

distribute such reports to shareholders of record⁵ and encouraging issuers to utilize communications technology to communicate to shareholders in a timely manner.

Notice of the proposed rule change, together with the substance of the proposal, was provided by issuance of a Commission release (Securities Exchange Act Release No. 37010, March 21, 1996) and by publication in the Federal Register (61 FR 13909, March 28, 1996). No comment letters were received. This order approves the proposed rule change.

The rule change approved today adds new Section 1(d) to Part II of Schedule D recommending that Nasdaq issuers distribute interim reports to both shareholders of record and beneficial shareholders if they distribute such reports to shareholders of record. The rule change also adds new Section 2(f) of Part II to Schedule D regarding the qualification requirements for issuers of non-Canadian foreign securities and American Depositary Receipts that are included in The Nasdaq Stock Market. Such issuers also are recommended to distribute interim reports to both shareholders of record and beneficial shareholders if they distribute such reports to shareholders of record. The rule change will apply to both the Nasdaq National Market and The Nasdaq SmallCap Market tiers of The Nasdaq Stock Market.

The rule change is the product of a review by various industry groups, including the American Society of Corporate Secretaries and the Securities Industry Association, of listed⁶ companies' dissemination of interim earnings reports to shareholders. The industry groups have been attempting to achieve some uniformity among listed companies in the handling of interim earnings reports. Presently, some listed companies distribute interim reports to both record and beneficial shareholders, some listed companies send interim reports to shareholders of record only, and some do not send interim reports to any shareholders. The portion of the proposed rule change recommending that Nasdaq issuers distribute interim reports to both shareholders of record and beneficial shareholders to shareholders if they distribute such

⁵ The substance of this portion of the proposed rule change has been adopted by the New York Stock Exchange and American Stock Exchange. See NYSE Company Manual Rule 203.02 and American Stock Exchange Company Guide Section 623.

⁶ The securities of Nasdaq issuers are "included in" The Nasdaq Stock Market; they are not "listed on" the Nasdaq Stock Market. However, for purposes of this filing, the term "listed" will apply to Nasdaq, as well as exchange-listed securities.

reports to shareholders of record is consistent with voluntary provisions adopted by the New York Stock Exchange and the American Stock Exchange⁷ and, therefore, would provide uniformity among these markets regarding the handling of listed company interim earnings reports.

New Sections 1(d) and 2(f) to Part II of Schedule D also encourage Nasdaq issuers to consider additional technological methods to communicate such information to shareholders in a timely and less costly manner as such technology becomes available. This provision is intended to encourage Nasdaq issuers to utilize new communications technology available to many but not all beneficial shareholders. The NASD stated in its filing that Nasdaq issuers should consider this provision of the rule change as a supplement to the first provision of the proposed rule change recommending that Nasdaq issuers distribute interim reports to both shareholders of record and beneficial shareholders to shareholders if they distribute such reports to shareholders of record.

The rule change is precatory and does not impose new requirements on issuers. Nasdaq issuers that distribute interim reports to shareholders of record only would not be subject to Nasdaq actions for non-compliance with Nasdaq listing requirements.

The Commission finds that the rule change is consistent with the provisions of Section 15A(b)(6) of the Act. The rule change is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 by, among other things, encouraging Nasdaq issuers to distribute interim reports to both shareholders of record and beneficial shareholders to shareholders if they distribute such reports to shareholders of record. This provision of the proposed rule change is consistent with provisions adopted by the New York Stock Exchange and the American Stock Exchange⁸ and, therefore, will provide uniformity among these markets regarding the handling of listed company interim earnings reports. The rule change also encourages Nasdaq issuers to consider new technological means to communicate the information contained in their interim reports to shareholders

⁷ See *supra* note 5.

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in a timely and less costly manner. These provisions are intended to enhance shareholder communications in The Nasdaq Stock Market.

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NASD-96-09 be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37162; File No. SR-NSCC-96-01]

**Self-Regulatory Organizations;
National Securities Clearing
Corporation; Order Approving a
Proposed Rule Change Establishing
Standard Prices for Transfers of Non-
Continuous Net Settlement Assets
through the Automated Customer
Account Transfer Service**

May 2, 1996.

On January 5, 1996, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-96-01) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ to establish standard prices for certain assets transferred through NSCC's Automated Customer Account Transfer ("ACAT") service. On February 8 and 20, 1996, NSCC filed amendments to the proposed rule change.² Notice of the proposal was published on March 6, 1996, in the Federal Register to solicit comments on the proposed rule change.³ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

NSCC's proposed rule change modifies NSCC's rules to coincide with its practice of establishing systemized, standard default prices based on asset type for assets which are not eligible for NSCC's Continuous Net Settlement ("CNS")⁴ system and which are

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letters from Julie Beyers, Associate Counsel, NSCC, to Christine Sibille, Division of Market Regulation, Commission (February 7 and 15, 1996).

³ Securities Exchange Act Release No. 36907 (February 29, 1996), 61 FR 8997.

⁴ A CNS security is a cleared security eligible for transfer on the books of each qualified securities depository (e.g., The Depository Trust Company, or the Philadelphia Depository Trust Company), and

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submitted by members for transfer through NSCC's ACAT service.⁵ Through its ACAT service, NSCC provides an automated and standardized service for the transfer of assets in a customer account from one brokerage firm to another.

