

## Applicants' Conditions

Applicants agree that the order granting the requested relief will be subject to the following conditions:

1. The American Funds will comply with all of the requirements of section 2(a)(19) of the Act (and any rules thereunder) except for the clauses concerning the distribution of investment company shares in subparagraphs (A)(v) and (B)(v) of section 2(a)(19), as those clauses relate to distribution of shares of the American Funds by ESI.

2. The amount of distribution business engaged in by ESI on behalf of any one Applicant Fund (other than a money market fund) may not exceed five percent of gross share sales (prior to payment of dealer and underwriter commissions) for such Applicant Fund.

3. The amount of distribution business engaged in by ESI on behalf of all American Funds in the aggregate may not exceed five percent of gross share sales (prior to payment of dealer and underwriter commissions and exclusive of money market fund share sales) for American Funds in the aggregate.

4. No more than one percent of NLHC's consolidated gross revenues may come from sales by ESI of shares on behalf of any one Applicant Fund.

5. No more than five percent of NLHC's consolidated gross revenues may come from sales by ESI of shares on behalf of all American Funds in the aggregate.

6. ESI may not serve as a regular broker or dealer, as defined in rule 10b-1 under the Act, for any American Fund.

7. To the extent Board Composition Requirements or Special Voting Requirements are applicable, each Applicant Fund will comply with such requirements without taking into account more than one B-D Director subject to a Status Order. For all other purposes under the Act, each Applicant Fund may treat as "non-interested" all B-D Directors subject to one or more Status Orders.

For the Commission, by the Division of Investment Management, under delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45232; File No. SR-DTC-2001-18]

### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Extension of a Deadline in Connection With the Direct Registration System Facility

January 3, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 3, 2001, The Depository Trust Company ("DTC") 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 primarily by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

In File No. SR-DTC-2001-07, DTC established a deadline of November 1, 2001, by which (i) All securities issues eligible for DTC's Direct Registration System ("DRS") which do not participate in the Profile Modification System ("Profile"), which is part of DRS, were to move to Profile and (ii) a request by a broker for a withdrawal by transfer (W.T.) for a DRS-eligible security which W.T. does not specifically request a certificate was to automatically default to a DRS book-entry position (an "S" position) on the books of the issuer or its transfer agent.<sup>2</sup> The proposed rule change extends the November 1, 2001, deadline to December 14, 2001.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B)

and (C) below, of the most significant aspects of these statements.<sup>3</sup>

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

The purpose of the proposed rule change is to allow issuers and their transfer agents adequate time to move all DRS-eligible securities issues to Profile.<sup>4</sup> Due to the events of September 11, 2001, and ensuing communications problems, some issuers and their transfer agents found it difficult to meet the November 1, 2001 deadline.

The proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC because it will encourage more issuers to allow their securities to be included in Profile which is an integral part of DRS. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible since the operation of DRS, as modified by the proposed rule change, will be similar to the current operation of DRS.

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

DTC perceives no adverse impact on competition by reason of the proposed rule change.

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

Written comments from DTC Participants or others have not been solicited or received on the proposed rule change. DTC will notify the Commission of any written comments received by DTC.

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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A)(iii)<sup>5</sup> of the Act and Rule 19b-4(f)(4)<sup>6</sup> promulgated thereunder because the proposal effects a change in an existing service of DTC that (A) does not adversely affect the safeguarding of securities or funds in the custody or

<sup>3</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>4</sup> For previous orders relating to Profile, refer to Securities Exchange Act Release Nos. 41862 (September 10, 1999), 64 FR 51162; 42366 (January 28, 2000), 65 FR 5714; 42704 (April 19, 2000), 65 FR 24242; 43586 (November 17, 2000), 65 FR 70745; 44696 (August 14, 2001), 66 FR 43939.

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>6</sup> 17 CFR 240.19b-4(f)(4).

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

<sup>2</sup> Securities Exchange Act Release No. 44696 (August 14, 2001), 66 FR 43939.

control of DTC or for which it is responsible and (B) does not significantly affect the respective rights or obligations of DTC or persons using the service because the proposed rule change consists of an interpretation of a prior DTC filing on Form 19b-4. At any time within sixty days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### 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 DTC. All submissions should refer to File No. SR-DTC-2001-18 and should be submitted by January 30, 2002.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45229; File No. SR-NASD-2001-91]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Establishing Effective Date of Rules Requiring Debt Securities Reporting and Dissemination (TRACE Rules)

January 3, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on December 13, 2001, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, NASD Regulation, Inc. ("NASD Regulation"), 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 NASD Regulation. NASD Regulation has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule series under paragraph (f)(1) of Rule 19b-4 under the Act.<sup>3</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

NASD Regulation is filing a proposed rule change to establish July 1, 2002 as the effective date for the new Rule 6200 Series ("TRACE Rules"). The TRACE Rules, when effective, will require NASD members to report secondary market transactions in eligible debt securities to the NASD and will subject certain transaction information to dissemination. The NASD also is proposing to replace the term, "Trade Reporting and Comparison Entry Service" with "Trade Reporting and Compliance Engine." This change preserves the "TRACE" acronym, by which the system is commonly known, while more accurately describing the functions of the TRACE system.<sup>4</sup>

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(1).

<sup>4</sup> The SEC approved the Rule 6200 Series on January 23, 2001. See Securities Exchange Act Release No. 43873 (January 23, 2001); 66 FR 8131 (January 29, 2001) (SR-NASD-99-65) ("TRACE Approval Order").

Below is the text of the proposed rule change. Proposed new language is *italicized*; proposed deletions are [bracketed].

\* \* \* \* \*

6200. *Trade Reporting and Compliance Engine (Trace)* [Trade Reporting and Comparison Entry Service (Trace)]

6210. Definitions

The terms used in this Rule 6200 Series shall have the same meaning as those defined in the Association's By-Laws and Rules unless otherwise specified.

(a) No change.

(b) The term "*Trade Reporting and Compliance Engine*" ["Trade Reporting And Comparison Entry Service"] or "TRACE" shall mean the automated system owned and operated by the NASD that, among other things, accommodates reporting and dissemination of transaction reports where applicable in TRACE-eligible securities and which may submit "locked-in" trades to National Securities Clearing Corporation for clearance and settlement and provide participants with monitoring and risk management capabilities to facilitate a "locked-in" trading environment.

(c) through (i). No change.

\* \* \* \* \*

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

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

The NASD is filing the proposed rule change to establish July 1, 2002 as the effective date of the TRACE Rules and to substitute the term, "Trade Reporting and Compliance Engine," within the rules for the term, "Trade Reporting and Comparison Entry Service," as discussed in greater detail below.

a. *Effective Date.* The NASD is filing the proposed rule change to establish July 1, 2002 as the effective date of the

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