

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 self-regulatory organization 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 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 in the Commission's Public Reference Room. 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-99-54 and should be submitted by December 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Jonathan G. Katz,

Secretary.

[FR Doc. 99-31639 Filed 12-6-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42191; File No. SR-NASD-99-02]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 2 to the Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Application of Certain NASD Rules to Limited Offerings Under SEC Rule 504, Securities Exempted Under the Securities Exchange Act of 1934, and Intra-State-Only Offerings

December 1, 1999.

I. Introduction

On January 13, 1999, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary NASD Regulation, Inc. ("NASD Regulation"), filed with the Securities and Exchange Commission ("SEC" or "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 certain NASD rules to clarify how they apply to offerings of securities made in reliance on the limited offering exemption from registration set forth in Rule 504 of Regulation D,³ and to make other changes. NASD Regulation amended the proposed rule change on May 24, 1999.⁴

The Commission published notice of the proposed rule change in the **Federal Register** on June 18, 1999.⁵ The Commission received no comments. NASD Regulation filed a second amendment on November 1, 1999.⁶ For

the reasons discussed below, the Commission is approving the proposed rule change as amended.

II. Description of the Proposal

NASD Regulation proposes to change NASD rules in three principal ways. Most significantly, NASD Regulations proposes to modify several NASD rules to clarify when they apply to offerings of securities made in reliance on the exemption from registration for limited offerings that is set forth in Rule 504 of Regulation D.

NASD Regulation also proposes to modify the Corporate Financing Rule, Rule 2710, to clarify that it applies to all offerings subject to the intra-state exemption set forth in Section 3(a)(11) of the Securities Act of 1933 ("Securities Act").⁷

NASD Regulation proposes to modify the Conflicts of Interest Rule, Rule 2720, to clarify that it does not apply to securities exempted under Section 3(a)(12) of the Act.⁸

Beyond those changes, NASD Regulation also proposes to modify these rules to make them consistent in form and easier to read.

A. Application of Rule 504 Offerings to NASD Rules

Earlier this year, the Commission modified Rule 504 of Regulation D, which exempts certain limited-size offerings of securities from Securities Act registration requirements.⁹ As amended, all Rule 504 offerings are subject to Rule 502(c) limitations on the manner of offering¹⁰ and to Rule 502(d) limitations on resale,¹¹ unless the Rule 504 offering satisfies certain state law registration requirements or state law exemptions.¹² Rule 504 contained

Counsel, Division of Market Regulation ("Division"), Commission, dated October 22, 1999 ("Amendment No. 2"). Amendment No. 2 corrected a typographical error which cited a word in NASD Rule IM-2110-1(l)(1) as "to," rather than "into." The amendment did not affect the substance of the proposed rule change.

⁷ U.S.C. 77c(a)(11).

⁸ 15 U.S.C. 78c(a)(12).

⁹ See Securities Act Release No. 7644 (February 25, 1999), 64 FR 11090 (March 8, 1999).

¹⁰ 17 CFR 230.502(c). Rule 502(c) prevents Regulation D offerings from being offered by any form of general solicitation or general advertising.

¹¹ 17 CFR 230.502(d). Rule 502(d) prevents securities acquired in Regulation D offerings from being resold without being registered under the Securities Act or being exempted from registration.

¹² A Rule 504 offering is not subject to Rule 502(c) limitations on the manner of offering or Rule 502(d) limitations on resale only when the offering is made: (i) exclusively in one or more states that provide for the registration of the securities, and require the public filing and delivery to investors of a substantive disclosure document before sale, and are made in accordance with those state provisions; (ii) in one or more states that have no provision for the registration of the securities or the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 230.504.

