

provides an efficient method for responding to a violation charge and for identifying where a disciplinary action may be inappropriate. CSE Rule 8.2 also expresses that a member or person associated with a member has the right to be represented by counsel during an investigation, proceeding or inquiry, thereby helping to ensure the fairness of the proceedings.

Finally, the proposed rule change promotes the fairness of disciplinary procedures in proposed Interpretation .01 to CSE Rule 8.11. Interpretation .01 to CSE Rule 8.11 emphasizes the Exchange's commitment to a fair disciplinary process. It states that the staff shall comply with all procedural requirements of the Rules. The interpretation also addresses public disclosure of disciplinary proceedings setting forth Exchange policy, providing for a fair procedure for determining if disclosure is appropriate.

Accordingly, the Commission believes the proposed rule change should protect those subject to the CSE's disciplinary process while ensuring the Exchange's enforcement of the Rules meant to protect investors.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-CSE-98-02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-28644 Filed 10-26-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40579; File No. SR-DTC-98-7]

Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of Proposed Rule Change Adding a New Service Providing Pre-Issuance Messaging of Money Market Instruments Trade Details to Issuing and Paying Agents and Dealers

October 20, 1998.

On April 22, 1998, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-98-7) pursuant to Section 19(b)(1) of the

Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on July 1, 1998.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change provides a mechanism for issuing and paying agents ("IPAs") and dealers to communicate securities information, specifically Pre-Issuance Messaging ("PIM") instructions, related to the issuance of money market instruments ("MMI"). Although the PIM service is designed to accommodate all types of MMIs, initially the PIM service will be utilized only for commercial paper ("CP"). The service will enable dealers and IPAs to communicate issuance instructions to one another prior to the IPAs' issuing CP by book-entry through DTC or through physical certificates outside DTC.

Under the rule change, IPAs and dealers can send PIM instructions to each other by using DTC as a conduit or central switch for the messages. PIM instructions will be sent electronically to DTC. DTC will not perform any processing on the instructions but will instead automatically route them to the recipient indicated in the sender's instructions.

PIM employs several levels of system security in addition to allowing IPAs and dealers to utilize their own password security per message if they wish. As each message sent requires an acknowledgment from the receiving party, it is unlikely that messages will be lost. Should a message be undeliverable for some reason, DTC will issue a notice to the message originator indicating the message could not be delivered. The originator will then have to reissue a new message. DTC will charge the sending party \$.04 per message. There will be no charge to the message receiver. Each user of the PIM Service will enter into a PIM agreement with DTC.

II. Discussion

Section 17A(b)(3)(F) of the Act³ requires that the rules of a clearing agency be designed to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission believes that PIM should enable dealers and IPAs to better

communicate issuance instructions to one another prior to the IPAs' issuing CP by book entry through DTC or through physical certificates outside DTC. As a result, the rule change should help perfect the national clearance and settlement system. Therefore, the Commission believes that DTC's proposed rule change is consistent with its statutory obligation under Section 17A(b)(3)(F) of the Act.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-98-7) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-28639 Filed 10-26-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40578; File No. SR-NASD-98-47]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Integration of the Trade Acceptance and Reconciliation Service Into the Automated Confirmation Transaction Service

October 20, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 9, 1998, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, 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.

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 40119 (June 24, 1998), 63 FR 36008.

³ 15 U.S.C. 78q-1(b)(3)(F).

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(12).

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

Nasdaq is proposing to amend rules of the NASD to integrate the functionality of its Trade Acceptance and Reconciliation Service ("TARS") into its Automated Confirmation Transaction Service ("ACT"), and to make certain enhancements to ACT. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

4632. Transaction Reporting

(a)(1) through (3) No Change.

(4) [Transacting] *Transaction* Reporting Outside Normal Market Hours.

(A) No Change.

(B) Last sale reports of transactions in designated securities executed outside the ours of 8:00 a.m. and 5:15 p.m. Eastern Time shall be reported as follows:

(i) No change.

(ii) Last sale reports of transactions executed between 5:15 p.m. and midnight Eastern Time shall be transmitted through ACT on the next business day (T+1) between 8:00 a.m. and [1:30] 5:15 p.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day, and be accompanied by the time of execution.

