

recently adopted Rule 9600 Series. Currently, the exemptive authority under Rule 4615, Rule 5107, and Rule 6730 is a generalized authority vested in the Association.

In addition, to eliminate delays in processing a request for an exemption, the Association proposes to modify Rule 9610. Proposed Rule 9610 requires a person seeking exemptive relief to file a written application with "the appropriate department or staff of the Association, and provide a copy of the application to the Office of General Counsel of NASD Regulation," rather than filing the application only with the Office of the General Counsel of NASD Regulation. The same change is proposed in Rule 9630(a), which deals with filing a notice of an appeal of a decision regarding exemptive relief.

2. Statutory Basis

(a) The Association is requesting that the proposed rule change be effective within 45 days of SEC approval, but not later than January 1, 1998.

(b) The Association believes that the proposed rule change is consistent with Section 15A(b)(6), (7), and (8) of the Act.⁷ The proposed rule change is consistent with Section 15A(b)(6) of the Act in that it will promote just and equitable principles of trade by providing fair procedures and standards for membership admission, and fair procedures and consistent treatment for requesting information from members or other persons who are obligated to provide the Association with information. The proposed rule change is consistent with Section 15A(b)(7) in that it furthers the statutory mandate that the Association establish rules providing that its members and persons associated with its members shall be appropriately disciplined for violation of any provision of this title, the rules or regulations thereunder, the rules of the Municipal Securities Rulemaking Board, or the rules of the association, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. The rule change is consistent with Section 15A(b)(8) in that it furthers the statutory goals of providing a fair procedure for disciplining members and persons associated with members, fair procedures for admitting or denying membership to any person seeking membership to the Association, fair procedures for barring any person from becoming associated with a member of the Association, and fair procedures for

prohibiting or limiting the association of any person with respect to access to services offered by the Association or a member thereof.

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

NASD Regulation 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 35 days of the date of publication of this notice if 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 such 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. 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-97-81 and should be submitted by December 18, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-31523 Filed 12-2-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39369; File No. SR-NASD-97-51]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving a 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

November 26, 1997.

I. Introduction

On July 16, 1997, The Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NASD-97-51) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ The rule change will 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 program² to shareholders to participate, either directly or through the issuer's transfer agent, in an electronic link with a securities depository registered under Section 17A of the Act.³ Notice of the proposal was published in the **Federal Register** on September 23, 1997.⁴ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposal

In 1994, the Commission requested comments on the establishment of a transfer agent operated direct registration system ("DRS") for securities which would allow investors to have their securities registered in book-entry form directly on the books of

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² New section (j) of NASD Rule 4200 defines a *direct registration program* as any program by an issuer, directly or through its transfer agent whereby a shareholder may have securities registered in the shareholder's name on the books of the issuer or its transfer agent without the need for a physical certificate to evidence ownership.

³ 15 U.S.C. 78q-1.

⁴ Securities Exchange Act Release No. 39082 (September 16, 1997), 62 FR 49719.

the issuer and to receive a statement of ownership instead of a certificate.⁵ Since issuance of the Concept Release, a basic structure for DRS has been developed and implemented by a joint committee of representatives of the Securities Industry Association, the Securities Transfer Association, the Corporate Transfer Agents Association, and the registered securities depositories. Using DRS, investors have a new way, in addition to holding a certificate or holding in street name at a broker-dealer, to hold their securities positions.

A key component of DRS is the electronic linkage of issuers or their transfer agents with broker-dealers through registered securities depositories. Assuming an issuer and its transfer agent participate in DRS, this link allows a broker-dealer to deliver to a transfer agent on customer's request that his purchased securities be registered on the books of the issuer in book-entry form. The linkage also provides for the book-entry movement between broker-dealers and issuers of customers' existing positions.

The Depository Trust Company ("DTC") has received Commission approval of its procedures implementing DRS.⁶ Under DTC's procedures, to participate in DRS a transfer agent needs to become a DRS "limited participant" at DTC.⁷

Therefore, Nasdaq proposed to amend NASD's 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 securities held pursuant to the direct registration program. The electronic link may be direct or through the issuer's transfer agent.

III. Discussion

Section 15A(b)(6) of the Act⁸ requires that the rules of a national securities

⁵ Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 ("Concept Release").

⁶ Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600 [File No. SR-DTC-96-15].

⁷ According to DTC, a party wishing to be a "limited participant" 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. *Id.* The Philadelphia Depository Trust Company has received Commission approval of similar DRS procedures. Securities Exchange Act Release No. 37933 (November 8, 1997), 61 FR 59269 [File No. SR-Philadep-96-14].

⁸ 15 U.S.C. 78o-3(b)(6).

association be designed to foster cooperation with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. The Commission believes that the proposed rule change is consistent with Section 15A(b)(6) because it requires Nasdaq issuers participating in DRS to establish a link with a registered securities depository before operating DRS services. This requirement should increase cooperation among Nasdaq issuers, their transfer agents, broker-dealers, and DTC.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of 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-NASD-97-51) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-31684 Filed 12-2-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39358; File No. SR-PCX-97-43]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to an Extension of the Exchange's Specialist Evaluation Pilot Program

November 25, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on November 17, 1997,¹ the Pacific Exchange, Inc. ("PCX" or "Exchange") 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 by the self-regulatory organization. The Commission is

⁹ 17 CFR 200.30-3(a)(12).

¹ See letter from Jeffrey S. Norris, Manager, Regulatory Development, PCX, to Heather Seidel, Attorney, Market Regulation, Commission, dated November 24, 1997 ("Amendment No. 1"). The substance of Amendment No. 1 is incorporated into the notice.

publishing this notice to solicit comments on the proposed rule change from interested persons.

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

PCX is proposing to extend its pilot program regarding the evaluation of its equity specialists until January 1, 1999. In addition, the Exchange is proposing to implement certain changes to the pilot program.

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

In its filing with the Commission, the self-regulatory organization 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. The self-regulatory organization 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

1. Purpose

On June 3, 1997, the Commission approved a six-month extension of the pilot program for the evaluation of equity specialists.² The reason for the extension was to allow the PCX more time to evaluate the impact of the SEC's new order handling rules on the performance criteria and to determine an appropriate overall passing score and individual passing scores for each criterion. The Exchange now is proposing to extend the pilot program until January 1, 1999. The PCX has established an overall passing score and individual passing scores for each criterion and has determined when specialists that do not attain the minimum passing scores should meet with the Equity Allocation Committee ("EAC"). The Exchange is also proposing to replace the "Bettering the Quote" criterion with Price Improvement and to lower the weighting of the Specialist Evaluation Questionnaire from 15% to 10% so that Price Improvement can be given a weight of 10%. Since the Bettering the Quote criterion is now measured against the NBBO instead of the primary market, the PCX believes it is no longer

² See Securities Exchange Act Release No. 38712 (June 3, 1997), 62 FR 17941 (July 8, 1997).