

**MEMO# 7679**

March 4, 1996

## **UPDATE ON THE SECURITIES REGISTRATION DEPOSITORY ("SRD")**

1 See Memorandum to SEC Rules Members No. 75-95, State Securities Members No. 45-95, Unit Investment Trust Members No. 54-95, and One Per Complex No. 94-95, dated November 1, 1995. March 4, 1996 TO: SEC RULES COMMITTEE No. 16-96 STATE LIAISON COMMITTEE No. 5-96 UNIT INVESTMENT TRUST COMMITTEE No. 7-96 RE: UPDATE ON THE SECURITIES REGISTRATION DEPOSITORY ("SRD")

As we last advised you, by letter dated October 20, 1995, the Industry Advisory Group ("IAG") to the SRD wrote to the Board of Directors of the SRD to suggest various amendments to the SRDs bylaws and proposed contract with users, the Filer Service Agreement ("FSA"), to address industry concerns with pricing and governance issues.<sup>1</sup> By letter dated February 1, 1996, the SRD Board responded to the IAG's letter. Rather than providing specific responses to the IAG's proposed amendments, however, the letter expresses the Board's intent to propose certain amendments to the bylaws and FSA. The Board's letter recommends that persons be appointed from the Board and the IAG to work together to draft the amendments. The Board's letter also suggests (1) adopting a definition of "materiality" that the Board has proposed, (2) including a provision for assessing arbitration costs for frivolous or bad faith arbitration claims, and (3) specifying the timing and mechanics for submitting pricing and contractual proposals to a Pricing Committee, comprised of NASAA members and industry filers. A copy of the Board's letter is attached. In response, the IAG has written to the Board to request copies of the actual amendments the Board intends to propose. The IAG's letter further recommends a delay in appointing a drafting group until such time as the IAG has had an opportunity to review and discuss the amendments. With respect to the specific issues raised by the Board's letter, the IAG's letter expresses concern with the proposed definition of materiality in that it is too vague and ambiguous and may not address all of the issues the IAG believes to be material. The IAG has requested clarification of how the proposed provision assessing costs for frivolous or bad faith arbitration claims would be applied. Finally, the IAG concurs with adding a provision relating to submitting pricing and contractual changes to a Pricing Committee and recommends that the Board proffer what it believes to be an adequate mechanism for such submission. A copy of the IAG's letter is attached. The SRD Board has scheduled its quarterly meeting for March 15-16. The IAG plans to attend this meeting to discuss these matters and related issues in more detail. The Board is also expected to decide at this meeting the price that will be charged for maintaining and processing renewal permits through the SRD. The last price announced by the Board, which was contained in a letter to the IAG dated August 23, 1995, was \$1.65 to \$1.95 per permit per state per month, depending on total number of permits maintained on the SRD. Tamara K. Cain Assistant Counsel Attachments

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