

IDBs with excess net capital or excess financial resources of more than \$20,000,000 would be margined under the current event factor of 1.25. In either case, the event factor would be subject to EMCC's right to change the risk factor, as provided in EMCC Rule 4, Section 5(A)III.

EMCC believes that the two-tier membership standard will permit it to accept IDBs for membership while appropriately collateralizing the risk posed by those entities with lower levels of capital. EMCC recognizes that the clearing fund is a key mitigant to market risk in the event of member insolvency and feels that margining those IDBs with less than \$20,000,000 excess regulatory capital at an event factor of 1.5 should mitigate any risk of their lower capital levels.

The effective date for these proposed changes will be thirty days following the date the Commission approves the filing for current members and will be immediately for any applicant who becomes a member after the rule change is approved.

EMCC believes that the proposed rule change is consistent with the requirements of section 17A of the Act⁶ and the rules and regulations thereunder because it promotes the prompt and accurate settlement of emerging markets securities transactions.

(B) Self-Regulatory Organization's Statement on Burden on Competition

EMCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments relating to the proposed rule change have been solicited or received. EMCC will notify the Commission of any written comments received by EMCC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reason for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of EMCC. All submissions should refer to File No. SR-EMCC-00-05 and should be submitted by December 22, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43613; File No. SR-NASD-00-59]

Self Regulatory Organizations; Notice of Filing of a Proposed Rule Change by the National Association of Securities Dealers, Inc. To Permit the Inclusion of Certain Unit Investment Trusts in Nasdaq's Mutual Fund Quotation Service

November 22, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

20, 2000, the National Association of Securities Dealers, Inc. ("NASD") through its wholly owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Nasdaq is proposing to amend NASD Rule 6800 to permit the inclusion of certain Unit Investment Trusts ("UITs") in Nasdaq's Mutual Fund Quotation Service ("MFQS"). Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

6800. MUTUAL FUND QUOTATION SERVICE

(a) Description

The Mutual Fund Quotation Service collects and disseminates through The Nasdaq Stock Market prices for [both] mutual funds, [and] money market funds, *and unit investment trusts*.

(b) Eligibility Requirements

To be eligible for participation in the Mutual Fund Quotation Service, a fund shall:

(1) be registered with the Commission as an open-end ("open-end fund") or a closed-end ("closed-end fund") investment company *or a unit investment trust* pursuant to the Investment Company Act of 1940,

(2) execute the agreement specified by the Association relating to the fund's obligations under the Program,

(3) pay, and continue to pay, the fees as set forth in Rule 7090, and

(4) submit quotations through an automatic quotation system operated by the Association.

(c) News Media Lists

(1) (A) An eligible open-end fund shall be authorized for inclusion in the News Media List released by the Association if it has at least 1,000 shareholders or \$25 million in net assets.

(B) An eligible closed-end fund *or unit investment trust* shall be authorized for inclusion in the News Media List released by the Association if it has at least \$60 million in net assets.

(C) Compliance with subparagraphs (1)(A) and (B) shall be certified by the fund to the Association at the time of initial application for inclusion in the List.

⁶ 15 U.S.C. 78q-1.

(2) (A) An authorized open-end fund shall remain included in the New Media List if it has either 750 shareholders or \$15 million in net assets.

(B) An authorized closed-end fund or unit investment trust shall remain included in the News Media List if it has \$30 million in net assets.

(C) Compliance with subparagraphs (2)(A) and (B) shall be certified to the Association upon written request by the Association.

(d) Supplemental List

An eligible open-end fund, [or] closed-end fund or unit investment trust shall be authorized for inclusion in the Supplemental List released to vendors of Nasdaq Level 1 Service if it meets one of the criteria set out in subparagraph (1), subparagraph (2), or subparagraph (3) below:

(1) the fund or unit investment trust has net assets of \$10 million or more, or

(2)³ the fund or unit investment trust has had two full years of operation, or

(3)⁴ the fund's or unit investment trust's investment adviser:

(A) is the investment adviser of least one other fund or unit investment trust that is listed on the Mutual Fund Quotation Service and that has net assets of \$10 million or more; and

(B) has at least \$15 million in total assets of open-end, [and] closed-end, or unit investment trust funds under management.

