guarantee in light of recent changes in market conditions. The National Market System generally began quoting and trading securities in increments smaller than ⅛ of $1.00 starting in the spring of 1997.[5] The move to 1/16ths and record volume levels conceivably could be accentuating rapid price changes and market movements. In response to this changed environment, the proposed rule change would lower the size of the public agency guarantee to the lesser of the NBBO or 1099 shares. The public agency guarantee would otherwise remain unchanged. The Exchange notes that this new level would bring the CSE's public agency guarantee more in line with the guarantees of other exchanges[6] and believes the proposed rule change will restore a balance between the exposure its specialists face in a more volatile trading environment and the need to provide the best possible execution for public investors.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) in particular in that it is designed to promote just and equitable principles of trade and 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. Specifically, the proposed rule change will balance the risks incurred by the Exchange's specialists in a more volatile trading environment with the need to ensure proper execution of public agency orders.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 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 the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

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

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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR–CSE–98–04 and should be submitted by January 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

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[5] *See e.g.*, Securities Exchange Act Release No. 38678 (May 27, 1998), 62 FR 30363 (June 3, 1997) (Order granting approval to proposed rule change to decrease the minimum quotation increment for certain securities listed and traded on the Nasdaq Stock Market to 1/16th of $1.00).

[6] The Pacific Exchange (''PCX'') guarantees execution of agency market orders up to 1099 shares for automatic execution both prior to the opening at the primary market opening price and during daily trading at the P/COAST quote (best bid and ask available through ITS) or better. Telephone conversation between Robert P. Pacileo, Staff Attorney, Regulatory Policy, PCX, and John Roeser, Attorney, Division of Market Regulation, SEC on Nov. 10, 1998. *See also* PCX Rules 5.25(a) and 5.25(c). Pursuant to Philadelphia Stock Exchange (''Phlx'') Rule 229.06, agency market orders up to 1099 shares entered prior to the opening will be executed at the New York market opening price. Agency market and limit orders up to 1099 shares (or such greater size as the specialist agrees to accept) entered prior to and after the opening will either be executed in accordance with the Professional Execution Standards in Rule 229.10(b) or automatically executed in accordance with the procedures set forth in Rule 229.05. *See* Phlx Rules 229.05, 229.06, and 229.10. The Boston Stock Exchange (''BSE'') guarantees execution on agency market and marketable limit orders entered prior to and after the opening up to 1299 shares. *See* BSE Rules Chapter II § 33(a) and § 33.01.

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 40592A; File No. SR–NASD–98–77]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Central Registration Depository Fees; Correction

December 29, 1998.

In FR Document 98–28849, beginning on page 57718, for Wednesday, October 28, 1998, several sections of the proposed rule were incorrectly stated. The following sections of Item I on page 57718 should read as follows:

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

* * * * *

Section 2–Fees

* * * * *

(b) [Each member shall be assessed a fee of $85.00 for each application filed with the Association for registration of a registered representative or registered principal. Additionally, each member shall be assessed a surcharge of $95.00 for registrations involving a special registration review filed with the Association.]

The NASD shall assess each member a fee of:

(1) $85.00 for each initial Form U–4 filed by the member with the NASD for the registration of a representative or principal, except that [The] *the* following *discounts* shall apply to the filing of [applications] *Forms U–4* to [re-register or] transfer the registration of [registered persons] *represenatives* or [registered] principals in connection with acquisition of all or a part of a member's business by another member:

* * * * *

(2) $40.00 for each initial Form U–5 filed by the member with the NASD for the termination of a registered representative or registered principal, plus a late filing fee of $80.00 if the member fails to file the initial Form U–5 within 30 days after the date of termination;

(3) $20.00 for each amended Form U–4 or Form U–5 filed by the member with the NASD;

(4) $95.00 for additional processing of each initial or amended Form U–4 or Form U–5 that includes the initial reporting, amendment, or certification of one or more disclosure events or proceedings;

(5) $10.00 for each fingerprint card submitted by the member to the NASD, plus any other charge that may be imposed by the United States Department of Justice for processing such fingerprint card; and

* * * * *

(h)[(i) Each member shall be assessed a fee of $40.00 for each notice of termination of a registered representative or registered principal filed with the Corporation as required by Section 3 of Article IV of the By-Laws.

(ii) A late filing fee of $65.00 shall be assessed a member who fails to file with the Corporation written notice of termination of a registered representative or registered principal within thirty (30) calendar days of such termination.

