

## COMMENT LETTER

June 26, 2000

# Comment Letter on Proposed Changes to Mutual Fund Quotation Service, June 2000

June 22, 2000

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 5th Street, N.W.  
Washington, DC 20549

Re: Mutual Fund Quotation Service Rule Changes  
File No. SR-NASD-00-16

Dear Mr. Katz:

The Investment Company Institute<sup>1</sup> appreciates the opportunity to express its views on the proposed rule changes to the Mutual Fund Quotation Service (MFQS).<sup>2</sup> The Institute supports the changes to the listing criteria of MFQS' News Media List for closed-end funds and the Supplemental List for open-end and closed-end funds. These changes will provide the opportunity for funds that were previously excluded from the MFQS to have their net asset value and associated data widely disseminated. Our comments on specific aspects of The Nasdaq Stock Market, Inc.'s (Nasdaq) proposal follow.

## News Media List

The Release indicates that Nasdaq proposes to amend the initial and continued listing criteria of MFQS' News Media List for closed-end funds, from \$100 million and \$60 million in net assets, to \$60 million and \$30 million in net assets, respectively. The Release further mentions that MFQS' News Media List provides the opportunity for funds to be included in the fund tables of newspapers. The Institute believes that both amended criteria for closed-end funds will enhance availability of and access to information of significant interest to investors. As such, the Institute supports the changes to the News Media List as proposed.<sup>3</sup>

# Supplemental List

The Release indicates that Nasdaq proposes to amend the listing criteria for the Supplemental List, from which fund data is disseminated over Nasdaq's Level 1 Service distributed by market data vendors. The Release notes that 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. The Release indicates that Nasdaq proposes a third inclusion criteria. Under this alternative, a fund would qualify if the investment management firm managing the fund has at least one other fund in the MFQS with \$10 million or more in assets and the firm has at least \$15 million under management (includes open-end, closed-end and/or money market funds but excludes other sources such as pension funds).

The Institute believes that the alternative criteria proposed would provide a means by which investors could have improved access to fund data without adversely affecting the integrity of the MFQS. Furthermore, we believe the proposal will be of particular benefit to smaller fund complexes that can not qualify a particular fund under the existing criteria. As such, the Institute supports the change to the Supplemental List criteria; however, we suggest that the proposed alternative's reference to the "investment management firm managing the fund" might create confusion in circumstances involving funds with subadvisers. We recommend, therefore, that the new alternative use a more established concept, such as "fund complex" as defined in the proxy rules under the Securities Exchange Act of 1934<sup>4</sup> or "family of investment companies" as defined in SEC Form N-SAR<sup>5</sup> to identify related funds.

\* \* \*

The Institute appreciates the opportunity to express its views on the proposed amendments to the MFQS. If you have any questions, please contact the undersigned at (202) 326-5869.

Sincerely,

Peter G. Salmon  
Director-Operations & Technology

## ENDNOTES

1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,051 open-end investment companies ("mutual funds"), 497 closed-end investment companies, and 8 sponsors of unit investment trusts. Its mutual fund members have assets of about \$7.009 trillion, accounting for approximately 95 percent of total industry assets, and over 78.7 million individual shareholders.

2 Release No. 34-42831 (June 5, 2000) (the "Release").

3 In this regard, we note that the Institute's 1998 comment letter concerning the proposed inclusion of closed-end funds in the MFQS recommended that Nasdaq consider lowering these thresholds in the future. See Letter to Jonathan G. Katz, Secretary, SEC, from Amy B.R. Lancellotta, Senior Counsel, Investment Company Institute (September 24, 1998).

4 See Item 22(a)(1)(v) of Schedule 14A (defining "fund complex" as two or more funds that (1) hold themselves out to investors as related companies for purposes of investment and

investor services; or (2) have a common investment adviser or an investment adviser that is an affiliated person of the investment adviser of any of the other funds).

5 See General Instruction H of Form N-SAR (defining "family of investment companies" to mean any two or more registered investment companies that share the same investment adviser or principal underwriter and hold themselves out to investors as related companies for purposes of investment and investor services).

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