

**MEMO# 8602**

January 31, 1997

# **INSTITUTE COMMENT LETTERS ON NASDR RULE PROPOSAL ON REVIEW OF CORRESPONDENCE**

\* See Memorandum to Advertising Subcommittee No. 3-97 and SEC Rules Committee No. 2-97, dated Jan. 7, 1997. January 31, 1997 TO: ADVERTISING SUBCOMMITTEE No. 6-97 SEC RULES COMMITTEE No. 12-97 RE: INSTITUTE COMMENT LETTERS ON NASDR RULE PROPOSAL ON REVIEW OF CORRESPONDENCE

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NASD  
Regulation, Inc. has published for comment proposed amendments to its rules governing the review of correspondence.\* The proposed amendments are intended to accommodate NASD members use of electronic communications and are in response to a recent request by the Securities and Exchange Commission that the various self regulatory organizations adapt their supervisory rules to accommodate member firms use of e-mail. The Institute filed the attached comment letter on the proposed amendments with the NASDR. The letter strongly supports the NASDRs proposal, which would allow member firms flexibility in developing procedures for review of both written and electronic communications. The letter recommends clarification: (1) that the proposed amendments would apply only to correspondence that is distributed to customers or potential customers; (2) that correspondence of employees of a member firms affiliate (e.g., a transfer agent or investment adviser) would not be subject to the proposed amendments; and (3) that the proposed amendments allow members to fulfill their education and training obligations in conjunction with the NASDs continuing education requirements. The Institute also filed a related comment letter with the SEC. A copy of the letter is also attached. The SEC has proposed to amend Rule 17a-4 to require broker-dealers to preserve books and records indicating that all outgoing communications have been approved by a principal of the broker-dealer. The Institutes letter argues that this amendment would conflict with the NASDRs proposed amendments, which would eliminate the requirement that principals of member firms review all correspondence relating to the solicitation or execution of a securities transaction. The letter recommends that the SEC revise its proposal to conform it to the NASDRs proposal. Alexander C. Gavis Assistant Counsel Attachment (in .pdf format)

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