agreement DTC shall not be liable for any obligations of such other entity, the participants fund or other assets of DTC shall not be available to such other entity, such other entity shall not be liable for any obligations of DTC, and any assets of such other entity shall not be available to DTC. In addition, DTC will amend its rules to provide that it may increase required deposits to its participants fund to cover costs associated with a voluntary liquidation of DTC.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[2]

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

The Boards of Directors of DTC and the National Securities Clearing Corporation (''NSCC'') have determined to proceed with a plan for the integration over time of DTC and NSCC. As an initial step in this plan, DTC and NSCC have elected uniform Boards of Directors. The next step proposed in the plan is to establish a holding company with DTC and NSCC as operating subsidiaries.

A prime consideration in the DTC/NSCC integration plan is that DTC and NSCC each will continue to be insulated from the risks and obligations of the other. Under the proposed rule change, DTC will add new Section 7 to its Rule 2 to disclaim liability for any obligations of NSCC and to clarify that NSCC will not be liable for the obligations of DTC. NSCC has proposed similar revisions to its rules.[3]

As a separate matter, DTC's rules currently provide that in the unlikely event DTC were to cease providing some or all of its services, DTC's participants fund would be available to cover any DTC wind down costs not otherwise defrayed by service fees or other available resources. The proposed rule change will amend Section 1 of DTC's Rule 4 to make clear that the required fund deposits of participants would be increased if necessary to cover such costs.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(2) of the Act[4] and the rules and regulations thereunder applicable to DTC. The proposed rule change will not affect the safeguarding of securities and funds in DTC's custody or control or for which it is responsible.

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

DTC does not believe that the proposed rule change will impose any burden on competition 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

Written comments from DTC participants have not been solicited or received on the proposed rule change.

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 DTC 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, 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, N.W., Washington, D.C. 20549–609. 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 DTC. All submissions should refer to File No. SR–DTC–99–11 and should be submitted by August 24, 1999.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–19877 Filed 8–2–99; 8:45 am]

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[2] The Commission has modified the text of the summaries prepared by DTC.

[3] File No. SR–NSCC–99–07.

[4] 15 U.S.C. 78q–1(b)(2).

[5] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41666; File No. SR–NASD–99–31]

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

July 28, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on June 15, 1999, the National Association of Securities Dealers, Inc.(''NASD'' or ''Association''), through its wholly owned subsidiary, the Nasdaq Stock Market, Inc. (''Nasdaq''), filed a proposed rule change with the Securities and Exchange Commission (''SEC or ''Commission''). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by Nasdaq. Nasdaq filed Amendment No. 1 to the proposal on June 18, 1999.[3] The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons.

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 includes Exhibit A, which was missing from NASD's original filing. *See* letter to Katherine A. England, Assistant Director, Division of Market Regulation (''Division''), SEC, from Robert E. Aber, Senior Vice President and General Counsel, Nasdaq, dated June 17, 1999.

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

Nasdaq is proposing to amend NASD rules relating to the Automated Confirmation Transaction Service (''ACT'') and the ACT Service Desk. The proposal would permit NASD members who currently use the Nasdaq Workstation I (''NWI'') to report trades, to instead use the ACT Service Desk to report trades, provided that the members have reported an average or 20 or fewer trades per day. The text of the proposed rule hang is available at the NASD and at the Commission.

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 section 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

Nasdaq is proposing to amend rules governing the use of ACT to permit NASD members who currently use the NWI to report trades, to instead use the Nasdaq ACT Service Desk to report trades to ACT, provided that the members report an average of 20 or fewer trades per day.

ACT is the Nasdaq system used by members to report and compare trades for clearance and settlement. ACT transmits trade reports for regulatory purposes and public dissemination. After members enter trade information into ACT (as required by NASD and trade-reporting rules),[4] the systems sends locked-in trades to clearing. Under current NASD rules, members must report trades to ACT for certain transactions executed in the over-the-counter market, including transactions in Nasdaq National Market securities (NNM''), Nasdaq SmallCap securities (''SmallCap''), Over-the-Counter Bulletin Board (''OTCBB'') securities, Nasdaq convertible debt securities, exchange-listed securities effected in the over-the-counter market, and securities traded exclusively in the over-the-counter market (*e.g.*, Pink Sheet securities).[5]

There generally are three methods to report trades to ACT: (1) By ordering a Nasdaq Workstation II service (''NWII''); (2) by using the Nasdaq ACT Service Desk; or (3) by having another firm that has access to ACT through NWII report the trades (commonly known as a ''give-up'' relationship). The ACT Service Desk is a phone-based service that allows firms to report trades over the phone to Nasdaq Market Operations staff, who in turn input the trades into the ACT system for dissemination to the tape. The ACT Service Desk is not meant as a replacement to the trade-reporting facility of the NWII. The ACT Service Desk was designed as a cost effective method of trade reporting for firms that effect very few transactions in Nasdaq securities or other securities traded in the over-the-counter market.[6] As such, NASD rules limit participation in the ACT Service Desk to only those members who do not have access to Nasdaq equipment and who have effected an average of five or fewer trades per day during the previous calendar quarter.[7] If a firm has reported more than five trades per day during the previous calendar quarter, the firm must either order an NWII to report trades or enter into a give-up arrangement.

