

themselves. Those advantages would be unaffected by notice procedures such as those described in this document. We request specific comments on the monetary costs and the benefits of implementing the notice procedures discussed above.

The procedures discussed in this Notice are not new ones. As indicated above, over the past year we have communicated our views on this issue to several carriers that offer ticketless travel, and we have shared them with the Air Transport Association of America. In the two recent rulemakings mentioned above in which the Department has proposed new written notices to be given to passengers on code-sharing flights or change-of-gauge flights, the proposed provisions have been phrased to require the notices "at the time of sale" rather than on or with a "ticket." The code-sharing proposal states in the Supplementary Information section that "[T]he separate written notice requirement would apply whether or not the consumer is given an actual ticket to evidence the transportation * * *"

It has been suggested that requiring ticketless passengers to be given written information is inconsistent with the fact that many airline passengers make reservations in advance but pick up their tickets at the airport. We seek comment on this point, because we see no direct inconsistency. The existing rules on ticket notices state that the notices are to be provided on or with the ticket. If the ticket is not furnished until the passenger arrives at the airport, that is when the passenger completes the contract with the carrier and should receive the notices, even if he or she had made a telephone reservation two weeks earlier. A passenger who makes a reservation by phone but purchases the ticket at the airport is not putting his or her money at risk at the time of the telephone reservation, nor is he or she entering into a contract at that point.

On the other hand, we recognize that it may not be uncommon for a passenger to purchase a ticket by credit card over the telephone a few days before departure, leaving insufficient time for the ticket to be mailed and requiring that it be picked up at the airport, at which time the required notices would first be provided. We ask for comments on the number of travelers who may purchase air travel in this manner and whether there have been any specific problems associated with such travelers not receiving required notices until they receive their ticket upon arrival at the airport. We ask that commenters address specific reasons for any problems or lack of problems experienced by

travelers in this area (e.g., Are short-notice purchases likely to be most common among business persons or other frequent travelers who may already be familiar with contract terms provided in required notices?).

It has also been suggested that there is no justification for requiring such written notices on ticketless transactions in the airline industry when reservations for hotel rooms and rental cars are routinely made by telephone, with merely a confirmation number being given to the customer. However, these services are seldom paid for in full at the time of the reservation, and there is generally more flexibility to change reservations than is the case on a discount airline ticket. Also, few hotel or car rental transactions are subject to the terms of a 50-page contract of carriage as is common in air travel. Finally, state and local governments are not preempted from regulating hotel stays and car rentals, but those levels of government are preempted by federal law from regulating air carrier rates, routes or services. Nonetheless, comments on this issue are welcome.

The Department wishes to arrive at the most efficient and flexible means of delivering necessary consumer information without hindering the development of ticketless travel. To that end, we seek comment on all aspects of the agency views expressed in this Notice, especially with respect to any increased costs that may be imposed by adherence to the notice procedures which we have recommended and which are discussed above.

An electronic version of this document is available at <http://www.dot.gov/dotinfo/general/rules/aviation.html>

Issued this 5th day of January, 1996 at Washington, DC.

Mark L. Gerchick,

Acting Assistant Secretary for Aviation and International Affairs.

[FR Doc. 96-546 Filed 1-18-96; 8:45 am]

BILLING CODE 4910-62-P

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 230, 239, and 270

[Release Nos. 33-7253; IC-21663; S7-32-95]

RIN 3235-AG63

Calculation of Yield by Certain Unit Investment Trusts

AGENCY: Securities and Exchange Commission.

ACTION: Proposed amendments to rules and forms; extension of comment period.

SUMMARY: The Commission is extending from January 29, 1996 to March 29, 1996 the comment period for Investment Company Act Release No. 21538. This release proposed for public comment rule and form amendments that would require certain unit investment trusts ("UITs") to use a uniform formula to calculate yields quoted in their prospectuses, advertisements, and sales literature.

DATES: Comments on the proposed amendments should be received on or before March 29, 1996.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. All comment letters should refer to File No. S7-32-95. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street NW., Washington, DC 20549.

FOR FURTHER INFORMATION CONTACT: Anthony R. Bosch, Senior Attorney, Office of Disclosure and Adviser Regulation, (202) 942-0721, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549.

SUPPLEMENTARY INFORMATION: On November 22, 1995 the Commission published Investment Company Act Release No. 21538 which proposed for comment rule and form amendments that would standardize the calculation of yield quoted in the prospectuses, advertisements, and sales literature of certain UITs.¹ The Commission requested that comments on the proposal be received by January 29, 1996.

In a letter dated December 14, 1995 the Investment Company Institute ("ICI") requested a 60-day extension for the period for commenting on the proposal.² The ICI requested the extension to allow additional time for further research, data generation, analysis, and discussion.

To permit additional time for research, data generation, analysis, and discussion and in light of the importance of comments on this subject, the Commission believes that a 60-day extension is appropriate. The comment

¹ Investment Company Act Rel. No. 21538 (Nov. 22, 1995) [60 FR 61454 (Nov. 29, 1995)].

² Letter from Craig S. Tyle, Vice President and Senior Counsel, Investment Company Institute, to Barry P. Barbash, Director, Division of Investment Management (Dec. 14, 1995).

period for responding to Investment Company Act Release No. 21538 is extended to March 29, 1996.

Dated: January 11, 1996.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-540 Filed 1-18-96; 8:45 am]

BILLING CODE 8010-01-P

17 CFR Part 270

[Release No. IC-21660; File No. S7-2-96]

RIN 3235-AG59

Distribution of Shares by Registered Open-End Management Investment Company

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule amendment.

