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Ownership Reports and Trading By Officers, Directors and Principal Security Holders

AGENCY: Securities and Exchange Commission.

ACTION: Final rules and solicitation of comments.

SUMMARY: The Commission today is adopting amendments to its rules and forms, as well as related disclosure requirements for issuers, regarding the filing of ownership reports by officers, directors, and principal security holders, and the exemption of certain transactions by those persons from the short-swing profit recovery provisions of section 16 of the Securities Exchange Act of 1934 and related provisions of the Investment Company Act of 1940 and the Public Utility Holding Company Act of 1935. The amendments are intended to achieve greater clarity, enhance consistency with the statutory purpose, and improve compliance with the reporting provisions of the rules. The Commission also is soliciting further public comments on the addition of an exit box to Forms 4 and 5.

EFFECTIVE DATE: These amendments are effective May 1, 1991; however, special phase-in provisions are contained in Section VII of this release.

Comment date: Comment letters on the exit box on Forms 4 and 5 should be received on or before March 31, 1991.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth St., NW., Washington, DC 20549. Comments should refer to File No. S7-3-91. All comments received will be available for public inspection and copying in the Commission's Public Reference Room at the same address.

FOR FURTHER INFORMATION CONTACT: Brian J. Lane, Richard P. Konrath, Mark W. Green, or Emanuel D. Strauss, (202) 272-2573, Division of Corporation Finance; Dorothy Donohue (202) 272-2030, Division of Investment Management; or Joanne Rutkowski (202) 504-2267 with respect to the Public Utility Holding Company Act.

SUPPLEMENTARY INFORMATION: The Commission today announced the adoption of revisions to its rules promulgated under section 16¹ of the Securities Exchange Act of 1934 ("Exchange Act").² Every rule under section 16 has been amended, deleted, or reorganized except for Rule 16e-1,³ and several new Section 16 rules have been added. Further, Exchange Act Rule 12h-2⁴ has been deleted as obsolete and Rule 30f-1⁵ under the Investment Company Act of 1940 ("Investment Company Act")⁶ has been amended.

In addition, new Item 405 of Regulation S-K⁷ and new Form 5 have been adopted, as have changes to Schedule 14A⁸ and Forms 10-K,⁹ 3,¹⁰ 4¹¹ and N-SAR.¹²

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¹ 15 U.S.C. 78p (1988).

² 15 U.S.C. 78a *et seq.* (1988).

³ 17 CFR 240.16e-1.

⁴ 17 CFR 240.12h-2.

⁵ 17 CFR 270.30f-1.

⁶ 15 U.S.C. 80a-1 *et seq.* (1988).

⁷ 17 CFR 229.10—229.802.

⁸ 17 CFR 240.14a-101.

⁹ 17 CFR 249.310.

¹⁰ 17 CFR 249.103.

¹¹ 17 CFR 249.104.

¹² 17 CFR 274.101.

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I. Executive Summary

The beneficial ownership reporting and short-swing profit recovery provisions of section 16 of the Exchange Act apply to every person who is directly or indirectly the beneficial owner of more than ten percent of any class of equity securities that is registered pursuant to section 12 of the Exchange Act ("ten percent holders").¹³

¹³ 15 U.S.C. 78l (1988). When referring to an issuer with securities registered under section 12, this release includes securities of closed-end investment companies subject to section 30(f) of the Investment Company Act (15 U.S.C. 80a-29(f) (1988)) and public utility holding companies subject to Section 17 of the Public Utility Holding Company Act of 1935 (15 U.S.C. 79q (1988)). The insiders of a closed-end investment company also include the adviser and any affiliated person of the adviser. Section 2(a)(3) of the Investment Company Act (15 U.S.C. 80a-2(a)(3) (1988)).