⁴ See Letter from Suzanne Rothwell, Chief Counsel, Corporate Financing Department, NASD Regulation, to Joshua Kans, Attorney, Division of Market Regulation ("Division"), Commission, dated May 21, 1999 ("Amendment No. 1"). Amendment No. 1 modified the proposed rule change in response to the Commission's amendment of Securities Act Rule 504. See Securities Act Release No. 7644 (February 25, 1999), 64 FR 11090 (March 8, 1999) (adopting amendment to Rule 504 under Regulation D, 17 CFR 230.504).

NASD staff and Commission staff clarified the purpose of this proposed rule change, the scope of the rule impacted by this proposed rule change, and the NASD's response to an amendment to Rule 504 of Regulation D during telephone conversations between Suzanne Rothwell, NASD Regulation, and Joshua Kans, Commission, on February 1, February 8, May 12, and June 10 and July 30, 1999.

⁵ Securities Exchange Act Release No. 41519 (June 11, 1999), 64 FR 32907 (June 18, 1999).

⁶ See letter from Suzanne Rothwell, Chief Counsel, Corporate Financing Department, NASD Regulation, to Nancy Sanow, Senior Special

¹³ 17 CFR 200.30-3(a)(12).

similar limitations prior to a July 1992 amendment that ended limitations on offering or on resale for Rule 504 offerings.

NASD Regulation proposes to modify the text of three rules to clarify the way that those rules apply to Rule 504 offerings. The rule changes will also affect the scope and interpretation of several other rules.

1. Scope of Changes

(a) Free-Riding and Withholding Interpretation

The Free-Riding and Withholding Interpretation, Rule IM-2110-1, requires NASD members and associated persons to make a bona fide public distribution, at the public offering price, of any securities of a public offering which trade at a premium in the secondary market when the secondary market begins. The rule applies only to offerings that it defines as a "public offering." This definition currently excludes Rule 504 offerings "unless considered a public offering in the states where offered."¹³

NASD Regulation proposes to amend the "public offering" definition to encompass all Rule 504 offerings—except for Rule 504 offerings where "the securities are 'restricted securities' under SEC Rule 144(a)(3)." Under Rule 144(a)(3), the term "restricted securities" includes securities that are acquired subject to Rule 502(d) resale restrictions.

(b) Conflicts of Interest Rule

The Conflicts of Interest Rule, Rule 2720, governs the ability of NASD members and associated persons to participate in distributing a public offering of the securities of an NASD member, or to participate in distributing a public offering of the securities of a company with which the member and/or its associated persons, parent or affiliates has a conflict of interest. Like

public filing or delivery of a disclosure document before sale, if the securities have been registered in at least one state that provides for such registration, public filing and delivery before sale, offers and sales are made in that state in accordance with such provisions, and the disclosure document is delivered before sale to all purchasers (including those in the states that have no such procedure); or (iii) exclusively according to state law exemptions from registration that permit general solicitation and general advertising so long as sales are made only to "accredited investors" as defined in Rule 501(a) (17 CFR 230.501(a)). See 17 CFR 230.504(b)(1).

¹³ NASD Rule IM-2110-1(l)(1). NASD Regulation states that the definition of the term "public offering" included in the Free-riding and withholding Interpretation, Rule IM-2110-1, is limited to the application of that Interpretation. See Endnote 1 in NASD Notice to Members 98-48 (July 1998).

the Free-Riding and Withholding Interpretation, IM-2110-1, this rule's definition of "public offering" currently excludes Rule 504 offerings "unless considered a public offering in the states where offered."¹⁴

As with the Free-Riding and Withholding Interpretation, NASD Regulation proposes to amend the "public offering" definition of the Conflicts of Interest Rule to encompass all Rule 504 offerings except for offerings where "the securities are 'restricted' under SEC Rule 144(a)(3)."

