

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the Board's principal offices. All submissions should refer to File No. SR-MSRB-97-5 and should be submitted by October 14, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39082; File No. SR-NASD-97-51]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change Regarding the Transfer of Securities of Issuers Listed on the Nasdaq Stock Market That Are Held Pursuant to a Direct Registration Program

September 16, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 16, 1997, The Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by Nasdaq. The Commission is publishing this notice to

solicit comments from interested persons on the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Nasdaq is proposing to amend Rules 4200, 4310, 4320, and 4460 of the National Association of Securities Dealers, Inc. ("NASD") to require Nasdaq issuers that elect to offer a direct registration program to shareholders to participate in an electronic link, either directly or through the issuer's transfer agent, with a securities depository registered under Section 17A of the Act.²

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Nasdaq included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to facilitate the clearance and settlement of securities held in book-entry form in the context of recent developments concerning the direct registration concept. Over the past twelve years, regulators, representatives of private industry, and the transfer agent community have worked together to explore alternatives to maintaining ownership interest in securities without certificates. In 1990, the Commission held a Roundtable on Clearance and Settlement to discuss recommendations of the Group of Thirty U.S. Working Committee which, among other things, discussed ways in which investors could obtain benefits of a direct registration system ("DRS"). The Commission has been promoting the DRS concept, and in 1994 requested that the industry work to develop DRS in order to provide investors with additional options to holding their securities in certificate form.³ A basic structure for DRS has been developed and agreed to by a joint committee of

representatives of the Securities Industry Association, the Securities Transfer Association, the Corporate Transfer Agents Association, and registered securities depositories.

The concept of DRS is modeled after systems used in dividend reinvestment and stock purchase programs, which are currently offered by many issuers or transfer agents. It is being considered by issuers in connection with the move to a faster settlement cycle and reflects investor trends away from physical certificates. DRS promotes investor choice, while encouraging efficient clearance and settlement procedures. Specifically, DRS offers shareholders the ability to: (1) receive an account statement instead of a negotiable certificate; (2) get a certificate upon demand; and (3) direct the book-entry transfer of the underlying position to a broker-dealer upon request.

A key component of DRS has been the initiation of an electronic communication system linking issuers or their transfer agents with registered securities depositories. Assuming an issuer and its transfer agent elect to offer direct registration services, this link would permit a broker-dealer to deliver to a transfer agent a customer's request that the securities be registered on the books of the issuer in book-entry form. Such a system also will allow the transfer agent to send an electronic acknowledgment to the broker-dealer that the securities have been registered in the customer's name on the books of the issuer in book-entry form. Thus, DRS helps promote efficiencies in the prompt and accurate clearance and settlement of securities transactions by providing individual investors that do not want to have broker-dealers hold their securities for them in street name the option of holding in book-entry form on the books of the issuers and most importantly, the ability to subsequently have such positions transferred electronically to banks or broker-dealers in connection with the sales or disposition of the securities.

Recently, The Depository Trust Co. ("DTC") received Commission approval to establish the procedures and the necessary electronic link to implement DRS. Under this system, an investor will have the right at any time to transfer its DRS position from the issuer to a broker-dealer through the facilities of DTC in order to sell or pledge the security. Alternatively, an investor will have the right at any time to request a certificate. Under DTC's rule change, to participate in DRS, a transfer agent

² 15 U.S.C. 78q-1.

³ Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 (Concept Release discussing direct registration).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

would need to become a "DRS Limited Participant" at DTC.⁴

Therefore, Nasdaq is proposing to amend its rules to establish a qualification requirement for all securities to be included in Nasdaq that if the issuer establishes a direct registration program it shall participate in an electronic link with a securities depository in order to facilitate the electronic transfer of interests held pursuant to the direct registration program. This link is permitted by the proposed rule to be direct or through the issuer's transfer agent.