(e) No change

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II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Nasdaq included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Nasdaq is proposing to amend NASD Rule 6800 to add listing standards for

the inclusion of Unit Investment Trusts ("UITs") to Nasdaq's Mutual Fund Quotation Service ("MFQS" or the "Service").⁵ The MFQS was created to collect and to disseminate data pertaining to the value of open-end and closed-end funds. Currently, the MFQS disseminates the valuation data for over 11,000 funds. The Service facilitates this process by permitting funds included in the Service (or pricing agents designated by such funds) to use browser-based technology to transmit directly to Nasdaq a multitude of pricing information, including information about a fund's net asset value, offer price, and closing market price.

Funds must meet minimum eligibility criteria in order to be included in the MFQS.⁶ The MFQS has two "lists" in which a fund may be included—the News Media List and the Supplemental List—and each list has its own initial inclusion requirements.⁷ In addition, there are maintenance/continued inclusion requirements for the News Media list only. If a fund qualifies for the News Media List, pricing information about the fund is eligible for inclusion in the fund tables of newspapers and is also eligible for dissemination over Nasdaq's Level 1 Service, which is distributed by market data vendors. If a fund qualifies for the Supplemental List, the pricing information about that fund generally is not included in newspaper fund tables, but is disseminated over Nasdaq's Level 1 Service. Therefore, the Supplemental List provides significant visibility for funds that do not otherwise qualify for inclusion in the News Media List. Each fund incurs an annual fee for inclusion in the Service.⁸

MFQS provides valuable pricing information for a large portion of funds for which there is significant investor interest, but it currently covers no UITs. According to data compiled by the Investment Company Institute, as of the end of 1999 there were a total of 10,418 trusts with a market value of \$94.60 billion, including 8,924 tax-free bond trusts, with a market value of \$25.56 billion, 409 taxable bond trusts, with a market value of \$4.28 billion; and 1,085 equity trusts, with a market value of \$64.76 billion. Nasdaq estimates that

nearly all of the equity-based UITs that exist today would be eligible for inclusion in the MFQS under the proposed new standards. Although many of the bond-based UITs will qualify under these standards, industry participants have indicated to Nasdaq that few of these funds will elect to participate in the MFQS.

Due to their similarity in pricing characteristics, Nasdaq proposes to apply to UITs the same MFQS listing standards that will apply to closed-end mutual funds. To qualify for initial inclusion in the News Media Lists, a closed-end fund must have at least \$60 million in net assets, and to remain in the News Media List, an closed-end fund would have to maintain at least \$30 million in net assets. These listing standards are designed to identify securities in which there is significant investor interest. Likewise, Nasdaq would apply to UITs the same criteria for inclusion in the Supplemental List as it currently applies to open and closed-end funds. Currently, an open-end or closed-end fund qualifies for inclusion in the Supplemental List if the fund has at least \$10 million in net assets, or the fund has had two full years of operation or if the investment advisor to the fund has at least one other fund listed on MFQS that has \$10 million in assets. In addition, the investment advisor must have under management at least \$15 million from open-end, closed-end, or money-market funds. Managed assets from other sources—such as pension funds—would not be included for purposes of determining whether the investment firm meets the requirement that it manage at least \$15 million in fund-related assets. Nasdaq proposes to apply the same three alternative criteria to UITs, requiring that they have \$10 million in assets, be in operation for two full years, or have an investment advisor with sufficient fund- or UIT-related assets under management.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of section 15A(b)(6)⁹ and section 11A¹⁰ of the Act. Section 15A(b)(6)¹¹ of the Act requires the rules of a registered national securities association to foster cooperation and coordination with persons engaged in processing information with respect to securities, to remove impediments to and perfect the mechanism of a free and open market and a national market

³ Nasdaq corrected a typographical error that appeared in the proposed rule language. Telephone conversation between Jeffrey S. Davis, Assistant General Counsel, Nasdaq and Susie Cho, Attorney, Division of Market Regulation, Commission, November 16, 2000.

⁴ *Id.*

⁵ Section 4(2) of the Investment Company Act of 1940 defines a Unit Investment Trust as "an investment company which (A) is organized under a trust indenture, contract of custodianship or agency, or similar instrument, (B) does not have a board of directors, and (C) issues only redeemable securities, each of which represents an undivided interest in a unit of specified securities; but does not include a voting trust." 15 U.S.C. 80a-4(2).

