Board's interpretation of section 411 of the Act that is currently expressed in Part 234 without placing any new burdens on small businesses.

List of Subjects in 14 CFR Part 234

Air carriers, Consumer Protection.

All Members concurred except Vice Chairman McConnell who concurred and dissented and filed the following concurring and dissenting statement.

Statement of Vice Chairman McConnell

I concur with the majority in the elimination of Part 234 concerning unrealistic scheduling by certificated air carriers. However, I do not agree that this rule should be replaced with a policy statement in section 399.81.

The Board has authority to act under section 411 against deceptive practices in both foreign and domestic air transportation, and has exercised that authority on an *ad hoc* basis when a problem is proven. There is no evidence of record that an industry-wide problem exists that would call for a Board policy or rule statement.

I see no reason to merely describe statutory authority in a policy statement. If a carrier schedules flights in an unfair or deceptive way the Board should take enforcement action under section 411 of the Act.

Barbara E. McConnell

Accordingly, the Civil Aeronautics Board revises Chapter II of 14 CFR as follows:

1. The authority for Part 234 is:

Authority: Secs. 204, 404, 405, 411 of Pub. L. 85–726, as amended; 72 Stat. 743, 760, 769; 49 U.S.C. 1324, 1374, 1375, 1381.

PART 234—[REMOVED]

2. 14 CFR Part 234, *Flight Schedules of Certificated Air Carriers; Realistic Scheduling Required* is removed and reserved.

By the Civil Aeronautics Board:

Phyllis T. Kaylor,

Secretary.

[FR Doc. 84–27465 Filed 10–16–84; 8:45 am]

BILLING CODE 6320–01–M

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14 CFR Part 399

[Policy Statements Amdt. No. 86 to Part 399 Docket 27891; Reg. PS–111]

Statements of General Policy

AGENCY: Civil Aeronautics Board.

ACTION: Final rule.

SUMMARY: The CAB is eliminating its rule that prohibits certificated air carriers performing scheduled passenger service in interstate air transportation from filing or publishing unrealistic flight schedules, and requires some of these air carriers to file monthly reports with the Board on schedule arrival performance. In its place, the CAB is adopting a new policy statement that unrealistic scheduling will be considered an unfair and deceptive practice and an unfair method of competition under section 411 of the Federal Aviation Act. This action is taken at the Board's initiative.

DATES: *Adopted:* October 2, 1984. *Effective:* November 16, 1984.

FOR FURTHER INFORMATION CONTACT: Alexander J. Millard, Office of the General Counsel, (202) 673–6011, or Joanne Petrie, Office of the General Counsel, (202) 673–5442, Civil Aeronautics Board, 1825 Connecticut Avenue, NW., Washington, D.C. 20428.

SUPPLEMENTARY INFORMATION: In ER–1393, adopted concurrently, the Board removed and reserved Part 234, *Flight Schedules of Certificated Air Carriers; Realistic Scheduling Required.* That part prohibited certain air carriers from publishing unrealistic flight schedules and required carriers in the top 200 city pairs to file monthly reports with the Board.

This final rule changes the title of § 399.81 from *Deceptive practices in the advertising of scheduling performance,* to *Unrealistic or deceptive scheduling,* and adds a new paragraph (a). That paragraph states that it is the policy of the Board to consider unrealistic scheduling of flights by any certificated air carrier providing scheduled passenger air transportation to be an unfair or deceptive method of competition within the meaning of section 411 of the Act. The previous § 399.81 is retained unchanged as paragraph (b).

Additional background information and reasons for the adoption of this rule are set forth in ER–1393, which is also published today.

Regulatory Flexibility Act

In accordance with 5 U.S.C. 605(b), as added by the Regulatory Flexibility Act, Pub. L. 96–534, the Board certifies that this rule will not have a significant economic impact on a substantial number of small entities. The policy statement in § 399.81 will replace the Board's interpretation of section 411 of the Act that was expressed in Part 234 without placing any new burdens on small businesses.

List of Subjects in Part 399

Administrative practice and procedure, Advertising, Air carriers, Airports, Antitrust, Archives and records, Consumer protection, Freight forwarders, Grant programs—Transportation, Hawaii, Intergovernmental relations, Motor carriers, Puerto Rico, Railroads, Reporting requirements, Travel agents, Virgin Islands.

PART 399—[AMENDED]

Accordingly, the Civil Aeronautics Board revises Part 399, *Policy Statements,* as follows:

1. The authority for Part 399 is:

Authority: Secs. 101, 102, 105, 204, 401, 402, 403, 404, 405, 406, 407, 408, 409, 411, 412, 414, 416, 801, 1001, 1002, 1102, 1104 of Pub. L. 85–726, as amended, 72 Stat. 737, 740, 92 Stat. 1708, 72 Stat. 743, 754, 757, 758, 760, 763, 766, 767, 768, 769, 770, 771, 782, 788, 797; 49 U.S.C. 1301, 1302, 1305, 1324, 1371, 1372, 1373, 1374, 1375, 1376, 1377, 1378, 1379, 1381, 1382, 1384, 1386, 1461, 1481, 1482, 1502, 1504; Pub. L. 96–354, 5 U.S.C. 601.

2. Section 399.81 is revised by amending the title and by adding a new paragraph (a), so that it reads:

§ 399.81 Unrealistic or deceptive scheduling.

(a) It is the policy of the Board to consider unrealistic scheduling of flights by any certificated air carrier providing scheduled passenger air transportation to be an unfair or deceptive practice and an unfair method of competition within the meaning of section 411 of the Act.

(b) With respect to the advertising of scheduled performance, it is the policy of the Board to regard as an unfair or deceptive practice or an unfair method of competition the use of any figures purporting to reflect schedule or on-time performance without indicating the basis of the calculation, the time period involved, and the pairs of points or the percentage of systemwide operations, thereby represented and whether the figures include all scheduled flights or only scheduled flights actually performed.

All Members concurred except Vice Chairman McConnell who concurred and dissented and filed a concurring and dissenting statement which is included in Regulation ER–1393.

By the Civil Aeronautics Board.

Phyllis T. Kaylor,

Secretary.

