

receiving DTC participant account on DTC's books. The receiving DTC participant can then redeliver the position on a free basis or on an against payment basis within DTC. The securities, though, will remain at CDS. DTC and CDS will conduct automated, daily reconciliation to ensure their books balance.

To minimize any subsequent physical movement of securities that could occur between DTC and CDS, DTC and CDS will engage in weekly meeting. The netting will reduce on an omnibus basis the number of securities in the same issue held by each depository on behalf of the other.

CDS will provide subcustody services such as income collection, maturity presentments, and reorganization processing on securities held in DTC's omnibus account at CDS in accordance with CDS procedures (as DTC currently provides for securities held by DTC on behalf of CDS). Whether DTC is holding its underlying inventory in Canada or in the U.S., DTC services to participants will be the same as currently provided.

## II. Discussion

Section 17A(b)(3)(F) <sup>6</sup> of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that DTC's rule change is consistent with DTC's obligations under the Act because the two-way link should help reduce the number failed trades and should help reduce the need for physical movements of Canadian securities among CDS, DTC, and Canadian transfer agents. As a result, trades in Canadian securities can be cleared and settled more efficiently, and DTC participants can avoid the expenses associated with failed trades and physically moving securities.

## III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-97-22) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-27360 Filed 10-9-98; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40519; File No. SR-NASD-98-53]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change To Include Closed-End Funds in Nasdaq's Mutual Fund Quotation System

October 5, 1998.

#### I. Introduction

On July 24, 1998, 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"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend NASD Rule 6800 to include closed-end funds on Nasdaq's Mutual Fund Quotation System ("MFQS" or "Service"). The proposed rule change and Amendment No. 1<sup>3</sup> were published for comment in the **Federal Register** on September 4, 1998.<sup>4</sup> The Commission received one comment on the proposal. This order approves the proposed rule change, as amended.

#### II. Description of the Proposal

The proposed rule change amends NASD Rule 6800 to establish minimum requirements for the inclusion of closed-end funds in Nasdaq's MFQS. Presently, the MFQS collects daily price and related data for open-end funds and money market funds, and publicly disseminates the information to the news media and market data vendors. To assist the news media and market data vendors in determining which funds have the broadest appeal to the investing public, Nasdaq divides the participating funds into two separate lists: the "News Media List" and the "Supplemental List." Open-end funds on the News Media List are eligible for

inclusion in the fund tables of newspapers nationwide, as well as for dissemination over Nasdaq's Level 1 data feed service distributed by market data vendors. Open-end funds on the Supplemental List are disseminated over Nasdaq's Level 1 data feed service, thus providing significant visibility for funds that do not qualify for the News Media List. NASD Rule 6800 contains initial inclusion (minimum eligibility) requirements for both the News Media List and the Supplemental List, and contains maintenance (continued inclusion) requirements for the News Media List.

In the past, closed-end funds expressed an interest in being able to enter their daily prices into the Service for dissemination to the newspapers, market data vendors, and news wires. However, prior to the proposed rule change, closed-end funds were ineligible for inclusion in the MFQS under NASD Rule 6800 because the MFQS application did not accommodate some of the data attributes needed for closed-end funds. Recently, Nasdaq re-designed and upgraded the MFQS. The improved Service will be able to support the data attributes necessary to support closed-end funds and is expected to be implemented in the third quarter of 1998. Accordingly, Nasdaq proposes to add new standards for the inclusion of closed-end funds in the MFQS to Rule 6800.<sup>5</sup>

The proposed standards contain initial inclusion requirements for the News Media List and the Supplemental List, and maintenance requirements for the News Media List. Specifically, the criteria for the News Media List will be \$100 million in assets for initial inclusion and \$60 million in assets for maintenance. The criteria for initial inclusion in the Supplemental List will be \$10 million or two full years of operation; there will be no maintenance requirement for the Supplemental List.<sup>6</sup> The proposed initial inclusion and maintenance requirements for the News Media List for closed-end funds are higher than the current requirements for open-end funds because the asset base of a closed-end fund is fixed upon initiation whereas the asset base of an open-end fund often starts small and grows over time; thus, closed-end funds

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 U.S.C. 240.19b-4.

<sup>3</sup> See Letter from Robert E. Aber, Senior Vice President and General Counsel, Office of the General Counsel, Nasdaq, to Katherine England, Assistant Director, Division of Market Regulation ("Division"), Commission, dated August 26, 1998 ("Amendment No. 1").

<sup>4</sup> Securities Exchange Act Release No. 40380 (August 27, 1998), 63 FR 47336.

<sup>5</sup> Under the improved MFQS, Nasdaq plans to disseminate on a daily basis a closed-end fund's net asset value and closing share price (as applicable). Additionally, Nasdaq will disseminate information relating to a fund's unallocated distributions. Each fund will provide the aforementioned information to Nasdaq on a daily basis through an interface of the MFQS.

<sup>6</sup> This is consistent with the current standards for the Supplemental List for open-end funds. See NASD Rule 6800.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> 17 CFR 200.30-3(a)(12).

tend to have higher initial asset bases than open-end funds.

