

MEMO# 6224

September 19, 1994

ADOPTION OF FEDERAL TELEMARKETING LEGISLATION

September 19, 1994 TO: COMPLIANCE COMMITTEE NO. 16-94 DIRECT MARKETING COMMITTEE NO. 28-94 SALES FORCE MARKETING COMMITTEE NO. 38-94 SEC RULES MEMBERS NO. 65-94 UNIT INVESTMENT TRUST MEMBERS NO. 37-94 RE: ADOPTION OF FEDERAL TELEMARKETING LEGISLATION

President Clinton has signed into law the "Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994," which directs the Federal Trade Commission to prescribe rules prohibiting deceptive and other abusive telemarketing acts or practices. The Act specifically exempts from those rules certain entities regulated by the Securities and Exchange Commission including, among others, any broker, dealer, investment company or investment adviser (as those terms are defined in the federal securities laws). It provides, however, that within six months after the effective date of rules promulgated by the FTC, the SEC must promulgate substantially similar rules that would apply to the entities it regulates. The legislation specifies that the SEC need not act if: (1) existing federal securities laws or rules provide protection from abusive or other deceptive telemarketing practices substantially similar to that provided by the FTC's rules; or (2) the SEC determines that the promulgation of such rules is not necessary or appropriate in the public interest, or for the protection of investors, or would be inconsistent with the maintenance of fair and orderly markets. If the SEC determines that one of the above exceptions applies, it must publish that determination and the reasons for it in the Federal Register. A copy of the legislation is attached. Frances M. Stadler Associate Counsel Attachment