became effective on February 29, 1996, and applicants expect to begin offering the new classes of shares in April 1996. The class and expense structure of each Transferor Fund is similar to the class and expense structure of its corresponding Acquiring Fund.

4. Applicants propose that the Transferor Funds be combined with and into the Acquiring Funds in a tax-free reorganization (the ''Reorganization''). In the Reorganization, each Acquiring Fund will acquire all of the assets and liabilities of its corresponding Transferor Fund in exchange for shares of the Acquiring Fund, which shares will then be distributed to shareholders of the Transferor Fund. Each class of shares of an Acquiring Fund will be exchanged for the corresponding class of shares of a Transferor Fund. The number of Acquiring Fund shares to be issued in exchange for each Transferor Fund share will be determined by dividing the net asset value of a share of a class of a Transferor Fund by the net asset value of a share of the corresponding class of the corresponding Acquiring Fund as of the last business day preceding the closing date of the Reorganization (the ''Exchange Price''). No transactions in shares of the Funds (other than under the terms of the Reorganization) may be effected at the Exchange Price if the order is received or accepted after the calculation of that price.

5. At a meeting on December 29, 1995, the board of the Trust, including the disinterested directors, made the findings required under rule 17a–8 and approved the Reorganization. In doing so, the board considered the following factors: (i) the similarities between each Transferor Fund and its corresponding Acquiring Fund with respect to investment objectives, policies, and restrictions, and risk profiles, (ii) the burdens of marketing two similar Funds, (iii) the benefits to the shareholders of combining the Funds' assets, (iv) the fact that the expense ratios of the Acquiring Funds will be no higher than those of the corresponding Transferor Fund, (v) the more established performance record of the Acquiring Funds, (vi) the treatment of the uncovered distribution charges of the Transferor Funds, (vii) the tax-free nature of the Reorganization, (viii) the terms and conditions of the Reorganization and whether it would result in dilution of shareholder interests, and (ix) the costs of the Reorganization.

6. In approving the Reorganization, the board of the Trust noted that the contractual fees payable by the Acquiring Funds for the advisory and custodial services provided by the Adviser were lower than those payable by the corresponding Transferor Funds. Accordingly, the board approved payment of all expenses incurred in connection with the Reorganization by the Funds, including all expenses related to obtaining exemptive relief from the SEC.

7. On February 14, 1996, the Trust filed a registration statement on Form N–14 with respect to the Reorganization which became effective on March 15, 1996. Shareholders of the Transferor Funds will vote on the Reorganization at a meeting that applicants expect to occur on May 13, 1996. Notwithstanding shareholder approval of the Reorganization, the closing of the Reorganization may be postponed and the board may terminate the Plan of Reorganization at any time prior to closing. Termination of the Plan may relate to one Transferor fund and its corresponding Acquiring Fund without affecting the survival of the Plan with respect to any other Fund. Applicants agree not to make any material change to the reorganization that would affect the application without prior SEC approval.

Applicants' Legal Analysis

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, acting as principal, from selling to or purchasing from such registered company, or any company controlled by such registered company, any security or other property.

2. Section 2(a)(3) of the Act defines the term ''affiliated person'' of another person to include any person directly or indirectly owning, controlling, or holding with power to vote, five percent or more of the outstanding voting securities of such other person.

3. Section 17(b) of the Act provides that the SEC may exempt a transaction from the provisions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act.

4. Rule 17a–8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied.

5. Applicants may not rely on rule 17a–8 in connection with the Reorganization because the Transferor funds and the Acquiring Funds may be deemed to be affiliated for reasons other than those set forth in the rule. As noted above, the Adviser holds of record more than twenty-five percent or the total outstanding shares of each Transferor Fund in a trust, agency, custodial or other fiduciary or representative capacity. The Adviser therefore may be deemed to be an affiliated person of the Transferor Funds because it controls or holds with the power to vote more than five percent of the Funds' outstanding voting securities.

6. Applicants submit that the Reorganization meets the standard for relief under section 17(b), in that the terms of the Reorganization are reasonable and fair and do not involve overreaching on the part of any person concerned; and the Reorganization is consistent with the provisions, policies, and purposes of the Act and with the policies of the Funds.

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

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96–8711 Filed 4–8–96; 8:45 am]

BILLING CODE 8010–01–M

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**[Release No. 33–7277, File No. S7–9–96]**

## Securities Uniformity; Annual Conference on Uniformity of Securities Law

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Publication of release announcing issues to be considered at a conference on uniformity of securities laws and requesting written comments.

