

**COMMENT LETTER**

June 1, 2005

# **Comment Letter in Support of NASD Proposal to Require Principal Pre-Use Approval of Retail Correspondence, June 2005**

May 27, 2005

Barbara Z. Sweeney  
Office of Corporate Secretary  
NASD  
1735 K Street, NW  
Washington, DC 20006-1500

Re: NASD Request for Comment on Proposal to Require Principal Pre-Use Approval of Member Correspondence to 25 or More Existing Retail Customers within a 30-day Calendar Period (NASD Notice to Members 05-27)

Dear Ms. Sweeney:

The Investment Company Institute<sup>1</sup> appreciates the opportunity to comment on NASD's proposed change to Rule 2211 to require a registered principal to pre-approve any member correspondence that is sent to 25 or more existing retail customers within a 30-calendar day period.<sup>2</sup> The Notice explains that NASD has found that some member correspondence has encouraged existing customers to invest in mutual funds, variable annuities, and other types of securities, and that this correspondence has not met applicable advertising standards. NASD has proposed requiring principal pre-approval to better ensure that this material complies with applicable standards.

The Institute supports the proposed change. As a matter of business practice, our members typically require principal approval of correspondence sent to multiple customers. Principal approval helps to assure that customer correspondence is fair and balanced and otherwise complies with NASD and Securities and Exchange Commission requirements. We commend NASD for taking a measured approach that furthers the interests of investors without placing undue regulatory burdens on funds.

If you have any questions about our comments or need additional information, please contact me at 202/218-3563.

Sincerely,

Dorothy M. Donohue  
Associate Counsel

cc: Thomas M. Selman, Senior Vice President  
Investment Companies/Corporate Financing

Thomas Pappas, Associate Vice President and  
Director, Advertising Regulation

Joseph P. Savage, Associate Vice President  
Investment Companies Regulation  
NASD

#### **ENDNOTES**

[1](#) The Investment Company Institute is the national association of the U.S. investment company industry. ICI members include 8,512 open-end investment companies (mutual funds), 650 closed-end investment companies, 143 exchange-traded funds and 5 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$7.959 trillion (representing more than 95 percent of all assets of US mutual funds); these funds serve approximately 87.7 million shareholders in more than 51.2 million households.

[2](#) See NASD Notice to Members 05-27 (April 2005) (“Notice”).

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