

registered under the Act, if the SEC deems it necessary or appropriate in the public interest or for the protection of investors.

3. CityFed acknowledges that it may be deemed to fall within one of the Act's definitions of an investment company. Accordingly, CityFed requests an exemption under sections 6(c) and 6(e) from all provisions of the Act, subject to certain exceptions described below. CityFed requests an exemption until the earlier of one year from the date of the requested order or such time as it would no longer be required to register as an investment company under the Act.

4. In determining whether to grant an exemption for a transient investment company, the SEC considers such factors as whether the failure of the company to become primarily engaged in a non-investment business or excepted business or liquidate within one year was due to factors beyond its control; whether the company's officers and employees during that period tried, in good faith, to effect the company's investment of its assets in a non-investment business or excepted business or to cause the liquidation of the company; and whether the company invested in securities solely to preserve the value of its assets. CityFed believes that it meets these criteria.

5. CityFed believes that its failure to become primarily engaged in a non-investment business by February 12, 2000, is due to factors beyond its control. CityFed asserts that the amount required to resolve its currently outstanding claims cannot be reasonably estimated and could exceed its assets. If CityFed is unable to resolve these claims successfully, it states that it may seek protection from the bankruptcy courts or liquidate. CityFed also asserts that it probably will not be in a position to determine what course of action to pursue until most, if not all, of its contingent liabilities are resolved. Additionally, CityFed states that its circumstances are unlikely to change over the requested one year period in light of the number of claims currently pending against it and because of the existence of the Escrow Agreement. Since the filing of its initial application for exemptive relief under sections 6(c) and 6(e) on October 19, 1990, CityFed has invested in money market instruments and money market mutual funds solely to preserve the value of its assets.

6. During the term of the proposed exemption, CityFed states that it will comply with sections 9, 17(a) and (d) (subject to the exception below and the modifications described in condition 3, below), 17(e), 17(f), 36 through 45, and

47 through 51 of the Act and the rules thereunder. With respect to section 17(d), CityFed represents that it established a stock option plan when it was an operating company. Although the plan has been terminated, certain former employees of City Federal have existing rights under the plan. CityFed believes that the plan may be deemed a joint enterprise or other joint arrangement or profit-sharing plan within the meaning of section 17(d) and rule 17d-1 thereunder. Because the plan was adopted when CityFed was an operating company and to the extent there are existing rights under the plan, CityFed seeks an exemption to the extent necessary from section 17(d).

Applicant's Conditions

CityFed agrees that the requested exemption will be subject to the following conditions:

1. CityFed will not purchase or otherwise acquire any additional securities other than securities that are rated investment grade or higher by a nationally recognized statistical rating organization or, if unrated, deemed to be of comparable quality under guidelines approved by CityFed's Board, subject to two exceptions:

a. CityFed may make an equity investment in issuers that are not investment companies as defined in section 3(a) of the Act (including issuers that are not investment companies because they are covered by a specific exclusion from the definition of investment company under section 3(c) of the Act other than sections 3(c)(1) and 3(c)(7)) in connection with the possible acquisition of an operating business as evidenced by a resolution approved by CityFed's Board; and

b. CityFed may invest in one or more money market mutual funds that limit their investments to "Eligible Securities" within the meaning of rule 2a-7(a)(10) promulgated under the Act.

2. CityFed's Form 10-KSB, Form 10-QSB and annual reports to shareholders will state that an exemptive order has been granted pursuant to sections 6(c) and 6(e) of the Act and that CityFed and other persons, in their transactions and relations with CityFed, are subject to sections 9, 17(a), 17(d), 17(e), 17(f), 36 through 45, and 47 through 51 of the Act, and the rules thereunder, as if CityFed were a registered investment company, except as permitted by the order requested hereby.

3. Notwithstanding sections 17(a) and 17(d) of the Act, an affiliated person (as defined in section 2(a)(3) of the Act) of CityFed may engage in a transaction that otherwise would be prohibited by these sections with CityFed:

a. If such proposed transaction is first approved by a bankruptcy court on the basis that (i) the terms thereof, including the consideration to be paid or received, are reasonable and fair to CityFed, and (ii) the participation of CityFed in the proposed transaction will not be on a basis less advantageous to CityFed than that of other participants; and

b. In connection with each such transaction, CityFed shall inform the bankruptcy court of (i) the identity of all of its affiliated persons who are parties to, or have a direct or indirect financial interest in, the transaction; (ii) the nature of the affiliation; and (iii) the financial interests of such persons in the transaction.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release 34-42335; File No. 600-23]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Extending Temporary Registration as a Clearing Agency

January 12, 2000.

Notice is hereby given that on December 30, 1999, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") an application pursuant to Section 19(a) of the Securities Exchange Act of 1934 ("Act")¹ requesting that the Commission grant GSCC full registration as a clearing agency or in the alternative extend GSCC temporary registration as a clearing agency until such time as the Commission is able to grant GSCC permanent registration.² The Commission is publishing this notice and order to solicit comments from interested persons and to extend GSCC's temporary registration as a clearing agency through July 31, 2000.

On May 24, 1988, pursuant to Sections 17A(b) and 19(a) of the Act³ and Rule 17Ab2-1 promulgated thereunder,⁴ the Commission granted GSCC registration as a clearing agency on a temporary basis for a period of

¹ 15 U.S.C. 78s(a).