* * * * *

(5) All members shall report [weekly] *as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in designated securities for which electronic submission into ACT is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active).* [that were not transmitted through ACT, for whatever reason, either on the trade date or the next business day.] *Transactions that can be reported into ACT, whether on trade date or on a subsequent date on an "as of" basis (T+N), shall not be reported on Form T. [Form T shall be used exclusively as a back-up mode whenever electronic entry of trade data is not feasible due to system malfunctions or other unusual conditions.]*

(6) through (8) No Change.

* * * * *

4642. Transaction Reporting

(a) (1) through (4)(B)(i) No Change.

(ii) Last sale reports of transactions executed between 5:15 p.m. and midnight Eastern Time shall be transmitted through ACT on the next business day (T+1) between 8:00 a.m.

and [1:30] 5:15 p.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day, and be accompanied by the time of execution.

* * * * *

(5) All members shall report [weekly] *as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in designated securities for which electronic submission into ACT is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active).* [that were not transmitted through ACT, for whatever reason, either on the trade date or the next business day.] *Transactions that can be reported into ACT, whether on trade date or on a subsequent date on an "as of" basis (T+N), shall not be reported on Form T. [Form T shall be used exclusively as a back-up mode whenever electronic entry of trade data is not feasible due to system malfunctions or other unusual conditions.]*

(6) through (8) No Change.

4652. Transaction Reporting

(a) (1) through (4)(B)(i) No change.

(ii) Last sale reports of transactions executed between 5:15 p.m. and midnight Eastern Time shall be transmitted through ACT on the next business day (T+1) between 8:00 a.m. and [1:30] 5:15 p.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day, and be accompanied by the time of execution.

* * * * *

(5) All members shall report [weekly] *as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in designated securities for which electronic submission into ACT is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active).* [that were not transmitted through ACT, for whatever reason, either on the trade date or the next business day.] *Transactions that can be reported into ACT, whether on trade date or on a subsequent date on an "as of" basis (T+N), shall not be reported on Form T. [Form T shall be used exclusively as a back-up mode whenever electronic entry of trade data is not feasible due to system malfunctions or other unusual conditions.]*

(6) through (7) No change.

* * * * *

5109. Clearance and Settlement of International Transactions

(a) No Change.

(b) No Change.

(c) Participation in [the Trade Acceptance and Reconciliation Service and] the Automated Confirmation Transaction Service is mandatory for self-clearing Association members participating in the Service directly or through an approved affiliate.

* * * * *

6120. Participation in ACT

(a) Mandatory Participation for Clearing Agency Members.

(1) Pursuant to Article VII, Section 1(a)(6) and (7) of the By-Laws, participation in ACT is mandatory for all brokers that are members of a clearing agency registered with the Commission pursuant to Section 17A of the Act, and for all brokers that have a clearing arrangement with such a broker. *Such participation shall include the reconciliation of all over the counter clearing agency eligible transactions.*

* * * * *

(b) No change.

* * * * *

6140. ACT Processing

(a) through (c) No Change.

[(d) Next Day (T+1) Trade Processing.

At the end of T+1 matching, all declined trade reports and open "as-of" trade reports (i.e., those trade date trades reported on T+1 and unmatched or unaccepted by the end of T+1) will be purged from the ACT system; all other trade reports that remain open at the end of T+1 will be treated as locked-in trades by the ACT system and submitted as such to NSCC.]

(d) T+N Trade Processing.

T+N entries may be submitted until 5:15 p.m. each business day. At the end of daily matching, all declined trade entries will be purged from the ACT system. ACT will not purge any open trade (i.e., unmatched or unaccepted) at the end of its entry day, but will carry-over such trades to the next business day for continued comparison and reconciliation. ACT will automatically lock in and submit to NSCC as such any carried-over T to T+21 (calendar day) trade if it remains open as of 2:30 p.m. on the next business day. ACT will not automatically lock in T+22 (Calendar day) or older open "as-of" trades that were carried-over from the previous business day; these will be purged by ACT at the end of the carry-over day if they remain open. Members may re-submit these T+22 or older "as-of" trades into ACT on the next business day for continued comparison and reconciliation for up to one calendar year.

* * * * *

6420. Transaction Reporting

(a)(1) through (2) No Change.

(3)(A) All members shall report transactions in eligible securities executed outside the hours of 9:30 a.m. and 5:15 p.m. Eastern Time as follows:

(i) by transmitting the individual trade reports through ACT on the next business day (T+1) between 8:00 a.m. and [1:30] 5:15 p.m. Eastern Time;

(ii) No Change.

(iii) No Change.

