

MEMO# 2812

June 3, 1991

SEC APPROVES NYSE OFF-HOURS TRADING; FUNDS NOT REQUIRED TO AMEND PROSPECTUS DISCLOSURE

June 3, 1991 TO: SEC RULES MEMBERS NO. 34-91 RE: SEC APPROVES NYSE OFF-HOURS TRADING; FUNDS NOT REQUIRED TO AMEND PROSPECTUS DISCLOSURE

The SEC recently approved changes to the New York Stock Exchange's rules to extend the Exchange's trading hours beyond the close of the 9:30 a.m. to 4:00 p.m. trading session. Two separate off-hours trading sessions will be established and begin operations on June 13. Crossing Session I, which will run from 4:00 p.m. to 5:00 p.m., will accept orders in a particular stock for execution at the last price at which the stock traded on the NYSE during the 9:30 to 4:00 session. Crossing Session II, which will run from 4:00 p.m. to 5:15 p.m., is an aggregate-price session that will enable members to enter crosses of buy and sell program orders that include at least 15 NYSE-listed stocks having a total market value of \$1,000,000 or more, and to effect their execution at an aggregate price. The extension of the trading hours is the second phase of the Exchange's four part plan to respond to the demands of NYSE customers for after hours trading facilities and as a means to attract back to the U.S. the order flow currently being executed overseas. A copy of the SEC release is attached. As a result of the creation of the off-hours trading sessions, several members inquired about how the language "close of the Exchange", which is included in many fund prospectuses to describe when fund share prices are computed, should be interpreted. We were advised by the Division of Investment Management that the close of the Exchange should still be considered 4:00 p.m. for purposes of pricing fund shares. The staff also advised the Institute that fund prospectuses do not need to be "stickered" if the language therein is not clear with respect to the Exchange's closing time as a result of the new off-hours trading sessions. However, the next prospectus update should include whatever clarifying changes may be necessary. Amy B.R. Lancellotta Assistant General Counsel Attachment