of money market funds from the provisions of its Rules of Fair Practice governing the use of "negative response" letters, i.e., letters which recommend that customers switch from one mutual fund to another and state that if the customer does not respond by a specific date, the exchange will be executed automatically. (See Memorandum to SEC Rules Committee No. 74-91 and Broker/Dealer Advisory Committee No. 47- 91, dated December 20, 1991.) Attached is a copy of the Institute's letter on the proposal. In its letter, the Institute expressed support for the proposed exemption and urged the NASD to take swift action to adopt the exemption. The Institute recommended one minor modification to the proposal. We suggested that the requirement under the proposal that the negative response feature not be activated until at least 30 days after the date on which the letter was mailed be waived where an exchange is effected pursuant to or in connection with a court or administrative order. We will keep you informed of developments on the NASD's proposal. Amy B.R. Lancellotta Associate General Counsel Attachment

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