[FR Doc. 84–27463 Filed 10–16–84; 8:45 am]

BILLING CODE 6320–01–M

DEPARTMENT OF COMMERCE

International Trade Administration

15 CFR Parts 373 and 399

[Docket No. 41031-4131]

Export of Computers; CPU Bus Rate Criteria No Longer Required for Licensing to Certain Countries

AGENCY: Office of Export Administration, International Trade Administration, Commerce.

ACTION: Interim rule with request for comments.

SUMMARY: This rule amends the Export Administration Regulations (15 CFR Parts 368–399) by dropping the Central Processing Unit (CPU) bus rate criteria as a requirement for licensing the export of computers to the Free World.

This change is based on an interagency review (Departments of Commerce, State, Energy and Defense) and an international review of the system of strategic export controls maintained by the United States and certain allied countries through the Coordinating Committee (COCOM). Because of changes in computer technology, the CPU bus rate, as a measurement of a computer's power to perform strategic calculations, is not as reliable as the Program Data Rate (PDR). Therefore, it has been determined that the PDR, rather than the CPU, is a more relevant factor in the licensing decision for export to the Free World of electronic computers covered under Export Control Commodity Number 1565A on the Commodity Control List (a listing of all items under Department of Commerce export control). Because PDR is only one of several factors used in reviewing license applications, this rule will have negligible effect on the number of licenses approved or denied.

DATES: This rule is effective October 17, 1984. Comments must be received by December 17, 1984.

ADDRESSES: Written comments (six copies) should be sent to: Betty Ferrell, Exporter Services Division, P.O. Box 273, Office of Export Administration, Washington, D.C. 20044.

FOR FURTHER INFORMATION CONTACT: Vincent Greenwald, Exporter Services Division, Telephone: (202) 377–3856.

SUPPLEMENTARY INFORMATION:

Rulemaking Requirements and Invitation to Comment

1. The provisions of the Administrative Procedure Act requiring notice of proposed rulemaking, an opportunity for public participation, and a delay in effective date (5 U.S.C. 553) are inapplicable because this regulation involves a foreign affairs function of the United States. However, because of the importance of the issues raised by these regulations, this rule is issued in interim form and comments will be considered in developing final regulations. Accordingly, interested persons who desire to comment are encouraged to do so at the earliest possible time to permit the fullest consideration of their views.

2. This rule does not contain a collection of information requirement for purposes of the Paperwork Reduction Act of 1980, 44 U.S.C. 3501 *et seq.*

3. Because a notice of proposed rulemaking is not being published for this rule, it is not a rule within the meaning of section 601(2) of the Regulatory Flexibility Act, 5 U.S.C. 601(2) and is not subject to the requirements of that Act. Accordingly, no initial or final Regulatory Flexibility Analysis has been or will be prepared.

4. Because this rule concerns a foreign affairs function of the United States, it is not a rule or regulation within the meaning of section 1(a) of Executive Order 12291 and, accordingly, is not subject to the requirements of that Order. Accordingly, no preliminary or final Regulatory Impact Analysis has been or will be prepared.

The period for submission of comments will close December 17, 1984. The Department will consider all comments received before the close of the comment period in developing final regulations. Comments received after the end of the comment period will be considered if possible, but their consideration cannot be assured. The Department will not accept public comments accompanied by a request that part or all of the material be treated confidentially because of its business proprietary nature or for any other reason. The Department will return such comments and materials to the person submitting the comments and will not consider them in the development of final regulations.

All public comments on these regulations will be a matter of public record and will be available for public inspection and copying. In the interest of accuracy and completeness, the Department requires comments in written form. Oral comments must be followed by written memoranda, which will also be a matter of public record and will be available for public review and copying. Communications from agencies of the United States Government or foreign governments will not be made available for public inspection.

The public record concerning these regulations will be maintained in the International Trade Administration Freedom of Information Records Inspection Facility, Room 4001, U.S. Department of Commerce, 14th Street and Pennsylvania Avenue, NW., Washington, D.C. 20230. Records in this facility, including written public comments and memoranda summarizing the substance of oral communications, may be inspected and copied in accordance with regulations published in Part 4 of Title 15 of the *Code of Federal Regulations*. Information about the inspection and copying of records at the facility may be obtained from Patricia L. Mann, International Trade Administration Freedom of Information Officer, at the above address or by calling (202) 377–3031.

List of Subjects in 15 CFR Parts 373 and 399

Exports.

Accordingly, the Export Administration Regulations (15 CFR Parts 368–399) are amended as follows:

PART 373—[AMENDED]

1. In Supplement No. 1 to Part 373, "Commodities Excluded from Certain Special Licensing Procedures," the entry reading "1565" is amended by removing the phrase "a CPU bus rate of 60 million bits per second or"; and footnote 2 to the entry 1565 is amended by removing the phrase "either a CPU bus rate of 500 million bits per second or" and the phrase "either a CPU bus rate of 200 million bits per second or".

PART 399—[AMENDED]

2. In *Group 5,* "Electronics and Precision Instruments," of Supplement No. 1 to section 399.1 (the Commodity Control List), ECCN 1565A is amended by removing the phrase "a CPU bus rate of 60 million bits per second or" from the paragraph titled *Special Licenses Available;* by removing the phrase "a bus rate of 60 million bits per second or more, or" from paragraph (b) under *Nuclear Non-Proliferation Controls;* by removing the phrase *"either a CPU bus rate of 500 million bits per second or"* from paragraph (b)(1) under *Nuclear Non-Proliferation Controls;* by removing the phrase *"either a CPU bus rate of 200 million bits per second or"* from paragraph (b)(2) under *Nuclear Non-Proliferation Controls;* by removing the phrase " 'CPU bus rate' and" and revising the phrase "the formulas for calculating those rates" to read "the formula for calculating that rate" in the first NOTE following the *Nuclear Non-Proliferation Controls* paragraph; and by removing the phrase "either a CPU bus rate of 500 million bits per second or" and the phrase "either a CPU bus rate of 200 million bits per second or" from the

third NOTE following the *Nuclear Non-Proliferation Controls* paragraph.

Authority: Secs. 203, 206, Pub. L. 95-223, Title II, 91 Stat. 1626, 1628 (50 U.S.C. 1702, 1704) Executive Order No. 12470 of March 30, 1984 (49 FR 13099, April 3, 1984).

Dated: October 12, 1984.

