

MEMO# 942

January 26, 1989

NASD PROPOSAL TO RESTRICT PAYMENT OF REFERRAL FEES

January 26, 1989 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 4-89 RE: NASD PROPOSAL TO RESTRICT PAYMENT OF REFERRAL FEES

Attached is an NASD notice to members concerning a proposed rule that would restrict payment of referral fees by NASD members to unregistered parties. One issue raised by the proposal that may be of special concern to unit investment trusts is that the rule would prohibit such payments to banks, which are not registered with the NASD. The Institute is considering whether to argue that the NASD should distinguish between commissions and other payments to banks, and provide an exemption in the rule for the former. Comments are due February 3. If there are payments other than commissions that unit investment trust distributors make to banks that might be prohibited by the rule or if there are other comments on the proposal you feel the Institute should make, please contact me as soon as possible. Craig S. Tyle Assistant General Counsel Attachment

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