**SUMMARY:** In conjunction with a conference to be held on April 29, 1996, the Commission and the North American Securities Administrators Association, Inc. today announced a request for comments on the proposed agenda for the conference. This meeting is intended to carry out the policies and purposes of section 19(c) of the Securities Act of 1933, adopted as part of the Small Business Investment Incentive Act of 1980, to increase uniformity in matters concerning state and federal regulation of securities, to maximize the effectiveness of securities regulation in promoting investor protection, and to reduce burdens on

capital formation through increased cooperation between the Commission and the state securities regulatory authorities.

**DATES:** The conference will be held on April 29, 1996. Written comments must be received on or before April 25, 1996 in order to be considered by the conference participants.

**ADDRESSES:** Written comments should be submitted in triplicate by April 25, 1996 to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549. Comments also may be submitted electronically at the following E-mail address: rule-comments@sec.gov. Comments should refer to File No. S7–9–96; this file number should be included on the subject line if E-mail is used. Comment letters will be available for public inspection at the Commission's Public Reference Room, 450 5th Street, N.W., Washington, D.C. 20549. Electronically submitted comment letters will be posted on the Commission's internet web site (http://www.sec.gov).

**FOR FURTHER INFORMATION CONTACT:** William E. Toomey or Richard K. Wulff, Office of Small Business Policy, Division of Corporation Finance, Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549, (202) 942–2950.

**SUPPLEMENTARY INFORMATION:**

I. Discussion

A dual system of federal-state securities regulation has existed since the adoption of the federal regulatory structure in the Securities Act of 1933 (the ''Securities Act'').[1] Issuers attempting to raise capital through securities offerings, as well as participants in the secondary trading markets, are responsible for complying with the federal securities laws as well as all applicable state laws and regulations. It has long been recognized that there is a need to increase uniformity between federal and state regulatory systems, and to improve cooperation among those regulatory bodies so that capital formation can be made easier while investor protections are retained.

The importance of facilitating greater uniformity in securities regulation was endorsed by Congress with the enactment of section 19(c) of the Securities Act in the Small Business Investment Incentive Act of 1980.[2] Section 19(c) authorizes the Commission to cooperate with any association of state securities regulators which can assist in carrying out the declared policy and purpose of section 19(c). The policy of that section is that there should be greater federal and state cooperation in securities matters, including: (1) maximum effectiveness of regulation; (2) maximum uniformity in federal and state standards; (3) minimum interference with the business of capital formation; and (4) a substantial reduction in costs and paperwork to diminish the burdens of raising investment capital, particularly by small business, and a reduction in the costs of the administration of the government programs involved. In order to establish methods to accomplish these goals, the Commission is required to conduct an annual conference. The 1996 meeting will be the thirteenth such conference.

II. 1996 Conference

The Commission and the North American Securities Administrators Association, Inc. (''NASAA'')[3] are planning the 1996 Conference on Federal-State Securities Regulation (the ''Conference'') to be held April 29, 1996 in Washington, D.C. At the Conference, representatives from the Commission and NASAA will form into working groups in the areas of corporation finance, market regulation, investment management, and enforcement, to discuss methods of enhancing cooperation in securities matters in order to improve the efficiency and effectiveness of federal and state securities regulation. Generally, attendance will be limited to representatives of the Commission and NASAA in an effort to promote frank discussion. However, each working group in its discretion may invite certain self-regulatory organizations to attend and participate in certain sessions.

Representatives of the Commission and NASAA currently are formulating an agenda for the Conference. As part of that process the public, securities associations, self-regulatory organizations, agencies, and private organizations are invited to participate through the submission of written comments on the issues set forth below. In addition, comment is requested on other appropriate subjects sought to be included in the Conference agenda. All comments will be considered by the Conference attendees.

III. Tentative Agenda and Request for Comments

The tentative agenda for the Conference consists of the following topics in the areas of corporation finance, investment management, market regulation and oversight, and enforcement.

*(1) Corporation Finance Issues*

*A. Uniform Limited Offering Exemption*

Congress specifically acknowledged the need for a uniform limited offering exemption in enacting section 19(c) of the Securities Act and authorized the Commission to cooperate with NASAA in its development. The Commission working with the states toward this goal, developed Rule 505 of Regulation D, the federal exemption for certain limited offerings, while NASAA crafted the complementary Uniform Limited Offering Exemption (''ULOE'').

ULOE provides the framework for a uniform exemption from state registration for certain issues of securities which would be exempt from federal registration by virtue of Regulation D. To date, more than half the states have adopted some form of ULOE. Both the Commission and NASAA continue to make a concerted effort toward its universal adoption.

