

MEMO# 3734

April 28, 1992

INSTITUTE LETTER TO NASD ON YIELD QUOTATIONS IN ORAL SALES COMMUNICATIONS

April 28, 1992 TO: BOARD OF GOVERNORS NO. 27-92 SEC RULES COMMITTEE NO. 23-92
YIELD ENHANCEMENT TASK FORCE NO. 3-92 RE: INSTITUTE LETTER TO NASD ON YIELD
QUOTATIONS IN ORAL SALES COMMUNICATIONS

Attached is a copy of a letter submitted by the Institute to the NASD, recommending that it issue a Notice to Members requesting that any quotation of a mutual fund distribution number in oral sales communications be accompanied by a quote of the fund's current SEC yield, and that fund underwriters make available yield information to firms whose employees sell shares of their funds. The letter notes that while SEC yield is not the only proper measure of performance for income funds, use of a distribution number as the sole measure of a fund's performance in oral sales communications raises the same concerns addressed in the SEC's 1988 rule amendments relating to written sales communications. Under the Institute's proposal, which would pertain only to sales-related communications, brokers could continue to quote a fund's distribution rate, but would be required to accompany any such quote with the fund's SEC yield. The yield would be required to be no less current than the distribution rate. To facilitate compliance, fund underwriters would be directed to make available updated yield information to sellers of their funds. This requirement would apply to all such funds that are sold on the basis of income and with respect to which distribution rates would normally be quoted. The letter recommends that the NASD implement this policy through a general statement in a Notice to Members, as this is apt to prove more flexible and thus more effective than a formal rule. We will keep you informed of developments.

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