SUMMARY: The Commission is proposing a technical amendment to the rule under the Investment Company Act of 1940 relating to the distribution of shares by registered open-end management investment companies. Among other things, the rule requires the payment of an asset-based sales load to be made pursuant to a written plan that contains certain provisions and specifies the amount of the asset-based load. The proposed amendment would provide that a plan adopted prior to an investment company's initial public offering would not have to be approved by shareholders. Since the investment company's directors must approve the plan, and investors that buy their shares after the company's public offering, in effect, "vote with their dollars" to accept the plan, shareholder approval of the plan prior to the company's public offering is not necessary.

DATES: Comments must be received on or before February 22, 1996.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Stop 6-9, Washington, D.C. 20549. All comment letters should refer to File No. S7-2-96. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549.

FOR FURTHER INFORMATION CONTACT: Holly Hill-Little, Staff Attorney, or Elizabeth R. Krentzman, Assistant Chief, (202) 942-0690, Office of Regulatory Policy, Division of Investment Management, 450 Fifth Street, N.W., Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION: The Commission today is requesting public comment on a proposed amendment to rule 12b-1 [17 CFR 270.12b-1] under the Investment Company Act of 1940 [15 U.S.C. 80a] (the "Investment Company Act").

I. Discussion

Rule 12b-1 governs the payment of asset-based sales loads by registered open-end management investment companies (individually, a "fund"). Among other things, rule 12b-1 requires a fund's payment of an asset-based sales load to be made pursuant to a written plan that contains certain provisions and specifies the amount of the load (a "rule 12b-1 plan").¹ The rule requires a rule 12b-1 plan to be approved by a majority of the fund's board of directors, including a majority of the independent directors, and a majority of the fund's outstanding shares prior to the plan's implementation.²

The shareholder approval requirement is unnecessary when a rule 12b-1 plan is adopted prior to a fund's initial public offering. Under these circumstances, the shareholders voting typically will be comprised of persons involved in organizing the fund (*i.e.*, the fund's investment adviser or its affiliates).³ Shareholder approval, therefore, is virtually automatic, mechanical, and offers no real protection to the fund's shareholders. Investors purchasing shares in a fund's initial public offering, in effect, "vote with their dollars" to accept the fund's rule 12b-1 plan since the terms of the plan, and its effects on fund expenses, are disclosed in the fund's prospectus.⁴

As noted above, the fund's directors must approve the rule 12b-1 plan, including the asset-based load payable thereunder. In addition, fund shareholders must approve any changes in the rule 12b-1 plan that would materially increase the amount of the asset-based sales load and have the right to terminate the plan at any time. Taken together, these provisions provide shareholders with sufficient protection, without the need for a vote prior to the fund's public offering.

¹ 17 CFR 270.12b-1(b).

² 17 CFR 270.12b-1(b)(1) and (2). The fund's board also must approve the continuation of the plan at least annually. 17 CFR 270.12b-1(b)(3)(i).

³ In 1992, the Division of Investment Management discontinued the practice of requiring funds to submit their rule 12b-1 plans and certain other matters to a shareholder vote following the initial public offering of the fund's shares. See Investment Company Institute (pub. avail. Nov. 6, 1992).

⁴ Items 2 and 7 of Form N-1A under the Securities Act of 1933 and the Investment Company Act, 17 CFR 239.15A and 274.11A.

The proposed amendment would provide that a rule 12b-1 plan adopted prior to a fund's initial public offering would not have to be approved by shareholders.⁵ If a fund adopts a rule 12b-1 plan following a public offering, the amended rule, like the current rule, would require the fund's shareholders to approve the plan.⁶ The Commission requests comment on the proposed amendment.

II. Cost/Benefit Analysis

The proposed amendment would provide that a rule 12b-1 plan adopted prior to a fund's initial public offering would not have to be approved by shareholders. Shareholder approval is unnecessary since the fund's board of directors must approve the rule 12b-1 plan, and investors participating in the fund's initial public offering effectively "vote with their dollars" to accept the plan. The proposed amendment, if adopted, would no longer require funds to undergo the perfunctory exercise of obtaining approval from persons who have supplied the fund with its initial capital prior to the fund's public offering.

III. Summary of Initial Regulatory Flexibility Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act [U.S.C. 605(b)], the Chairman of the Commission has certified that the proposed amendment would not, if adopted, have a significant economic impact on a substantial number of small entities. The amendment would enable funds, including small entities, to forgo the minimal time and expense associated with obtaining shareholder approval of rule 12b-1 plans from persons who have supplied the fund with its initial capital prior to the fund's initial public offering. The Chairman's

⁵ The Division of Investment Management has recommended eliminating the requirement for a vote on rule 12b-1 plans by initial fund shareholders. Division of Investment Management, SEC, Protecting Investors: A Half Century of Investment Company Regulation 277-78 (1992). Commenters, including the Investment Company Institute, also have recommended eliminating this requirement. Memorandum of the Investment Company Institute, Proposals To Improve Investment Company Regulation 27 (July 19, 1995).

⁶ The proposed amendment would continue to require shareholder approval of a plan that is adopted after the sale of the fund's securities to persons who are not affiliates of the fund or its sponsor. Thus, for example, a plan would have to be approved by shareholders if adopted following the distribution of securities to persons other than fund insiders who provide the fund's "seed capital" required by section 14 of the Investment Company Act [15 U.S.C. 80a-14], without regard to whether the offering was registered under the Securities Act of 1933 [15 U.S.C. 77a].