

The proposed standards contain initial inclusion requirements for the News Media List and the Supplemental List, and also contain 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>5</sup>

The NASD and Nasdaq note that 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.<sup>6</sup> The NASD and Nasdaq believe that this differential is warranted because the nature of closed-end funds differs from open-end funds.<sup>7</sup> This is, the asset base of a closed-end fund is fixed upon initiation whereas open-end funds' asset base often starts small and grows over time; thus, closed-end tend to have higher initial asset bases than open-end funds. Furthermore, the proposed requirements for the News Media List for closed-end funds take into consideration the reality of a growing shortage of newspaper print space. Specifically, over the past several years, the number of funds has grown significantly, causing a shortage of newspaper print space. Accordingly, there are times when a fund qualifies for the News Media List but the fund's net asset value and closing price are not printed in the newspaper due to a shortage of print space. Thus, by proposing meaningful standards for closed-end funds, the NASD and Nasdaq hope to provide a manageable and selective list of closed-end funds and to avoid having closed-end funds pay the higher annual fee for the News Media List (the fee for the Supplemental List is lower)<sup>8</sup> when there is no

guarantee that a qualifying fund will be printed by a newspaper at a given time.

The NASD and Nasdaq note that these requirements have received a positive response throughout the investment company community, and have also received support from the Investment Company Institute ("ICI"). The NASD and Nasdaq also note that the proposed standards would make approximately 75% of closed-end funds eligible to be printed in the newspaper.<sup>9</sup> Finally, the NASD and Nasdaq are making a technical change to NASD Rule 6800 to clarify that there is a single News Media List, not multiple lists as the current rule language suggests.

The NASD and Nasdaq believe that the proposed rule change is consistent with Section 15A(b)(6) of the Act.<sup>10</sup> Section 15A(b)(6) of the Act requires the rules of a national securities association to foster coordination with persons engaged in processing information with respect to securities, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest. The NASD and Nasdaq believe that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act because it protects investors and the public interest by promoting better processing of price information in closed-end funds.

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

The NASD and Nasdaq do 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 Comment 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

List and \$200 per fund authorized for the Supplemental List. See NASD Rule 7090.

<sup>9</sup> According to the ICI, as of December 31, 1997, there were approximately 502 closed-end funds of record, of which 379 had at least \$100 million in assets. Thus, under the proposed standards, 379 funds would qualify for the News Media List and the remaining 123 would qualify for the Supplemental List. (All closed-end funds tracked by the ICI have at least \$10 million in assets.)

<sup>10</sup> U.S.C. 78o-3(b)(6).

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, 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, 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 File No. SR-NASD-98-53 and should be submitted by September 25, 1998.

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

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 98-23850 Filed 9-3-98; 8:45 am]

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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40382; File No. SR-NASD-98-59]

#### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating To Trade Reporting**

August 28, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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. See Amendment No. 1, *supra* note 3.

<sup>5</sup> This is consistent with the current standards for the Supplemental List for open-end funds. See generally NASD Rule 6800.

<sup>6</sup> Under the News Media List criteria for open-end funds, a fund must have \$25 million in assets or 1,000 shareholders for initial inclusion, and \$15 million or 750 shareholders for maintenance. See NASD Rule 6800(c)(1)(A) and (c)(2)(A).

<sup>7</sup> The NASD and Nasdaq note that by contract a closed-end fund that wishes to be included in the MFQS agrees to calculate and disseminate the fund's net asset value to Nasdaq on a daily basis. This information will be disseminated over the Nasdaq Level 1 data feed service on a daily basis. See Amendment No. 1, *supra* note 3.

<sup>8</sup> Funds in the MFQS are assessed an annual fee of \$275 per fund authorized for the News Media

("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 10, 1998, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, the Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("SEC" or "Commission") 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.

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

Nasdaq is proposing to amend the trade reporting rules of the NASD, to extend to market makers an exception to the reporting of riskless principal transactions in Nasdaq National Market, Nasdaq SmallCap, Nasdaq convertible debt, and non-Nasdaq OTC equity securities. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in *brackets*.

