

MEMO# 4238

November 6, 1992

SEC SOLICITS COMMENTS ON NASD PROPOSAL RELATING TO THE USE OF NEGATIVE RESPONSE LETTERS IN CERTAIN BULK EXCHANGES OF MONEY MARKET FUNDS

November 6, 1992 TO: SEC RULES COMMITTEE NO. 85-92 BROKER/DEALER ADVISORY COMMITTEE NO. 36-92 RE: SEC SOLICITS COMMENTS ON NASD PROPOSAL RELATING TO THE USE OF NEGATIVE RESPONSE LETTERS IN CERTAIN BULK EXCHANGES OF MONEY MARKET FUNDS _____ As we previously informed you, the NASD has proposed an exemption from the provisions of Article III, Section 15 of its Rules of Fair Practice, which requires written authority from a customer before a member or registered representative can exercise discretion in the customer's account, to permit members to use negative-response letters in certain bulk exchanges of money market funds. (See Memorandum to SEC Rules Committee No. 48-91 and Broker/Dealer Advisory Committee No. 47-91, dated December 20, 1991.) The proposed exemption was recently filed with the SEC, which has published the attached notice to solicit comments on the proposed change. Under the NASD proposal, money market funds will be exempt from Section 15 provided that the following conditions are satisfied: (1) the bulk exchanges are limited to mergers and acquisitions of funds, changes of clearing members, and exchanges of funds used in sweep accounts; (2) the negative response letter contains a tabular comparison of the nature and amount of fees charged by each fund (e.g., management funds, 12b-1 fees); (3) the negative response letter contains a comparative description of the investment objectives of each fund and a prospectus of the fund to be purchased; and (4) the negative response feature will not be activated until at least 30 days after the date on which the letter was mailed. Comments are due to the SEC by November 24, 1992. Please provide me with your comments for possible inclusion in the Institute's letter on the proposal by November 18, 1992. My direct number is 202/955-3523. Amy B.R. Lancellotta Associate Counsel Attachment

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