John K. Boidock,
Director, Office of Export Administration, International Trade Administration.

[FR Doc. 84-27445 Filed 10-16-84; 8:45 am]

BILLING CODE 3510-DT-M

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 239, 270, and 274

[Release Nos. 33-6555; IC-14193; File No. S7-14-84]

Certain Persons Not Deemed Interested Persons; Definition of Regular Broker or Dealer

AGENCY: Securities and Exchange Commission.

ACTION: Final rule amendments, rule adoption and technical amendments to registration statement forms.

SUMMARY: The Commission is adopting rule amendments that will conditionally exempt certain persons who are registered brokers or dealers or affiliated persons of registered brokers or dealers from being considered "interested persons" of an investment company, its investment adviser or principal underwriter. The amendments are intended to expand the pool from which directors who are not considered interested persons of the investment company may be chosen. The Commission is also adopting a rule to define the term "regular broker or dealer." The rule is designed to provide an objective standard by which an investment company can determine whether a particular broker or dealer is a "regular broker or dealer." The Commission is also adopting technical amendments to investment company registration statement forms to reflect the adoption of a definition of "regular broker or dealer."

EFFECTIVE DATE: November 16, 1984.

FOR FURTHER INFORMATION CONTACT: Elizabeth K. Norsworthy, Chief, Office of Regulatory Policy, (202) 272-2048, or Brian M. Kaplowitz, Staff Attorney, (202) 272-3024, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, D.C. 20549.

After the effective date, questions should be directed to the Office of Chief Counsel (202) 272-2030, Division of Investment Management, 450 Fifth Street, NW., Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION: The Commission is adopting amendments to rule 2a-5 [17 CFR § 270.2a-5] (to be renumbered rule 2a19-1) under the Investment Company Act of 1940 ("Act") [15 U.S.C. 80a-1 *et seq.*]. Rule 2a-5 presently affords a narrow exemption from the definition of "interested person" contained in section 2(a)(19) of the Act [15 U.S.C. 80a-2(a)(19)] for certain persons who are within the definition solely because they are brokers or dealers registered under the Securities Exchange Act of 1934 [15 U.S.C. 78a-1 *et seq.*] ("Exchange Act") or are affiliated persons of such brokers or dealers. The amendments are intended to expand the pool from which directors who are not considered interested persons of an investment company ("disinterested directors") may be chosen. While brokers or dealers and their affiliated persons presently may serve on investment company boards of directors, in most cases they must be considered interested persons of the company, its investment adviser, and principal underwriter, even when they or their firms have no other business relationship with those entities.

The Commission is also adopting rule 10b-1 [17 CFR § 270.10b-1] to define the term "regular broker or dealer", which is used in section 10(b) of the Act [15 U.S.C. 80a-10(b)] and in form N-1R [17 CFR 274.101], the annual report for management investment companies.[1] Rule 10b-1 is intended to provide an objective standard by which an investment company can determine whether a particular broker or dealer is a "regular broker or dealer" of the company. At the same time, the Commission is adopting technical amendments to certain items recently added to investment company registration statement forms when rule 12d3-1 [17 CFR § 270.12d3-1] was adopted.[2] These amendments are adopted to reflect the adoption of rule 10b-1 and to clarify when a registrant is required to comply with the new registration statement form items.[3]

Since the background of section 2(a)(19) and rule 2a-5 was discussed in detail in the proposing release,[4] this release focuses primarily on commentator reaction to the proposal and on changes that have been made in the proposal in response to that reaction. The Commission's decision to adopt rule 10b-1 as proposed is also discussed in more detail below.

Discussion

1. The proposed amendments to rule 2a-5

a. The decision to adopt the proposal. The Commission proposed amendments to rule 2a-5 which would broaden the pool from which disinterested investment company directors may be chosen without the need for an exemptive order and which would standardize the conditions under which directors may be considered disinterested.[5] As proposed, the amendments provide that an investment company director who is, or who is affiliated with, a registered broker or dealer may be considered disinterested only where the broker or dealer does no portfolio or distribution business with the company or its complex.[6] The proposed amendments also provide that only a minority of the disinterested directors of any investment company using the revised rule may be affiliated with registered brokers or dealers.

The proposing release also requested public comment on an alternative formulation of the revised rule. The alternative would permit a director to be

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[1] The term would also appear in items 22 and 23 of proposed form N-SAR, a semi-annual report form which the Commission has proposed to substitute for form N-1R and other annual reporting forms presently used by investment companies. *See* Exchange Act Release No. 21208, dated August 6, 1984 [49 FR 32370].

[2] The Commission adopted rule 12d3-1 and related disclosure requirements in Investment Company Act Release No. 14036, dated July 13, 1984 [49 FR 29362]. That rule permits registered investment companies to acquire the securities of persons engaged in securities related businesses, *i.e.*, brokers, dealers, underwriters or investment advisers, under certain circumstances.

[3] The items added to the registration statement forms require a registrant to "state whether" the registrant has acquired the securities of any of its regular brokers or dealers during the registrant's most recent fiscal year. Certain language in the items has been changed in order to make clear that the Commission did not intend to require negative disclosure. The items also have been changed to make clear that in the case of an investment company with more than one series, disclosure is required only with respect to the series for which securities are being registered under the Securities Act of 1933. [15 U.S.C. 77a et seq.]

[4] Investment Company Act Release No. 13920, dated May 2, 1984 [49 FR 19519].

[5] As noted in the proposing release, directors with existing exemptive orders that provide broader exemptive relief than the revised rule may continue to rely on such orders.

[6] The proposed amendments defined "complex" to mean the company on whose board the director sits, its investment adviser, its principal underwriter and other investment companies having the same investment adviser or principal underwriter. As noted *infra*, the revised rule states that investment adviser in this context includes all accounts with respect to which the adviser has brokerage placement discretion.

considered disinterested even though the investment company or its complex does a limited amount of portfolio or distribution business with the director's affiliated broker or dealer. Under the alternative formulation, the broker or dealer, during its most recent fiscal year, could not have received more than one percent of its consolidated gross revenues from executing portfolio transactions for the company, engaging in principal transactions with the company and distributing shares of the company of five percent of its consolidated gross revenues from performing those functions for the complex. In addition, no investment company in the complex could use the broker or dealer as a "regular broker or dealer" as that term would be defined in rule 10b–1. The alternative was based on the assumption that a director would not be subject to potential conflicts of interest so long as the mark-ups and commissions earned by the director's affiliated broker or dealer do not exceed certain specified percentages.

