surveillance procedures to easily identify a specialist who fails to display a customer limit order immediately or is relying on an automated system that does not display limit orders immediately.[14] The Commission, therefore, believes that because certain violations of the Limit Order Rule are amenable to efficient and equitable enforcement they are appropriate for inclusion in CHX's Minor Rule Plan. The Commission expects, however, because a violation of the Limit Order Rule amounts to a violation of a federal securities law, that the Exchange will err on the side of caution in disposing of such violations under the Plan.[15] The Commission expects the Exchange to continue to resolve more serious violations of rules through the use of formal disciplinary procedures, as in the case of an egregious violation or habitual offender.

IV. Conclusion

For the foregoing reasons, the Commission believes that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with Sections 6(b)(1), 6(b)(5), 6(b)(6), 6(b)(7), 6(d)(1) and 19(d) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act [16] and Rule 19d–1(c)(2) thereunder,[17] that the proposed rule change (SR–CHX–97–25) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[18]

Margaret H. McFarland,

Deputy Secretary.

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[14] A specialist is not displaying customer limit orders *immediately* if the specialist regularly executes customer limit orders at, for example, the 27th second after receipt. As stated in the Adopting Release, the requirement that a limit order be displayed ''immediately'' means that the limit order must be displayed as soon as practicable, but *no later* than 30 seconds after receipt under normal market conditions. This 30 seconds is an outer limit under normal market conditions and is not to be interpreted as a 30-second safe harbor.

[15] For example, the Commission expects that the Exchange would not issue several cautionary letters before instituting the fines under the Plan or aggregate multiple violations of the rules before instituting abbreviated disciplinary procedures under the Plan or, if necessary, full disciplinary procedures.

[16] 15 U.S.C. 78s(b)(2).

[17] 17 CFR 250.19d–1(c)(2).

[18] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40064; International Release No. 1138; File No. SR–DTC–98–11]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Temporary Approval of a Proposed Rule Change Relating to the Admission of Non-U.S. Entities as Direct Depository Participants

June 3, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 29, 1998, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared primarily by DTC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated temporary approval of the proposed rule change through May 31, 1999.

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

The purpose of the proposed rule change is to extend the Commission's temporary approval of DTC's criteria for entities that are organized in a country other than the United States (''non-U.S. entity'') to become direct DTC participants.

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 purpose of the proposed rule change is to extend the Commission's temporary approval of DTC's admission criteria for non-U.S. entities as direct DTC participants. The Commission originally granted temporary approval on May 9, 1997.[3] The admission criteria would permit well-qualified, non-U.S. entities to obtain direct access to DTC's services without requiring the non-U.S. entities to obtain financial guarantees.

According to DTC, as of May 8, 1998, it has not admitted any non-U.S. entities under the non-U.S. entities participation standards. DTC is currently reviewing an application from one non-U.S. entity, has sent an application to another non-U.S. entity, and has received numerous inquiries from other non-U.S. entities. DTC expects to admit in 1998 several non-U.S. entities under these standards.

DTC is seeking an extension of the temporary approval so it can admit these non-U.S. entities and can gain experience with the new admission standards and with the unique risks posed by the activities of non-U.S. entities as direct DTC participants.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act and the rules and regulations promulgated because the admissions criteria takes into account the unique risks to DTC raised by the admission of non-U.S. entities while not unfairly discriminating against foreign entities seeking admission as participants.

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

DTC acknowledges that the additional admissions criteria applicable to non-U.S. entities may impose some additional burden. DTC believes that any such burden is necessary and 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 were not and are not intended to be solicited with respect to the proposed rule change, and none were received.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of

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

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

[3] For a complete discussion of the admission criteria, refer to Securities Exchange Act Release No. 38600, International Release No. 1078 (May 9, 1997), 62 FR 27086–01 [File No. SR–DTC–96–13] (order temporarily approving a proposed rule change relating to the admission of non-U.S. entities as direct depository participants).

the clearing agency or for which it is responsible.[4] The Commission believes that the rule change is consistent with this obligation because the admission criteria should bind non-U.S. entities to DTC's rules and procedures in a manner similar to U.S. domestic participant and should lesson or eliminate the negative effects that jurisdictional issues could have on DTC's exercise of its rights and remedies against a non-U.S. entity. Therefore, the Commission believes that the admissions criteria will assist DTC in assuring the safeguarding of securities and funds which are in its custody, control, or for which it is responsible.

DTC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of the filing because accelerated approval will permit DTC to continue to use its admission criteria without interruption.[5]

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 submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submissions, 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, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filings will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the file number SR–DTC–98–11 and should be submitted by July 1, 1998.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–DTC–98–11) be, and hereby is, temporarily approved through May 31, 1999, on an accelerated basis.

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

Margaret H. McFarland,

Deputy Secretary.

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[4] 15 U.S.C. 78q–1(b)(3)(F).

[5] The staff of the Board of Governors of the Federal Reserve System has concurred with the Commission's granting of accelerated approval. Telephone conversation between Kirsten Wells, Senior Analyst, Division of Reserve Bank Operations, Board of Governors of the Federal Reserve System, and Jeffrey Mooney, Special Counsel, Division of Market Regulation, Commission (June 3, 1998).

[6] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40065; File No. SR–NASD–98–33]

Self-Regulatory Organizations; Notice of Proposed Rule Change and Amendment 1 Thereto by the National Association of Securities Dealers, Inc., Relating to Exemptions From Fidelity Bonding Requirements

June 3, 1998.

Pursuant to Seciton 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on April 20, 1998, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association''), filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation, Inc. (''NASD Regulation''). By letter dated may 27, 1998, the Association filed Amendment 1 to the proposal with the Commission.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

NASD Regulation is proposing to amend rule 3020 of the Conduct Rules of the NASD to grant to the staff authority to adjust the fidelity bond required of a member in certain circumstances upon a showing of good cause, either conditionally or unconditionally. Below is the text of the proposed rule change. Proposed new language is in italics.

3020. Fidelity Bonds

* * * * *

(c) Annual Review of Coverage

* * * * *

(4) Any member subject to the requirements of this paragraph (c) may apply for an exemption from the requirements of this paragraph (c). The application shall be made pursuant to Rule 9610 of the Code of Procedure. The exemption may be granted upon a showing of good cause, including a substantial change in the circumstances or nature of the member's business that results in a lower net capital requirement. The NASD may issue an exemption subject to any condition or limitation or limitation upon a member's bonding coverage that is deemed necessary to protect the public and serve the purposes of this Rule.

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 NASD 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. NASD Regulation 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

Rule 3020 specifies that members are required to maintain fidelity bonds to insure against certain losses and the potential effect of such losses on firm capital. The rule applies to all members with employees who are required to join the Securities Investor Protection Corporation and who are not covered by the requirements of a national securities exchange. The amount of coverage a member is required to maintain is linked to the member's net capital requirements under SEC Rule 15c3–1.[4]

Under paragraph (c) of Rule 3020, each member is required to make an annual review of the adequacy of the member's fidelity bond coverage and is required to maintain coverage that is adequate to cover the member's highest

[1] 15 U.S.C. 78s(b)(1) (1994).

[2] 17 CFR 240.19b–4 (1997).

[3] Amendment 1 revised the last sentence of proposed new paragraph (c)(4) of Rule 3020. *See* Letter from Elliott R. Curzon, Assistant Chief Counsel, NASD Regulation, to Lisa Henderson, Attorney SEC, dated May 27, 1998.

[4] 17 CFR 240.15c3–1 (1997).