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act⁵ in that it fosters cooperation and coordination with persons engaged in the clearing and settling of transactions in securities, and in general, protects investors and the public interest. The proposed rule change ensures that there is a quick and efficient means for financial intermediaries, such as broker-dealers and banks, to transfer these interests on behalf of shareholders. In addition, Nasdaq believes the proposed rule change is consistent with Section 17A which sets forth Congress' findings that the prompt and accurate clearance and settlement of securities transactions are necessary for the protection of investors. In particular, the proposed rule change is consistent with Section 17A(a)(1) in that it takes advantage of new date processing and communications techniques and linked or coordinated facilities, and thus provides for more efficient, effective, and safe procedures for the clearance and settlement of securities transactions.

⁴ According to DTC, a party wishing to open a Limited Participant account must (1) be registered as a transfer agent with the SEC; (2) participate as a transfer agent in DTC's Fast Automated Securities Transfer ("FAST") program; (3) provide Direct Mail Service on transfers; and (4) communicate with DTC through a computer-to-computer interface using DTC's CCF platforms.

DTC charges a DRS Limited Participant an account holder fee of \$225 per month regardless of the number of DRS eligible issues for which the Limited Participant is participating. In addition, DTC charges \$.045 per transaction. DTC participants also will be charged \$0.45 per transaction. In addition, when a DTC participant instructs a transfer agent to establish a DRS account for a shareholder and the transfer agent subsequently mails a transaction advice to the shareholder confirming that such an account has been established at the transfer agent, the transfer agent's fee of \$0.55 for mailing and handling the DRS transactions advice will be charged to the DTC participant directly by DTC. This fee is periodically remitted to the transfer agent.

⁵ 15 U.S.C. 78o-3.

(B) Self-Regulatory Organization's Statement on Burden on Competition

Nasdaq does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which Nasdaq consents, the Commission will:

(A) by order approve such proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of Nasdaq. All submissions should refer to File No. SR-NASD-97-51 and should be submitted by October 14, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

⁶ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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**OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE**

**1997-98 Allocations of the Tariff-Rate
Quotas for Raw Cane Sugar, Refined
Sugar, and Sugar Containing Products**

AGENCY: Office of the United States Trade Representative.

ACTION: Notice.

SUMMARY: The Office of the United States Trade Representative (USTR) is providing notice of the country-by-country allocations of the in-quota quantity of the tariff-rate quotas for imported raw cane sugar, refined sugar, and sugar containing products for the period that begins October 1, 1997 and ends September 30, 1998.

EFFECTIVE DATE: October 1, 1997.

ADDRESSES: Inquiries may be mailed or delivered to Audrae Erickson, Senior Economist, Office of Agricultural Affairs (Room 421), Office of the United States Trade Representative, 600 17th Street, N.W., Washington, DC 20508.

FOR FURTHER INFORMATION CONTACT: Audrae Erickson, Office of Agricultural Affairs, 202-395-6127.

SUPPLEMENTARY INFORMATION: Pursuant to Additional U.S. Note 5 to chapter 17 of the Harmonized Tariff Schedule of the United States (HTS), the United States maintains tariff-rate quotas for imports of raw cane and refined sugar. Pursuant to additional U.S. Note 8 to Chapter 17 of the Harmonized Tariff Schedule, the United States also maintains a tariff-rate quota for certain sugar-containing products.

Section 404(d)(3) of the Uruguay Round Agreements Act (19 U.S.C. 3601(d)(3)) authorizes the President to allocate the in-quota quantity of a tariff-rate quota for any agricultural product among supplying countries or customs areas. The President delegated this authority to the United States Trade Representative under paragraph (3) of Presidential Proclamation No. 6763 (60 FR 1007).

The in-quota quantity of the raw cane tariff-rate quota for the period October 1, 1997-September 30, 1998, has been established by the Secretary of Agriculture at 1,200,000 metric tons, raw value (1,322,773 short tons). This quantity is being allocated to the following countries in metric tons, raw value: