

MEMO# 12757

October 20, 2000

SEC APPROVAL OF AMENDMENTS TO MINIMUM LISTING REQUIREMENTS OF NASDAQ'S MUTUAL FUND QUOTATION SERVICE

[12757] October 20, 2000 TO: SMALL FUNDS COMMITTEE No. 5-00 SEC RULES COMMITTEE No. 123-00 CLOSED-END INVESTMENT COMPANY COMMITTEE No. 28-00 RE: SEC APPROVAL OF AMENDMENTS TO THE MINIMUM LISTING REQUIREMENTS OF NASDAQ'S MUTUAL FUND QUOTATION SERVICE The Securities and Exchange Commission recently issued an order approving an amendment to NASD Rule 6800 regarding the minimum listing requirements for the inclusion and maintenance of open-end and closed-end funds in Nasdaq's Mutual Fund Quotation Service (MFQS). This change will expand the universe of funds that are eligible for inclusion in the MFQS. The Institute had submitted a comment letter supporting the proposed rule change.¹ At the same time, the SEC has granted accelerated approval and solicited comment on Amendment No. 3 to the proposed rule change. Comments on proposed Amendment No. 3 are due to the SEC by November 3, 2000. The amendments to the MFQS listing requirements are summarized below. The amendments to NASD Rule 6800 lower both the initial and maintenance requirements for closed-end funds to participate in the News Media List. The net asset requirement for a closed-end fund to qualify initially for inclusion in the News Media List has been lowered from \$100 million in net assets to \$60 million in assets. The maintenance requirement for a closed-end fund to remain in the News Media List has been lowered from \$60 million in net assets to \$30 million in net assets. The inclusion criteria for the Supplemental List have been amended to provide an alternative means for a fund to be included in the MFQS. Currently, open-end or closed-end funds with \$10 million in net assets or two full years of operation may qualify for inclusion in the Supplemental List. Under this new alternative, a fund would qualify for the MFQS if the fund's investment adviser is the investment adviser of at least one other fund listed on the

1 See Memorandum to Closed-End Investment Company Committee No. 21-00, SEC Rules Committee No. 92-00 and Small Funds Committee No. 3-00, dated June 26, 2000. 2 MFQS that has \$10 million in net assets. 2 In addition, the fund's adviser must have at least \$15 million in total assets of open-end and closed-end funds under management. Amy B.R. Lancellotta Senior Counsel Attachment Attachment (in .pdf format) 2 Proposed Amendment No. 3 uses the term "investment adviser" rather than "investment management firm and managing the fund" for purposes of this new alternative. This change would provide clarity to the rule inasmuch as "investment adviser" is a defined term in the Investment Advisers Act of 1940.

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