

inspection at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. All submissions should refer to File No. 600-20 and should be submitted by January 2, 1997.

It is therefore ordered, that ISCC's registration as a clearing agency (File No. 600-20) be and hereby is temporarily approved through May 31, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-30678 Filed 12-2-96; 8:45 am]

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[Release No. 34-37987; File No. SR-NASD-96-39]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Incorporated Amending the Requirements for the Use in Advertisements and Sales Literature of Investment Company Rankings**

November 25, 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 17, 1996,<sup>1</sup> the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 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 NASD is herewith filing a proposed rule change to Rule IM-2210-3 of the NASD's Conduct Rules to allow for the use in advertisements and sales literature of investment company rankings that represent short, medium and long term performance. Below is the text of the proposed rule change.

Proposed new language is italicized; proposed deletions are in brackets.

IM-2210-3. Use of Rankings in Investment Companies Advertisements and Sales Literature

(d) Time Periods

(1) Any investment company ranking set forth in an advertisement or sales literature must be, at a minimum, current to the most recent calendar quarter ended, in the case of advertising, prior to the submission for publication, or, in the case of sales literature, prior to use.

(2) Except for money market mutual funds:

(A) advertisements and sales literature must not use any rankings, *other than rankings based on yield*, based on a period of less than one year.

(B) any investment company ranking based on total return must be accompanied by rankings based on total return for [the] a one year period for investment companies in existence for one year; [the] one and five year periods for investment companies in existence for at least five years; and [the] one, five and ten year periods for investment companies in existence for at least ten years supplied by the same Ranking Entity [in the category], *relating to the same investment category, and based on the same time period; provided that, if rankings for such one, five and ten year time periods are not published by the Ranking Entity, then rankings representing short, medium and long term performance must be provided in place of rankings for the required time periods.*

(C) an investment company ranking based on yield may be based only on the current SEC standardized yield. An investment company ranking based on the current SEC standardized yield must be accompanied by rankings based on total return for [the] a one year period for investment companies in existence for one year; [the] one and five year periods for investment companies in existence for at least five years; and [the] one, five and ten year periods for investment companies in existence for at least ten years supplied by the same Ranking entity [in the category], *relating to the same investment category, and based on the same time period; provided that, if rankings for such, one, five and ten year time periods are not published by the Ranking Entity, then rankings representing short, medium and long term performance must be provided in place of rankings for the required time periods.*

**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 self-regulatory organization 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 self-regulatory organization 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**

In 1994, the Commission approved what is now IM-2210-3 of the NASD Conduct Rules, which provides guidelines for the use of rankings in investment companies' advertisements and sales literature ("Guidelines").<sup>2</sup> Among other things, the Guidelines require that all rankings used in advertising and sales literature by member firms to promote non-money market mutual fund performance include rankings over one, and, if available, five and ten year periods. Prior to the Guidelines, there were no specific standards for the use of rankings. Members generally had selected rankings for whatever time period that produced the most favorable rankings for an investment company.

Since the approval of the Rankings Guidelines, staff of NASD Regulation, Inc. ("NASDR") have considered the issue of whether to allow for greater flexibility in the use of time periods other than those prescribed by the Guidelines. The staff notes that some rankings, which are based on adjusted total return to reflect criteria and methodologies established and imposed by the ranking entities, use time periods that do not meet the three specifically prescribed time periods contained within the Guidelines. For example, one ranking entity has developed a ranking system that summarizes an investment company's risk/reward profile for 3, 5 and 10 year periods. This system provides a composite ranking that seeks to measure how well an investment company has balanced return and risk in the past. This ranking entity does not intend that its risk adjusted rankings measure one year time periods and considers such measurements to be statistically meaningless and potentially misleading.

NASDR believes that performance-adjusted rankings which use different time periods than those prescribed by the Guidelines can help investment company investors make informed investment decisions if presented in a way that is not misleading. NASDR staff determined that the Guidelines, as originally approved, should be revised consistent with the original goal that would prevent selectivity of time periods.

The proposed rule change revises subparagraphs (2) (B) and (C) to

<sup>2</sup> Securities Exchange Act Release No. 34354 (July 12, 1994), 59 FR 36461 (July 18, 1994).

<sup>11</sup> 17 C.F.R. § 240.30-3(a)(50) (1996).

