

only reduce the time and expense associated with physical movements of securities positions but should also reduce the risk of loss and erroneous processing that always exists with physical movements. The Commission also believes that the procedures for the link between DTC and DBC are consistent with DTC's safeguarding obligation in that all movements into or out of DTC's omnibus account at DBC and into or out of DBC's omnibus account at DTC will be on a free of payment basis.¹⁰

The Commission has taken account of the comment letters that it received in response to the proposed rule change. The Commission believes that the rule change should not affect the obligation of any entity to register as a transfer agent pursuant to Section 17A of the Act.¹¹ In addition, the Commission believes that the rule change should not have any effect on the rules of any self-regulatory organization other than 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 Act¹² and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (File No. SR-DTC-98-19) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-30826 Filed 11-17-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40658; File No. SR-NASD-98-71]

Self-Regulatory Organizations; Notice of Withdrawal of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Establishment of a Pilot Program To Provide Proprietary Trading Data via NasdaqTrader.com

November 10, 1998.

On September 29, 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" or "SEC") 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 to amend Rule 7010 of the Rules of the NASD, to establish a pilot program to provide proprietary trading data via Nasdaq's NasdaqTrader.com web site.

Notice of the proposed rule change was published on October 9, 1998 to solicit comment from interested persons.³ The Commission received two comment letters concerning the proposed rule change.⁴ On November 5, 1998, the NASD withdrew the proposal rule change.⁵

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-30824 Filed 11-17-98; 8:45 am]

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¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Rel. No. 40542 (October 9, 1998), 63 FR 55909 (October 19, 1998).

⁴ Letters from Roland Beaulieu, President, Thomason Trading Services, Inc. ("Autex"), to Jonathan G. Katz, Secretary, SEC, dated October 22, 1998 and from Mari-Anne Pisarri, Pickard and Djinis LLP, to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated October 13, 1998.

⁵ Letter from Robert E. Aber, Senior Vice President and General Counsel, The Nasdaq Stock Market, Inc., to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated November 4, 1998.

⁶ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40659; File No. SR-NASD-98-69]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Mutual Fund Breakpoint Sales

November 10, 1998.

On September 10, 1998, the National Association of Securities Dealers, Inc. ("NASD"), through its regulatory subsidiary, NASD Regulation, Inc. ("NASD Regulation") 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 filing, NASD Regulation proposed to amend Interpretive Memorandum 2830-1 ("IM 2830-1") to clarify the application of the mutual fund breakpoint sales rule to modern portfolio investment strategies. Notice of the proposal was published in the **Federal Register** on October 6, 1998 ("Notice").³ No comments were received on the proposal.

I. Description of the Proposal

Volume purchasers of mutual fund shares often enjoy lower sales charges when purchases reach certain levels (e.g., \$10,000, \$25,000, \$50,000, and so forth). Although funds do not have to offer such discounts under SEC or NASD rules, many funds use reduced fee schedules as a marketing tool to attract large investors. The term "breakpoint" refers to the amount of mutual fund shares that must be purchased before the volume sales charges are reduced. IM-2830-1 prohibits sales of mutual fund shares in amounts below breakpoints, if such sales are made to avoid the reduced volume sales charges. When the Association reviews a suspected violation, it looks at the facts and circumstances of a particular below-breakpoint sale to determine whether there is a bona fide reason for the sale.

NASD Regulation recognizes that the customers of NASD members, to meet their diversification needs and investment goals, may wish to allocate their portfolios among different assets, in a way that does not allow them to get the benefit of volume sales charge

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 40500 (September 29, 1998), 63 FR 53740 (October 6, 1998) (File No. SR-NASD-98-69).

¹⁰ In addition, DTC has obtained an opinion of counsel concerning German law and DTC's participation in DBC.

¹¹ The Commission notes that the entities that will perform transfer functions for shares in DaimlerChrysler are registered transfer agents.

¹² 15 U.S.C. 78q-1.

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).

reductions. Thus, NASD Regulation believes that, under most circumstances, below-breakpoint sales made pursuant to a bona fide asset allocation program do not constitute a breakpoint violation. Moreover, NASD Regulation does not want to discourage its members from suggesting asset allocation investment options to those customers who would benefit from such strategies.

To aid in distinguishing between bona fide and improper below-breakpoint sales, NASD Regulation proposes amendment of IM-2830-1 to more precisely identify the facts and circumstances the staff will consider when reviewing a particular below-breakpoint sale. Specifically, IM-2830-1 will be amended to provide that NASD Regulation examination staff, in reviewing a below-breakpoint sale will consider, among other things, (1) whether a member has retained records demonstrating that the transaction was executed in accordance with a bona fide asset allocation program and (2) whether the particular customer involved was informed that volume sales reductions would not be available for the particular sale due to the allocation of the total purchase among a variety of funds.