The Commission received six letters of comment in response to the proposing release. All of the commentators supported liberalizing the definition of interested person contained in section 2(a)(19). They differed, however, on whether the revised rule should permit an investment company to do a limited amount of business with a director's affiliated broker or dealer, if the director is to be considered disinterested. Two commentators believed that the revised rule should not permit any business between the complex and the director's affiliated broker or dealer. Four commentators believed that some business could be permitted, as contemplated by the alternative formulation of the revised rule. Two of those commentators, however, recommended that the alternative be modified to take into account the nature of the director's affiliation with the broker or dealer.

The commentators who believed that the revised rule should not permit any business between the complex and the director's affiliated broker or dealer argued that disinterested directors should be removed as much as possible from potential conflicts of interest and that the proposal's conditions would be more effective in minimizing that potential. In this regard, one commentator noted that even if potential conflicts were sufficiently diminished by the conditions of the alternative, the public might still perceive that some directors were not "quite" independent. The other commentator supporting the proposal believed that it would be premature for the Commission to adopt a rule that permits the company and its complex to do a limited amount of business with a disinterested director's affiliated broker or dealer because an adequte precedent for permitting such relief has not yet been established by the exemptive orders previously granted by the Commission.

Of the four commentators who believed that an investment company should be permitted to do a limited amount of business with a disinterested director's affiliated broker or dealer, two supported the alternative proposal, believing that it sufficiently reduced potential conflicts of interest and gave investment companies enough flexibility to do business with brokers or dealers who could provide them with valuable services.

The remaining two commentators, while supporting the idea that the revised rule should permit a limited amount of business, recommended that the alternative be adopted with modifications reflecting the nature of the disinterested director's affiliation with the broker or dealer. One of those commentators suggested that where a director's affiliation with the broker or dealer is more remote, that is, with the broker's or dealer's parent, then the percentage of revenues test should be applied to revenues that the parent derives from its subsidiary's business with the complex. The other commentator believed the percentage of revenues test, as stated in the alternative rule formulation, should be applied only when directors are remotely affiliated with the broker or dealer, for example, when the director is an outside director of the broker or dealer. In cases of more significant affiliations, for example, where the disinterested director is the account executive of the broker or dealer who handles the account of the complex, that commentator believed that the percentage of revenues derived by the broker or dealer from its business with the complex should not exceed one percent.

The Commission has decided to adopt the amendments essentially as proposed. The revised rule should expand the pool from which disinterested directors may be chosen in a manner that is consistent with the legislative intent behind section 2(a)(19). As observed by some of the commentators, if the rule permitted the complex to do a limited amount of business with a disinterested director's affiliated broker or dealer, the director could be subject, or could be perceived as subject, to potential conflicts of interest. As noted in the proposing release, if it is in the best interest of the complex to use a director's affiliated broker or dealer to execute portfolio transactions or to distribute shares, the director could still serve on the investment company board as an interested person.

b. *Changes in response to comments.* Several of the commentators suggested clarification or modification of the amendments in certain respects. As discussed below, the Commission is adopting some of these recommended changes.

One commentator requested that the text of the rule be redrafted to clarify the time period during which a complex cannot do business with a disinterested director's affiliated broker or dealer. One commentator suggested that, as in rule 17a–4 [17 CFR 270.17a–4], the time period should begin six months before the director is to be considered disinterested and continue for as long as the director is considered disinterested.[7] The Commission agrees that an appropriate time period should be specified. While obviously the time period should coincide with the time period during which the director is to be considered disinterested, the Commission also agrees that a condition specifying that the complex do no business with the broker or dealer for at least six months prior to the time when the director is to be considered a disinterested person should provide a reasonable buffer against potential conflicts of interest arising out of a prior business relationship between the complex and the director's affiliated broker or dealer.

One commentator also suggested clarification of the term "complex" as defined in the proposed amendments. As proposed, "complex" would mean the investment company using the rule, its investment adviser, its principal underwriter and all other investment companies having the same investment adviser or principal underwriter. The commentator noted that although the

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[7] Section 17(a) prohibits any affiliated person or promoter of or principal underwriter for a registered investment company, or any affiliated person of such a person, from selling or purchasing any security or other property to or from the company without first obtaining an order from the Commission permitting the transaction. Rule 17a–4 exempts from that section purchase and sale transactions pursuant to an investment company contract with a person who was not an affiliated person of the investment company, its promoter, its principal underwriter or one of their affiliates at the time the investment company entered into the contract or for six months prior thereto. *See* Investment Company Act Release No. 1072, dated June 18, 1947 [12 FR 5146].

definition appeared to include all accounts with respect to which the investment adviser has brokerage placement discretion, the proposal had not been clear on this point. A new phrase has been added to the definition of "complex" in the revised rule to make clear that the Commission *did* intend to include all discretionary accounts of an investment company's investment adviser.

The same commentator suggested that the proposed amendments be modified to require that the investment company's board of directors determine that the complex would be unlikely to use the director's affiliated broker or dealer to execute portfolio transactions or distribute shares. While the Commission does not believe that the directors of one investment company in a complex should be required to determine whether reliance on the rule could adversely affect *any* company in the complex, the final rule does require the directors to make that determination with respect to their own company. As pointed out by the commentator, virtually all of the prior applications for exemptive relief have contained this type of representation. The representation was phrased, however, in most cases, in terms of the company and not the complex.[8]

2. Proposed rule 10b–1

In its release proposing the revised rule, the Commission also proposed rule 10b–1 which would define the term "regular broker or dealer" as used in section 10(b)(1) of the Act and in form N–1R.[9] As proposed, "regular broker or dealer" would mean any broker or dealer which, during the company's most recently ended fiscal year, was among the ten brokers or dealers that (1) engaged as principal in the largest dollar amounts of portfolio transactions with the company,[10] (2) received the greatest dollar amounts of brokerage commissions by virtue of direct or indirect participation in the company's portfolio transactions,[11] or (3) sold the largest dollar amounts of the company's shares.[12] As unanimously recommended by the commentators, the Commission is adopting the definition as proposed.