#### **4632. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

(1) through (3)(A) No Change

(B) Exception: A "riskless" principal transaction in which a member [that is not a market maker in the security] after having received [from a customer] an order to buy *a security*, purchases the security as principal [from another member or customer] *at the same price* to satisfy the order to buy or, after having received [from a customer] an order to sell, sells the security as principal [to another member or customer] *at the same price* to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, *commission-equivalent, or other fee*.

(e) through (f) No Change

\* \* \*

#### **4642. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

(1) through (3)(A) No Change

(B) Exception: A "riskless" principal transaction in which a member [that is

not a market maker in the security] after having received [from a customer] an order to buy *a security*, purchases the security as principal [from another member or customer] *at the same price* to satisfy the order to buy or, after having received [from a customer] an order to sell, sells the security as principal [to another member or customer] *at the same price* to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, *commission-equivalent, or other fee*.

(e) through (f) No Change

\* \* \*

#### **4652. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

(1) through (3)(A) No Change

(B) Exception: A "riskless" principal transaction in which a member [that is not a market maker in the security] after having received [from a customer] an order to buy *a security*, purchases the security as principal [from another member or customer] *at the same price* to satisfy the order to buy or, after having received [from a customer] an order to sell, sells the security as principal [to another member or customer] *at the same price* to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, *commission-equivalent, or other fee*.

(e) through (f) No Change

\* \* \*

#### **6620. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

(1) through (3)(A) No Change

(B) Exception: A "riskless" principal transaction in which a member [that is not a market maker in the security] after having received [from a customer] an order to buy *a security*, purchases the security as principal [from another member or customer] *at the same price* to satisfy the order to buy or, after having received [from a customer] an order to sell, sells the security as principal [to another member or customer] *at the same price* to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, *commission-equivalent, or other fee*.

(e) 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, Nasdaq 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. Nasdaq 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 rules for reporting trades in Nasdaq securities have long existed in their current form. The rules were broadly designed to capture all trading activity by broker-dealers, both dealer to dealer trades and trades with customers. These rules, and the trade reports that result, serve several important purposes. They form the basis for public dissemination of "last sale" transaction prices to the tape, thus providing transparency. Trade reports also are an integral part of the audit trail used by the NASD in its regulatory efforts to surveil and regulate firms' activities. Given the historical structure of the dealer markets and the need to provide a comprehensive view of all trading, and because market makers were always deemed to be "at risk" when trading from their principal accounts, NASD trade reporting rules have required the reporting of all principal trades by market makers.

Non-market makers, however, generally do not report all principal trades under current rules, to the extent the trades are defined as "riskless"—that is, they involve a trade with another member, usually a market maker, which is used to offset a trade with a customer. This riskless principal exception to the general rule of reporting all principal trades results in one trade report even though the non-market maker firm is involved in two separate trades against its principal account.

In light of the growth and evolution of the structure of the Nasdaq market, and in particular the recent implementation of the SEC Order Handling Rules, which require market makers to match certain orders in an agency-like fashion, it is believed appropriate to extend this riskless

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

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

principal exception to market makers as well. Thus, certain matching principal trades involving a market maker would be explicitly included within the riskless definition, and reported to the public tape only once.

For example, under the SEC Order Handling Rules, market makers now display customer limit orders in their public quotes. Those orders are often filled by the market maker when that quote is accessed by another market participant.<sup>3</sup> Because market makers generally trade exclusively from a principal account, it is necessary to engage in two separate principal trades: one with the other market participant, and then another directly with the customer. Both of these trades are reported by market makers under current rules. In effect, however, these two trades can be viewed as one event—the execution of a customer order upon the execution of an offsetting transaction obtained by the market maker. Under the proposed rule change, these two trades are reported only once.

A riskless principal trade can also be viewed as one that involves two orders, the execution of one being dependent upon the receipt or execution of the other, hence there is no “risk” in this particular transaction. Only when that condition or dependency has been satisfied is there a transaction and hence a singly reported trade. Such condition may involve an institutional customer order, the execution of which is dependent upon finding the other side, in whole or in part, or a transaction dependent upon the execution of all or a part of the order placed with another firm or market. To the extent that any of the order is offset with another principal execution, that portion is deemed riskless and should be reported only once.

