

**MEMO# 5730**

March 28, 1994

# **SEC ORDER APPROVING NASD REQUIREMENTS FOR FILING OF INVESTMENT COMPANY SALES MATERIAL WITH A RANKING**

March 28, 1994 TO: SEC RULES COMMITTEE NO. 41-94 SUBCOMMITTEE ON ADVERTISING  
NO. 7-94 RE: SEC ORDER APPROVING NASD REQUIREMENTS FOR FILING OF INVESTMENT  
COMPANY SALES MATERIAL WITH A RANKING

\_\_\_\_\_ As we previously informed you, the National Association of Securities Dealers, Inc., recently filed with the Securities and Exchange Commission proposals (1) to amend the NASD's Rules of Fair Practice to impose certain filing requirements on investment company sales material that contains a ranking and (2) to adopt guidelines concerning the use of rankings in such sales material. (See Memorandum to SEC Rules Committee No. 32-94; Subcommittee on Advertising No. 5- 94, dated March 11, 1994.) The Commission recently issued an order approving the first proposal, concerning the filing of sales material with a ranking. The order approves amendments to Article III, Section 35(c) of the Rules of Fair Practice to require (1) any member filing sales material with a ranking or comparison of the investment company with other investment companies, to include a copy of the ranking or comparison used and (2) that members file (at least 10 days before use) any sales material that contains a ranking or comparison that is not generally published or that is fund-created. The Commission's order states that while the NASD "is concerned about permitting ranking categories to be created by investment companies . . . customized ranking nonetheless may provide meaningful information to the investor." A copy of the Commission's order is attached.

Thomas M. Selman Assistant Counsel Attachment