

**MEMO# 20687**

December 15, 2006

# **Institute Recommendation of Support for Consolidation of NASD and NYSE Member Regulation Operations**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20687] December 15, 2006 TO: BOARD OF GOVERNORS No. 31-06 PRIMARY CONTACTS - MEMBER COMPLEX No. 23-06 SEC RULES COMMITTEE No. 54-06 RE: INSTITUTE RECOMMENDATION OF SUPPORT FOR CONSOLIDATION OF NASD AND NYSE MEMBER REGULATION OPERATIONS On November 28, the NASD and NYSE announced the signing of a letter of intent to consolidate their member regulation operations into a new, independent self-regulatory organization. The new SRO will be responsible for the examination, enforcement, arbitration and mediation functions of all brokers and dealers doing business with the public in the United States. The Institute strongly supports the proposed consolidation. By eliminating overlapping regulation, establishing a uniform set of rules, and placing oversight responsibility in a single organization, the regulatory consolidation plan should increase the efficiency and consistency of securities industry oversight and reduce overall regulatory costs. The proposed consolidation now requires approval by NASD members. We understand that a proxy card and a detailed information package will be mailed to NASD member firms in the next few days and that firms will be given 30 days to vote on the consolidation plan. Given the potential and expected benefits of the consolidation to investors and the securities industry as a whole, we recommend that all Institute members who are NASD member firms vote in favor of the plan. If you have any questions about the proposed consolidation or its impact on investment companies, please contact me at 202-326-5901, Elizabeth Krentzman at 202-326-5815 or Ari Burstein at 202-371-5408. Paul Schott Stevens President