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.

[FR Doc. 98–15417 Filed 6–9–98; 8:45 am]

BILLING CODE 8010–01–M

[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).

net capital requirement during the preceding 12 months. NASD Regulation staff have received several requests from members asking for a waiver or interpretation to relieve the member from this requirement in certain circumstances. For example, if a full-service member changed its business by divesting itself of clearing responsibilities so that it no longer holds customer funds or securities, it would still be required to maintain bond coverage that is based on the higher net capital requirement that applied during the preceding year. Currently, Rule 3020 does not permit the staff to provide any relief to the member.

NASD Regulation is proposing to amend Rule 3020 to permit the staff to exempt a member from the requirements of the rule in circumstances similar to those described above and upon a showing of good cause. This authority will permit the staff to adjust the fidelity bond requirements applicable to a member to better tailor the requirements to changes in a member's business. In addition, the proposed rule change will also permit the staff to include conditions in an exemption to ensure that any subsequent increase in capital requirements is accompanied by a corresponding increase in coverage.

The rule change applies a ''good cause'' standard that will require a member to demonstrate that a modification from the bonding requirement is justified by the level of loss exposure that may be expected from the member. NASD Regulation notes that the fidelity bonding premiums are set for certain net capital thresholds on the basis of loss experience. The premiums are changed from time to time to reflect changes in loss experience and to ensure that sufficient funds are available to pay any losses reported to the insurer. In addition, generally losses incurred in a prior year are reported against the firm's current year. NASD Regulation intends to apply this authority only where it is clear that an exemption will not have any unintended impact on the insurance pool, and the modified coverage would adequately protect the member against potential losses.

Request for exemption would be considered under recently adopted Procedures for Exemption in the 9600 Series of Rules in the Code of Procedure. Under the procedures, the staff issues written determinations that are subject to review by the National Adjudicatory Council.

2. Statutory Basis

NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[5] in that the proposed amendments are designed to accommodate members whose financial circumstances have changed so that they could obtain an exemption from maintaining fidelity bond coverage at higher previous levels if they can show that there is no regulatory reason for the higher coverage required by Rule 3020, without otherwise compromising investor protection.

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 Act

Within 35 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 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 NASD consents, the Commission will:

(A) by order approved 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, 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, 450 Fifth Street, NW, Washington, DC 20549. 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 No. SR–NASD–98–33 and should be submitted by July 1, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–15418 Filed 6–9–98; 8:45 am]

BILLING CODE 8010–01–M

[5] 15 U.S.C. 78f(b)(6).

[6] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40069; File No. SR–NASD–98–38]

Self-Regulatory Organizations; Notice of Filing and Partial Immediate Effectiveness of a Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to NASD Order Audit Trail System and Record-Keeping Rules

June 4, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1935 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on May 22, 1998, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') through its wholly-owned subsidiary, NASD Regulation, Inc., (''NASDR'') 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 the NASDR. The Commission is 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

The NASDR is proposing to amend NASD Books and Records Rule 3110 and NASD Order Audit Trail System (''OATS'') Rules 6954 and 6957 to: require members to record certain information when an order is transmitted to a non-member; explicitly detail the recordkeeping requirements that will apply to OATS data; require members to record and maintain

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

[2] 17 CFR 240.19b–4.