Conclusion

The Commission is adopting rule 2a19–1 to exempt certain persons who are registered brokers or dealers or their affiliates from being considered "interested persons" of an investment company, its investment adviser or principal underwriter. The rule is being adopted substantially as proposed; the Commission has determined not to take any further action at this time on an alternative formulation of the rule that would have permitted an investment company and its complex to do a limited amount of business with a director's affiliated broker or dealer. Under the revised rule, an investment company director affiliated with a broker or dealer will be consider disinterested if (1) the company's complex did no portfolio or distribution business with that broker or dealer for at least six months prior to the time when the director is to be consider disinterested and the complex continues to do no business with that broker or dealer while the director is considered disinterested, (2) the company's board of directors determines that the company and its shareholders will not be adversely affected by not doing business with the broker or dealer and (3) no more than a minority of the company's disinterested directors are registered brokers or dealers or their affiliates. "Complex" is defined to mean the company, its investment adviser, its principal underwriter, and all other investment companies having the same investment adviser or principal underwriter. Investment adviser in this context includes all of the accounts over which the adviser has brokerage placement discretion.

The Commission is also adopting the proposed definition of "regular broker or dealer" and technical amendments to certain items that were recently added to investment company registration statement forms when rule 12d3–1 was adopted.

List of Subjects in 17 CFR Parts 239, 270, and 274

Investment companies, Reporting and recordkeeping requirements, Securities.

Text of Rule, Rule Amendments and Form Amendments

Parts 239, 270 and 274 of Chapter II of Title 17 of the Code of Federal Regulations are amended as set forth below:

PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933

1. By revising paragraph (e) and the instruction to paragraph (e) in item 9 of form N–2 described in § 239.14 to read as follows:

§ 239.14 Form N-2, registration statement of closed-end management investment companies.

* * * * *

Item 9. *Brokerage allocation and other practices.*

* * * * *

(e) If the registrant has acquired during its most recent fiscal year or during the period of time since organization, whichever is shorter, securities of its regular brokers or dealers or their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information with respect to an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of stock, the requested information must be disclosed for the class or series that has securities that are being registered.

* * * * *

2. By revising paragraph (e) and the instruction to paragraph (e) in item 17 of form N–1A described in § 239.15A to read as follows:

§ 239.15A Form N-1A, registration statement of open-end management investment companies.

* * * * *

Item 17. *Brokerage allocation and other practices.*

* * * * *

(e) If the registrant has acquired during its most recent fiscal year or during the period of time since organization, whichever is shorter, securities of its regular brokers or dealers of their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information with respect to an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of stock, the requested information must be

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[8] *See* proposing release *supra* note 4, at n. 26, n. 27, and accompanying text.

[9] *See supra* note 1.

[10] Disclosure concerning these brokers or dealers is currently required by item 30 of form N–1R and would be required by item 20 of proposed form N–SAR.

[11] Disclosure concerning these brokers or dealers is currently required by item 31 of form N–1R and would be required by item 18 of proposed form N–SAR.

[12] Although disclosure concerning these brokers and dealers is currently required by item 66 of form N–1R, the Commission has not proposed to include a comparable item in form N–SAR.

disclosed for the class or series that has securities that are being registered.

* * * * *

3. By revising paragraph (h) and the instruction to paragraph (h) in item 3 of form N-5 described in § 239.24 to read as follows:

§ 239.24 Form N-5, registration statement of small business investment company under the Securities Act of 1933 and the Investment Company Act of 1940.

* * * * *

Item 3. *Policies with respect to security investments.*

* * * * *

(h) If the registrant has acquired during its most recent fiscal year or during the period of time since organization, whichever is shorter, securities of its regular brokers or dealers or their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information with respect to an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of stock, the requested information must be disclosed for the class or series that has securities that are being registered.

* * * * *

PART 270—RULES AND REGULATIONS, INVESTMENT COMPANY ACT OF 1940

4. By revising and redesignating § 270.2a-5 (rule 2a-5) as § 270.2a19-1 to read as follows:

§ 270.2a19-1 Certain investment company directors not considered interested persons.

(a) A director of a registered investment company will not be considered an interested person, as defined by section 2(a)(19) of the Act, of such company or of any investment adviser of or principal underwriter for such company solely because that director is a broker or dealer registered under the Securities Exchange Act of 1934 or an affiliated person of a registered broker or dealer, *provided that:*

(1) The broker or dealer does not execute any portfolio transactions for the company's complex, engage in any principal transactions with the complex or distribute shares for the complex for at least six months prior to the time that the director is to be considered not to be an interested person and for the period during which the director continues to be considered not to be an interested person;

(2) The company's board of directors determines that the company and its shareholders will not be adversely affected if the broker or dealer does not execute any portfolio transactions for the company, engage in any principal transactions with the company or distribute any shares of the company; and

(3) No more than a minority of the directors of the company who are not interested persons of the company are registered brokers or dealers or affiliated persons of registered brokers or dealers.

(b) For purposes of this rule, "complex" shall mean the registered investment company, its investment adviser (including all accounts over which the adviser has brokerage placement discretion), its principal underwriter and all other investment companies having the same investment adviser or principal underwriter.

5. By adding § 270.10b-1 (rule 10b-1) to read as follows:

§ 270.10b-1 Definition of regular broker or dealer.

The term "regular broker or dealer" of an investment company shall mean:

(a) One of the ten brokers or dealers that received the greatest dollar amount of brokerage commissions by virtue of direct or indirect participation in the company's portfolio transactions during the company's most recent fiscal year;

(b) One of the ten brokers or dealers that engaged as principal in the largest dollar amount of portfolio transactions of the investment company during the company's most recent fiscal year; or

(c) One of the ten brokers or dealers that sold the largest dollar amount of securities of the investment company during the company's most recent fiscal year.

PART 274—FORMS PRESCRIBED UNDER THE INVESTMENT COMPANY ACT OF 1940

6. By revising paragraph (e) and the instruction to paragraph (e) in item 17 of form N-1A described in § 274.11A to read as follows:

§ 274.11A Form N-1A, registration statement of open-end management investment companies.