⁶ See NASD Rule 6800.

⁷ See *id.*

⁸ See NASD Rule 7090.

⁹ 15 U.S.C. 78o-3(b)(6).

¹⁰ 15 U.S.C. 78k-1.

¹¹ 15 U.S.C. 78o-3(b)(6).

system, and, in general, to protect investors and the public interest. In section 11A(a)(1)(C),¹² the Congress found that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations and transactions in securities.

Nasdaq believes that the proposed rule change will protect investors and the public interest by promoting better processing of price information in UITs. Accordingly, the new listing criteria will provide greater transparency to the markets by providing greater pricing information for a broader base of investments for which there is significant investor interest. Nasdaq believes the proposed listing standards serve as a means for the marketplace to screen issuers and to provide listed status only to *bona fide* investment companies with sufficient investor base and trading interest to maintain fair and orderly markets.

B. Self-Regulatory Organization's Statement on Burden on Competition

Nasdaq does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Nasdaq did not solicit or receive written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the NASD consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing,

including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office at the NASD. All submissions should refer to File No. SR-NASD-00-59 and should be submitted by December 22, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43598; File No. SR-NSCC-00-12]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Accelerated Approval of a Proposed Rule Change Relating to the Submission of Extended Corrections and Time Frames for Confirmation

November 20, 2000.

On August 28, 2000, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-00-12) pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ to permit NSCC to allow Fund Members and Mutual Fund Processors to submit extended (post settlement) corrections in NSCC's Mutual Fund Service's Fund/Serv. Notice of the proposal was published in the **Federal Register** on October 24, 2000.² No comment letters were

received. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

I. Description

Pursuant to NSCC's Rule 52A, section 12, only a Settling Member or TPA Member may currently submit extended (post settlement) correction instructions. These types of instructions are submitted when a Settling Member or TPA Member determines that data with respect to a settled order previously transmitted to a Fund Member or Mutual Fund Processor is in need of correction.³

Under the proposed rule change, section 12 will be amended to also permit Fund Members and Mutual Fund Processors to submit extended (post settlement) corrections to Settling Members or TPA Members. No action will be required by a Settling Member or TPA Member if it determines to accept the extended correction of a Fund Member or Mutual Fund Processor. A Settling Member or TPA Member will be able to reject the extended correction instruction within the time frame established by NSCC.⁴ In addition, section 12 will be revised to permit extended corrections for exchange orders.

The rule change also proposes to make two additional changes to Rule 52A. Sections 4 and 8 of Rule 52A are being amended to allow NSCC to delete certain orders, corrections, and extended corrections that have not been confirmed or rejected, respectively, within the time frame established by NSCC. Section 21 is being amended to reduce the maximum time frame within which a Delivering Fund Member must confirm the value of Fund/Serv eligible mutual fund shares, investment funds, or UIT units being transferred to a Receiving Fund Member from sixty days to tens days.⁵

³ Securities Exchange Act Release No. 31937 (March 1, 1993), 58 FR 12609 [SR-NSCC-92-14] (order approving post settlement correction initiated by Settling Members and TPA Members).

⁴ Currently, a Settling Member or TPA Member must reject the extended correction instruction within three days. NSCC will issue an "Important Notice" at least 30 days prior to implementing changes in the time frames required for rejections of extended corrections. Telephone conversation between Richard J. Paley, Associate Counsel, NSCC, and Susan M. Petersen, Special Counsel, Division of Market Regulation, Commission (October 16, 2000).

⁵ Pursuant to Section 21 of Rule 52A, a Fund Member or Mutual Fund Processor ("Receiving Fund Member") may initiate a request for the transfer of a customer's mutual fund shares, investment fund, or UIT units from another Fund Member or Mutual Fund Processor ("Delivering Fund Member"). The Delivering Fund Member must acknowledge or reject the transfer request

¹³ 17 CFR 200.30-3(a)(12).

¹⁵ U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 43457 (October 17, 2000) 65 FR 63662 (October 24, 2000).

¹² 15 U.S.C. 78k-1(a)(1)(C).