When a customer wants to transfer her account to a new broker-dealer ("receiving broker-dealer"), the receiving broker-dealer submits through NSCC a transfer initiation request form to the broker-dealer holding the customer's assets ("delivering broker-dealer"). Within three business days, the delivering broker-dealer must submit to NSCC a list of the customer's assets it holds. The list must include prices assigned to the assets not eligible for CNS. Unless there are discrepancies between the receiving broker-dealer's list of the customer's assets and the delivering broker-dealer's list, transfer of the account generally takes place four business days later.

On settlement date, NSCC automatically debits the delivering broker's settlement account at NSCC with the market value of the assets being transferred through the ACAT service and credits the receiving broker's settlement account with the same amount. The resulting settlement obligations appear on the members' initial settlement statements issued in the afternoon. When the assets which are not CNS eligible assets are delivered through NSCC's envelope delivery service, NSCC credits the delivering broker's settlement account with the value of those assets and debits a corresponding amount from the receiving broker's settlement account. Because assets delivered through NSCC's envelope delivery service must be submitted by 11:30 a.m., the delivering broker's initial settlement statement will reflect both the debit from the initial ACAT request and the corresponding credit from the delivery of assets resulting in no change to such member's overall settlement obligations. If the assets are not delivered, the delivering broker's settlement bank would be debited the assigned value of the assets at the end-of-day settlement. These funds will be credited to the delivering broker when it delivers the customer's assets.

CNS assets submitted for transfer through the ACAT system are

identified as such on a list of such securities at NSCC.

⁵ For a complete description of the ACAT service, refer to NSCC Rule 50 and to Securities Exchange Act Release No. 34879 (October 21, 1994), 59 FR 54229 [File No. SR-NSCC-94-13] (order approving a proposed rule change modifying the ACAT service).

systematically priced. Because assets not eligible for CNS (e.g., limited partnerships, mortgaged backed securities, zero coupon bonds, foreign securities, U.S. government and U.S. agency securities, and thinly traded municipal bonds) typically do not have a system price, NSCC must assign an asset value to any such assets submitted for transfer through the ACAT service. NSCC ascribes assets not eligible for CNS a value by using a pricing service.⁶ If there is no price available from a pricing service, NSCC assigns a value based on the higher of (i) the price submitted by the delivering broker or (ii) the price indicated by an industry defined default price matrix.⁷ The default price matrix employs security category indicators and specifies a default price for each identified security category. For example, domestic stocks are valued at \$1.00 per share and domestic corporate bonds and municipal bonds are valued at \$85 per \$100 principle amount. Once the default value is established, changes by participants are not permitted.

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Sections 17A(b)(3) (A) and (F).⁸ Sections 17A(b)(3) (A) and (F) require that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to foster cooperation and coordination with person engaged in the clearance and settlement of securities transactions. The Commission believes that NSCC's rule change meets these standards because establishment of systemized standard default prices for assets not eligible for CNS which are transferred through the ACAT service

⁶ NSCC will use the following pricing services (listed in order of preference). Equities: The New York Stock Exchange, the American Stock Exchange, NASDAQ, Vancouver Stock Exchange, average OTC comparison system price, Interactive Data Financial Times information, previous day's system price, or last available price in system. Bonds: Average Price in the Bond Comparison System for trades compared on T or T+1, average price in the Bond Comparison System for trades compared on T+2, average price in the Bond Comparison System for trades compared on T+3 or older, Interactive Data Financial Times information, previous day's system price, last available price in system, or for municipal bonds only the price obtained from J.J. Kenny S&P if the last available system price is five days old or older.

⁷ The default matrix was developed in conjunction with the New York Stock Exchange, the Securities Industry Association Account Transfer Division, and the National Association of Securities Dealers.

⁸ 15 U.S.C. 78q-1(b)(3) (A) and (F) (1988).

provides an incentive for broker-dealers holding customer assets to promptly deliver such securities. The proposed rule change also should foster cooperation and coordination between brokerage firms and NSCC by establishing a standard method by which such assets are priced in the ACAT service. This method of pricing should decrease discrepancies with respect to asset valuation and should reduce the delivering broker's exposure from overvaluation of assets and the receiving broker's exposure from undervaluation of assets.

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 Sections 17A(b)(3) (A) and (F) 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-NSCC-96-01) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority:⁹

Margaret H. McFarland,
Deputy Secretary.

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[File No. 500-1]

Lanstar Semiconductor, Inc.; Order Directing Suspension of Trading

May 3, 1996.

It appears to the Securities and Exchange Commission that there is a lack of adequate current information concerning the securities of Lanstar Semiconductor, Inc., a Utah corporation with executive offices in Arlington, Texas, and that questions have been raised regarding the adequacy and accuracy of publicly disseminated information concerning, among other things, unusual market activity and the tradeability of shares.

Therefore, it is Ordered, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the securities of Lanstar Semiconductor, Inc., over-the-counter or otherwise, is suspended for the period from 9:30 a.m. (EDT) on May 6, 1996, through 11:59 p.m. (EDT) on May 17, 1996.

⁹ 17 CFR 200.30-3(a)(12) (1995).