* * * * *

Item 17. *Brokerage allocation and other practices.*

* * * * *

(e) If the registrant has acquired during its most recent fiscal year or during the period of time since organization, whichever is shorter, securities of its regular brokers or dealers as defined in rule 10b-1 under the 1940 Act [17 CFR § 270.10b-1], or their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information which respect to an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of stock, the requested information must be disclosed for the class or series that has securities that are being registered.

* * * * *

7. By revising paragraph (e) and the instruction to paragraph (e) in item 9 of form N-2 described in § 274.11a-1 to read as follows:

§ 274.11a-1 Form N-2, registration statement of closed-end management investment companies.

* * * * *

Item 9. *Brokerage allocation and other practices.*

* * * * *

(e) If the registrant has acquired during its most recent fiscal year or during the period of time since organization, whichever is shorter, securities of its regular brokers or dealers as defined in rule 10b-1 under the 1940 Act [17 CFR § 270.10b-1], or their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information with respect to an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of stock, the requested information must be disclosed for the class or series that has securities that are being registered.

* * * * *

8. By revising paragraph (h) and the instruction to paragraph (h) in item 3 of form N-5, described in § 274.4 to read as follows:

§ 274.4 Form N-5, registration statement of small business investment company under the Securities Act of 1933 and the Investment Company Act of 1940.

* * * * *

Item 3. *Policies with respect to security investments.*

* * * * *

(h) If the registrant has acquired during its most recent fiscal year or during the period of time since organization, whichever is shorter, securities of its regular brokers or dealers as defined in rule 10b–1 under the Investment Company Act of 1940 [17 CFR § 270.10b–1], or their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information with respect to an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of stock, the requested information must be disclosed for the class or series that has securities that are being registered.

* * * * *

9. By revising the second paragraph and the instruction in item 11 of form N–8B–2 described in § 274.12 to read as follows:

§ 274.12 Form N–8B–2, registration statement of unit investment trusts which are currently issuing securities.

* * * * *

Information Concerning the Securities Underlying the Trust's Securities

Item 11 * * *

If the trust owns or will own any securities of its regular brokers or dealers as defined in rule 10b–1 under the Act [17 CFR 270.10b–1], or their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information with respect to an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of securities, the requested information must be disclosed for the class or series that has securities that are being registered.

* * * * *

10. By revising paragraph (e) and the instruction to paragraph (e) in item 8 of form N–8B–4 described in § 274.14 to read as follows:

§ 274.14 Form N–8B–4, registration statement of face-amount certificate companies.

* * * * *

Item 8. *Investments in securities.*

* * * * *

(e) If the registrant has acquired during its most recent fiscal year or during the period of time since organization, whichever is shorter, securities of its regular brokers or dealers as defined in rule 10b–1 under the Act [17 CFR 270.10b–1], or their parents, identify those brokers or dealers and state the value of the registrant's aggregate holdings of the securities of each subject issuer as of the close of the registrant's most recent fiscal year.

Instruction

The registrant need only disclose information with respect to an issuer that derived more than 15% of its gross revenues from the business or a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year. If the registrant has issued more than one class or series of stock, the requested information must be disclosed for the class or series that has securities that are being registered.

Regulatory Flexibility Certification

Pursuant to section 605(b) of the Regulatory Flexibility Act [15 U.S.C. 605(b)], the Chairman of the Commission previously certified that adoption of revised rule 2a19–1 and rule 10b–1 will not have a significant impact on a substantial number of small entities. No comments were received on that certification.

Statutory Basis

Revised rule 2a19–1 is adopted pursuant to sections 6(c) and 38(a) of the Act [15 U.S.C. 80a–6(c) and 80a–37(a)]. Rule 10b–1 is adopted pursuant to the provisions of section 38(a). Technical amendments to investment company registration statement forms are adopted pursuant to sections 8, 30 and 38(a) of the Act [15 U.S.C. 80a–8, 80a–29 and 80a–37(a)] and sections 7, 10 and 19 of the Securities Act of 1933 [15 U.S.C. 77q, 77j and 77s].

Dated: October 12, 1984.

Shirley E. Hollis,

Acting Secretary.

[FR Doc. 84–27501 Filed 10–16–84; 8:45 am]

BILLING CODE 8010–01–M

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17 CFR Part 240

[Release No. 34–21375; File No. 980]

Prompt Transfer of Securities

AGENCY: Securities and Exchange Commission.

ACTION: Adoption of amendments to rules.

SUMMARY: The Securities and Exchange Commission (the "Commission") is adopting amendments to certain rules under the Securities Exchange Act of 1934 (the "Act") that will subject low-volume transfer agents that handle depository-eligible securities to stated turnaround performance time-frames. The Commission believes that these amendments will result in improved transfer agent turnaround performance that will enhance confidence in, and increase the efficiency of, the National System for the Clearance and Settlement of Securities Transactions (the "National System").

EFFECTIVE DATE: December 31, 1984.

FOR FURTHER INFORMATION CONTACT: Sandra Sciole, Esq. at (202) 272–2855, Division of Market Regulation, Securities and Exchange Commission, 450 5th Street, NW., Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION: On June 10, 1983, the Securities and Exchange Commission issued Securities Exchange Act Release No. 19861 (the "Proposing Release") [1] proposing for comment, among other things, amendments to certain rules respecting performance of transfer agent functions.[2] These amendments would establish a minimum performance standard for transfer agents that receive fewer than 500 securities certificates for processing or transfer during any six consecutive months. (Because these transfer agents are exempt from the 90 percent three business day turnaround [3] requirement of Rule 17Ad–2(a),[4] they are generally referred to as "exempt transfer agents.")

In response to the Proposing Release, the Commission received seven letters commenting on the amendments to Rules 17Ad–1 and 17Ad–2.[5] Nearly all of the commenters supported stricter turnaround standards for exempt transfer agents with respect to depository-eligible issues; some of the commenters, however, suggested changes to reduce transfer agent compliance costs. As discussed below, the Commission is adopting the proposed amendments with certain modifications responsive to commenters' suggestions.

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[1] 48 FR 28109 (June 20, 1983).

[2] *See* Rules 17Ad–1 through 17Ad–7, 17 CFR 240.17Ad–1 through 240.17Ad–7 (the "Turnaround Rules").

[3] "Turnaround" is defined in Rule 17Ad–1(e).

