

MEMO# 5019

August 2, 1993

INSTITUTE LETTER ON PROPOSED AMENDMENTS TO NASD FREE-RIDING AND WITHHOLDING INTERPRETATION

August 2, 1993 TO: CLOSED-END FUND COMMITTEE NO. 19-93 COMPLIANCE COMMITTEE NO. 16-93 INVESTMENT ADVISERS COMMITTEE NO. 22-93 SEC RULES COMMITTEE NO. 70-93 RE: INSTITUTE LETTER ON PROPOSED AMENDMENTS TO NASD FREE-RIDING AND WITHHOLDING INTERPRETATION _____

As we previously informed you, the NASD has proposed amendments to its Free-Riding and Withholding Interpretation under Article III, Section 1 of its Rules of Fair Practice, which deals with the distribution of "hot issue" securities. (See Memorandum to Closed-End Fund Committee No. 17-93, Compliance Committee No. 12-93, Investment Advisers Committee No. 15-93 and SEC Rules Committee No. 55-93, dated June 23, 1993.) The Institute submitted the attached letter on the proposed amendments. The Institute's letter generally supported the proposed amendments, particularly the exemption from the restricted persons category for persons with limited registrations (e.g., persons registered as investment company principals or representatives). While the Institute expressed support for this change, we recommended that it be modified to focus on the activities of the member firm instead of focusing on the registration status of the individual person. Thus, all persons who are registered with a firm that engages in limited activities (e.g., a mutual fund-only underwriter) would be exempt, regardless of whether their registration status is limited or general. We will keep you informed of developments. Amy B.R. Lancellotta
Associate Counsel Attachment