

MEMO# 6817

April 3, 1995

SEC APPROVES CHANGES TO NASD PROMPT PAYMENT AND OTHER RULES TO ACCOMMODATE T+3

April 3, 1995 TO: BANK BROKER/DEALER ADVISORY COMMITTEE No. 11-95 BROKER/DEALER ADVISORY COMMITTEE No. 13-95 OPERATIONS MEMBERS No. 18-95 SEC RULES MEMBERS No. 25-95 TRANSFER AGENT ADVISORY COMMITTEE No. 23-95 RE: SEC APPROVES CHANGES TO NASD PROMPT PAYMENT AND OTHER RULES TO ACCOMMODATE T+3

The SEC has approved proposed changes to certain NASD rules in order to make them consistent with Rule 15c6-1 under the Securities Exchange Act of 1934 (which will subject most securities transactions to a three business day ("T+3") settlement time frame effective June 7, 1995). A copy of the SEC release describing the rule changes is attached. Of particular relevance to investment companies is an amendment to Article III, Section 26(m)(1) of the NASDGs Rules of Fair Practice (the "prompt payment rule"). As amended, that rule will require NASD members to transmit any payment received from a customer to purchase investment company shares by the later of (a) three business days (rather than five business days) after receiving such customer's purchase order or (b) one business day after receiving payment from the customer. Additional rule changes include, among others, an amendment to Section 12(b) of the NASDGs Uniform Practice Code to shorten the requirement for delivery in a regular way transaction from on, but not before, the fifth business day following trade date to on, but not before, the third business day following trade date. Also, section 64(a)(4) of the Uniform Practice Code is amended to require that customers using an agent to pay for or deliver securities must agree to furnish instructions to the agent no later than T+2 (rather than T+4) if buying on a receipt versus payment basis and T+1 (rather than T+3) if selling on a delivery versus payment basis. In addition, Sections 5(b)(1) and 6(a) of the Uniform Practice Code, with respect to the ex-dates for cash and stock dividends, warrants and interest, are amended to shorten all existing time frames in such rules by two business days. All of the above-described rule changes will become effective June 7, 1995. Frances M. Stadler Associate Counsel Attachment

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