

E. Rule 904—change the reference to the Exchange's "Membership Compliance Division" to the "Exchange."

F. Rule 950—delete Rule 170 from the list of rules that are applicable in their entirety to option transactions because all of that rule's commentary is not applicable (paragraph (n) of Rule 950 already specifies which portions of Rule 170 are applicable).

G. Section 402 of the *Company Guide*—add Bloomberg Business News to the list of approved services for disclosure of material information.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>2</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>3</sup> in particular in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest. The Exchange also believes the proposed rule change is consistent with Section 11(b)<sup>4</sup> of the Act which allows exchanges to promulgate rules relating to specialists in order to maintain fair and orderly markets.

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

The Exchange believes the proposed rule change will impose no burden on competition.

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

The Exchange has neither solicited nor received written comments.

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

Within 35 days of the 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 self-regulatory organization consents, the Commission will:

(A) by order approve the 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-96-39 and should be submitted by December 4, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-37922; File No. SR-NASD-96-40]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Amending the Inclusion Criteria for the Supplemental List of the Mutual Fund Quotation Service

November 5, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 18, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>5</sup> 17 CFR 200.30-3(a)(12).

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

The NASD is submitting this rule filing to amend the minimum requirements for inclusion in the Mutual Fund Quotation Service ("Service"). Specifically, the NASD proposes to amend NASD Rule 6800 to provide new criteria to permit smaller mutual funds to disseminate their prices via the Service. The specific criteria are set forth below. (Additions are italicized; material to be deleted is bracketed).

### NASD Rule 6800. MUTUAL FUND QUOTATION SERVICE

\* \* \* \* \*

#### (d) Supplemental List

An eligible fund shall be authorized for inclusion in the Supplemental List released to vendors of Nasdaq Level 1 Service if *the fund: (1) has net assets of \$10 million or more; or (2) has had two full years of operation.* [the fund has at least 300 shareholders at the time of initial application for inclusion in the Supplemental List.]

\* \* \* \* \*

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

In its filing with the Commission, the NASD 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. The NASD 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

The NASD has determined to amend the criteria for inclusion of mutual funds and money market funds in its Service facility. The Service provides for the collection and dissemination of prices for both mutual funds and money market funds. The Service consists of two lists: the News Media List and the Supplemental List. The News Media List,<sup>1</sup> which is not being amended by this rule filing, consists of data on more

<sup>1</sup> The criteria for inclusion in the News Media List are: (1) for initial inclusion—least 1,000 shareholders or \$25 million in net assets; (2) for continued inclusion—at least 750 shareholders or \$15 million in net assets.

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

<sup>3</sup> 15 U.S.C. 78f(b)(5).

<sup>4</sup> 15 U.S.C. 78k(b).

than 6,000 funds which Nasdaq distributes daily to newspapers and to vendors through its Level 1 Service.

Eligible funds that do not qualify for the News Media List have been eligible for price dissemination solely through the Level 1 Service. The criteria for inclusion in this list of smaller funds has been a size test based on the number of fund shareholders at the time of initial application for inclusion in the Supplemental List. According to the Investment Company Institute ("ICI"), approximately 2,100 funds do not qualify for either the News Media or Supplemental Lists.

Because these funds do not qualify for the Nasdaq Stock Market, Inc. ("Nasdaq") Service, these smaller funds do not have a centralized means of disseminating their prices to broker-dealers, rating services and individual investors. Instead, these funds distribute their prices to various entities by fax or telephone.

Because of the inefficiencies, costs and lack of transparency associated with the fax or telephone means of communication, the Nasdaq examined whether the Supplemental List criteria for its Service could be refined to permit more funds to provide Nasdaq with price information through its Level 1 Service which is distributed over more than 280,000 terminals. In the course of discussions with ICI, it became apparent that while many smaller funds may have smaller numbers of beneficial owners that keep such funds from meeting the 300 shareholder test, the same funds often have substantial net assets. Accordingly, Nasdaq determined to revise the Supplemental List criteria to delete the shareholder requirement and replace it with two, alternative standards. First, a mutual fund may meet the Supplemental List inclusion standard if the fund has net assets at the time of application of \$10 million or more. In the alternative, a fund would qualify regardless of net assets or shareholder members if it has operated for two full years. Under this new criteria, Nasdaq believes that approximately 1,400 additional funds would qualify for the Supplemental List.

The NASD believes that distribution of Net Asset Value information for smaller funds significantly aids investors in such funds. The Service promotes efficient dissemination of critical information to a wide audience and thereby promotes the transparency of smaller fund prices. By providing a more efficient means of communicating this information, the service may help the affected funds in containing the costs associated with distributing this

information by less efficient means. Accordingly, the NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) in that it promotes better processing of pricing information in securities, protects investors and the public interest, and is designed to produce fair and informative prices for smaller mutual funds.

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

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

#### 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 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. 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 Room. Copies of such filing will also be available for inspection and copying at

the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by December 4, 1996.

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. 34-37923; File No. SR-PSE-96-39]

### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Stock Exchange, Incorporated Relating to Amending the Minor Rule Plan and the Recommended Fine Schedule**

November 6, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 10, 1996, the Pacific Stock Exchange Incorporated ("PSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Exchange has designated the proposed rule change as constituting a "non-controversial" rule change under paragraph (e)(6) of Rule 19b-4 under the Act which renders the proposal effective upon receipt of this filing by the Commission.<sup>1</sup> 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

The Exchange is proposing to amend its Minor Rule Plan ("MRP") to add certain rules for which violations may be adjudicated pursuant to Rule 10.13, and to amend its Recommended Fine Schedule to establish recommended fines for violations of those rules and to increase the recommended fines for certain rules violations already subject to the MRP.

<sup>1</sup> The PSE has represented that this proposed rule change: (i) will not significantly affect the protection of investors or the public interest; (ii) will not impose any significant burden on competition, and (iii) will not become operative for 30 days after the date of this filing. The PSE also has provided at least five business days notice to the Commission of its intent to file this proposed rule change, as required by Rule 19b-4(e)(6) under the Act.