A Bill pending in the Congress (H.R.3005) would add a new Section 18 to the Securities Act of 1933 and prohibit state blue sky regulation of most securities offerings. Section 18(a) of this proposed legislation would, with specified exceptions, preempt state blue sky regulation over any securities registered under the Securities Act or, subject to a ''uniform scheme'' approach, exempt from Securities Act registration pursuant to Sections 3(b) or 4(2).

The conferees will discuss the possible impact of this Bill on ULOE, and on state-federal cooperation in general. Further, consideration will be given to whether there are alternative exemptive methods which might be suitable for coordination among the states and the federal system, either within or outside of the ULOE framework.

*B. Small Business Initiative*

On July 30, 1992, and April 28, 1993 the Commission adopted a number of rulemaking changes, often described as the Small Business Initiative, which were designed to streamline and simplify the Commission's regulatory system applicable to the public sale of securities by small businesses, and to provide new opportunities for investors, consistent with the Commission's

[1] 15 U.S.C. 77a et seq.

[2] Pub. L. 96–477, 94 Stat. 2275 (October 21, 1980).

[3] NASAA is an association of securities administrators from each of the 50 states, the District of Columbia, Puerto Rico, Mexico and twelve Canadian Provinces and Territories.

obligations to protect such investors.[4] Among other things, the ceiling for the Regulation A exemption was raised from $1,500,000 to $5,000,000, and issuers contemplating a Regulation A offering were, for the first time, permitted to use a written document to ''test the waters'' for investor interest prior to assuming the expense of an offering.

The participants will discuss the impact of these changes, and the need for any additional exemptive relief in the small business area. The participants will also review their experience with amended Regulation A and the use of ''test the waters'' documents.

On June 27, 1995, the Commission issued three releases that, if adopted, could provide additional assistance to small business: a new section 3(b) exemption for certain California limited issues,[5] relief from Section 12(g) registration for small issuers[6] and revision of the Rule 144 holding periods.[7] The participants will consider these proposals and discuss whether they will have a beneficial effect on small business.

Public comment is invited on the efficacy of the Small Business Initiative as a whole. Comment is also sought with respect to any other exemptions that might be developed to enhance the ability of small issuers to raise capital, while protecting legitimate interests of investors.

*C. Disclosure Policy and Standards*

*a. Electronic Delivery of Disclosure Documents*

On October 6, 1995, the Commission issued an interpretive release[8] and related rule proposals[9] addressing the use of electronic media to deliver or transmit information under the federal securities laws. These initiatives reflect the Commission's continuing recognition of the benefits that electronic technology provides to the financial markets. These releases are premised on the belief that the use of electronic media should be at least an equal alternative to the use of paper delivery. However, until such time as electronic media becomes more universally accessible and accepted, the Commission expects that paper delivery of information will continue to be available. Conference participants will consider these matters.

*b. June 1995 Initiatives*

On June 27, 1995, the Commission issued an additional five releases, four proposing rule changes and one stating interpretive positions, to streamline disclosure, facilitate capital raising and deter abusive practices.[10] The releases related to executive compensation disclosure,[11] accepting abbreviated financial statements[12], and permitting solicitations of interest prior to initial public offerings[13]. The Commission also issued a release[14] proposing amendments to the financial statement requirements for significant acquisitions and proposing to require reporting of unregistered equity sales. The conferees will discuss the releases as well as the public comments received by the Commission.

*D. Multinational Securities Offerings*

The Commission's recent interpretation of Regulation S, contained in a release stating its views with respect to certain practices in connection with offers, sales and resales of securities purportedly made in offshore transactions pursuant to Regulation S,[15] also will be considered by the conferees. Comment is specifically requested on ways to coordinate federal and state treatment of multinational offerings.

*E. Advisory Committee on the Capital Formation and Regulatory Processes*

In February 1995, the Commission created an Advisory Committee on the Capital Formation and Regulatory Processes. The objective of the Committee is to assist the Commission in evaluating the efficiency of the regulatory process relating to public offerings of securities, secondary market trading and corporate reporting. Its deliberations have focused on the development of a company registration system for adoption by the Commission. Under the model of a company registration system developed by the Committee, eligible companies would be able to issue securities relying on a more company-focused, as opposed to a transaction-focused system.

Companies would register with the Commission and file periodic reports. Thereafter, routine securities issuances, such as financings, as well as sales by affiliates and sales of what are currently known as restricted shares, could be consummated without significant additional registration procedures.

The Committee has developed three basic goals in connection with its consideration of a company registration system. The first goal is to eliminate unnecessary regulatory costs and uncertainties that impede a company's access to capital, without impairing investor protection.

The second goal is to eliminate the many complexities resulting from the current registration system, including the need for issuers and investors to monitor and maintain the lines between the public registered market and the offshore or private unregistered markets.

