such sale and partition of the investments in the Joint Account.

12. Short-Term Investments held through a Joint Account with a remaining maturity of more than seven days, as calculated pursuant to rule 2a–7 under the Act, will be considered illiquid and will be subject to the restriction that a Fund may not invest more than 15% or, the case of a money market fund, more than 10% (or such other percentage as set forth by the Commission from time to time) of its net assets in illiquid securities, and any similar restriction set forth in the Fund's investment policies and restrictions, if Advantus Capital cannot sell the instrument, or the Fund's fractional interest in such instruments, pursuant to the preceding condition.

13. Not every Fund participating in Joint Account will necessarily have its Cash Balances invested in every Joint Account. However, to the extent a Fund's Cash Balances are applied to a particular Joint Account, the Fund will participate in and own a proportionate share of the investment in such Joint Account, and the income earned or accrued thereon, based upon the percentage of such investment in such Joint Account purchased with Cash Balances contributed by the Fund.

14. Each Joint Account will be established as a separate cash account on behalf of the Funds participating in such Joint Account at the custodian for one or more of the Funds (the ''Joint Account Custodian'' with respect to such Joint Account). Each Fund may deposit daily all or a portion of its Cash Balances into the Joint Accounts. Each Fund whose regular custodian is a custodian other than the Joint Account Custodian with respect to the applicable Joint Account and that wishes to participate in such Joint Account will appoint such Joint Account Custodian as sub-custodian for the limited purposes of (a) receiving and disbursing Cash Balances; (b) holding Short-Term Investments; and (c) holding any collateral received from a transaction effected through such Joint Account. All Funds that so appoint such Joint Account Custodian will have taken all necessary actions to authorize the Joint Account Custodian as its legal custodian, including all actions required under the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–5792 Filed 3–8–01; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44039; File No. SR–NASD–01–04]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Dual Reporting of Transactions in Certain Fixed Income Securities

March 5, 2001.

I. Introduction

On January 5, 2001, the National Association of Securities Dealers, Inc. (''NASD'') filed with the Securities and Exchange Commission (''Commission'') pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change relating to dual reporting of transactions in certain fixed income securities. The **Federal Register** published the proposed rule change for comment on February 2, 2001.[3] The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

In conjunction with the Commission's approval of rules governing the NASD's Trade Reporting and Comparison Entry Service (''TRACE Rules'' or ''Rule 6200 Series'') (SR–NASD–99–65).[4] NASD is proposing to amend one of the TRACE Rules, NASD Rule 6230(b). The proposed amendment requires a member to submit a trade report to the NASD if the member is either the buy- or the sell-side of a member-to-member transaction in an eligible fixed income security under the Rule 6200 Series. Rule 6230(b) currently requires only the member who represents the sell-side to submit a trade report to the NASD.

The NASD is proposing the amendment to Rule 6230(b) to provide for reporting by both the buy- and sell-sides of a transaction by two NASD members (''dual trade reporting'') in order to improve the quality of the transaction data that the NASD collects for surveillance purposes. The amendment is proposed in lieu of previously proposed Rule 6231, which would have required that both sides to a trade submit to the NASD duplicate copies of the clearing reports submitted to their registered clearing agency.[5] The NASD proposed Rule 6231 in Amendment No. 2 to SR–NASD–99–65, but withdrew it in Amendment No. 4 in response to industry comment that it was overly burdensome.[6] Although the proposed amendment to Rule 6230(b) requires the dual real-time reporting to sell-side and buy-side trade information, only the sell-side information will be disseminated, thus avoiding the dissemination of two trade reports for the same trade. The buy-side information that is collected will be used strictly for regulatory purposes.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered securities association.[7] In particular, the Commission finds that the proposed rule change is consistent with the provisions of section 15A(b)(6) of the Act, which requires among other things, that the NASD's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and in general, to protect investors and the public interest.[8]

The rule change requires both the buy- and sell-side of a transaction between two NASD members to report transaction information to the NASD. The NASD has represented that such dual trade reporting will improve the quality of the transaction data that the NASD collects for surveillance purposes. The Commission recognizes the value of crosschecking trade data submitted by one reporting dealer with information from the counterparty, and believes that the proposed amendment is an appropriate way to encourage complete and accurate transaction reporting without placing undue regulatory burdens on market

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 66 FR 8822 (February 2, 2001).

[4] On January 23, 201, the Commission approved NASD Rules 6210 through 6260 relating to reporting and dissemination of transaction information on eligible fixed income securities, and granted accelerated approval to Amendment No. 4 to those Rules. Securities Exchange Act Release No. 43873 (January 23, 2001); 66 FR 8131 (January 29, 2001). The NASD has represented that it will rename TRACE, as it does not include a comparison feature.

[5] The NASD proposed Rule 6231 in Amendment No. 2 to SR–NASD–99–65. *See* Securities Exchange Act Rel. No. 43616 (November 24, 2000); 65 FR 71174 (November 29, 2000).

[6] *See* note 9, *infra.* The MASD withdrew previously proposed Rule 6231 at the same time it amended the TRACE proposal to eliminate the proposed optional comparison feature of the TRACE facility. *See* Amendment No. 4 to SR–NASD–99–65, Securities Exchange Act Rel. No. 43873 (January 23, 2001); 66 FR 8131 (January 29, 2001).

[7] In approving the proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[8] 15 U.S.C. 78*o*–3(b)(6).

participants. The Commission finds that the proposed rule change requiring dual transaction reporting will contribute to the reliability of transaction information and thereby enhance price transparency in and regulatory surveillance of the corporate bond market, which are the twin goals of the TRACE Rules. In addition, the Commission notes that several comments on previously proposed Rule 6231 indicated that dual trade reporting would require fewer programming changes.[9]

IV. Conclusion

For the foregoing reasons, the Commission finds that the proposal to amend NASD Rule 6230(b) is consistent with the requirements of the Act and the rules and regulations thereunder.

