

Comment Letter on NASAA Proposal for Sales of Securities at Financial Institutions, June 1998

Via Facsimile and US Mail

June 12, 1998

Mr. Thomas E. Geyer
Chair
NASAA Securities Activities of Banks Committee
Ohio Division of Securities
77 South High Street
22nd Floor
Columbus, Ohio 43215

Re: Revised Proposed Model Rules for Sales of Securities at Financial Institutions

Dear Mr. Geyer:

The Investment Company Institute (the "Institute")¹ has had the opportunity to review the Revised Proposed Model Rules for Sales of Securities at Financial Institutions ("Proposed Rules"). The Proposed Rules would regulate the conduct of broker-dealers selling securities on the premises of financial institutions, an activity that is currently subject to regulation by a number of federal banking regulators,² as well as by the National Association of Securities Dealers, Inc. ("NASD"). I would like to commend the NASAA Securities Activities of Banks Committee (the "Committee") on their efforts to conform the Proposed Rules, to the extent possible, to existing federal standards regarding this conduct, and, in particular, to NASD Rule 2530 and the Interagency Statement on Retail Sales of Non-Deposit Investment Products (the "Interagency Statement").

As initially drafted, the Proposed Rules would have imposed on broker-dealers selling securities at financial institutions requirements in addition to those already in place. In the view of the Institute, this additional level of regulation would do little to enhance investor protection. The Institute thus recommended that the draft rules be amended to be completely congruent with the federal standards. The Proposed Rules have been revised to largely address the concerns that the Institute expressed with the earlier draft of the rules. As a result, the Institute is pleased to support the Proposed Rules.

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The Institute appreciates the opportunity to provide this comment letter on the Proposed Rules. If you have any questions, please call me at (202)326-5813.

Sincerely,

Marguerite C. Bateman
Associate Counsel

cc: Members, NASAA Securities Activities of Banks Committee

ENDNOTES

¹ The Investment Company Institute is the national association of the American investment company industry. Its membership includes 6,896 open-end investment companies ("mutual funds"), 436 closed-end investment companies, and 10 sponsors of unit investment trusts. Its mutual fund members have assets of about \$4.505 trillion, accounting for approximately 95% of total industry assets, and have over 62 million individual shareholders.

² The federal banking regulators include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

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