The final goal is to enhance the level and reliability of disclosure provided to the markets by all issuers on a continuous basis, not just when the issuer episodically conducts a securities offering.

The Committee plans to issue a report containing its recommendations in the near future. The Commission would then consider the recommendations and either propose rulemaking or legislation, or seek further public comment with respect to the Committee's recommendations. The conferees will consider issues developed by the Advisory Committee with a view to coordinating the federal and state systems of securities regulation.

*F. Task Force on Disclosure Simplification*

Chairman Arthur Levitt organized the Task Force on Disclosure Simplification in August 1995 to review forms and rules relating to capital-raising transactions, periodic reporting pursuant to the Exchange Act, proxy solicitations, and tender offers and beneficial ownership reports under the Williams Act. The goal was to simplify the disclosure process and, consistent with investor protection, to make regulation of capital formation more efficient.

To aid its review, the Task Force met over a seven-month period with issuing

[4] Securities Act Release Nos. 6949 (July 30, 1992) [57 FR 36442]; 6996 (April 28, 1993) [58 FR 26509].

[5] Securities Act Release No. 7185 California (June 27, 1995) [60 FR 35638].

[6] Securities Act Release No. 7186 (June 27, 1995) [60 FR 35642].

[7] Securities Act Release No. 7187 (June 27, 1995) [60 FR 35645].

[8] Securities Act Release No. 7233 (October 13, 1995) [60 FR 53458].

[9] Securities Act Release No. 7234 (October 13, 1995) [60 FR 53468].

[10] The Commission issued a release proposing to amend the financial statement requirements for significant acquisitions and require reporting of unregistered equity sales. These issues arose out of a review of offshore capital-raising practices. *See* Securities Act Release No. 7189 (June 28, 1995) [60 FR 35656]. In connection with this review, the Commission also issued an interpretive release regarding problematic practices under Regulation S, as discussed below. *See* Securities Act Release No. 7190 (June 28, 1995) [60 FR 35663].

[11] Securities Act Release No. 7184 (June 27, 1995) [60 FR 35633].

[12] Securities Act Release No. 7183 (June 27, 1995) [60 FR 35604].

[13] Securities Act Release No. 7188 (June 28, 1995) [60 FR 35648].

[14] Securities Act Release No. 7189 (June 28, 1995) [60 FR 35656].

[15] Securities Act Release No. 7190 (June 28, 1995) [60 FR 35663].

companies, investor groups, underwriters, accounting firms, lawyers and others who participate daily in the capital markets. These participants helped the Task Force to identify and formulate reforms that reduce costs and regulatory burdens without impairing the transparency and integrity of our capital markets. None suggested wholesale deregulation, and virtually all emphasized the importance of basic regulatory goals to preserve orderly markets.

The Task Force recommendations fall into three broad categories:

(1) Weeding out forms and regulations that are duplicative of other requirements or have outlived their usefulness;

(2) Requiring more readable and informative disclosure documents; and

(3) Reducing the cost of securities offerings and increasing access of smaller companies to the securities markets.

The Conference participants will consider the general recommendations of the Task Force.

*G. Derivatives*

During the last several years, there has been substantial growth in the use of derivative financial instruments, other financial instruments, and commodity instruments. The Commission recognizes that these instruments can be effective tools for managing exposures to market risk. During 1994, however, some Commission registrant's experienced significant, and sometimes unexpected, losses in market risk sensitive instruments. In light of these losses and the substantial growth in the use of market risk sensitive instruments, the Commission continued its derivatives initiatives in 1995. Included in these initiatives was the release of proposed amendments that would supplement disclosures currently required by generally accepted accounting principles and Commission rules and make information about derivative financial instruments, other financial instruments, and derivative commodity instruments more useful to readers assessing the market risk associated with these instruments. Conferees will discuss this latest Commission initiative, as well as, the application of federal and state securities laws to derivatives and other market sensitive instruments.

*(2) Market Regulation Issues*

*A. Central Registration Depository (''CRD'') Redesign*

*a. Implementation*

The CRD system is a computer system operated by the National Association of Securities Dealers, Inc. (''NASD'') that allows ''one-stop'' filing for registration and that maintains information regarding broker-dealers and their associated persons for regulatory purposes. The NASD is in the process of implementing a comprehensive plan to redesign the CRD and to expand its use by federal and state securities regulators as a tool for broker-dealer regulation. As a result of the NASD's efforts, the redesigned CRD system ultimately is expected to provide the Commission, self-regulatory organizations (''SROs''), and state securities regulators with: (i) streamlined capture and display of data; (ii) better access to registration and disciplinary information through the use of standardized and specialized computer searches; and (iii) electronic filing of uniform registration and licensing forms, including Forms U–4, U–5, BD and BDW, discussed below.