[4] *See* Rule 17Ad–4, 17 CFR 240.17Ad–4, which exempts these transfer agents from several of the performance and recordkeeping requirements of the turnaround rules, including the requirement that they turnaround, on a monthly basis, 90 percent of all routine items presented for transfer within three business days. Under Rule 17Ad–4, however, exempt transfer agents are still subject to certain performance, recordkeeping and reporting requirements. *See* 17 CFR 240.17Ad–4(b).

[5] *See* File No. S7–980. The Commission received comment letters from the Office of the Comptroller of the Currency, the American Bankers Association, American Stock Transfer, Inc., the Depository Trust Company, the First National Bank of Boston, the National Association of Securities Dealers, and New England Power Service Company. In accordance with Section 17A(d)(3)(A)(i) of the Act, the Commission has consulted with, and has requested the views of, the federal bank regulatory agencies at least fifteen days prior to this announcement.

I. Basis, Purpose and General Discussion

In June 1983, the Commission proposed to amend Rule 17Ad-2 to require exempt transfer agents to turnaround, on a monthly basis, 90 percent of all routine items within five business days of receipt if the transfer agent performs transfer functions for a depository-eligible securities issue.[6] The Commission also proposed to amend Rule 17Ad-1 to define "depository-eligible securities issue" as "an issue of securities that is eligible for deposit at any securities depository that is registered with the Commission under the Securities Exchange Act of 1934 as a clearing agency."[7] As originally proposed, the 90 percent five business day standard would apply whenever a transfer agent first receives notice that one of the issues for which it performs transfer functions has become depository-eligible.

Those amendments were proposed to ensure timely transfer of ownership, through prompt cancellation and issuance of securities certificates, in issues of securities that are depository-eligible.[8] Because these securities issues are publicly traded and because trades in these issues are processed through clearing corporations and securities depositories in the National System, the Commission expected the amendments to enhance the efficiency of that System. As the Commission explained in the Proposing Release, exempt transfer agents currently must meet only a very general performance standard—they must turnaround routine items "promptly."[9] In contrast, non-exempt transfer agents must meet a rigorous, specific standard—they must turnaround 90% of all routine items, calculated on a monthly basis, within three business days of receipt. According to some industry representatives,[10] the absence of a specific definition for "promptly" in the turnaround rules has permitted some exempt transfer agents to delay, significantly, turnaround of routine items presented for transfer.[11] According to one commenter, the delays add significant costs and risks of loss to investors and the securities industry.

II. Suggestions by Commenters and Modifications to Proposed Rule 17Ad-2

As noted above, the commenters generally supported stricter turnaround standards for exempt transfer agents. For example, the National Association of Securities Dealers and one transfer agent believed the proposed standard would contribute to increased efficiency in the securities transfer process. Furthermore, the Office of the Comptroller of the Currency ("OCC") noted that fewer delays in processing items presented for transfer would reduce the associated costs and risks borne by institutional and individual investors, broker-dealers and the registered securities depositories. The OCC and the Depository Trust Company ("DTC") estimated that most smaller registered transfer agents normally meet at least a five-day standard and therefore will not incur materially increased compliance costs. In its comment letter, however, DTC noted that most issues transferred by exempt transfer agents are over-the-counter stocks experiencing intermittent periods of high volume. In DTC's experience, during such peak periods a small number of transfer agents cause significant turnaround delays. According to DTC, those delays inhibit DTC's ability to maintain the appropriate range of certificate denominations needed to satisfy participants' urgent withdrawal instructions. To correct that situation, DTC supports the proposed amendments. OCC also noted that the proposed amendments will not subject exempt transfer agents to any new recordkeeping requirements.

In the Proposing Release, the Commission specifically requested comment on the merits of the 90%/five business day turnaround performance standard. Although many commenters supported the proposal without referring specifically to the 90%/five business day standard, the OCC suggested that the Commission adopt, for depository-eligible securities issues transferred by exempt transfer agents, the 90%/three business day standard that already applies to non-exempt transfer agents with respect to routine items.[12] OCC believed that a uniform rule applicable to exempt and non-exempt transfer agents would lessen confusion in the industry without imposing significant costs on exempt transfer agents.

The Commission appreciates OCC's arguments for uniformity and expects that, in the future, all transfer agents will operate under the same turnaround performance standard. Nevertheless, at this time, the Commission believes that an interim 90%/five business day turnaround performance standard for exempt transfer agents is appropriate. That standard limits to a reasonable degree the increased costs incurred by exempt transfer agents that could attend a sudden change to a stated uniform performance standard while still substantially addressing presentor concerns about inferior exempt transfer agent turnaround performance. That standard also affords flexibility to exempt transfer agents in scheduling their activities under the new rule.

Another commenter sought to clarify whether the 90%/five business day requirement should apply to all securities issues handled by exempt transfer agents, even if only one of those issues were depository-eligible. As noted in the Proposing Release, the Commission continues to believe that as soon as any one issue handled by an exempt transfer agent becomes depository-eligible, the 90%/five business day standard governs the transfer agent's handling of all issues, regardless of whether those securities are corporate or municipal securities issues.[13] A transfer agent that handles a depository-eligible securities issue is an important component of the National System and has special responsibilities to that System. This approach should discourage exempt transfer agents from devoting a disproportionate amount of their time and resources to the turnaround of depository-eligible issues, while ignoring prompt turnaround of non-depository-eligible issues.[14] This

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[6] The terms "routine," "item," "turnaround," and "receipt" are defined in Rule 17Ad-1(i), (a), (e), and (g), respectively.

[7] *See* Rule 17Ad-1(j) as adopted, *infra*.

[8] Nearly all publicly traded corporate issues are now depository-eligible. With respect to municipal securities issued in registered form, many are either depository-eligible or will become depository-eligible in the near future.

[9] Rule 17Ad-2(e), which contains the requirement, does not define "promptly."

[10] *See e.g.*, File No. S7-984, letter from Merrill Lynch, Pierce, Fenner and Smith.

[11] As noted in the Proposing Release, such delays can result in significant financing costs for registered broker-dealers and significant market risks for securityholders and other market participants. *See* Proposing Release, 48 FR at 28109.

[12] *See* Rule 17Ad-2(a). Another commenter, American Stock Transfer, Inc. ("AST"), believed that the Commission should eliminate all distinctions between exempt and non-exempt transfer agents. AST nevertheless endorsed the proposal as a substantial improvement over the present standard.