(B) All members shall report [weekly] as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in designated securities for which electronic submission into ACT is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active). [that were not transmitted through ACT, for whatever reason, either on the trade date or the next business day.] Transactions that can be reported into ACT, whether on trade date or on a subsequent date on an "as of" basis (T+N), shall not be reported on Form T. [Form T shall be used exclusively as a back-up mode whenever electronic entry of trade data is not feasible due to system malfunctions or other unusual conditions.]

* * * * *

6620. Transaction Reporting

(a) (1) through (3)(A) No Change.

(B) Last sale reports of transactions in OTC Equity Securities executed outside the hours of 8:00 a.m. and 5:15 p.m. Eastern Time shall be reported as follows:

(i) No Change.

(ii) Last sale reports of transactions in ADRs, Canadian issues, or domestic OTC Equity Securities that are executed between 5:15 p.m. and midnight Eastern Time shall be transmitted through ACT on the next business day (T+1) between 8:00 a.m. and [1:30] 5:15 p.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day, and be accompanied by the time of execution.

* * * * *

(4) All members shall report [weekly] as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in designated securities for which electronic submission in ACT is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active). [that were not transmitted through ACT, for whatever reason, either on the trade date or the

next business day.] Transactions that can be reported into ACT, whether on trade date or on a subsequent date on an "as of" basis (T+N), shall not be reported on Form T. [Form T shall be used exclusively as a back-up mode whenever electronic entry of trade data is not feasible due to system malfunctions or other unusual conditions.]

(5) No Change.

* * * * *

7010. System Services

(a) through (d) No Change.

[(e) Trade Acceptance and Reconciliation Service.

The service charge to be paid by the subscriber for terminals receiving Trade Acceptance and Reconciliation Service (TARS) and/or Municipal Bond Acceptance and Reconciliation Service (MBARS) shall be \$100 per month for each TARS/MBARS dedicated terminal providing both query and update capability, \$50 per month for each shared terminal providing query and update capability for TARS/MBARS as well as other services and \$25 per month for each terminal providing query only capability. In addition, subscribers shall be charged \$.25 for each query/response or correction message plus equipment related charges as detailed in Rules 7020, 7030, and 7040. Charges shall be billed to subscribers on a monthly basis.

Subscribers averaging less than 30 trades per day during the previous calendar quarter may access TARS through the facilities of the Association's Service Desk. The service charge to be paid by such subscribers shall be \$50 per month.]

(f) through (h) re-lettered (e) through (g).

[(i)] (h) Automated Confirmation Transaction Service.

The following charges shall be paid by the participant for use of the Automated Confirmation Transaction Service (ACT):

Transaction Related charges:

Comparison	\$0.144/side per 100 shares (minimum 400 shares; maximum 7,500 shares)
Late Report—T+[1]N.	\$0.288/side
Browse/query	\$0.288/query*
Terminal fee	\$57.00/month (ACT only terminals)
CTCI fee	\$575.00/month
Service desk	\$57.00/month**
Trade reporting	\$0.29/side (applicable only to reportable transactions not subject to trade comparison through ACT) ***

Risk Management Charges:.

\$0.35/side and \$17.25/month per correspondent firm

(j) through (n) re-lettered (i) through (m).

* * * * *

[1180. Use of Trade Acceptance and Reconciliation Service

Each member that is a participant in a registered clearing agency, for purposes of clearing over the counter securities transactions, shall subscribe to and reconcile all eligible transactions through the facilities of the Association's Trade Acceptance and Reconciliation Service.]

* * * * *

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 VI 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

General Overview

Since 1983, the NASD has offered TARS to members that are participants in a registered clearing agency. TARS is an online trade reconciliation facility that allows both parties to a trade, through the Nasdaq Workstation, to reconcile breaks on contract sheets from their clearing agency with respect to OTC and exchange-listed stocks. TARS is currently offered as an independent service, distinct from ACT. ACT is the Nasdaq system used by members to compare trades for clearance and settlement and transmit trade reports for regulatory purposes and public dissemination.² Given the comparatively low reconciliation activity in TARS, Nasdaq has been working in conjunction with the National Securities Clearing Corporation

² Currently, 99.8% of trades submitted by ACT to NSCC are locked-in for clearing and settlement. The remaining 0.2% are compared through NSCC's OTC Comparison Cycle or reconciled in TARS. These consist primarily of supplemental or As-Of items submitted after the current ACT cycle (i.e., after the original trade date and T+1).

("NSCC") to optimize the trade comparison and reconciliation process.

