



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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FOR RELEASE: Thursday, November 8

84-59

COMMISSION TO CONSIDER DIRECT PARTICIPATION INTERESTS AND INCREASE IN NATIONAL MARKET SYSTEM SECURITIES

At an open meeting on Friday, November 16 at 10:00 a.m., the Commission will consider whether to publish for comment a release on proposed Rule 3a12-9 under the Securities Exchange Act of 1934 which would permit public offerings of direct participation interests with installment payment features.

In another matter, the Commission will consider adoption of amendments to Rule 11Aa2-1 under the Securities Exchange Act of 1934 which would permit an increase in the number of securities qualified for trading in the National Market System (NMS). In a related matter, it will consider publishing for comment a release on extension of unlisted trading privileges (UTP) to over-the-counter (OTC) stocks.

The meeting will be in the Commission Meeting Room, Room 1C30, 450 Fifth Street, N.W., Washington, D.C. Staff officials will participate in a briefing immediately following the Commission meeting.

Currently the provisions of Sections 7(c) and 11(d)(1) of the Securities Exchange Act of 1934 and Regulation T of the Federal Reserve Board are interpreted to prohibit broker-dealers from arranging extensions of credit to investors to purchase securities. These provisions would, therefore, prohibit broker-dealer participation in public offerings of securities of direct participation programs that provide for mandatory installment payments. A direct participation program is a

program financed through the sale of interests in securities, other than margin securities, that provide direct flow-through tax consequences to its investors and is created pursuant to a contractual agreement among investors as in a limited partnership.

The proposed Rule 3a12-9 would provide exemptions for direct participation programs which would permit a broker-dealer to sell interests in a public offering of direct participation programs which provides for payment on an installment basis under certain conditions.

Rule 11Aa2-1 (the Rule) designates NMS securities. The effect of such designation is that such OTC securities are subject to last sale reporting and firm quote requirements. The Rule requires such securities to meet criteria both with respect to issuer quality (e.g., assets) and trading characteristics (e.g., trading volume). Currently the Rule designates 1104 actively traded OTC securities.

The National Association of Securities Dealers, Inc. (NASD) has petitioned the Commission to lower the criteria for designation of NMS securities. The NASD's criteria, which consist of the standards for inclusion in their National List (the list appearing in newspapers), do not include requirements based on trading characteristics. The inclusion of the National List would add 1164 securities to those designated as NMS securities.

In recent years the quality and dimension of the OTC market have improved. There is increased availability of market information. There are quotations on a real-time basis through NASDAQ. And since 1982, there has been last sale reporting in NASDAQ/NMS securities. The Commission will, also, therefore, consider whether to publish a release soliciting comment on the extension of unlisted trading privileges to OTC Stocks.