The NASD plans to implement the redesigned CRD in phases. The NASD plans to begin conducting a two-month pilot test of the redesigned CRD. Following completion of the pilot test, the NASD will begin Phase I of the implementation of the redesigned CRD. During Phase I, the NASD will convert broker-dealer registration information contained in the old CRD system to the redesigned CRD format. During Phase II of the implementation process, the Commission, the SROs, and state securities regulators will be provided direct access to broker-dealer registration information (including information filed by applicants for broker-dealer registration) contained in the redesigned CRD system. Among other things, federal and state securities regulators and the SROs will be provided with the ability to search through hundreds of thousands of records to: identify problem brokers, flag problem brokers who have left the industry so that they can be reviewed should they attempt to return to the business, and target firms and branches for examination in a more effective way.

Among other things, the participants will discuss the status of the CRD implementation process, and issues relating to the conversion of existing registration information to the redesigned CRD and electronic filing of uniform forms.

*b. Forms Disclosure*

In connection with the CRD redesign, NASAA adopted amendments to certain aspects of Form U–4, the uniform form for registration of associated persons of a broker-dealer.[16] These amendments did not include amendments to new Item 22–I, which requires disclosure of certain customer complaints and proceedings. The appropriate level of disclosure of customer complaints, as well as settlements, arbitration awards, and civil judgments, has been the subject of extensive discussions among the securities industry, NASAA, the NASD, and the Commission. The participants will discuss the status of these discussions at the Conference.

*B. Books and Records Revisions*

The Commission has been working with representatives of NASAA to develop proposed amendments to the books and records requirements of Rules 17a–3 and 17a–4 of the Securities Exchange Act of 1934 (''Exchange Act'') to reflect the concerns of the states. These proposed amendments will include requirements that broker-dealers maintain additional records relating to such matters as sales practices, licensing and compensation of registered representatives, investor suitability, customer complaints, exceptional or unusual commissions or trading frequency, due diligence with respect to recommended securities, correspondence, and marketing materials.

The Commission intends to publish the proposed amendments prior to the Conference and anticipates that the participants will discuss the proposed amendments and related issues at the Conference.

*C. Bank Securities Activities*

In December 1994, the NASD proposed rules that would govern the conduct of member broker-dealers operating on financial institution premises.[17] The proposed rules are intended to provide guidance with respect to the activities of bank-affiliated broker-dealers and third-party broker-dealers operating on the premises of financial institutions pursuant to a networking arrangement. The NASD recently submitted to the Commission a revised rule proposal designed to address a number of issues

[16] *See* NASAA Reports (CCH) ¶ 4161 (1994). NASAA also adopted similar amendments to Form BD. NASAA Reports (CCH) ¶ 5061 (1995).

[17] *See* NASD Notice To Members 94–94 (December 1994).

raised by commenters with respect to the original NASD proposal.

The proposed rule change sets forth specific requirements for members doing business on the premises of financial institutions as they relate to: (1) setting; (2) networking and brokerage affiliate arrangements; (3) compensation of registered and unregistered persons; (4) customer disclosure and written acknowledgments; (5) use of confidential financial information; and (6) communications with the public. The Commission anticipates that the Conference participants will discuss the NASD's proposed rule change.

*D. Regulation of Foreign Broker-Dealers*

In October 1995, NASAA adopted amendments to the Uniform Securities Act to permit Canadian broker-dealers, subject to certain conditions, to effect transactions for Canadian citizens temporarily residing in the United States with whom Canadian broker-dealers have a bona fide pre-existing relationship as well as in the Canadian retirement accounts of Canadian citizens residing permanently in the United States, without registering as broker-dealers with the states.[18] Such Canadian broker-dealers also are exempt from all the requirements of the Uniform Securities Act, except the antifraud provisions and the requirements set forth in Section 201–A of the Act. The participants will discuss the NASAA amendments, particularly in light of Rule 15a–6 under the Exchange Act, the federal exemption from broker-dealer registration for foreign broker-dealers effecting transactions primarily with U.S. institutional customers. Rule 15a-6(a)(4)(iii) includes a similar, but not identical, exemption from broker-dealer registration for foreign broker-dealers effecting transactions with foreign persons temporarily present in the United States with whom the foreign broker-dealer has a bona fide, pre-existing relationship. Participants also will discuss the Uniform Securities Act provision in relation to the registration requirements imposed by the Securities Act.

