

**MEMO# 8996**

June 19, 1997

## **INSTITUTE PREPARES DRAFT COMMENT LETTER ON NASDR RISK DISCLOSURE RULE PROPOSAL**

\* See Memorandum to Advertising Subcommittee No. 17-97 and SEC Rules Committee No. 53-97, dated May 20, 1997. June 19, 1997 TO: SEC RULES COMMITTEE No. 61-97 ADVERTISING SUBCOMMITTEE No. 21-97 RE: INSTITUTE PREPARES DRAFT COMMENT LETTER ON NASDR RISK DISCLOSURE RULE PROPOSAL

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As we previously reported, NASD Regulation, Inc. has requested comment on whether it should adopt a rule requiring disclosure of investment risks and the absence of guarantees or insurance related to investing in securities products.\* Attached and summarized below, is the Institutes draft comment letter on the proposal. The letter states the Institutes belief that uniform application of the proposed rule to NASD members other than those operating on the premises of a financial institution where retail deposits are taken, is unnecessary and inappropriate. This position is based on the fact that (1) such a rule ignores the fact that the reason that special disclosure requirements have been adopted in the case of sales of securities on bank premises is because there is a significantly greater risk of customer confusion in such circumstances, and (2) existing disclosure requirements applicable to NASD members adequately address any potential confusion about insured versus uninsured products. Comments must be filed by Monday, June 30, 1997. Please provide your comments to me at (202) 326-5923, or to Frances Stadler at (202) 326-5822 by Wednesday, June 25th. Barry E. Simmons Assistant Counsel Attachment (in .pdf format)

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