The proposed rule change also makes a technical amendment to NASD Rule 6800 clarifying that there is a single News Media List, not multiple lists, as the current rule language suggests.

### III. Comments

The Commission received a comment letter from the Investment Company Institute ("ICI") strongly supporting the proposed rule change to include closed-end funds in Nasdaq's MFQS.<sup>7</sup> The ICI agreed with the NASD that investor protection and the public interest would be served by disseminating closed-end fund pricing information on a daily basis and in a manner similar to open-end funds. The ICI believes that the inclusion of closed-end fund information in the MFQS will allow closed-end fund shareholders and investment professionals to track closed-end fund investments on a more timely basis. The ICI also stated that it may be appropriate for Nasdaq to consider lowering the initial inclusion and maintenance requirements for closed-end funds in the future if newspapers are willing to include additional closed-end fund information.

### IV. Discussion

Upon careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association. The Commission believes that the proposed rule change is consistent with Section 15A(b)(6) of the Act,<sup>8</sup> in that it is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.<sup>9</sup> The Commission believes that the proposed rule change should increase the transparency of closed-end fund prices and increase investor confidence by making valuable

pricing information more readily available to investors.

Previously, the technological limitations of the MFQS prevented Nasdaq from disseminating the Net Asset Value for closed-end funds to newspapers and market vendors, thus the task of disseminating this information to various data vendors by telephone, telefacsimile, or electronic mail fell upon the individual closed-end funds.<sup>10</sup> Now that the MFQS has been redesigned and upgraded, the Commission believes that investors and the closed-end funds will benefit from a centralized dissemination of the Net Asset Values and prices for closed-end funds. Through participation in the MFQS, the affected closed-end funds should be able to have this valuable information distributed to investors more easily and efficiently. As a result, the Commission believes that the proposal may increase the transparency of closed-end fund prices. Furthermore, the Commission believes the Service may help affected funds reduce the costs associated with distributing Net Asset Value information to various entities by telephone, telefacsimile, or electronic mail.

With respect to the proposed initial inclusion and maintenance requirements, the Commission believes that the NASD has provided appropriate initial inclusion requirements for both the News Media List and the Supplemental List, and maintenance requirements for the News Media List which should provide greater exposure for closed-end fund pricing information than was previously available.<sup>11</sup> In addition, under the proposed standards, certain closed-end funds that may not have their value printed due to limited print space should be able to avoid the higher annual fee for the News Media List by being on the Supplemental List. Finally, the Commission believes that the technical amendment to NASD Rule 6800 clarifying that there is a single, and not multiple, News Media List is reasonable and consistent with the Act.

### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the

<sup>10</sup> Telephone conversation between John Malitzis, Senior Attorney, Office of the General Counsel, Nasdaq, and Marc McKayle, Attorney, Division, Commission (September 30, 1998).

<sup>11</sup> Nasdaq has represented that under the proposed standards approximately 78% of the closed-end funds would be eligible for the News Media List which may be printed in the newspaper either in part or in its entirety. See Securities Exchange Act Release No. 40380 (August 27, 1998), 63 FR 47336 (September 4, 1998).

<sup>12</sup> 15 U.S.C. 78s(b)(2).

proposed rule change, as amended, (SR-NASD-98-53) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## DEPARTMENT OF TRANSPORTATION

### Office of the Secretary

#### Reports, Forms and Recordkeeping Requirements

**AGENCY:** Office of the Secretary, DOT.

**ACTION:** Notice.

**SUMMARY:** This notice lists those forms, reports, and recordkeeping requirements imposed upon the public which were transmitted by the Department of Transportation to the Office of Management and Budget (OMB) for its approval in accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35). Section 3507 of Title 44 of the United States Code, requires that agencies prepare a notice for publication in the **Federal Register**, listing information collection request submitted to OMB for approval or renewal under that Act. OMB reviews and approves agency submissions in accordance with criteria set forth in that Act. In carrying out its responsibilities, OMB also considers public comments on the proposed forms and the reporting and recordkeeping requirements. OMB approval of an information collection requirement must be renewed at least once every three years.

The **Federal Register** Notice with a 60-day comment period soliciting comments on information collection 2120-0034 was published on August 5, 1998 [63 FR 41890].

**DATES:** Comments on this notice must be received on or before November 12, 1998.

#### FOR FURTHER INFORMATION CONTACT:

Copies of the DOT information collection requests submitted to OMB may be obtained from Ms. Judith Street, Federal Aviation Administration, Corporate Information Division, ABC-100, 800 Independence Ave., SW., (202) 267-9895, Washington, DC 20591.

#### SUPPLEMENTARY INFORMATION:

#### Federal Aviation Administration (FAA)

(1) *Title:* Medical Standards and Certification.

<sup>13</sup> 17 CFR 200.30-3(a)(12).

<sup>7</sup> See letter from Amy B.R. Lancellotta, Senior Counsel, Investment Company Institute to Jonathan G. Katz, Secretary, Office of the Secretary, Commission, dated September 24, 1998.

<sup>8</sup> 15 U.S.C. 78o-3(b)(6).

<sup>9</sup> In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).