² Letter from Sal Ricca, President and Chief Operating Officer, GSCC (December 30, 1999).

³ 15 U.S.C. 78q-1(b) and 78s(a).

⁴ 17 CFR 240.17Ab2-1.

three years.⁵ The Commission subsequently has extended GSCC's registration through January 14, 2000.⁶

In the most recent extension of GSCC's temporary registration, the Commission stated that it planned in the near future to seek comment on granting GSCC permanent registration as a clearing agency. This extension of GSCC's temporary registration will enable the Commission to do so within the next few months.

Interested persons are invited to submit written data, views, and arguments with respect to whether the Commission should grant GSCC permanent registration as a clearing agency. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Copies of the amended application for registration and all written comments will be available for inspection at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. All submissions should refer to File No. 600-23 and should be submitted by February 11, 2000.

IT IS THEREFORE ORDERED pursuant to Sections 17A(b) and 19(a) of the Act that GSCC's temporary registration as a clearing agency (File No. 600-23) be and hereby is extended through July 31, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42340; File No. SR-NASD-98-32]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 2 and 3 Thereto Relating to Filing Requirements for Independently Prepared Research Reports

January 13, 2000.

1. Introduction

On April 9, 1998, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, NASD Regulation, Inc. ("NASD Regulation"), submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the Conduct Rules of the NASD to exclude independently prepared research reports from the filing requirements of NASD Rule 2210. NASD Regulation filed an amendment to the proposed rule change on May 14, 1998, which was published in the original notice in the **Federal Register**.³

The proposed rule change was published for comment in the **Federal Register** on June 15, 1998.⁴ The Commission received four comments on the proposal.⁵ NASD Regulation filed amendments to the proposed rule change on April 19, 1999,⁶ and

November 10, 1999.⁷ This order approves the proposed rule change, as amended.

II. Description

NASD Conduct Rule 2210 currently requires that any "advertisement" or "sales literature" concerning a registered investment company be filed with NASD Regulation's Advertising/Investment Companies Regulation Department ("Department") and meet the content standards of that rule, as well as all applicable Commission rules. The rule defines "sales literature" to include a research report. Consequently, Rule 2210 requires that NASD member file all investment company research reports, even when the report is prepared by "independent research firms" (*i.e.*, those firms that are independent of the investment company, its affiliates, or any NASD member, and whose services are not procured by the investment company, any of its affiliates, or any NASD member).

NASD Regulation notes that as the investment company industry has grown in recent years so too has the coverage of this industry by independent research firms. Many of these firms publish reports that analyze a wide variety of investment companies and provide information about the investment companies, including each investment company's historical performance, the investment company's fees and expenses, and a description and narrative analysis of the investment company's investment strategies and portfolio management style.

NASD states that members use these independently prepared research reports in a number of ways. Some members may make the entire research service available to customers at a branch office. Members may also distribute an independently prepared research report concerning a particular investment company as part of the selling process.

NASD Regulation proposed the rule change to clarify the meaning, administration and enforcement of rule 2210 insofar as it applies to certain types of independently prepared research reports. The proposed rule change would clarify that certain types of independently prepared research reports would not have to be filed with the Department. The Department intends to interpret the term "independent" in (G)(i) of the proposed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from John Ramsay, Vice President, Deputy General Counsel, NASD Regulation, to Katherine A. England, Assistant Director, Division of Market Regulation ("Division"), Commission, dated May 13, 1998 ("Amendment No. 1").

⁴ See Exchange Act Release No. 40074 (June 4, 1998), 63 FR 32690 (June 15, 1998).

⁵ See Letter from Donald Phillips, President, Morningstar, Inc., to Jonathan G. Katz, Secretary, Commission, dated July 6, 1998 ("Morningstar Letter"); Letter from Lawrence H. Kaplan, Chairman, Investment Company Committee, Securities Industry Association, to Margaret H. McFarland, Deputy Secretary, Commission, dated July 1, 1998 ("SIA Letter"); Letter from Henry H. Hopkins, Managing Director and Chief Legal Counsel, T. Rowe Price Associates, Inc., to Jonathan G. Katz, Secretary, Commission, dated July 6, 1998 ("T. Rowe Price Letter"); Letter from Joseph P. Savage, Assistant Counsel, Investment Company Institute, to Jonathan G. Katz, Secretary, Commission, dated July 6, 1998 ("ICI Letter").

⁶ See Letter to Katherine A. England, Assistant Director, Division, Commission, from Thomas M. Selman, Vice President, Investment Companies/Corporate Financing, NASD Regulation, dated April 19, 1999 ("Amendment No. 2").

⁷ See Letter to Katherine A. England, Assistant Director, Division, Commission, from Thomas M. Selman, Vice President, Investment Companies/Corporate Financing, NASD Regulation, dated November 9, 1999 ("Amendment No. 3").

⁵ Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19639.

⁶ Securities Exchange Act Release Nos. 29067 (April 11, 1991), 56 FR 15652; 32385 (June 3, 1993), 58 FR 32405; 35787 (May 31, 1995), 60 FR 30324; 36508 (November 27, 1995), 60 FR 61719; 37983 (November 25, 1996), 61 FR 64183; 38698 (May 30, 1997), 62 FR 30911; 39696 (February 24, 1998), 63 FR 10253; 41104 (February 24, 1999), 64 FR 10510; and 41805 (August 27, 1999), 64 FR 48682.

⁷ 17 CFR 200.30-3(a)(16).