

**MEMO# 5953**

June 8, 1994

## **SEC PROPOSAL TO EXEMPT LISTED DEBT SECURITIES FROM CERTAIN PROVISIONS**

June 8, 1994 TO: SEC RULES COMMITTEE NO. 60-94 SUBCOMMITTEE ON CREDITORS' RIGHTS RE: SEC PROPOSAL TO EXEMPT LISTED DEBT SECURITIES FROM CERTAIN PROVISIONS \_\_\_\_\_ The Securities and Exchange Commission recently proposed new Rule 3a12-11 and revisions to certain other rules under the Securities Exchange Act of 1934 to exempt listed debt securities from certain provisions of the Act. A copy of the Commission's proposing release is attached. Section 12 of the Exchange Act requires all securities listed on a national exchange to be registered under the Act, and registration subjects these securities to restrictions under other provisions of the Act. In particular, Section 8(a) restricts the ability of broker-dealers to borrow using exchange-traded securities as collateral, Section 13(a) imposes periodic reporting requirements on the issuers of registered securities, and Section 14 subjects these securities to proxy regulation. In contrast, debt securities traded in the over-the-counter market are not required to be registered under the Act and are generally not subject to the borrowing restrictions, the periodic reporting requirements, or proxy regulation. After receiving a request from the New York Stock Exchange, the Commission issued its proposal to exempt listed debt securities from the borrowing restrictions and proxy rules under the Act. The Commission also is considering whether to extend the periodic reporting requirements to issues of OTC-traded debt securities. The Commission has requested comment concerning (among other issues) whether periodic reporting should be extended to OTC debt securities, whether the proposed exemption from the borrowing restrictions would affect investor protection in the debt market and the transparency and liquidity of that market, and whether the benefits to debtholders of the proxy rules outweigh the costs. The comment period on the Commission's proposal ends 60 days from the date that the release appears in the Federal Register. If you have any comments on the proposal, please contact me by Thursday, June 30th. My direct number is 202/326-5819. Thomas M. Selman Assistant Counsel Attachment