

MEMO# 2088

August 2, 1990

SEC APPROVES NASD PROPOSAL CONCERNING CUSTOMER ACCOUNT INFORMATION

August 2, 1990 TO: SEC RULES MEMBERS NO. 58-90 BROKER/DEALER ADVISORY COMMITTEE NO. 27-90 BROKER/DEALER ASSOCIATE MEMBERS NO. 3-90 RE: SEC APPROVES NASD PROPOSAL CONCERNING CUSTOMER ACCOUNT INFORMATION

As we previously informed you, the NASD has proposed amendments to its Rules of Fair Practice to require a member to obtain additional information pertaining to customer accounts. (See Memorandum to SEC Rules Members No. 19-90 and Broker/Dealer Advisory Committee No. 9-90, dated March 5, 1990.) The SEC recently approved those amendments, which will apply to accounts opened, and recommendations made, after January 1, 1990. A copy of the final amendments is attached. Specifically, the amendments will require NASD members who make recommendations to non-institutional clients to make reasonable efforts to obtain information concerning the customer's financial status, tax status, investment objectives, and such other information used or considered to be reasonable and necessary in making recommendations to customers. In addition, section 21(c) of the Rules of Fair Practice was amended to require members to maintain customer accounts in such form and manner as to show certain specified information and, with respect to non-institutional accounts, to obtain certain information in addition to the information already required under that section prior to the settlement of the initial transaction in that account. Both amendments exclude transactions and accounts in which investments are limited to money market funds. Amy B. Rosenblum Assistant General Counsel Attachment

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