NEWS

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
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COMMISSION TO CONSIDER PROPOSED
NASD RULE CHANGE IN "PAPILSKY" ISSUE

The Commission will consider, at an open meeting scheduled for Thursday, July 3, a proposed rule change submitted by the National Association of Securities Dealers, Inc. (NASD) in connection with the so-called "Papilsky" issue, which raises questions regarding certain practices involved in the fixed price offering of new issues of securities.

The meeting is scheduled to begin at 10 a.m. Thursday in the Commission Meeting Room at SEC headquarters, 500 North Capitol Street, Washington, D.C. Staff officials will participate in a briefing following the meeting, in Room 876, to discuss whatever action the Commission takes.

The NASD's proposed rule change was filed with the Commission in July 1978. Under a 1975 amendment to the Securities Exchange Act, the Commission must review and approve or disapprove most rule changes submitted by securities industry self-regulatory organizations such as the NASD.

The proposed rules are intended to prohibit the granting of discounts from the fixed "offering price", publicized in the prospectus by which new issues are offered for sale to the public, to anyone other than a member broker-dealer participating in the offering. Such discounts could be offered through various kinds of mechanisms that all

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would have the effect of reducing the cost to certain buyers of new issues below the supposedly "fixed" offering price.

The NASD's proposed rule change stems from a U.S. District Court decision handed down in June 1976 in a case brought by Paulette Papilsky against the firm that managed a mutual fund in which she held shares. The Commission published notice of the proposed rule change in August 1978 and solicited additional written comments, and announced its intention to hold public hearings, in May 1979. Sixteen witnesses subsequently testified at hearings held in Washington in September, October and November of 1979.

(Note: Reporters may obtain additional background information on this subject from the Office of Public Affairs.)