

MEMO# 2555

February 22, 1991

INSTITUTE COMMENT LETTER TO SEC ON NASD PROPOSAL TO REQUIRE DISCLOSURE OF DEFERRED SALES CHARGES ON CONFIRMATIONS

February 22, 1991 TO: SEC RULES MEMBERS NO. 13-91 RE: INSTITUTE COMMENT LETTER TO SEC ON NASD PROPOSAL TO REQUIRE DISCLOSURE OF DEFERRED SALES CHARGES ON CONFIRMATIONS _____ As we recently informed you, the SEC solicited comments on the NASD's proposal to amend its Rules of Fair Practice to require disclosure of a deferred sales charge on the confirmation statement sent to shareholders. (See Memorandum to SEC Rules Members No. 5-91, dated January 31, 1991). The Institute submitted the attached comment letter to the SEC on the proposal. Similar to its initial letter on the proposal that was submitted to the NASD, the Institute's comment letter expressed support for the proposal but requested clarification on several issues. (See Memorandum to SEC Rules Members No. 1-90, dated January 3, 1990). Specifically, the Institute requested clarification on whether the disclosure requirement would apply (1) where a redemption fee is imposed to discourage investors from frequent trading and (2) to automatic dividend reinvestment plans when funds send confirmation statements for shares purchased through the plan, although not required to do so. The Institute also expressed its view that the proposed requirement should not apply to shares that are not subject to a deferred sales charges that may, however, be imposed on other shares sold by the fund (e.g., where a fund does not charge a front-end load that is imposed on other shares of the fund for purchases in excess of a specified amount and instead imposes a deferred sales charge on those shares). We will keep you informed of further developments. Amy B.R. Lancellotta Assistant General Counsel Attachment