

**MEMO# 20351**

September 6, 2006

## **SEC Approves NASD Rule Requiring Principal Pre-Use Approval of Retail Correspondence**

©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. [20351] September 6, 2006 TO: SEC RULES COMMITTEE No. 39-06 SMALL FUNDS COMMITTEE No. 23-06 ADVERTISING COMPLIANCE ADVISORY COMMITTEE No. 5-06 UNIT INVESTMENT TRUST COMMITTEE No. 5-06 RE: SEC APPROVES NASD RULE REQUIRING PRINCIPAL PRE-USE APPROVAL OF RETAIL CORRESPONDENCE The SEC has approved amendments to NASD Rule 2211 to require a registered principal to pre-approve correspondence sent to 25 or more existing retail customers within a 30- calendar day period if the correspondence makes any financial or investment recommendation or otherwise promotes a product or service of the member.<sup>1</sup> The Institute filed comment letters with both NASD<sup>2</sup> and the SEC<sup>3</sup> in support of the proposal. The rule change becomes effective on December 1, 2006. Mara Shreck Assistant Counsel 1 See SEC Approves Amendments to NASD Rule 2211 to Require Principal Pre-Use Approval of Certain member Correspondence Sent to 25 or More Existing Retail Customers within a 30 Calendar-Day Period, NASD Notice 06-45. The Notice, along with the text of the rule amendments, is available at [http://www.nasd.com/RulesRegulation/NoticestoMembers/2006NoticestoMembers/NASDW\\_017264](http://www.nasd.com/RulesRegulation/NoticestoMembers/2006NoticestoMembers/NASDW_017264). 2 See Institute Memoranda to SEC Rules Members No. 72-05, Small Funds Members No. 52-05, Unit Investment Trust Members No. 13-05 [18903], dated May 27, 2005. 3 See Institute Memoranda to SEC Rules Committee No. 12-06, Small Funds Committee No. 7-06, Advertising Compliance Advisory Committee No. 2-06, Unit Investment Trust Committee No. 3-06 [19796], dated March 3, 2006.