



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

December 23, 2002

Dear Executive Representative:

Attached to this letter is an NASD Notice to Members directing all member firms to immediately review the adequacy of their existing policies and procedures to ensure that investors are charged the correct sales load on mutual fund transactions.

As the NTM indicates, both the Commission and the NASD currently are engaged in examinations of NASD member firms' sales load practices with regard to mutual fund transactions as the first step in addressing the issues raised in the NTM. Because charging investors the correct sales loads is a fundamental and important process, we are taking the additional step of forwarding the NTM directly to you with this cover letter to ensure that you, as well as your chief legal and compliance officers, are aware of, and take immediate action on, these issues. Please share this cover letter and the NTM with your senior legal and compliance personnel immediately upon receipt.

We will contact you again soon after the beginning of the new year to learn your assessment of the adequacy of your policies and procedures; whether your firm is in compliance with those policies and procedures and relevant NASD rules; and what assurances your firm can offer on a going forward basis that it will comply fully with those policies and procedures.

If you seek additional information about the NTM or other NASD-related issues, please refer to the contact information in the NTM. For other questions, please call the Division of Market Regulation's Office of Interpretation and Guidance at 202-942-0069 or by e-mail at marketreg@sec.gov.

In closing, we want to stress the importance of this NTM. Please be sure that you and your senior legal and compliance personnel give it the careful attention that it deserves.

Sincerely,

Handwritten signature of Annette L. Nazareth in black ink.

Annette L. Nazareth
Director
Division of Market Regulation

Handwritten signature of Paul F. Roye in black ink.

Paul F. Roye
Director
Division of Investment Management

Attachment