III. Discussion

The Commission finds the proposed rule change, by helping to ensure that clearly erroneous transactions are quickly corrected or nullified and properly reported to the public, is consistent with the Exchange Act and in particular with Sections 15A(b)(6) and 11A(a)(1)(C) of the Exchange Act. Among other things, Section 15A(b)(6) requires that the rules of a national securities association be designed 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. Section 15A(b)(6) also provides that the rules of the association not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Section 11A(a)(1)(C) provides that, among other things, it is in the public interest to assure the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities.

In the proposed rule change, the NASD provides greater specificity in the procedures for resolving clearly erroneous transactions and greater flexibility to Nasdaq officials to remedy such errors expeditiously. The Commission believes that the amendments to the NASD's procedures to review these transactions should benefit market participants by promoting fair and efficient resolution of disputes involving clearly erroneous transactions. In addition, the proposed rule change—in particular the provision for appeal to the MORC—addresses concerns raised by the Commission in its August 8, 1996, Report Pursuant to Section 21(a) of the Securities Exchange Act of 1934 Regarding the NASD and The Nasdaq Stock Market regarding the fairness of the clearly erroneous review process. The NASD believes, and the Commission agrees, that with these amendments the process for resolving clearly erroneous transaction complaints would become fairer and more efficient. In this regard, the proposal is consistent with Exchange Act Section 15A(b)(6) because it helps to ensure that NASD Rule 11890 does not permit unfair discrimination between customers, issuers, brokers, or dealers.

Further, it is important for the proper functioning of the securities markets that investors be able to rely on reported transactions as accurately reflecting the current state of the market and actual executions. When clearly erroneous transactions are publicly reported, it is important that, whenever possible,[20] Nasdaq correct these clear errors and correct the inaccurate information that was disseminated in the market about these transactions as quickly as possible.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to national securities association and, in particular, the requirements of Sections 15A(b)(6) and 11A(a)(1)(c) and the rules and regulations thereunder.[21]

Finally, the Commission finds good cause for approving Amendment No. 2, 3, and 4 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof. The Exchange's proposal was published in the**Federal Register** for the full statutory period.[22] Amendment Nos. 2, 3, and 4 are technical amendments that clarify the operation of the rule to enhance market participants' comprehension and compliance with these procedures. The Amendments do not diminish the rights of any prospective party with respect to resolving clearly erroneous transactions. Consequently, the Commission finds that there is good cause, consistent with the Exchange Act, to accelerate approval of Amendment Nos. 2, 3, and 4.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,[23] that the proposed rule change (SR–NASD–96–51) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[24]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–1975 Filed 1–27–98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39563; File No. SR–NSCC–97–14]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change to Modify NSCC's Procedures Regarding its Trade Comparision Service

January 20, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on December 9, 1997, the National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commisssion'') the proposed rule change (File No. SR–NSCC–97–14) 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 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 proposed rule change will modify NSCC's procedures regarding its trade comparison system for over-the-counter (''OTC'') securities.

II. Self-Regulatory Organizations'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]

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[20] Regarding the transparency of voided or modified clearly erroneous transactions, Nasdaq represented to the Division of Market Regulation that whenever possible within the constraints of Nasdaq's systems, Nasdaq will endeavor to ensure that the tape and historical record will be corrected as soon as possible. Given that allegedly clearly erroneous trades will now be brought to Nasdaq's attention within 30 minutes rather than within four hours as was previously the case, it will be significantly less likely that transactions voided or modified as clearly erroneous will not be corrected on the tape or historical record. Nasdaq also represented that in 1997, when the time period was still four hours, clearly erroneous transactions that were modified or voided were almost always corrected on the tape or historical record. Conversation between Andrew S. Margolin, Office of the General Counsel, Nasdaq, and Jeffrey R. Schwartz, Special Counsel, Division of Market Regulation, SEC, January 8, 1998.

