

MEMO# 8438

December 6, 1996

INSTITUTE LETTER SUGGESTING CHANGES TO NASD RULES TO IMPLEMENT RULE 6C-10 AMENDMENTS

1 See Memorandum to SEC Rules Committee No. 119-96, dated November 6, 1996.
December 6, 1996 TO: SEC RULES COMMITTEE No. 126-96 RE: INSTITUTE LETTER
SUGGESTING CHANGES TO NASD RULES TO IMPLEMENT RULE 6c-10 AMENDMENTS

The Institute has sent the attached letter to the NASD suggesting changes to the NASDs mutual fund sales charge rules to implement the SECs recent amendments to Rule 6c-10. The letter differs from the draft letter previously circulated to you¹ in one respect. Specifically, the attached letter recommends that the NASD revise the definition of "deferred sales charge" in its rules to conform to the new definition of "deferred sales load" in Rule 6c-10. Unlike the draft letter, the final letter does not suggest that the NASD definition retain existing specific exclusions for nominal charges in connection with a redemption and certain charges to discourage short-term trading. Instead, the letter indicates that there is no need specifically to exclude these charges because they would not be covered by the revised definition. In all other respects, the attached letter is identical to the earlier draft. Thus, it asserts that in light of the requirement in amended Rule 6c-10 that a deferred sales charge may not exceed a specified percentage of the net asset value or the offering price of a funds shares at the time of purchase, as well as detailed prospectus disclosure requirements and the NASDs sales charge limits, no further NASD requirements or restrictions concerning the calculation of deferred sales charges are needed. In addition, it recommends that funds that impose a deferred sales charge on shares purchased through reinvested distributions be subject to the same aggregate sales charge limits under the NASDs rules as funds that do not offer reinvestment at net asset value. Finally, it indicates that, if the NASD revises the definition of "deferred sales charge" in the manner proposed by the Institute, the NASDs policy regarding "no-load" nomenclature will apply by its terms to funds that impose installment loads. Frances M. Stadler Associate Counsel Attachment

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