

**MEMO# 20191**

July 19, 2006

# **NASD Requests Comment on Regulatory Relief Necessary in the Event of a Possible Pandemic or Other Major Business Disruption**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20191] July 19, 2006 TO: SEC RULES COMMITTEE No. 33-06 OPERATIONS COMMITTEE No. 18-06 RE: NASD REQUESTS COMMENT ON REGULATORY RELIEF NECESSARY IN THE EVENT OF A POSSIBLE PANDEMIC OR OTHER MAJOR BUSINESS DISRUPTION The NASD is soliciting comment on what specific, short-term regulatory relief may be necessary and appropriate to allow firms to best serve investors and maintain market stability in the event of a global pandemic or similar disaster.

Comments must be filed by Monday, July 31st.\* In the event there are issues unique to mutual funds that warrant the Institute's filing of a comment letter, please provide them to the undersigned no later than Wednesday, July 26th. Comments should be provided by phone (202-326-5825) or e-mail (tamara@ici.org). According to the NASD's Notice, while the precise impact of a flu pandemic or similar business disruption on the global markets is impossible to predict, some analysts project that areas affected by an outbreak could experience absentee rates as high as 30-50 percent of the workforce, possibly for several months. Affected regions may also be subject to quarantines and travel restrictions. In light of this, the NASD is interested in knowing what regulatory relief would be appropriate, and under what circumstances, in the event of a pandemic or similar business disruption. To facilitate the comment process, the NASD has identified the following areas where relief may be necessary, though they are interested in hearing of other areas as well: □ Licensing requirements – who can do what, from where, and whose rules will apply; □ Capital and financial reporting requirements if operating abroad – which jurisdiction's rules will apply; □ Supervision (both in remote U.S. and non-U.S. locations); □ Trade reporting, particularly where a market may not be functioning; □ Temporary account transfers; \* See Pandemic Regulatory Relief, NASD Notice to Members 06-31 (June 2006) (the "NASD's Notice"). A copy of the NASD's Notice is available on the NASD's website at:

[http://www.nasd.com/RulesRegulation/NoticestoMembers/2006NoticestoMembers/NASDW\\_016889](http://www.nasd.com/RulesRegulation/NoticestoMembers/2006NoticestoMembers/NASDW_016889). 2 □ Extensions of credit and securities delivery; and □ Filing and reporting requirements. The NASD's Notice notes that, in thinking about this issue, firms may want to consider the regulatory relief that was available in the aftermath of Hurricane Katrina and the September 11th attacks on the World Trade Center. Tamara K. Salmon Senior Associate Counsel

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