

COMMENT LETTER

September 24, 1998

Comment Letter on Closed-End Fund Quotes, September 1998

September 24, 1998

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

Re: Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. To Include Closed-End Funds in Nasdaq's Mutual Fund Quotation System; File No. SR-NASD-98-53

Dear Mr. Katz:

The Investment Company Institute [1](#) is pleased to respond to the Securities and Exchange Commission's request for comments on the National Association of Securities Dealers, Inc. ("NASD") proposal, through The Nasdaq Stock Market, Inc. ("Nasdaq"), to amend Rule 6800 to include closed-end funds in Nasdaq's Mutual Fund Quotation Service ("MFQS").[2](#)

The MFQS currently collects daily price and related data for open-end funds and publicly disseminates the information to the news media and market data vendors; similar information for closed-end funds is disseminated once each week. Participating open-end funds are divided into two separate lists: the "News Media List" and the "Supplemental List." Funds on the News Media List are eligible for inclusion in the fund tables of newspapers and are disseminated over Nasdaq's Level 1 data feed service, while funds on the Supplemental List are disseminated solely over the Level 1 data feed service. NASD Rule 6800 contains minimum eligibility requirements for initial inclusion in both the News Media and Supplemental Lists, and maintenance requirements for continued inclusion in the News Media List.

Under the proposed amendments, a similar approach would be adopted for closed-end funds, except that the net assets thresholds for eligibility for and maintenance on the News Media List would be higher than the thresholds for open-end funds.[3](#) The Release states that this differential is warranted for two reasons. First, closed-end funds tend to have higher initial assets than open-end funds due to the fact that the asset base of a closed-end fund is fixed upon initiation, while an open-end fund's asset base often starts small and grows over time. Second, meaningful standards will produce a manageable list of closed-

end funds, and avoid having funds pay the higher fee for the News Media List when there is no guarantee that a qualifying fund's prices will be published at a given time, because of a growing shortage of newspaper print space. The Release further notes that the investment community and the ICI have supported the proposed requirements. It may be appropriate, however, for the NASD and Nasdaq to consider lowering these thresholds in the future if newspapers are receptive to including more price information about closed-end funds.

The ICI strongly supports the NASD's proposal to include closed-end funds in Nasdaq's MFQS. The proposed amendments further the NASD's mandate, as set forth in Section 15A(b)(6) of the Securities Exchange Act of 1934, to foster coordination with persons engaged in processing information with respect to securities, remove impediments to and perfect the mechanism of a free and open market, and, in general, protect investors and the public interest. We concur with the NASD and Nasdaq in their belief that the proposed rule change would protect investors and the public interest by promoting access by investors to daily price information with respect to closed-end funds and would provide the public information about closed-end and open-end funds on equal basis. Specifically, the inclusion of closed-end fund information in the MFQS would allow closed-end fund shareholders and investment professionals to track closed-end fund investments on a more timely basis.

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The ICI appreciates the opportunity to comment on this important matter. If you have any questions regarding our comments, please contact the undersigned at 202/326-5824.

Sincerely,

Amy B.R. Lancellotta
Senior Counsel

cc: S. William Broka
Senior Vice President, Trading and Market Services
The Nasdaq Stock Market, Inc.

Adena Friedman
Director, Trading and Market Services
The Nasdaq Stock Market, Inc.

ENDNOTES

1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 7,288 open-end investment companies ("mutual funds"), 450 closed-end investment companies, and 9 sponsors of unit investment trusts. Its mutual fund members have assets of about \$5.092 trillion, accounting for approximately 95% of total industry assets, and have over 62 million individual shareholders.

2 Securities and Exchange Commission Release No. 34-40380 (Aug. 27, 1998); 63 Fed. Reg. 47336 (Sept. 4, 1998) (the "Release").

3 In order to qualify for initial inclusion in this list, a closed-end fund would be required to have at least \$100 million in net assets. A closed-end fund could remain on the list if it had \$60 million in net assets. In contrast, the initial requirement for open-end funds is 1000

shareholders or \$25 million in net assets, and the maintenance requirement is 750 shareholders or \$15 million in net assets. Closed-end funds on the Supplemental List would be subject to the same eligibility requirements as open-end funds. As is the case with open-end funds, initial inclusion in the Supplemental List would be limited to funds with \$10 million in net assets or two full years of operation, and the list would have no maintenance requirement.

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