This proposed change would affect the scope of several other rules. As discussed below, these include the Corporate Financing Rule, Rule 2710 (which incorporates the definitions of Rule 2720), and the Direct Participation Programs Rule, Rule 2810 (which has a scope based on the scope of Rule 2710). Also, the NASD Regulation states that it relies on the "public offering" definition in the Conflicts of Interest Rule to interpret the scope of other provisions of its rules that reference the term "public offering" or "public offering price."¹⁵

(c) Corporate Financing Rule and Direct Participation Programs Rule

The Corporate Financing Rule, Rule 2710, prevents NASD members and associated persons from participating in certain offerings of securities unless documents relating to the public offering are filed with the NASD for review, and the NASD provides an opinion that it has no objection to the proposed underwriting and other terms and arrangements. The Corporate Financing Rule also prevents NASD members and associated persons from participating in the public offering of subject securities if the underwriting or other terms or arrangements are unfair or unreasonable.

The Corporate Financing Rule incorporates the definition of "public offering" set forth in the Conflicts of Interest Rule, rule 2720.¹⁶ Accordingly, NASD Regulation's proposal to modify

¹⁴ NASD Rule 2720(b)(14).

¹⁵ See NASD Rules 0120(h) (general definition of "fixed price offering"), 0120(p) (general definition of "selling group"), 0120(q) (general definition of "selling syndicate"), 2750 (transactions with related persons), 2830 (investment company securities), 3350 (short sale rule), 3370 (prompt receipt and delivery of securities) and 6410(e) (definition of "initial public offering" in NASD systems and programs rules). As a matter of policy, the NASD interprets those provisions in the context of Rule 2720's definition of "public offering." Those provisions do not specifically reference Rule 2720, however.

¹⁶ See Rule 2710(a). Also, Rule 2710(b)(7) exempts certain offerings from filing under the Corporate Financing Rule "unless subject to the provisions of Rule 2720."

the Conflicts of Interest Rule's "public offering" definition—to apply to all Rule 504 offerings except for those that are restricted offerings under Rule 144(a)(3)—will similarly affect the scope of the Corporate Financing Rule. Moreover, the Corporate Financing Rule also applies to offerings governed by the Conflicts of Interest Rule, and to offerings governed by the Direct Participation Programs Rule, Rule 2810 (discussed below).¹⁷

NASD Regulation also proposes to amend two other provisions of the Corporate Financing Rule. One of those provisions currently exempts Rule 504 offerings "unless considered a public offering in the states where offered,"¹⁸ and the other currently requires filing of offering documents for those Rule 504 offerings that are "considered a public offering in the states where offered."¹⁹ NASD Regulation proposes to make those provisions parallel to Conflicts of Interest Rule's modified definition of "public offering" by replacing the language "considered a public offering in the states where offered" with a reference to Rule 144(a)(3).

NASD Regulation states that the Corporate Financing Rule also influences the scope of the Direct Participation Programs Rule, Rule 2810. The Direct Participation Programs Rule governs the ability of NASD members and associated persons to participate in the public offering of a direct participation program (a program which provides for flow-through tax consequences, such as a partnership). Although the Direct Participation Programs Rule does not explicitly define "public offering" or adopt another rule's definition of that term, NASD Regulation notes that the Corporate Financing Rule's filing requirements also applies to the Direct Participation Programs rule, and that the Corporate Financing Rule would govern those offerings even if the Direct Participation Programs Rule does not exist.²⁰ Accordingly, the proposed amendments to the Corporate Financing Rule and the Conflicts of Interest Rule will affect the scope of the Direct Participation Programs Rule.

2. Intent

The purpose of the proposed rule changes discussed above is to clarify that the Free-Riding and Withholding Interpretation, Conflicts of Interest Rule, Corporate Financing Rule and Direct

¹⁷ See Rule 2710(b)(1).

¹⁸ Rule 2710(b)(8)(A).

¹⁹ Rule 2710(b)(9)(D).

²⁰ Conversations between Suzanne Rothwell, NASD Regulation, and Joshua Kans, Commission, February 1 and July 30, 1999.

