

MEMO# 3278

November 20, 1991

NASD SOLICITS VOTE ON PROPOSED AMENDMENTS TO RULE GOVERNING CASH AND NON-CASH COMPENSATION

November 20, 1991 T O: SEC RULES COMMITTEE NO. 66-91 UNIT INVESTMENT TRUST COMMITTEE NO. 39-91 BROKER/DEALER ADVISORY COMMITTEE NO. 38-91 R E: NASD SOLICITS VOTE ON PROPOSED AMENDMENTS TO RULE GOVERNING CASH AND NON-CASH COMPENSATION _____ As we previously informed you, the NASD has proposed amendments to revise, simplify and add a record-keeping requirement to Article III, Section 26 of its Rules of Fair Practice, which regulates cash and non-cash compensation received by members in connection with the sale of investment company securities. (See Memorandum to SEC Rules Committee No. 26-91 and Unit Investment Trust Committee 21-91, dated May 6, 1991). In the attached Notice to Members, the NASD has requested its members to vote on the proposed amendments. The proposed amendments on which the NASD is soliciting a vote reflect the Institute's comments submitted to the NASD last June. Specifically, the Institute recommended that the new record-keeping requirements should not apply to gifts of not more than \$100 per annum. In addition, the current and proposed rule prohibits the receipt of cash and non-cash compensation unless it is disclosed in the prospectus. However, disclosure is not required in connection with the receipt of gifts of not more than \$100 per annum and payments to defray the costs associated with training or educational meetings where the location of the meeting is appropriate to the purpose of the meeting. With respect to determining whether a location is appropriate to the purpose of the meeting, the Institute expressed concern that the language initially proposed could have been read to require that such meetings be held in the office of the member or offeror. The NASD has expanded the language in the proposal to include locations that are in the vicinity of the office of a member or an offeror. We will keep you informed of developments. Amy B.R. Lancellotta Associate General Counsel A ttachment

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