

MEMO# 1728

February 21, 1990

ALLEGED REQUESTS FOR IMPERMISSIBLE SALES COMPENSATION

February 21, 1990 TO: SEC RULES MEMBERS NO. 14-90 RE: ALLEGED REQUESTS FOR IMPERMISSIBLE SALES COMPENSATION

_____ The SEC staff has advised the Institute of reports that certain broker-dealers allegedly have advised mutual fund organizations that they require "up front" cash payments as a condition to selling fund shares. We understand that the SEC and NASD staff believe that such a solicitation or payment would constitute a violation of Article III, Section 26 (l)(3)(A) of the NASD's Rules of Fair Practice, absent disclosure in prospectuses, and may also raise other disclosure issues.
Matthew P. Fink Senior Vice President and General Counsel

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