Accordingly, the NASD is proposing to integrate TARS functionality into ACT and make certain enhancements described below. These enhancements include a new "step out" function to streamline the clearance and settlement process and an ability to submit certain trade reporting entries electronically without using a paper Form T report, which should improve the NASD's trade reporting and surveillance programs. Furthermore, the elimination of TARS as an independent service will help member firms, NSCC, and Nasdaq eliminate Y2K incompatible systems, as the current TARS software uses an incompatible six digit date format. In conjunction with the migration of TARS into ACT, the Municipal Bond Acceptance and Reconciliation Service ("MBARS") also will be discontinued.³ MBARS subscribers have been notified that they will have to make their municipal bond, corporate bond, and unit investment trust submissions directly to NSCC.⁴

ACT/TARS Migration

TARS will be discontinued as an independent service, and the functionality of TARS will be incorporated into ACT with the following changes. First, participants will be able to enter As-Of Trades and As-Of Trade Reversals that reference a trade date up to one year prior to the date of submission. Currently, ACT will only accept As-Of trade entries that reference the prior trade date (*i.e.*, they must be entered on trade date plus one (T+1)). Second, NSCC will be the sole source of compared contract sheet information. This is a rarely used element of TARS and this functionality will not be available in ACT.

In addition, the following enhancements to ACT also will be implemented:

Expansion of ACT Window for As-Of Trade Entry

The As-Of trade entry function will be expanded to allow a subscriber to submit entries that reference a trade date for a period of up to one calendar year prior to the date of the As-Of entry. As-Of trades that are entered for clearing

are subject to matching/comparison with the counterparty. These trades will be eligible for daily M2 matching⁵ via the ACT batch cycle. In addition, As-Of entries, which currently must be entered by 1:30 p.m., will now be accepted up until 5:15 p.m. ACT will no longer perform an on-line M2 match in the afternoon of the second day. Instead, the M2 match will be performed at the end of the entry day. As-Of trades that are entered from T+1 through T+21 (calendar days) that remain open on the afternoon (as of 2:30 p.m.) of the business day following the date of entry will be automatically locked-in by ACT. This responds to firms' continuing need for an "auto-lock" feature previously available through TARS and NSCC's "demand advisory" processing. As-Of trades submitted from T+22 through T+one year will require a submission by both sides for comparison. As-Of trades that are submitted against non-ACT participants will be submitted to NSCC as one-sided entries at the end of the entry day. As-Of trades will be included in ACT's risk management calculations and will be subject to Blockbuster and Sizable Trade processing.

New System Feature: ACT As-Of Trade Reversals

The revised ACT will introduce a new reversal function ("Trade Reversal") to allow participants to cancel the effects of a prior submission to NSCC. This function will replace the current TARS "withhold" and "demand withhold" functions. The As-Of Trade Reversal will be subject to the same rules as the previously described As-Of trade-entry function. The participant will need to reverse the side of the trade when submitting an As-Of Trade Reversal into ACT. For example, if a subscriber wishes to cancel a previously submitted sell trade, the subscriber must submit an As-Of reversal trade as a buy. A subscriber will also have the ability to enter an As-Of Trade Reversal on a net position basis. For example, if a subscriber entered a sell trade for 1,000 shares, but the trade should have been for 800 shares, the subscriber may enter an As-Of Trade Reversal for 200 shares as a buy to net the position to the correct amount. Subscribers may find this easier than entering an As-Of Trade Reversal buy for 1,000 shares and an As-Of trade sell for 800 shares.

Form T Trade Reporting

Both the As-Of trade-entry and Trade Reversal functions described above can

be used to more efficiently capture trades that currently are submitted on paper Form T for reporting purposes. Paper Form T is currently used by members as a back-up means to report trades that are not submitted into ACT electronically within the current system limitation of T+1 for reporting As-Of trades.⁶ Subscribers that have failed to report a trade into ACT by the end of the T+1 window will now be able to electronically submit these trades using the expanded As-Of trade-entry function (T+2 to T+N), effectively eliminating the paper form in most instances.⁷ In addition, the As-Of Trade Reversal function can be used to cancel and/or correct trades on an As-Of basis.