[21] In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. The proposed rule change likely will enhance the efficiency and fairness of the process by which clearly erroneous transactions are modified or nullified. The proposal also should increase the accuracy of transaction reports disseminated to the public. The net effect of approving the proposed rule change will be positive. 15 U.S.C. § 78c(f).

[22] *See* Securities Exchange Act Release No. 38196, *supra* note 4.

[23] 15 U.S.C. § 78s(b)(2).

[24] 17 CFR 200.30-3(a)(12).

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

[2] The Commission has modified the text of the summaries submitted by NSCC.

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

The proposed rule change will modify NSCC's procedures regarding its trade comparison service. The proposed rule change will discontinue the following instructions: the ''delete of original trade input,''[3] the ''demand withold,''[4] and the ''demand as of.''[5] Such instructions are used very infrequently by NSCC members due to the growth of automated processing systems. Their elimination will result in reduced costs to members.

Additionally, the change will eliminate the ability to submit an advisory listing after the first day after trade date (''T+1'') for original input and as of trades.[6] This change results from extremely limited acceptances of advisories of T+2 and will also reduce costs.

Under the third change, the supplemental contract lists and the added trade contract lists will no longer carry forward totals. The supplemental contract lists show all compared trades resulting from adjustments submitted on T+1. The added trade contract lists show trades that are compared on T+2 and thereafter. NSCC has been advised that due to the increasingly automated processing environment, totalled information is no longer necessary. This will reduce computer processing time and therefore will also diminish production costs. These modifications are scheduled to take place in April of 1998.

NSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder since it will facilitate the prompt and accurate clearance and settlement of securities transactions and, in general, will protect investors and the public interest.

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

NSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

[3] NSCC members use the delete of original trade input to delete any item for which the comparison process resulted in an uncompared trade.

[4] The demand withhold service deletes previously compared OTC transactions which have been canceled by mutual agreement of the buyer and the seller.

[5] OTC trade data submitted by members which is uncompared may be resubmitted through the demand as of service.

[6] Advisory listings indicate trades which were submitted by another party against the member but which did not match any trade the member submitted.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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 NSCC 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of NSCC. All submissions should refer to the file number SR–NSCC–97–14 and should be submitted by February 28, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

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[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39564; File No. SR–NYSE–97–30]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to Proposed Rule Change To Amend and To Make Permanent the Allocation Policy and Procedures Pilot Program

January 20, 1998.

I. Introduction

On October 20, 1997, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') submitted to the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend and to obtain permanent approval of the Exchange's Allocation Policy and Procedures pilot program.

The proposed rule change was published for comment in the **Federal Register** on November 7, 1997.[3] No comments were received on the proposal. On January 2, 1998, the NYSE submitted Amendment No. 1 to the proposed rule change.[4] This order approves the proposed rule change and approves Amendment No. 1 on an accelerated basis.

II. Background and Description of the Proposal

The Exchange's Allocation Policy and Procedures (''Policy'') are intended: (1) to ensure that securities are allocated in an equitable and fair manner and that all specialist units have a fair opportunity for allocations based on established criteria and procedures; (2) to provide an incentive for ongoing enhancement of performance by

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 39288 (October 30, 1997) 62 FR 60297.

[4] *See* Letter from Agnes M. Gautier, Vice President, Market Surveillance, NYSE to Sharon Lawson, Senior Special Counsel, Division of Market Regulation (''Division''), Commission, dated December 26, 1997 (''Amendment No. 1''). In Amendment No. 1, the NYSE clarified the proposal with respect to: (1) Exchange representation at interviews between specialist units and listing companies; (2) Exchange review of written materials supplied by specialist units to listing companies; and (3) specialist unit contact with a listing company. In addition, Amendment No. 1 deletes the sentence inviting listing companies to express in a letter sent to the Exchange's Allocation Committee any preference not to be traded by specialist units which trade the stock of the listing companies' competitors.