*E. Amendments to The Trading Practices Rules*

On April 19, 1994, the Commission published a concept release soliciting comment on anti-manipulation regulation of securities offerings. Since these rules were adopted and last significantly amended, there have been substantial changes in the structure of the securities markets, new kinds of trading instruments and strategies, enhanced transparency of securities transactions, expanded surveillance capabilities, and transformation of the capital raising process. In particular, the rise in the number of, and demand for, multinational offerings has required careful coordination of the interaction of the anti-manipulation rules with foreign distribution practices and regulatory requirements. The dominant themes in the comment letters were: (i) restructuring anti-manipulation regulation as non-exclusive safe-harbors; (ii) shortening the cooling-off periods; (iii) easing the application of anti-manipulation regulation in multinational distributions; (iv) allowing investors greater flexibility in conducting non-shareholder dividend reinvestment and stock purchase plans; and (v) providing greater flexibility under Rules 10b–7 and 10b–8. With respect to Rule 10b–6, commenters also recommended: (i) narrowing the definition of ''affiliated purchasers;'' (ii) eliminating the ''same class and series'' analysis for purposes of debt securities; (iii) expanding the exclusion for certain Rule 144A transactions; (iv) permitting the distribution of research reports in the ordinary course of business; and (v) providing greater relief for basket transactions. Participants will discuss issues relating to revision of the trading practices rules.

*F. Arbitration*

On January 22, 1996, the NASD's Arbitration Policy Task Force (''Task Force'') released its report on securities arbitration. In particular, the report makes recommendations to improve the arbitration of disputes between securities firms and their customers. The participants will discuss the recommendations made by the Task sForce.

*G. Municipal Securities Disclosure*

In November 1994 the Commission adopted amendments to Rule 15c2–12 in order to further deter fraud in the municipal securities market. The amendments prohibit a broker, dealer, or municipal securities dealer from underwriting a primary offering of municipal securities unless it has reasonably determined that an issuer of municipal securities or an obligated person has undertaken to provide certain annual financial information and event notices to nationally recognized municipal securities information repositories (''NRMSIRs'') and/or the Municipal Securities Rulemaking Board (''MSRB'') and state information depositories.[19] The amendments also prohibit those same entities from recommending the purchase or sale of a municipal security in the secondary market unless they have procedures in place that provide reasonable assurance that they will receive promptly any event notices with respect to that security. The amendments provide certain exemptions, including one for small and infrequent issuers of municipal securities.

The Division of Market Regulation (''Division'') has issued several letters regarding the application of the amendments. The Conference participants will discuss these developments and other matters with respect to municipal securities.

*H. Internet Fraud/Electronic Delivery*

On October 23, 1995, NASAA announced the formation of a Blue Ribbon panel from industry, academia, and regulatory agencies, including the Commission, to consider key areas of federal-state regulation, including issues relating to the Internet. NASAA also recently adopted a resolution on the development of a uniform policy concerning securities offerings through the Internet. This resolution follows initiatives by various states to exempt Internet offerings from state registration under certain conditions. The Commission staff similarly has established programs to address a wide range of Internet issues. The Commission staff and NASAA have consulted on these and other issues as part of the regular communication concerning the Internet and the use of electronic media.

A leading area of mutual interest to both the Commission staff and NASAA is cyberfraud, and the Commission staff and NASAA have ongoing consultations concerning new issues raised. Other areas of concern include securities offerings through the Internet; industry retention of electronic records and communications; computer security;

[18] *See* NASAA Reports (CCH) ¶ 4861A (1995).

[19] The Division issued six no-action letters recognizing applicants as NRMSIRs for purposes of Rule 15c2–12 under the Exchange Act. NRMSIRs will receive official statements, annual financial information, notices of material events, and notices of a failure to provide annual financial information undertaken to be provided in accordance with Rule 15c2–12. NRMSIRs will make this information available to the public. The entities that received recognition as NRMSIRs are: 1) Bloomberg, L.P. of Princeton, NJ; 2) Thomson Municipal Services, Inc. (a/k/a The Bond Buyer) of New York, NY; 3) Disclosure, Inc. of Bethesda, MD; 4) Kenny Information Systems of New York, NY; 5) Moody's Investors Service of New York, NY; and 6) R.R. Donnelley & Sons Company of Hudson, MA. In addition, the Division has recognized state information depositories in Texas, Idaho, and Michigan.

unregistered brokerage, investment advisory and other regulated financial business conducted through the Internet; foreign exchange and foreign financial sector access to the U.S. through electronic media; and industry and investor education about the use of electronic media for securities business.