Participation Programs Rule apply to those Rule 504 offerings that lack limitations in the manner of offering or resale. NASD Regulation says that this is consistent with the treatment of other types of "exempt" offerings, such as Regulation A offerings (which lack limitations on the manner of offering or limitations on resale, and are subject to IM-2110-1 and Rules 2710, 2720 and 2810). NASD Regulation states that it believes that it is appropriate to treat as "public offerings" all Rule 504 offerings that are not subject to limitations on the manner of offering or limitations on resale because those offerings share the characteristics of other public offerings.

NASD proposes to effect this change by stating that those rules encompass all Rule 504 offerings except for offerings of securities that are considered to be "restricted securities" under Rule 144(a)(3). Because the proposed formulation would exempt Rule 504 offerings from those rules only if the securities are subject to Rule 502(d) resale limitations, those rules effectively would reach all Rule 504 offerings that lack limitations on the manner of offering or limitations on resale.

NASD Regulation has also stated that the existing language, which excepts Rule 504 offerings that are not "considered a public offering in the states where offered," has caused confusion and has been misapplied. In 1998, prior to the Commission's most recent amendment of Rule 504, NASD Regulation filed a different proposal to modify these rules.²¹ In that filing, NASD Regulation noted that some members had failed to file Rule 504 offerings with the Corporate Financing Department of NASD Regulation for review pursuant to the Corporate Financing Rule, even though all Rule 504 offerings at the time were sold without restrictions. Those failures to file continued into this year. Even with the recent amendment to Rule 504, some unrestricted Rule 504 offerings have not been filed with NASD Regulation for review.²² This proposed amendment is intended to eliminate any confusion of that nature by clarifying that the Corporate Financing Rule and the other rules apply to all Rule 504 offerings that are not limited in the manner of offering and resale.

B. Intra-State Exemption

Section 3(a)(11) of the Securities Act exempts wholly intra-state offerings of securities from registration. The

corporate Financing Rule, Rule 2710, currently states that it is not necessary to file documents and information relating to public offerings of securities exempt under Section 3(a)(11) "which is considered a public offering in the state where offered."²³ NASD Regulation proposes to remove that language from the rule, to require that all Section 3(a)(11) securities offerings be filed with NASD Regulation's Corporate Financing Department for review. NASD Regulation states that this is consistent with the definitions of "public offering" in IM-2110-1 and Rule 2720, which encompass all intra-state offerings exempt from SEC registration.²⁴

C. Exempted Securities

Section 3(a)(12) of the Act²⁵ defines "exempted securities" to include government securities, municipal securities, and several other categories of securities. NASD Regulation proposes to amend the definition of "public offering" in the Conflicts of Interest Rule, rule 2720, to exclude securities that fall within Section 3(a)(12)'s definition of "exempt securities." Offerings of those securities already are exempt from Rule 2720, as well as Rules 2710 and 2810, pursuant to the language of Rule 2710(b)(8)(B). As noted above, NASD Regulation states that it relies on the "public offering" definition in rule 2720 to interpret the scope of other provisions of its rules that reference the term "public offering" or "public offering price."²⁶

III. Discussion

The Commission finds that the proposed amendments are consistent with the requirements of Section 15A(b)(6) and 15A(b)(2) of the Act.²⁷ Section 15A(b)(6) of the Act specifies, *inter alia*, that the rules of a registered securities association should promote just and equitable principles of trade and protect investors and the public interest.²⁸ Section 15A(b)(2) specifies, *inter alia*, that a registered national securities association should enforce compliance with its rules by its members and associated persons.²⁹

²³ NASD Rule 2710(b)(9)(D).

²⁴ The definitions of "public offering" in IM-2110-1 and Rule 2720 include "all securities distributions of any kind whatsoever" and do not exclude any type of intra-state offering.

²⁵ 15 U.S.C. 78c(a)(12).

²⁶ See note 15, *supra*, and accompanying text.

²⁷ In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

²⁸ 15 U.S.C. 78o-3(b)(6).