ACT Step-Outs

The revised ACT service will also provide a new Step-Out transaction indicator to allow members to uniquely identify Step-Out "clearing-only" entries submitted to ACT for comparison, clearance, and settlement through NASCC. A Step-Out allows the executing broker (Broker A) to "step-out," or allocate, all or part of the trade(s) to another broker(s) (Broker B). Broker A will submit an ACT market-maker entry that is flagged as a Step-Out against Broker B. Broker B will be required to acknowledge the entry by either accepting it or submitting a matching order-entry firm entry that is also flagged as a Step-Out. Since the Step-Out flag will be part of the matching criteria, an omission of the flag by either side will cause the entries not to match. Once matched, it will be submitted to NSCC for clearance and settlement and will include the Step-Out flag for identification purposes.

ACT will provide a separate Step-Out selection option on the ACT Trade Scan Window that will allow firms to view all their Step-Out entries at one time. These entries will not be reported to the tape or disseminated to the media.

ACT Give-Up Automatic Lock-In

The ACT Give-Up Automatic Lock-in function allows an introducing broker to enter and lock-in a trade when it is responsible for both sides of the trade. This occurs when two of its "Give-Ups"

⁶ See, *e.g.*, NASD Rule 4632(a)(5).

⁷ While this should significantly reduce the need for paper Form T in most situations, it will remain permissible to use the paper form solely as a means to allow firms to comply with NASD trade reporting rules in certain limited circumstances. Specifically, Form T could be used when ACT cannot accept a trade report or reversal for a transaction in which the ticker symbol is no longer available or recognized by NSCC, or when a market participant identifier is no longer valid. The relevant rule provisions referencing use of Form T are being amended accordingly.

³ MBARS allows subscribers to enter original trade input and reconcile outstanding transactions for comparison, clearance and settlement through the Fixed Income Transaction Service operated by NSCC.

⁴ This may be accomplished either through a direct feed to NSCC or via NSCC's current PC Platform. In addition, NSCC is in the process of replacing its PC Platform with a new service, PC Web Direct, which will allow direct access into NSCC using a standard internet browser.

⁵ M2 matching is the ACT process that compares and matches previously uncompleted trades submitted to ACT.

trade with each other or the introducing broker trades with one of its own Give-Up firms. In the current ACT system, the introducing broker may submit a market-maker entry for one side and either accept the trade or submit an order-entry firm entry to match the trade. In the new system, by specifying the new Give-Up Automatic Lock-In feature, the introducing broker will avoid the need to accept the trade or submit the order-entry side. In other words, this new lock-in feature will allow the introducing broker to submit just one entry and not two. ACT will submit this trade to NSCC as an M1 matched locked-in trade.

No/Was Trades

Whereas in the current ACT system a trade that is entered incorrectly or for some other reason is declined by the counterparty must be deleted and re-entered by the market-maker side, the enhanced ACT will allow the market-maker side to modify, or "No/Was," a trade that was declined by the counterparty.

".S" Trade Modifier

Currently the ".S" trade modifier cannot be used to indicate a two-day settlement period; the system only recognizes the modifier as indicating four or more days. However, in the new ACT, the allowable entries for the ".S" modifier will be either two days, or anywhere from four through 60 days.

Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act⁸ in that the proposed rule change should enhance the process through which members engage in the comparison and clearing of securities transactions. Specifically, Section 15A(b)(6) requires that the rules of a registered national securities association are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The proposed rule change provides material enhancements to the process of

comparing, and ultimately clearing and settling, securities transactions, and thus is wholly consistent in the furtherance of the purposes of the Act.

(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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and Rule 19b-4(e)(5) thereunder.¹⁰ The proposal effects a change in an existing order-entry or trading system of a self-regulatory organization that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not have the effect of limiting the access to or availability of the system.

At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-98-47 and should be submitted by November 17, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40582; File No. SR-NSCC-98-4]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change Adopting an Interpretation of the Board of Directors Regarding NSCC's Obligation To Continuously Review Participants To Determine If Participants Are Required To Reapply for Membership Due to a Material Change in Conditions

October 20, 1998.

On April 24, 1998, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-98-4) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on June 19, 1998.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

New Addendum T to NSCC Rules allow NSCC: (i) to reexamine a participant who has undergone a material change in circumstances,³ (ii)

¹¹ 17 CFR 200.30-3(a)(12).

¹⁵ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 40086 (June 12, 1998), 63 FR 33750.

³ New Addendum T sets forth three categories where changes may warrant reconsideration: (1) material changes in ownership, control or management, (2) material changes in business lines, including but not limited to, new business lines undertaken, or (3) participation as a defendant in litigation which could reasonably have a direct

⁸ 15 U.S.C. 78o-3(b)(6).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(e)(5).