

MEMO# 10010

June 12, 1998

NASD PROPOSES TO EXCLUDE NON-RECOMMENDED MUTUAL FUND ACCOUNTS FROM CERTAIN RECORD-KEEPING REQUIREMENTS

* See Securities and Exchange Commission Release No. 34-40048 (May 29, 1998), 63 Fed. Reg. 31255 (June 8, 1998). The proposal also would amend the definition of “institutional account” to include the accounts of investment advisers that under the National Securities Markets Improvement Act of 1996 and new SEC rules are now required to register with the states. [10010] June 12, 1998 TO: ADVERTISING COMPLIANCE SUBCOMMITTEE No. 25-98 SEC RULES COMMITTEE No. 56-98 RE: NASD PROPOSES TO EXCLUDE NON-RECOMMENDED MUTUAL FUND ACCOUNTS FROM CERTAIN RECORD-KEEPING REQUIREMENTS

The Securities and Exchange Commission recently published for comment a proposal to amend National Association of Securities Dealers, Inc. Rule 3110 to exclude from certain record-keeping requirements accounts that are limited to mutual fund shares and for which no recommendations are made by the NASD member or its associated persons.* A copy of the proposal is attached. Currently under NASD Rule 3110(c)(2), members are generally required for each account to make reasonable efforts to obtain: (i) the customer's tax identification or Social Security number, (ii) the customer's occupation and name and address of employer, and (iii) whether the customer is an associated person of another member. This requirement, however, does not apply to institutional accounts and accounts limited to transactions in money market funds. The proposal would expand the exemption from this requirement to cover all accounts that are limited to transactions in mutual funds that are not recommended by the member or its associated persons. Comments on the proposal are due to the SEC no later than June 29, 1998. If you have comments that you would like the Institute to include in its comment letter to the SEC, please contact me (telephone: 202/326-5819, fax: 202/326-5827, or e-mail: savage@ici.org) no later than Friday, June 19, 1998. Joseph P. Savage Assistant Counsel Attachment

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