It is Therefore Ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (SR–NASD–01–04) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–5796 Filed 3–8–01; 8:45 am]

BILLING CODE 8010–01–M

[9] *See* Letters from Noland Cheng, Chairman, Fixed Income Transparency Subcommittee of the Securities Industry Association's Operations Committee (December 20, 2000) and Messrs. William H. James, III, 1999 Chairman, Vincent Murray, 2000 Chairman, and Thomas Thees, 2001 Chairman, Corporate Bond Division, The Bond Market Association (December 20, 2000). These comments noted that previously Rule 6231, contained in the original TRACE Rules in SR–NASD–99–65, would have required member firms to engage in additional software development efforts and would have required member firms to duplicate the existing clearance data transmission and retention process by re-sending this data to the NASD after having sent it to the clearing entities.

[10] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44030; File No. SR–NASD–01–09]

Self-Regulatory Organizations; Order Granting Accelerated Approval of Proposed Rule Change by the National Association of Securities Dealers, Inc. Regarding Trading Ahead of Customer Limit Orders and Short Sales on a Pilot Basis and Transaction Reporting Pursuant to Decimal Pricing in the Nasdaq Market

March 2, 2001.

I. Introduction

On January 25, 2001, the National Association of Securities Dealers, Inc. (NASD or Association), through its subsidiary, the Nasdaq Stock Market, Inc. (Nasdaq), filed with the Securities and Exchange Commission (Commission or SEC), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (Act)[1] and Rule 19b–4 thereunder,[2] a proposed rule change that would modify several NASD rules to support the implementation of decimal pricing in the Nasdaq market. Notice of the proposed rule change appeared in the **Federal Register** on February 2, 2001.[3] The Commission received no comments on the proposed rule change. This order approves the proposed rule changes regarding trading ahead of customer limit orders and short sales on a pilot basis ending on Friday, March 1, 2002, and grants approval for the proposed rule change concerning transaction reporting pursuant to decimal pricing in the Nasdaq Market.

II. Description of the Proposal

In preparation for decimal pricing, the NASD proposes to amend certain of its rules that contain references to fractions through the addition of language and decimal-based values so as to govern trading activity in securities when they transition from fractional to decimal pricing.[4] After Nasdaq's full implementation of decimal pricing, Nasdaq will automatically remove, where appropriate, any remaining references to fractions in NASD rules.[5] Specifically, Nasdaq is proposing to amend the following: IM–2110–2 (Trading Ahead of Customer Limit Order); IM–3350 (Short Sale Rule); and NASD Rule 4632 (Transaction Reporting). A summary of the proposed changes is provided below.

IM–2110–2. Trading Ahead of Customer Limit Order

Nasdaq is amending NASD IM–2110–2 and the related interpretation of IM–2110–2 (Manning Interpretation or Interpretation)[6] to add language that the minimum amount of price improvement that an NASD member holding an unexecuted customer limit order in a decimal-priced Nasdaq National Market (NNM) or SmallCap security must provide when executing an incoming order in that same security to avoid a violation of the Interpretation is $0.01. The Interpretation is also being amended to incorporate the price improvement standard for NMS and SmallCap securities trading in fractions currently contained in NASD's NTM 97–57.

According to Nasdaq, the Manning Interpretation is designed to ensure that customer limit orders are executed in a fair manner and at similar prices at which a firm has indicated it is willing to trade for its own account. To provide customers with the greatest opportunity to have their orders executed, NASD's Manning Interpretation requires NASD member firms to provide a minimum level of price improvement to incoming orders in NMS and SmallCap securities if the firm chooses to trade as principal with those incoming orders at prices superior to customer limit orders they currently hold. If a firm fails to provide the minimum level of price improvement to the incoming order, the firm must execute the customer limit orders it holds. Generally, if a firm trades for its own account and fails to provide the requisite amount of price improvement and also fails to execute its held customer limit orders, it is in violation of the Manning Interpretation. Currently, the minimum price improvements necessary to avoid a Manning violation, as outlined in NTM 97–57, are:

- If actual spread is equal to or greater than 1/16th of a point: Firm must price improve incoming order by at least a 1/16th.
- If actual spread is the minimum quotation increment: Firm must price improve incoming order by one-half the minimum quotation increment.[7]

In a decimal environment, Nasdaq is proposing the following Manning Interpretation price improvement standards for NNM and SmallCap securities:

- A firm must always price improve an incoming order by at least $0.01.[8]

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 43893 (January 26, 2001), 66 FR 8823.

[4] Nasdaq will implement these rule changes starting on March 12, 2001, for each security converted to decimal pricing. Securities not trading in decimal increments will continue to be governed by the current versions of these proposed rules.

[5] Many NASD Rules and interpretations do not contain, and are not enforced based on, any particular value, fractional or otherwise. Nothing in Nasdaq's move to decimal pricing should be construed as relieving NASD members from their ongoing obligation to comply with all current NASD Rules.

[6] *See* Securities Exchange Act Release No. 39049 (September 10, 1997), 62 FR 48912 (order approving Interpretation). The Interpretation was announced to the NASD membership in NASD's Notice to Members 97–57 (September 1997) (NTM 97–57).

[7] For stocks priced under $10 (which are quoted in 1/32nd increments) the firm must price improve by at least 1/64th. Nasdaq notes that, for securities quoted in decimals, under the proposal there would no longer by any differentiation in the amount of price improvement required based on the price of a particular security.

[8] Pursuant to the terms of the Decimals Implementation Plan (Implementation Plan) submitted to the Commission on July 24, 2000, the minimum quotation increment for Nasdaq

Continued