[13] *See* Proposing Release, note 7, 48 FR at 28110.

[14] A related concern involves the treatment of municipal securities items in determining whether a transfer agent qualifies for exempt status under Rule 17Ad-4(b). The Commission believes that transfer agents need not count municipal securities "items" in determining whether they qualify for exempt status. There are a large number of municipal securities issues outstanding, including multiple issues from the same municipality. To count each of these items in determining a transfer agent's status could cause many small exempt bank transfer agents to lose their exemptions. As a result, these bank transfer agents could incur significant costs to comply with the three-business day performance standard and related recordkeeping

Continued

approach is also consistent with the longstanding interpretation that the 90%/three business day standard applies to activity in all securities issues handled by a transfer agent (including securities issues that are not registered under section 12 of the Act) if the transfer agent does not qualify for the exemption under Rule 17Ad-4(b).[15]

The American Bankers Association ("ABA") suggested that the Commission afford affected transfer agents sufficient time following notice of an issue's depository-eligibility before those agents must meet the 90%/five business day standard. According to the ABA, a depository's "notice" of eligibility, if given to the transfer agent the first time it presents securities for transfer, could create a special, sudden change in regulatory and processing responsibilities. Thus, the ABA noted, the exempt transfer agent may lack sufficient time to modify internal procedures to meet a new performance standard for all its transfer activities.

The Commission agrees that advance notice is appropriate and is modifying the proposed amendments accordingly. First, the Commission is delaying the effective date of the amendments until December 31, 1984, to accommodate any transitional changes needed by transfer agents that otherwise would become subject to the Rule immediately. Second, the Commission is modifying the proposal to provide a thirty-day grace period before an exempt transfer agent must conform to the new standard. This thirty-day period will begin to run from the first time the transfer agent receives notice of depository-eligibility. We believe that notice of eligibility will occur when the transfer agent receives either: (i) Securities certificates from a securities depository for transfer into its nominee name; or (ii) notice of depository eligibility through a depository's securities eligibility notice distribution program. The Commission cautions, however, that, until the effective date of the Rule, and during the thirty-day grace period after notice, exempt transfer agents must continue to turnaround routine items promptly.

III. Summary of the Final Regulatory Flexibility Analysis

The Commission has prepared a Final Regulatory Flexibility Analysis ("Analysis") in accordance with 5 U.S.C. 604 regarding amendments to Rules 17Ad-1 and 17Ad-2 adopted today. The Analysis notes that some commenters to the Proposing Release believe that many smaller transfer agents currently comply with the turnaround performance standard adopted today and therefore should not incur increased compliance costs. The Analysis also notes that the amendments do not impose any new recordkeeping or reporting requirements on smaller transfer agents and establish minimum performance, rather than design, standards. The Commission therefore believes that the benefits of the amendments, such as reduced broker-dealer financing costs and broker-dealer, bank, and securityholder processing costs caused by delays in turnaround, significantly outweigh the modest costs that may be incurred by a small number of transfer agents in complying with the amendments.

A copy of the Final Regulatory Flexibility Analysis may be obtained by contacting Jonathan Kallman, Esquire, Division of Market Regulation, 450 Fifth Street NW., Washington, D.C. 20549.

IV. Statutory Basis

Pursuant to the Securities Exchange Act of 1934 and particularly sections 3, 17A and 23(a) thereof, 15 U.S.C. 78c, 78q-1 and 78w(a), the Commission is adopting amendments to §§ 240.17Ad-1 and 240. 17Ad-2 in Chapter II of Title 17 of the Code of Federal Regulations in the manner set forth below. The Commission had determined, as discussed above, that the amendments will further the development of a prompt and accurate National System and will further the goals of section 17A of the Act. In accordance with section 23(a)(2) of the Act, the Commission has considered whether the amendments will impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Act. For the reasons discussed in the text of the Release above, the Commission finds that the costs imposed on exempt transfer agents by the amendments will be small. Moreover, the Commission finds that any burden on competition imposed by those increased costs is outweighed by the benefits to be obtained through enhancements in the safety and efficiency of the National System and therefore is appropriate in furtherance of the purposes of the Act and, in particular, section 17A of the Act.

List of Subjects in 17 CFR Part 240

Reporting and recordkeeping requirements, Securities.

Text of the Amendments

PART 240—[AMENDED]

17 CFR Part 240 is amended as follows:

1. By adding new paragraph (j) to § 240.17 Ad-1 as follows:

§ 240.17 Ad-1. Definitions.

* * * * *

(j) The term "depository-eligible securities issue" means an issue of securities that is eligible for deposit at any securities depository that is registered with the Commission under the Securities Exchange Act of 1934 as a clearing agency.

2. By revising paragraph (e) of § 240-17 Ad-2 as follows:

§ 240.17 Ad-2. Turnaround, processing and forwarding of items.

* * * * *

(e)(1) Except as provided in paragraph (e)(2) of this section, all routine items not turned around within three business days of receipt as required by paragraph (a) of this section and all items not processed within the periods required by paragraph (b) of this section shall be turned around promptly, and all nonroutine items shall receive diligent and continuous attention and shall be turned around as soon as possible.

(2) A transfer agent that is exempt under § 240.17Ad-4(b) and that has received 30 days notice of depository-eligibility of an issue for which it performs transfer agent functions shall turnaround ninety percent of all routine items received during a month within five business days of receipt. Such transfer agent shall devote diligent and continuous attention to the remaining ten percent of routine items and shall turnaround these items as soon as possible.

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By the Commission.

Dated: October 5, 1984.

Shirley E. Hollis,

Acting Secretary.

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and reporting requirements. Those increased costs and burdens ultimately might affect the handling of municipal securities issues, if these traditionally exempt transfer agents passed their municipal securities work to unregulated or inexperienced processors.

[15] *See* Securities Exchange Act Release No. 17111 (Sept. 2, 1980), 45 FR 59840 (Sept. 11, 1980).

ENVIRONMENTAL PROTECTION AGENCY

21 CFR Part 193

[FAP OH5263/R659; PH-FRL 2694-8]

Tolerances for Pesticides in Food; Ethephon

AGENCY: Environmental Protection Agency (EPA).