

September 13, 1998

Christine M. Richardson
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: **SR-NASD-98-14, Amendment No. 6**
Proposed Rule Change Relating to Sales Charges for Mutual Funds and
Variable Contracts

Dear Ms. Richardson:

Pursuant to Rule 19b-4, NASD Regulation, Inc. is submitting Amendment No. 6 to the above referenced rule filing. This amendment addresses three comments that you have with respect to Amendment No. 5 to this rule filing, which was filed with the SEC on July 19, 1999.

First, you inquired whether we intended our amendments to Rule 2830(d)(6)(B) to expressly grandfather any investment companies whose registration statements became effective under the Securities Act of 1933 prior to April 1, 2000. Rule 2830(d)(6)(B) as amended prohibits the imposition of front-end or deferred sales charges on shares of investment companies purchased through the reinvestment of dividends, but delays the effectiveness of this provision until April 1, 2000. We intended our amendment not to apply to investment companies whose Securities Act registration statements became effective prior to April 1, 2000, and we have revised Rule 2830(d)(6)(B) in accordance with your comment. Please see the attached revised version of Rule 2210(d)(6)(B).

Second, you have requested that we provide the reasons for deleting Rule 2820(c)(4). That rule provision requires NASD members who are underwriters or issuers of variable annuities to file with the Advertising/Investment Companies Regulation Department the details of any changes or proposed changes in the sales charges of such annuities if the changes would increase the effective sales charge on any transaction. Because we are deleting all other Rule 2820 provisions regulating sales charges for variable annuities, we believe that retention of Rule 2820(c)(4) is no longer necessary and would be inconsistent with the deletion of the other sales charge provisions.

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Third, you inquired whether we intended the proposed definition of “fund of funds” in Rule 2830(b)(11) only to include an investment company that acquires securities issued by any other *registered* investment company in excess of the amounts permitted under Section 12(d)(1)(A) of the Investment Company Act of 1940. You note that the previous definition of “fund of funds” in Amendment No. 4 to the filing would only have included an investment company that invested a portion of its assets in the securities of a registered investment company. We agree that the definition is intended only to cover an investment company that invests in the securities of another registered investment company. Accordingly, we have revised the definition to reflect this intent. Please see the attached revised version of Rule 2830(b)(11).

We trust that these answers adequately respond to your comments. If you have any questions, please contact Joseph P. Savage, Counsel, Advertising/Investment Companies Regulation, NASD Regulation, Inc., (telephone: (202) 728-8233; e-mail: savagejp@nasd.com) or me (telephone: (202) 728-8068; e-mail: selmant@nasd.com). The fax number is (202) 974-2732.

Very truly yours,

Thomas M. Selman
Vice President

Attachment

cc: Veena K. Jain
SEC Division of Investment Management

Rule 2830(d)(6)(B) as Revised

Additions from Amendment No. 5 are in italics; deletions are in brackets.

(6) No member or person associated with a member shall offer or sell the securities of an investment company if:

(A) (No change.)

(B) The investment company has a front-end or deferred sales charge imposed on shares, or amounts representing shares, that are purchased through the reinvestment of dividends, *unless the registration statement registering the investment company's securities under the Securities Act of 1933 became effective prior to [*; provided, however, that this requirement shall not apply to investment companies that are structured as unit investment trusts until] April 1, 2000.

Rule 2830(b)(11) as Revised

Additions from Amendment No. 5 are in italics.

(11) A "fund of funds" is an investment company that acquires securities issued by any other investment company *registered under the 1940 Act* in excess of the amounts permitted under paragraph (A) of Section 12(d)(1) of the 1940 Act. An "acquiring company" in a fund of funds is the investment company that purchases or otherwise acquires the securities of another investment company, and an "acquired company" is the investment company whose securities are acquired.