(iii)] In the event a member believes it should not be required to pay the late filing fee, it shall be entitled to a hearing in accordance with the procedures set forth in the Rule 9640 Series.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–297 Filed 1–6–99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40864; File No. SR–NASD–98–90]

Self-Regulatory Organizations; Order Granting Accelerated Approval to Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Proposed Amendments to the Code of Procedure to Provide for the Office of Disciplinary Affairs of NASD Regulation, Inc. to Authorize all Enforcement Actions

December 30, 1998.

I. Introduction

On December 4, 1998, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association''), filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder.[2] In its proposal, NASD Regulation seeks to amend the rules of the Association to permit the Office of Disciplinary Affairs to authorize enforcement actions. Notice of the proposal was published in the **Federal Register** on December 14, 1998 (''Notice'').[3] The Commission received no comment letters on the filing. This order approves the proposal.

II. Description of the Proposal

The Association proposes centralizing review and authorization of all disciplinary actions within a single department, the Office of Disciplinary Affairs of NASD Regulation. Currently, the Case Authorization Unit (''CAU''), located in the Department of Enforcement of NASD Regulation, authorizes all disciplinary actions. Review of these cases, however, can take place in a separate office. Known as the Office of Disciplinary Policy (''ODP''), this office is the primary reviewer of cases developed in the Washington, DC, office and cases involving ''quality-of-market'' issues. The ODP, which reports to the Office of the President of NASD Regulation, also reviews and comments on all cases involving policy issues.

Because of the overlap between the CAU and the ODP, the Association wishes to consolidate their functions in a single place—the Office of Disciplinary Affairs (''ODA''). Under the proposed rule change, as approved hereby, all cases would be authorized by the ODA. Both the ODP and the CAU will cease to function following approval of these changes. According to NASD Regulation, the change will increase overall operating efficiency and maintain the consistency and independence of the case authorization function.

III. Discussion

As discussed below, the Commission has determined to approve the Association's proposal centralizing the authorization of all enforcement actions within the ODA. The standard by which the Commission must evaluate a proposed rule change is set forth in Section 19(b) of the Act. the Commission must approve a proposed NASD rule change if it finds that the proposal is consistent with the requirements of Section 15A of the Act[4] and the rules and regulations thereunder that govern the NASD.[5] In evaluating a given proposal, the Commission examines the record before it and all relevant factors and necessary information. In addition, Section 15A of the Act establishes specific standards for NASD rules against which the Commission must measure the proposal.[6]

Specifically, the Commission finds that the proposed rule change is consistent with Sections 15A(b)(7) and (8) of the Act, which require that the rules of the Association provide a fair procedure for the disciplining of members and associated persons. According to NASD Regulation, centralizing the authorization of disciplinary actions within the ODA will help maintain the consistency of the case authorization process. The Commission agrees that consistency in the authorizing of disciplinary actions contributes to maintaining fair procedures for the disciplining of members.

Additionally, NASD Regulation asserts that the proposed rule change will help maintain the independence of the case authorization function. Under the current rules, disciplinary actions were authorized by the CAU, which is located within the Department of Enforcement of NASD Regulation. Under the proposed rule, the ODA, which will authorize all enforcement actions, will report directly to Office of the President of NASD Regulation; thus separating it from the Department of Enforcement, who is a party to the proceeding. The Commission agrees that independence in the authorizing of disciplinary actions also contributes to maintaining fair procedures for the disciplining of members.

NASD Regulation requested that the Commission find good cause pursuant to Section 19(b)(2) of the Act to approve the proposed rule change prior to the 30th day after its publication in the **Federal Register**. According to the NASD, accelerated approval is necessary to facilitate the orderly transfer of functions to the ODA, which will start operating on January 1, 1999. The Commission finds that this is an appropriate reason for accelerating approval, and notes this approval follows a notice and comment period of fifteen days that expired without receipt of comment.

IV. Conclusion

The Commission believes that the proposed rule change is consistent with the Act, and, particularly, with Section 15A thereof.[7] In approving the

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 40755 (December 7, 1998), 63 FR 68814 (December 14, 1998) (File No. SR–NASD–98–90)

[4] 15 U.S.C. 78*o*–3.

[5] U.S.C. 78s(b).

[6] 15 U.S.C. 78*o*–3.

[7] 15 U.S.C. 78*o*–3.