

MEMO# 6498

December 23, 1994

INSTITUTE LETTER TO SEC STAFF ON DISCLOSURE REQUIREMENT OF NON- SIPC STATUS

December 23, 1994 TO: OPERATIONS COMMITTEE No. 37-94 TRANSFER AGENT ADVISORY COMMITTEE No. 50-94 RE: INSTITUTE LETTER TO SEC STAFF ON DISCLOSURE REQUIREMENT OF NON-SIPC STATUS

As you know, the SEC recently adopted amendments to Rule 10b-10 under the Securities Exchange Act of 1934 to require disclosure on confirmations that the broker or dealer transmitting the confirm or clearing or carrying the customer account is not a member of the Securities Investor Protection Corporation ("SIPC"), if such is the case. (See attached memorandum to SEC Rules Members NO.84-94, dated November 17, 1994.) This requirement will become effective on April 3, 1995. Underwriters of mutual funds and unit investment trusts will be required to make this disclosure, unless they are eligible to rely on the narrow exemption included in the rule. The Institute sent the attached letter urging the SEC staff to take appropriate action "to rectify the untenable situation created by [this] illogical requirement" as it applies to mutual fund and unit investment trust underwriters. Our letter asserts that the required "negative" disclosure will be misleading to investors and questions the SEC's decision to adopt such a narrow exemption for these brokers, instead of the blanket exemption that the Institute had recommended in its comment letter on the proposal. Several members have inquired as to whether they should send their own letters to the SEC on this matter. We strongly encourage members to do so and request that you send us a copy of your letter. Justine Phoenix Director - Operations/ Transfer Agency Attachments