

COMMENT LETTER

July 15, 1997

Comment Letter to NASD on Decimalization, July 1997

July 15, 1997

Ms. Joan Conley
Office of the Corporate Secretary
NASD
1735 K Street, N.W.
Washington, D.C. 20006

Re: Special NASD Request for Comment 97-41

Dear Ms. Conley:

The Investment Company Institute¹ is writing in response to the NASD's request for comment on the possible use of decimal pricing in The Nasdaq Stock Market, Inc. The Institute strongly supports a shift to the use of decimals for quoting and trading Nasdaq-listed stocks. As major investors in the U.S. equity markets, on behalf of millions of shareholders, mutual funds have a keen interest in achieving the cost savings that would result from any consequent narrowing in price spreads for Nasdaq-listed stocks.

The NASD's request for comment seeks information from interested parties on, among other things, the costs related to conversion to decimals. In response to a request by the Director of the SEC's Division of Market Regulation, the Institute recently surveyed several of its members regarding the anticipated costs of converting their computer systems to decimalization of equity quotes. The survey results, representing a cross-section of industry members, generally indicated that any conversion costs for mutual funds would not be significant.

The Institute is encouraged by the statement in the above-referenced notice that "[i]f the NASD's review of this issue demonstrates that a shift to decimal pricing aids investors in the purchase and sale of Nasdaq stocks, the NASD is committed to undertake the necessary technological changes to provide this benefit for investors." We are confident that the NASD will conclude that conversion to decimals is appropriate, and we urge its implementation as soon as practicable.

If you have any questions or need additional information, please call me at (202) 326-5815 or Frances Stadler at (202) 326-5822.

Sincerely,

Craig S. Tyle
Vice President and Senior Counsel

ENDNOTE

1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 6,543 open-end investment companies ("mutual funds"), 445 closed-end investment companies, and 11 sponsors of unit investment trusts. Its mutual fund members have assets of about \$3.849 trillion, accounting for approximately 95% of total industry assets, and have over 59 million individual shareholders.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.