²⁹ 15 U.S.C. 78o-(b)(2).

A. Application of Free-Riding and Withholding Interpretation, Conflicts of Interest Rule, Corporate Financing Rule and Direct Participation Programs Rule to Rule 504 offerings

Several of the proposed amendments would govern the way that the Free-Riding and Withholding Interpretation, conflicts of Interest Rule, Corporate Financing rule and Direct Participation programs Rule would apply to Rule 504 offerings. The proposed amendments would directly or indirectly apply those rules to all rule 504 offerings of securities except for those that are considered to be "restricted securities" under Rule 144(a)(3). This formulation effectively would apply those rules to Rule 504 offerings that lack limitations on offering and limitations on resale, but would not apply those rules to Rule 504 offerings that are subject to those limitations.

The Commission finds that these proposed changes will promote just and equitable principles of trade, protect investors and the public, and promote compliance with NASD rules.

the proposal would treat Rule 504 offerings in a manner that is consistent with other offerings, and would ensure that Rule 504 offerings that are public in nature are subject to the important review and safeguards that these NASD rules provide.

Moreover, by clarifying the intended scope of the NASD rules, the proposed rule change should eliminate confusion and should promote compliance with their provisions. The existing terminology—which applies these rule to Rule 504 offerings unless they are "considered a public offering in the states where offered"—turns upon whether or not an offering is public in nature. The language, however, is subject to differing interpretations and has led some members to fail to submit public Rule 504 offerings for review under the Corporate Financing Rule. Accordingly, it is important to clarify that the Corporate Financing Rule and the other rules apply to Rule 504 offerings that are not subject to limitations on manner of offering or on resale.

B. Application of Corporate Financing Rule to Intra-State Offerings

Another portion of the proposed rule change would clarify that the Corporate Financing Rule applies to all intra-state offerings of securities under Section 3(a)(11) of the Securities Act, not merely intra-state offerings that are "considered a public offering in the state where offered." The Commission finds that this change will promote just and

²¹ See File No. SR-NASD-98-12. NASD Regulation later withdrew that filing.

²² Conversation between Suzanne Rothwell, NASD Regulation, and Joshua Kans, Commission, July 30, 1999.

equitable principles of trade, protect investors and the public, and promote compliance with NASD rules. The change will eliminate language that is potentially ambiguous, and would make Rule 2710's treatment of intra-state offerings consistent with IM-2110-1 and Rule 2720.

C. Application of Conflicts of Interest Rule to Offerings of Exempted Securities

Another portion of the proposed rule change would clarify that the Conflicts of Interest Rule does not apply to offerings of securities that are exempted under Section 3(a)(12) of the Act. The Commission finds that this clarification will promote just and equitable principles of trade by clarifying the existing scope of the rule. Offerings of those securities already are exempt from Rule 2720, as well as Rules 2710 and 2810, pursuant to the language of Rule 2710(b)(8)(B).

D. Clarifying Changes

Finally, the proposed amendment would make clarifying changes to the rules that are not substantive, but which are designed to make their provisions consistent and easier to read. The Commission finds that these proposed changes will promote just and equitable principles of trade and promote compliance with NASD rules by making the rules clearer.³⁰

The Commission finds good cause for approving Amendment No. 2 prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. Amendment No. 2 corrects a typographical error that has no effect on the substance of the proposed rule change.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 2, including whether it 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 20549-0609. 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 in the Commission's Public Reference Room. 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-99-02 and should be submitted by December 28, 1999.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NASD-99-02, including Amendment No. 2, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³¹

Jonathan G. Katz,

Secretary.

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DEPARTMENT OF TRANSPORTATION

Office of the Secretary

Aviation Proceedings, Agreements filed during the week ending November 26, 1999

The following Agreements were filed with the Department of Transportation under the provisions of 49 U.S.C. 412 and 414. Answers may be filed within 21 days of date of filing.