The effect of the proposed rule change can be illustrated in the following examples. A market maker (MM1) holds a customer limit order that is displayed in its quote to buy 1000 shares of ABCD at \$10. MM2 sells 1000 shares to MM1 at \$10. MM2 reports the sale of 1000 shares as required under current rules.<sup>4</sup> MM1 then fills its customer order for

1000 shares. Under the proposal, the first trade would continue to be reported (by the selling firm MM2 in this case, as required under current rules), but the second leg between MM1 and the customer would not be reported again, as it is deemed riskless. If the first execution were through a Nasdaq facility which automatically generates a trade report to the tape, such as SOES or SelectNet, no member would report at all. Of course, members may still need to submit a “clearing only” entry into ACT to complete the transaction with the customer, but these submissions are not to be entered for reporting purposes and thus there will be no public trade report for this leg of the transaction.

In another example, an institutional customer presents a large order to a market maker (MM1) to sell 100,000 shares of XYZZ, with instructions to work the order, subject to a price limit, rather than execute it immediately in its entirety. The market maker may attempt to solicit interest from other parties to fill the institutional order, in whole or in part. The market maker may find a willing buyer, but for only 75,000 shares, at a price of \$12 per share. The market maker may determine to fill the entire customer order for 100,000 shares at \$12 per share at that time (exclusive of any markdown, commission equivalent, or other fee), by trading the 25,000 share balance out of inventory. Here, there will still be two separate trade reports under the proposal because only a portion of the customer execution is deemed riskless. The size of the trade reports, however, will be adjusted to exclude the riskless portion. Specifically, instead of MM1 reporting these as a market maker sell transaction of 75,000 shares and then a market maker buy from the customer for 100,000 shares, these trades would be reported under the proposal as a market maker sell transaction of 75,000 shares and then a market make buy from the customer of only 25,000 shares.<sup>5</sup>

In another variation of the previous example, market maker MM1, while holding the institutional customer order and working it on their behalf, may obtain several executions to satisfy the order by selling to other market participants at varying prices

throughout the trading day. In this example, assume that the entire order is filled with these individual executions. Because market maker MM1 is the seller in these executions, it has the trade reporting responsibility and will continue to report under current rules each individual “component” trade with other market participants as they occur. Under the proposal, however, MM1 would not report a transaction with the customer, as the execution used to satisfy the order already have been reported to the tape, although the transactions may be confirmed out to the customer at an average price of the component executions, to the extent permissible under Exchange Act Rule 10b-10.<sup>6</sup>

In addition, the NASD also is clarifying the riskless principal trade reporting provision to ensure its consistent application to any order received by a member, regardless of the person or entity that it was received from. Specifically, while the current rule refers to orders received from a “customer”, the proposed rule simply refers to “an order.” Thus a transaction can be defined as riskless when the market maker is holding an order from a customer, another member, or any other entity including non-member broker-dealers. Furthermore, the text of the rule is being amended to more clearly provide that such trades are reported exclusive of any fee.

## 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act<sup>7</sup> in that the proposed rule change will result in more accurate, reliable, and informative information regarding last sale transaction reports. Section 15A(b)(6) requires that the rules of a registered national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, 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; and are not designed to

<sup>3</sup> In fact, NASD Rule IM-2110-2 (Limit Order Protection Rule) requires market makers to execute customer limit orders (regardless of whether the customer is theirs or that of another member) when trading as principal at prices that would satisfy the customer's limit order. In addition, pursuant to best execution obligations articulated by the SEC under the SEC Order Handling Rules, market makers generally must pass along any price improvement obtained when executing an incoming order at its published quote while holding an undisplayed limit order priced better than that quote.

<sup>4</sup> See, e.g., NASD Rule 4632(b), which requires the selling market maker to report in a transaction between two market makers.

<sup>5</sup> It should be noted that in this particular example, the market maker with the order is responsible for reporting both legs of the transaction. If the customer were buying stock in the same example, and the market maker first buys 75,000 shares from another market maker, the 75,000 share trade would be reported by the selling market maker under current NASD rules (i.e., seller reports in a trade between two market makers). The market maker with the customer order would still report the 25,000 share trade.

