

MEMO# 1092

April 7, 1989

NASD NOTICE REGARDING MISUSE OF NO-LOAD TERMINOLOGY

April 7, 1989 TO: BOARD OF GOVERNORS NO. 23-89 SEC RULES MEMBERS NO. 20-89 12b-1
AD HOC COMMITTEE RE: NASD NOTICE REGARDING MISUSE OF NO-LOAD TERMINOLOGY

The attached Notice to NASD members states that the NASD has received a number of complaints from investors regarding the misuse of no-load terminology by NASD registered representatives selling mutual funds with CDSLs. According to the Notice, to say or imply that a mutual fund with a CDSL is a no-load fund is a violation of Article III, Section I of the NASD Rules of Fair Practice that is not alleviated by the fund's CDSL prospectus disclosure. Moreover, NASD members and their registered representatives are affirmatively obligated to "ensure that prospective investors understand the nature of various charges made by mutual funds to defray sales and promotional expenses, whether they are deducted from an investor's purchase payment, charged on redemption, or levied against the net assets of the fund." We will keep you informed of developments. Catherine L. Heron Deputy General Counsel
Attachment

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