NEWS

SECURITIES AND EXCHANGE COMMISSION
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COMMISSION TO CONSIDER RULE CHANGES TO PERMIT PERFORMANCE BASED COMPENSATION AND TO EXTEND NEW YORK STOCK EXCHANGE RAPID RESPONSE SERVICE

The Commission will consider at an open meeting to be held Thursday, whether to propose a rule change that would permit investment advisers to be compensated on the basis of performance, and whether to extend and expand the New York Stock Exchange's Registered Representative Rapid Response Service (R4) for small orders.

The meeting is scheduled to begin at 10 a.m. on Thursday, May 26, in the Commission Meeting Room, Room 1C30, at Commission headquarters, 450 Fifth Street, N.W., Washington. Staff officials will participate in a briefing immediately following the Commission meeting to explain whatever action the Commission takes.

The proposed rule change concerning investment advisers would permit them to be compensated on the basis of capital gains and appreciation with regard to funds committed to the adviser, provided certain conditions are met including criteria as to the financial sophistication of the investor and the amount of assets committed to the adviser's management. Currently, adviser's compensation may not be based directly upon portfolio performance except under very limited circumstances.

Also to be considered is a proposed rule change submitted by the New York Stock Exchange that would allow extension and expansion of the Exchange's R4 system. The experimental R4 system currently permits a

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registered representative at one of the two participating brokerage firms to execute in his office an order of up to 299 shares in 30 stocks at the best prevailing consolidated quotation. The transaction is then reported to the NYSE specialist in the stock who guarantees that price for the customer.

Current authority for the R4 service expires June 1. The Exchange has proposed extending it for one year, increasing permissable order size, including additional brokerage firms, and expanding the number of stocks in the program to 200 from the current 30.

In addition, the Commission will consider a proposed rule relating to predispute arbitration clauses in customer agreements with brokerage firms. The rule would require adequate disclosure to the effect that investors are not precluded by such clauses from recourse to the federal courts with respect to claims arising under the federal securities laws. The purpose of the proposed rule is to ensure that investors understand that arbitration clauses do not bind them in the event of future disputes under the federal securities laws and that they do have recourse to the federal courts.

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