

MEMO# 16143

June 2, 2003

NASD AND NYSE PROPOSED RULE CHANGES RELATING TO RESEARCH ANALYST CONFLICTS OF INTEREST

[16143] June 2, 2003 TO: SEC RULES COMMITTEE No. 51-03 CLOSED-END INVESTMENT COMPANY COMMITTEE No. 36-03 INVESTMENT ADVISERS COMMITTEE No. 11-03 RE: NASD AND NYSE PROPOSED RULE CHANGES RELATING TO RESEARCH ANALYST CONFLICTS OF INTEREST The Securities and Exchange Commission has published for comment proposed rule changes filed by the NASD and the New York Stock Exchange to amend their rules relating to research analyst conflicts of interest.¹ The proposed amendments would conform the rules to the requirements of the research analyst provisions of the Sarbanes-Oxley Act and provide for interpretations of other aspects of the rules. Most significantly, the proposed rule changes amend several of the definitions used in the rules. For example, the term “research report” is being amended to conform to the Sarbanes-Oxley Act’s definition by deleting the criterion of providing a “recommendation” from the criteria that determines what constitutes a research report. This amendment would broaden the scope of the term for purposes of the rules’ requirements.² Comments on the proposed rule changes must be received by the SEC no later than 21 days after publication of the Release in the Federal Register. If you have any questions or comments on the proposed rule changes, please contact the undersigned by phone at 202-371- 5408 or by e-mail at aburstein@ici.org. Ari Burstein Associate Counsel 1 Securities Exchange Act Release No. 47912 (May 22, 2003) (“Release”). The Release can be found on the SEC’s website at <http://www.sec.gov/rules/sro/34-47912.htm>. 2 Under the rule amendments, the definition of “research report” would be defined as “a written or electronic communication which includes an analysis of equity securities or individual companies or industries, and which provides information reasonably sufficient upon which to base an investment decision.” “Research analyst” (under the NASD rules) is defined as “the associated person who is principally responsible for ... preparation of the substance of a research report ...”