

**MEMO# 4374**

December 30, 1992

# **INSTITUTE COMMENT LETTER ON NASD PROPOSED REPORTING SYSTEM FOR HIGH YIELD BONDS**

December 30, 1992 TO: BOARD OF GOVERNORS NO. 95-92 SEC RULES COMMITTEE NO. 95-92 ACCOUNTING/TREASURERS COMMITTEE NO. 49-92 RE: INSTITUTE COMMENT LETTER ON NASD PROPOSED REPORTING SYSTEM FOR HIGH YIELD BONDS

The Institute has filed the attached comment letter with the Securities and Exchange Commission strongly supporting the proposal of the NASD to establish rules for quotation and transaction reporting in the high yield bond markets. As we previously indicated, the proposal would require NASD members to report transactions in all high yield bonds traded over-the-counter to the NASD for regulatory purposes and require real time trade reporting for 30 to 50 of the most liquid high yield bonds, through a system called the Fixed Income Pricing System ("FIPS"). (See Memorandum to Board of Governors No. 89-92, SEC Rules Committee No. 93-92 and Accounting/Treasurers Committee No. 46-92, dated December 15, 1992.) In its comment letter, the Institute noted several benefits that the NASD's proposal should provide to investors in high yield bonds, such as investment companies. These include facilitating accurate pricing by open-end investment companies of the high yield bonds in their portfolios, assisting portfolio managers in making informed investment decisions and promoting the integrity of the high yield bond markets. The Institute also recommended that consideration be given to expanding the number of high yield bonds to be included in FIPS as soon as possible, in view of the significant benefits the proposed system is expected to provide. We will keep you informed of developments. Matthew P. Fink President  
Attachment