

MEMO# 13710

July 10, 2001

ICI LETTER TO NASDAQ REGARDING JUNE 29TH MARKET DISRUPTION; NASDAQ RESPONSE

[13710] July 10, 2001 TO: ACCOUNTING/TREASURERS COMMITTEE No. 19-01 END OF DAY PRICING FORUM No. 5-01 EQUITY MARKETS ADVISORY COMMITTEE No. 23-01 SEC RULES COMMITTEE No. 54-01 RE: ICI LETTER TO NASDAQ REGARDING JUNE 29TH MARKET DISRUPTION; NASDAQ RESPONSE On June 29th, following a lengthy interruption due to systems problems earlier in the day, the Nasdaq Stock Market ("Nasdaq") remained open until 5:00 p.m. Eastern time. This late closing severely complicated the pricing process for mutual funds that invest in securities traded on Nasdaq. Following this incident, the Institute sent a letter to Nasdaq expressing its disappointment at Nasdaq's failure to promptly contact the Institute once they became aware of the problem, both to inform the fund industry and to seek the Institute's guidance and input on a matter of extreme importance to funds and their shareholders. The letter urges Nasdaq, in the event that significant market disruptions occur in the future, to promptly contact both the Institute and the SEC's Division of Investment Management. In response to the Institute's letter, Nasdaq President Richard Ketchum sent a letter of apology in which he noted "the critical contribution that the investment management community makes in ensuring an efficient and effective marketplace for Nasdaq stocks." The letter states that Nasdaq is taking all necessary steps to ensure that an event such as occurred on June 29th will not recur. In addition, according to the letter, in the future, Nasdaq will make every effort to ensure that the appropriate ICI officials are contemporaneously informed of unusual Nasdaq market events, particularly if they occur near the close. Copies of the Institute's letter and Nasdaq's response are attached. Frances M. Stadler Deputy Senior Counsel Attachments Attachment no. 1 (in .pdf format)