<sup>1</sup> On November 21, 1996, the NASD filed Amendment No. 1 with the Commission. The amendment clarified that rankings based on yield may be based on periods of less than one year. The amendment also made technical amendments to the text of the rule. See Letter from John Ramsay, Deputy General Counsel, NASD Regulation, Inc. to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated November 20, 1996.

paragraph (d) of IM-2210-3. The proposed rule change clarifies that the use of one, five and ten year time periods is required if such time periods are published by the ranking entity.<sup>3</sup> If rankings for the required time periods are not published by the ranking entity, the proposed rule change provides that rankings representing short, medium and long term performance must be provided in place of rankings for the required time periods. In its discussions of how the terms "short," "medium" and "long term" might be interpreted, NASDR staff considered time frames of 1-4 years, 5-5 years and 10 years or more, respectively, as an acceptable interpretation. The proposed rule change also replaces the phrase "in the category," in subparagraphs (2) (B) and (C) with the phrase "relating to the same investment category." to clarify that when members provide rankings for advertisements and sales literature, rankings for the prescribed time periods must be for the same investment category of subcategory as the total return ranking that is being accompanied by the prescribed ranking.

The proposed rule change makes clear that the Guidelines apply to rankings that use time periods other than the one, five, and ten year periods prescribed in the Guidelines if rankings for the required time periods are not published by the ranking entity. On the one hand, the proposed rule change provides an option that relaxes the requirement to use standardized time periods. At the same time, this option still assures that rankings will continue to be reflected over an extended period and therefore provide more than just a "snapshot" view. NASDR believes that the proposed rule change provides a flexible framework within which ranking entities using different methodologies can provide useful information to investors in a way that is not harmful or misleading.

## 2. Statutory Basis

The proposed rule change is consistent with the provisions of Sections 15A(b)(6) of the Act,<sup>4</sup> which require that the Association adopt and amend its rules to promote just and equitable principles of trade and generally provide for the protection of customers and the public interest, in that the proposed rule change continues

to prohibit the use in advertising and sales literature of rankings containing arbitrarily selected time periods while allowing time periods other than those originally prescribed by the rule in a way that is not misleading.

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

The NASD does not believe that the proposed rule change will impose any inappropriate 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 were either solicited or received by the NASD.

### 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 Room. Copies of the filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-96-39 and should be submitted by December 24, 1996.

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

Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 96-30676 Filed 12-2-96; 8:45 am]

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## SMALL BUSINESS ADMINISTRATION

### **MMG Ventures, L.P. (License No. 03/03-5205); Notice of Issuance of a Small Business Investment Company License**

On July 26, 1995, an application was filed by MMG Ventures, L.P., 217 E. Redwood Street—Suite 2241, Baltimore, Maryland, with the Small Business Administration (SBA) pursuant to Section 107.102 of the Regulations governing small business investment companies (13 C.F.R. 107.102 (1996)) for a license to operate as a small business investment company.

Notice is hereby given that, pursuant to Section 301(d) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA issued License No. 03/03-5206 on September 30, 1996 to MMG Ventures, L.P. to operate as a small business investment company.

(Catalog of Federal Domestic Assistance Program No. 59.011, Small Business Investment Companies)

Dated: November 19, 1996.

Don A. Christensen,

*Associate Administrator for Investment.*

[FR Doc. 96-30689 Filed 12-2-96; 8:45 am]

BILLING CODE 8025-01-P

### **Stratford Equity Partners, L.P. (License No. 06/76-0313); Notice of Issuance of a Small Business Investment Company License**

On December 15, 1995, an application was filed by Stratford Equity Partners, L.P., 200 Crescent Court, Suite 1600, Dallas, Texas, with the Small Business Administration (SBA) pursuant to Section 107.102 of the Regulations governing small business investment companies (13 C.F.R. 107.102 (1996)) for a license to operate as a small business investment company.

Notice is hereby given that, pursuant to Section 301(c) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA issued License No. 06/76-0313 on September 30, 1996 to Stratford Equity

<sup>3</sup> The Guidelines define "Ranking Entity" as " \* \* \* any entity that provides general information about investment companies to the public, that is independent of the investment company and its affiliates, and whose services are not procured by the investment company or any of its affiliates to assign the investment company a ranking."

<sup>4</sup> 15 U.S.C. § 78o-3.

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