

MEMO# 10076

June 26, 1998

DRAFT INSTITUTE COMMENT LETTER ON PROPOSED RESEARCH REPORTS FILING EXEMPTION

* See Memorandum to Advertising Compliance Subcommittee No. 27-98 and SEC Rules Committee No. 59-98, dated June 18, 1998. [10076] June 26, 1998 TO: ADVERTISING COMPLIANCE SUBCOMMITTEE No. 29-98 SEC RULES COMMITTEE No. 63-98 RE: DRAFT INSTITUTE COMMENT LETTER ON PROPOSED RESEARCH REPORTS FILING EXEMPTION

As we previously reported, the SEC recently published for comment a proposal to amend NASD Conduct Rule 2210 to exclude independently prepared investment company research reports that are used as sales material from the filing requirements of Rule 2210.* Attached and summarized below is the Institute's comment letter on this proposal. The letter generally supports the proposal, but it also recommends a number of changes. First, the letter recommends that the rule include a specific definition of the term "research report." Second, it recommends that the rule require members to use the most recently available version of the research report in order to be eligible for the filing exemption. Third, it recommends that the rule permit alterations to reports to make them consistent with applicable regulatory standards. Fourth, it suggests that the rule clarify that a fund or member may pay fees to research firms for distributing research reports or for performing other research services. Fifth, it recommends that the rule clarify that research reports may include performance ranking information. Finally, it recommends that the proposal clarify that it does not cover reports that include volatility ratings. Comments are due to the SEC no later than Monday, July 6, 1998. If you have comments on the attached comment letter, please contact me (telephone: 202/326-5819; fax: 202/326-5827 or e-mail: savage@ici.org) no later than Thursday, July 2, 1998. Joseph P. Savage Assistant Counsel

Attachment

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