In addition, on October 6, 1995, the Commission published an interpretive release expressing its views on the electronic delivery of certain documents, such as prospectuses, annual reports, and proxy solicitation materials.[20] As directed by the Commission in this release, the Division is studying the feasibility of electronic delivery of confirmation statements, as well as other information required under the Exchange Act. The Conference participants will discuss these and other matters concerning the Internet and the use of electronic media.

*I. Continuing Education*

On February 8, 1995, the Commission approved uniform proposals by the MSRB, NASD, American Stock Exchange, Inc. (''Amex''), Chicago Board Options Exchange, Inc. (''CBOE''), Chicago Stock Exchange, Inc., Pacific Stock Exchange, Inc., and Philadelphia Stock Exchange, Inc. to implement a continuing education program for registered persons. This program includes a Regulatory Element requiring uniform, periodic training in regulatory matters, and a Firm Element requiring broker-dealers to maintain ongoing programs to keep their registered persons up-to-date on job and product related subjects.

A permanent Council on Continuing Education (''Council''), composed of broker-dealer and SRO representatives, is charged with the responsibility of providing ongoing input to the continuing education program. The Council currently is working on substantial revisions to the Regulatory Element to incorporate into the program new and more challenging learning exercises. The Council also is considering the development of a ''sales supervisor'' training module. The participants will discuss issues involving the maintenance and refinement of the program.

*J. Compliance Inspections and Examinations Issues*

*a. Sales Practice Activities/Joint Regulatory Examination Sweep*

In November 1995, the Commission completed a joint regulatory sales practice examination sweep (''Sweep'') in cooperation with the NASD, the New York Stock Exchange (''NYSE''), and NASAA (collectively the ''Working Group''). The objective of the Sweep was to identify possible problem registered representatives and to ensure that appropriate supervisory mechanisms are in place or, where necessary, to take appropriate enforcement action against those individuals. The participants will discuss the results of the Sweep, as well as recommendations made by the Working Group as a result of the findings.

*b. Coordinated Examinations*

On November 28, 1995, the Commission entered into a Memorandum of Understanding (''MOU'') with the examining SROs and NASAA to promote cooperation and coordination among the examining authorities, as well as to eliminate unnecessary and burdensome duplication in the broker-dealer examination process. The key provisions of the MOU provide for: (1) Annual National and Regional Planning Summits among the Commission, Amex, CBOE, the NASD, the NYSE, and NASAA; (2) coordination of broker-dealer examinations by the Amex, CBOE, the NASD, and the NYSE; (3) a computerized tracking system for all broker-dealer examinations; and (4) use of state resources in those areas where they are most needed.

On February 9, 1996, the National Planning Summit was held at the Commission's headquarters in Washington, D.C. The goal was to discuss the coordination of examination schedules and examination priorities, as well as other areas of related interest. The participants will discuss the provisions of the MOU and the actions that need to be taken to fulfill its objectives.

*(3) Investment Management Issues*

*A. Investment Company Disclosure*

In recent years, the Commission has launched several initiatives designed to improve the usefulness of the information received by mutual fund investors while at the same time minimizing the regulatory cost and burdens imposed on mutual funds. The conferees will discuss ways to improve the quality of information regarding mutual funds available to investors, as well as federal and state efforts toward more uniform federal and state investment company disclosure requirements.

In March 1995, the Commission issued for public comment a concept release discussing the ways in which investment company risk disclosure can be improved so that investors better understand the risks presented by funds. The Commission received approximately 3700 comment letters from individual investors and others in response to the concept release. The conferees are expected to discuss issues relating to investment company risk disclosure and the comments the Commission has received.

The Commission has worked with the investment company industry and NASAA to develop the concept of a ''profile prospectus.'' The key element of the profile prospectus is a standardized, short form summary that accompanies the full length prospectus and is designed to enable mutual fund investors to better understand what they are buying. Pilot ''profiles'' developed by eight fund groups have been available to investors starting August 1995. The conferees are expected to discuss this initiative.

The Commission recently approved the delivery of electronic prospectuses to potential investors as a method of complying with Securities Act prospectus delivery requirements. The conferees are expected to discuss the development of various means of electronic delivery of information to investors in this rapidly developing area.

The Division of Investment Management has encouraged funds to write prospectuses in simpler, more concise formats that are easier for investors to understand. A number of fund complexes have responded to the Division's initiative and have developed ''prototype'' prospectuses for the Division's review. These prospectuses are designed to be consistent with current Form N–1A disclosure requirements and to provide investors with straight-forward descriptions of essential information about funds. The conferees are expected to discuss this initiative.

