

with the staff no-action letter and the Interagency Statement, the rules would require members to enter into a written agreement with the financial institution that describes the responsibilities of the parties and the conditions of the agreement, including the physical location of the broker-dealer, customer disclosures, compensation, supervisory responsibilities, solicitation of customers, and communications with the public.

The participants will discuss these proposed rules and other concerns raised by sales of securities on the premises of financial institutions, including inspections by banking and securities regulators and licensing of financial institution salespersons.

d. Municipal Securities

The Commission has been working with Congress, other regulators, and industry participants on a number of issues relating to the municipal securities market, including ways of improving dissemination of disclosure in the primary and secondary markets. As indicated in the Corporation Finance portion of this tentative agenda, the Commission recently adopted amendments to Rule 15c2-12 in furtherance of this goal.¹⁶

The Commission also adopted amendments to Rule 10b-10,¹⁷ which will require brokers-dealers to disclose (1) When a debt security is not rated by a nationally recognized statistical rating organization; (2) if they are not members of the Securities Investor Protection Corporation (except, in limited circumstances, for transactions in mutual fund shares); (3) the availability of information with respect to transactions in collateralized debt securities; and (4) the amount of any mark-ups and mark-downs in certain NASDAQ and regional exchange-listed securities that are subject to last sale reporting. In a related release, the Commission adopted Rule 11Ac1-3 and amendments to Rule 10b-10, which, together, will require broker-dealers to disclose on customer confirmations, account statements, and new accounts documents whether payment for order flow is received by the broker-dealer for transactions in certain securities and the fact that the source and nature of the compensation received will be furnished upon written request.¹⁸

Comptroller of the Currency, and Office of Thrift Supervision, (Feb. 15, 1994).

¹⁶ See notes 8 and 9 supra and accompanying text.

¹⁷ Securities Exchange Act Release No. 34962 (Nov. 10, 1994), (59 FR 59612).

¹⁸ Securities Exchange Act Release No. 34902 (Oct. 27, 1994), (59 FR 55006).

The participants will discuss how Rule 11Ac1-3 and amendments to Rules 10b-10 and 15c2-12 will affect the securities industry. In addition, the participants will discuss the progress made by the Municipal Securities Rulemaking Board and the Public Securities Association toward enhanced price transparency in the municipal securities market.

e. Sales Practice Activities

In May of last year, the Commission released the findings of the Large Firm Project. The Project involved a review of the hiring, supervisory, and retention practices at nine of the country's largest retail brokerage firms conducted by the Commission, the NYSE and the NASD. As a result of the Project, the Commission staff proposed a number of recommendations to strengthen broker-dealer compliance systems, enhance SRO efforts, and reinforce the Commission's principal mandate of investor protection. The participants will discuss the status of those recommendations, as well as other initiatives resulting from the Large Firm Project, including Commission policy on re-entry into the securities industry of individuals subject to a Commission bar.

The Commission is in the process of conducting another joint regulatory examination sweep in coordination with the NASD, the NYSE and NASAA. Rather than focus on particular large firms as the staff did during the Large Firm Project, during this sweep the staff will include firms of all sizes and will target so-called "rogue" or problem registered representatives throughout the industry. Participants will report on the status of the current sweep.

f. Cold Calling

Broker-dealers, like all firms engaged in telemarketing, are subject to the Telephone Consumer Protection Act of 1991 and a Federal Communications Commission ("FCC") rule promulgated thereunder.¹⁹ Pursuant to the FCC rule, telemarketers must establish time-of-day restrictions, "do-not-call" lists, training requirements, supervisory procedures, and identification requirements. Moreover, in August 1994, new legislation entitled the Telemarketing and Consumer Fraud and Abuse Prevention Act was passed that will require the Federal Trade Commission ("FTC") to enact cold-calling rules and to direct the SEC to adopt substantially

¹⁹ Pub. L. No. 102-243, 105 Stat. 2394 (1991) (codified at 47 U.S.C. 227 (1992)); 47 CFR 64.1200 (1992).

similar rules within six months of the FTC rules.

The Commission has been considering various methods to curtail abusive cold-calling practices in the securities industry and will discuss with participants what actions might be taken in advance of the FTC rules.

g. Continuing Education

The Industry/Regulatory Council on Continuing Education, composed of representatives from the SROs, a cross-section of firms, and liaisons from NASAA and the SEC, is developing a continuing education curriculum to improve practices throughout the industry. Under the Council's proposed program, every broker-dealer will be required to provide its registered representatives and first-line supervisors with annual continuing education relating to products and services. In addition, the Council proposed that all registered representatives who have been registered less than ten years or who have been the subject of serious disciplinary action receive compliance, ethics, and sales practice training. Two working committees are developing the elements of the program. The committees have drafted enabling rules and designed the program structure, content, and delivery mechanisms. The Council received approval of the rules on February 8, 1995 and expects to implement the program in July 1995. Participants will discuss issues involved in implementing the continuing education program.

h. Three Day Settlement

In October 1993, the Commission adopted Rule 15c6-1 which will become effective June 7, 1995. The rule establishes three business days as the standard settlement time frame for most broker-dealer transactions. Since the date of adoption, many broker-dealers have been encouraging their retail customers to leave securities in street name and to open up money management accounts in order to meet the three day settlement requirements. While this practice is acceptable, it is a misrepresentation to state that the rule requires customers to leave assets with broker-dealers. The participants will discuss potentially abusive sales practices used by broker-dealers including misrepresentation of the requirements of the rule.

(3) Investment Management Issues

a. Investment Company Disclosure

Over the last decade, investment company assets—particularly assets