II. Discussion

The Commission has determined to approve the Association's proposal to amend IM 2830-1. 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 Act⁴ and the rules and regulations thereunder that govern the NASD.⁵ In evaluating a given proposal, the Commission examines the record before it. In addition, Section 15A of the Act establishes specific standards for NASD rules against which the Commission must measure the proposal.⁶

The Commission believes that the proposal to amend IM-2830-1 to clarify the application of the mutual fund breakpoint sales rule to modern portfolio investment strategies such as a bona fide asset allocation plan is consistent with Section 15A(b)(6) of the Act in that it is designed, among other things, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of

trade, and, in general, to protect investors and the public interest.⁷

The Commission agrees with NASD Regulation that the proposal promotes just and equitable principles of trade by providing enhanced guidance to both NASD members and the NASD Regulation examination staff regarding the application of the Association's breakpoint sales rule. The Commission further believes that the proposal, by drawing attention to the importance of (a) maintaining records describing the reasons for a particular asset allocation plan, and (b) disclosing breakpoint sales practices and discounts to customers, the rule should help to deter fraudulent and manipulative acts and practices by NASD members.

III. Conclusion

The Commission believes that the proposed rule change is consistent with the Act, and, particularly, with Section 15A thereof.⁸ In approving the proposal, the Commission has considered its impact on efficiency, competition, and capital formation.⁹

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-NASD-98-69) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-30825 Filed 11-17-98; 8:45 am]

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SOCIAL SECURITY ADMINISTRATION

Demonstration to Improve Enrollment in State Buy-in to Medicare for Low-Income Medicare Beneficiaries

AGENCY: Social Security Administration.

ACTION: Notice, request for comments and solicitation for demonstration participation by States.

SUMMARY: Title IV of Division A, Social Security Administration, of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, directs the Commissioner of Social Security to expend \$6,000,000 for Federal-State partnerships which will evaluate means to promote the Medicare buy-in programs targeted to elderly and disabled individuals under titles XVIII

and XIX of the Social Security Act (the Act). Administration of the Medicare buy-in programs described in titles XVIII and XIX of the Act is the responsibility of the Administrator of the Health Care Financing Administration (HCFA) in the Department of Health and Human Services. The Commissioner of Social Security is responsible for the Social Security and Supplemental Security Income (SSI) programs described in titles II and XVI of the Act.

The Medicare and Medicaid programs are statutorily linked to the programs administered by the Social Security Administration (SSA). Because of this linkage, SSA provides certain Medicare- and Medicaid-related services to HCFA, the States and to SSA's beneficiaries. Among these services are public service information activities about the Medicare and Medicaid programs, categorically needy Medicaid eligibility determinations in most States and referral activities for certain Medicaid benefits in all States. The scope of SSA's involvement in the Medicare and Medicaid programs is defined in the Act and in agreements between SSA and HCFA and between SSA and the States.

The demonstration project specified in Public Law 105-277 will assist SSA's low-income disabled beneficiaries and beneficiaries age 65 and over who are or could be eligible for Medicaid benefits to help pay their Medicare costs. SSA intends to work with HCFA to identify and investigate barriers and to foster enrollment of those beneficiaries in the Medicare buy-in programs. SSA is requesting public comment about these plans and soliciting States to express their interest in participating in this demonstration.

DATES: Interested persons are invited to submit comments on or before December 18, 1998. States interested in participating in this demonstration should submit expressions of interest on or before December 18, 1998 to the address below.

ADDRESSES: Written comments and expressions of State interest in participation should be addressed to Craig A. Streett, Office of Program Benefits, Social Security Administration, 6401 Security Boulevard, Room 3-M-1 Operations Building, Baltimore, MD 21235, or should be electronically mailed to the internet address Craig.Streett@ssa.gov, or should be faxed to 410-966-0980. All comments and expressions of State interest in participation received at the internet address will be acknowledged by electronic mail to confirm receipt.

⁴ 15 U.S.C. 78o-3.

⁵ 15 U.S.C. 78s(b).

⁶ 15 U.S.C. 78o-3.

⁷ 15 U.S.C. 78o-3(b)(6).

⁸ 15 U.S.C. 78o-3.

⁹ 15 U.S.C. 78(c)f.

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).