As a last method of trade reporting, currently approximately 62 firms[8] have access to the NWI terminal—the predecessor to the NWII—which serves as an ''ACT only'' terminal (*i.e.*, the terminal is used only to input ACT trades). The NWI, however, resides on the Nasdaq Special Services Network, which is being eliminated in July 1999 because that network is not Year 2000 compliant. Accordingly, when the Nasdaq Special Services Network is eliminated, approximately 62 firms will lose their current method of trade reporting and will have to either order an NWII or enter into a give-up arrangement. The former option may be undesirable and/or not feasible from a cost perspective,[9] while the later may not be feasible for business reasons.

In an effort to minimize the effects of the elimination of the NWI trade-reporting capability, Nasdaq proposes to expand access to the ACT Service Desk by raising the trade cap or eligibility limit, from 5 trades to 20 trades per day. Specifically, members who currently utilize the NWI would be permitted to use the ACT Service Desk to report trades if the member has reported an average of 20 or fewer trades per day during the previous calendar quarter. The increase in the cap to the 20 trades per day level would be temporary until Nasdaq has developed a replacement for the current NWI trade-reporting facility.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with Section 15A(b)(6)[10] of the Act, which requires, among other things, that the Association's rules must be designed 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. Nasdaq believes that the proposed rule change is consistent with the purposes of the Act in that it will provide a cost-effective and efficient mechanism to report trades, and therefore facilitates clearance and settlement of transactions in securities. Additionally, the proposed rule change will enhance the process through which members engage in the comparison and clearing of securities transactions.

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.

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

Written comments were neither solicited nor received.

[4] *See* NASD Rules 4630, 4640, 4650, 6100, 6400, 6600, and 6700.

[5] *Id.*

[6] *See generally*, Securities Exchange Act Release No. 27908 (Apr. 17, 1990), 55 FR 15313 (Apr. 23, 1990) (Approval order for ACT Service Desk).

[7] *See* NASD Rule 7010 (h), note 2.

[8] Of those 62 firms, 24 would be eligible to use the ACT Service Desk. Of the remaining 38 firms, 10 have upgraded to the NWII, 4 have canceled, and 24 have not yet taken action. Telephone conversation between John Malitzis, Assistant General Counsel, Office of General Counsel, Nasdaq, and David Sieradzki, Special Counsel, Division, SEC, on July 20, 1999.

[9] The cost of obtaining NWII service with one presentation device currently is $2,025 per month, while the cost of subscribing to the ACT Service Desk is $57 per month. *See* NASD Rules 7010(g) and (h).

[10] 15 U.S.C. 78o–3(b)(6).

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

The foregoing rule change has become effective immediately under Section 19(b)(3)(A) of the Act[11] and subparagraph (f)(5) of Rule 19b–4 thereunder,[12] in that it constitutes a change in an existing order-entry or trading system that: does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not have the effect of limiting the access to or availability of the system. Specifically, the proposed rule change expands the universe of members that may quality to use the ACT Service Desk to report trades to NASD. Additionally, the proposal provides a cost-effective mechanism for qualifying firms that use out-dated technology, to report trades to the NASD, until the NASD has created a replacement for the NWI. The proposal will benefit members and will enhance the ability of members to reconcile and report trades efficiently. Thus, Nasdaq believes that these changes are properly characterized as routine modifications warranting prompt implementation, and consistent with the Commission's stated suggestion that self-regulatory organizations could take better advantage of the expedited process available under Section 19(b)(3)(A) of the Act.[13]

At any time within 60 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, N.W., Washington, D.C. 20549–0609. 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 at the Commission's Public Reference Room. 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–99–31 and should be submitted by August 24, 1999.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–19876 Filed 8–2–99; 8:45 am]

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[11] 15 U.S.C. 78s(b)(3)(A).

[12] 17 CFR 240.19b–4(f)(5).

[13] *See* Exchange Act Release No. 38672 (May 23, 1997), 62 FR 30485 (June 4, 1997) at footnote 200.

[14] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41662; File No. SR–NSCC–99–07]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Liability With Respect to Affiliated Entities

July 27, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 13, 1999, the National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by NSCC. 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

Under the proposed rule change, NSCC will amend its rules to limit its liability with respect to affiliated entities. Specifically, NSCC will amend its rules to provide that notwithstanding any affiliation between NSCC and any other entity, including any clearing agency, except as otherwise expressly provided by written agreement NSCC shall not be liable for any obligations of such other entity, the clearing fund or other assets of NSCC shall not be available to such other entity, such other entity shall not be liable for any obligations of NSCC, and any assets of such other entity shall not be available to NSCC.

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[2]

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

The Boards of Directors of NSCC and The Depository Trust Company (''DTC'') have determined to proceed with a plan for the integration over time of NSCC and DTC. As an initial step in this plan, NSCC and DTC have elected uniform Boards of Directors. The next step proposed in the plan is to establish a holding company with NSCC and DTC as operating subsidiaries.

A prime consideration of the proposed integration plan is to assure that NSCC, its members, and its clearing fund will continue to be insulated from the risks and obligations arising from DTC's activities (including the custody of securities). Similarly, the plan contemplates that DTC will continue to be insulated from the risks of NSCC's business (including the CNS settlement guaranty). Under the proposed rule change, NSCC will adopt Rule 58, limitations on liability, to clarify that it will not be liable for the obligations of any other clearing agency (including DTC) and to disclaim liability for any obligations of any other clearing agency. DTC has proposed similar revisions to its Rules.[3]

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act[4] and the rules and regulations thereunder because it promotes the safeguarding of securities and funds in NSCC's custody or control of for which it is responsible.

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

[2] The Commission has modified the test of the summaries prepared by NSCC.

[3] File No. SR–DTC–99–11.

[4] 15 U.S.C. 78q–1.