<sup>6</sup> See, e.g., SEC No-action letter from Catherine McGuire, SEC, to Eugene Lopez, The Nasdaq Stock Market, dated May 6, 1997 (permitting the issuance of a single confirmation at an average price and with multiple capacities for a single customer order effected with multiple executions).

<sup>7</sup> 15 U.S.C. 78o-3(b)(6).

permit unfair discrimination between customers, issuers, brokers, or dealers.

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

Nasdaq 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*

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 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, including whether the proposal 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. 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 such 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-98-59 and should be submitted by September 25, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-23879 Filed 9-3-98; 8:45 am]

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**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**Notice of Intent To Request Renewal From the Office of Management and Budget (OMB) of Current Public Collections of Information**

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice.

**SUMMARY:** In compliance with the Paperwork Reduction Act of 1995, (44 U.S.C. 3501 et seq.), the FAA invites public comment on one currently approved public information collection which will be submitted to OMB for renewal.

**DATES:** Comments must be received on or before November 3, 1998.

**ADDRESSES:** Comments on this collection may be mailed or delivered to the FAA at the following address: Ms. Judy Street, Room 612, Federal Aviation Administration, Corporate Information Division, APF-100, 800 Independence Ave., SW., Washington, DC 20591.

**FOR FURTHER INFORMATION CONTACT:** Ms Judy Street at the above address or on (202) 267-9895.

**SUPPLEMENTARY INFORMATION:** The FAA solicits comments on this current collection of information in order to evaluate the necessity of the collection, the accuracy of the agency's estimate of the burden, the quality, utility, and clarity of the information to be collected, and possible ways to minimize the burden of the collection. Following is a short synopsis of the currently approved public information collection activity, which will be submitted to OMB for review and renewal:

**2120-0593, Commuter Operations and General Certification and Operations Requirements**

The regulation requires that certain commuter operators conduct their operations under part 121 instead of part 135. Affected operators include those conducting scheduled, passenger-carrying operations with airplanes with 10-30 seats. The reporting requirements are similar but different between parts 121 and 135. This submission reflects only the additional burden associated with part 135 carriers transitioning to part 121 standards.

There will be a change to the collection of information. The transition portion of this rule is complete. However, Part 119 continue to cover new carriers and some ongoing requirements. The burden associated with the transition portion will be removed, and only burden associated with new carriers and ongoing requirements will be reflected in the updated submission. The new total burden is being estimated at this time and is not available for this notice. It should be less than the original submission in 1995 of 36,048 hours which included the transition of some 135 carriers to part 121 rules.

Issued in Washington, DC., on August 31, 1998.

**Steve Hopkins,**

*Manager, Corporation Information Division, APF-100.*

[FR Doc. 98-23897 Filed 9-3-98; 8:45 am]

BILLING CODE 4910-13-M

**DEPARTMENT OF TRANSPORTATION**

**Federal Highway Administration**

**Environmental Impact Statement: Williamson and Travis Counties, Texas**

**AGENCY:** Federal Highway Administration (FHWA), DOT.

**ACTION:** Notice of intent.

**SUMMARY:** The FHWA is issuing this notice to advise the public that an Environmental Impact Statement will be prepared for a proposed new location highway/tollway project in Williamson and Travis Counties, Texas.

**FOR FURTHER INFORMATION CONTACT:** Walter C. Waidelich, District Engineer Federal Highway Administration, Room 850, Federal Building, 300 East 8th Street, Austin, Texas 78701. David Kopp, P.E. Texas Turnpike Authority Division, Texas Department of Transportation, 125 E. 11th Street, Austin, Texas 78701-2483.

**SUPPLEMENTARY INFORMATION:** State Highway 130, as currently envisioned, is a proposed controlled access highway which will extend from IH 35 at State Highway 195 north of Georgetown in Williamson County, Texas, to IH 10 near Sequin in Guadalupe County, Texas. State Highway 130 will be located generally parallel to and east of Interstate Highway 35 and the urban areas of Austin, San Marcos, and New Braunfels. The total length of the proposed facility is 143.5 kilometers (89 miles). The proposed State Highway 130 facility is being developed by the FHWA in cooperation with the Texas Turnpike Authority Division (TTA) of the Texas

<sup>8</sup> 17 CFR 200.30-3(a)(12).