

MEMO# 8446

December 9, 1996

DRAFT COMMENT LETTER ON PROPOSED BROKER-DEALER BOOKS AND RECORDKEEPING REQUIREMENTS

* See Memorandum to SEC Rules Committee No. 121-96, dated November 15, 1996.
December 9, 1996 TO: SEC RULES COMMITTEE No. 128-96 RE: DRAFT COMMENT LETTER
ON PROPOSED BROKER-DEALER BOOKS AND RECORDKEEPING REQUIREMENTS

As we previously reported, the Securities and Exchange Commission has proposed amendments to the broker-dealer books and records rules under the Securities Exchange Act of 1934.* Attached is a draft Institute comment letter on the proposed amendments. The Institutes letter focuses solely on proposed Rule 17a-3(a)(16) under the Exchange Act, which would require broker-dealers to maintain an account form for each customer account. The account form would require detailed background information about a customer, as well as a designation of the customers investment objectives. Based on the nature of the information that would be required, it appears that the purpose of this requirement is to facilitate oversight of the suitability of broker-dealer recommend securities. Recognizing that some broker-dealers may engage in certain businesses of a type that render unnecessary the account form requirements being proposed, the Commission expressly solicited suggested standards for the exemption of categories of broker-dealers from these requirements. The Institutes letter recommends that broker-dealers who serve as underwriters of investment companies and who do not recommend securities be exempt from the proposed rule. The letter asserts that exempting these "limited purpose" broker-dealers would not in any way undermine the apparent objective of the proposed rule inasmuch as they do not make recommendations to the investing public. Comments on the proposed amendments to the broker-dealer books and records requirements are due to the SEC by December 27, 1996. Please provide me with your comments by Wednesday, December 18, 1996. My direct number is 202/326-5824 and my e- mail address is amy@ici.com. Amy B.R. Lancellotta Associate Counsel Attachment

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