*B. Investment Advisers*

The Commission has sought to develop alternative approaches to shortening the inspection cycles for investment advisers. In a speech at the NASAA annual meeting in October 1995, Chairman Levitt suggested one such approach would be for Congress to change the existing regulatory scheme through legislative action.[21] Under this

[20] Securities Act Release No. 7233 (Oct. 6, 1995), 60 FR 53458 (Oct. 13, 1995).

[21] ''The SEC and the States: Toward a More Perfect Union,'' Remarks by Arthur Levitt, Chairman, U.S. Securities and Exchange Commission, before the North American Securities Administrators Association, Vancouver, British Columbia (Oct. 23, 1995).

approach, Congress would delegate certain registration and examination responsibilities to state regulators, while the Commission would retain exclusive responsibility for larger investment advisers, whose activities tend to be more complicated and have an effect on national markets. The states would regulate and examine smaller advisers who tend to operate locally. The conferees are expected to discuss legislative proposals in this area and other approaches to improving the efficiency of investment adviser regulation and examinations.

Toward the same end, the Commission in July 1995 proposed improved disclosure requirements for money market funds. The revised standards would simplify money market fund prospectuses considerably, making them less costly to prepare and allowing investors to focus on a short document that contains the most essential information about the fund. The conferees are expected to discuss this proposal and the comments the Commission has received.

*(4) Enforcement Issues*

In addition to the above-stated topics, the state and federal regulators will discuss various enforcement-related issues which are of mutual interest.

*(5) Investor Education*

The Commission is pursuing a number of programs for investors on how to invest wisely and to protect themselves from fraud and abuse. The States and NASAA have a longstanding commitment to investor education and the Commission is intent on coordinating and complementing those efforts to the greatest extent possible. The participants at the conference will discuss investor education and potential joint projects in some of the working group sessions.

*(6) General*

There are a number of matters which are applicable to all, or a number, of the areas noted above. These include EDGAR, the Commission's electronic disclosure system, rulemaking procedures, training and education of staff examiners and analysts and sharing of information.

The Commission and NASAA request specific public comments and recommendations on the above-mentioned topics. Commenters should focus on the agenda but may also discuss or comment on other proposals which would enhance uniformity in the existing scheme of state and federal regulation, while helping to maintain high standards of investor protection.

Dated: April 3, 1996.

By the Commission.

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96–8788 Filed 4–8–96; 8:45 am]

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**[Release No. 34–37058; File No. SR-CBOE–96–17]**

## Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Options on the CBOE Oil Index

April 2, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 15, 1996, the Chicago Board Options Exchange, Incorporated (''CBOE'' 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 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 CBOE proposes to list and trade options on the CBOE Oil Index (''Oil Index'' or ''Index'').

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 an 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*

The purpose of the proposed rule change is to permit the exchange to list and trade cash-settled, European-style stock index options on the CBOE Oil Index. The Index currently meets all of the generic criteria for listing options on narrow-based indexes as set forth in Exchange Rule 24.2 and the Commission's order approving that Rule (the ''Commission Order'').[2] In accordance with Rule 24.2, CBOE proposes to list and trade options on the Oil Index beginning 30 days from the filing date of this proposed rule change.

The Oil Index consists of 15 stocks of large and widely held intergrated oil companies. Options on the Index will provide investors with a low-cost means to participate in the performance of this sector or to hedge against the risk of investing in this sector.

Index Design

All of the Oil Index stocks are U.S. securities and currently trade on the New York Stock Exchange (''NYSE''). Additionally, all of the stocks are ''reported securities'' as defined in Rule 11Aa3–1 under the Exchange Act.

Each Index stock has a market capitalization in excess of $3 billion. Specifically, the stocks comprising the Index range in capitalization from $3.2 billion to $101.6 billion as of February 21, 1996. The total capitalization as of that date was $432 billion. The mean capitalization was $28.8 billion. The median capitalization was $18.3 billion.

In addition, each of the component stocks in the Index have had average monthly trading volume well in excess of 1 million shares over the six month period through January of 1996. The average monthly volumes for these stocks over the six month period ranged from a low of 3.6 million shares to a high of 27.5 million shares. As of February 21, 1996, 100% of the weight of the Index and 100% of the number of components are eligible for options trading.

The largest stock in the Index by weight comprises 13.72% of the Index, while the smallest represents 1.86% of the Index. The top 5 stocks in the Index account for 54.03% of the Index. Accordingly, the Exchange's generic listing standards for narrow based indexes are met with respect to the criteria of market capitalization, weighting constraints, options eligibility, and trading volume.

Calculation

The Index will be calculated on a real-time basis using last-sale prices by CBOE or its designee, and will be disseminated every 15 seconds by CBOE. If a component stock is not currently being traded, the most recent

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062.