Docket Number: OST-99-6541.

Date Filed: November 23, 1999.

Parties: Members of the International Air Transport Association.

Subject: PTC123 0079 dated 19 November 1999, Expedited Resolution 015v r-1, PTC123 0081 dated 19 November 1999, Mid Atlantic Expedited r2-r7, PTC123 0082 dated 19 November 1999, South Atlantic Expedited r8-r19, Intended effective date: 1 January 2000.

Docket Number: OST-99-6542.

Date Filed: November 23, 1999.

Parties: Members of the International Air Transport Association.

Subject: PTC123 0080 dated 19 November 1999, TC123 North Atlantic Expedited Resolutions r1-r10, Intended effective date: 1 January 2000.

Docket Number: OST-99-6551.

Date Filed: November 24, 1999.

Parties: Members of the International Air Transport Association.

Subject: PTC3 0375 dated 9 November 1999, TC3 Areawide Resolutions r1-r11, PTC3 0377 dated 9 November 1999, TC3 Within South Asian Subcontinent Resolutions r12-r20, PTC3 0378 dated 9 November 1999, TC3 Within South East Asia Resolutions r21-r29, PTC3 0380 dated 9 November 1999, TC3 Within South West Pacific Resolutions r30-r35, Tables—PTC3 Fares 0089 dated 12 November 1999, Intended effective date: 1 April 2000.

Docket Number: OST-99-6552.

Date Filed: November 24, 1999.

Parties: Members of the International Air Transport Association.

Subject: PTC3 0382 dated 9 November 1999, TC3 Between South East Asia and South Asian Subcontinent Resolutions r1-r9, PTC3 0397 Technical Correction, TC3 Between South East Asia and South Asian Subcontinent, PTC3 0397 dated 23 November 1999 corrects, PTC3 0382 dated 9 November 1999, PTC3 0384 dated 9 November 1999, TC3 Between South Asian Subcontinent and South West Pacific Resolutions r10-r17, PTC3 0385 dated 9 November 1999, TC3 Between South East Asia and South West Pacific Resolutions r18-r22, Tables—PTC3 Fares 0094 dated 12 November 1999, Intended effective date: 1 April 2000.

Docket Number: OST-99-6553.

Date Filed: November 24, 1999.

Parties: Members of the International Air Transport Association.

Subject: PTC3 0376 dated 9 November 1999, TC3 Areawide Resolutions r1-r11, PTC 0379 dated 9 November 1999, TC3 Within South East Asia Resolutions r12-r19, PTC3 0381 dated 9 November 1999, TC3 Within South West Pacific Resolutions r20-r25, PTC3 0383 dated 9 November 1999, TC3 Between South East Asia and South Asian Subcontinent Resolutions r26-r29, PTC3 0386 dated 9 November 1999, TC3 Between South East Asia and South West Pacific Resolutions r30-r34, PTC3 0390 dated 9 November 1999, TC3 Between Japan, Korea and South East Asia Resolutions r35-r49, Minutes—PTC3 0396 dated 23 November 1999, Tables—PTC3 Fares 0090 dated 12 November 1999, PTC3 Fares 0090 dated 12 November 1999, PTC3 Fares 0091 dated 12 November 1999, PTC3 Fares 0093 dated 12 November 1999, PTC3 Fares 0096 dated 12 November 1999, PTC3 Fares 0097 dated 12 November 1999, Intended effective date: 1 April 2000.

Docket Number: OST-99-6554.

Date Filed: November 24, 1999.

Parties: Members of the International Air Transport Association.

Subject: PTC3 0387 dated 9 November 1999, TC3 Between Japan and Korea

³⁰ As discussed above, NASD relies on the definition of "public offering" in the Conflicts of Interest Rule, Rule 2720, when interpreting several other rules that reference the terms "public offering" or "public offering price." See note 15, *supra*. Accordingly, changes in that definition may impact NASD's interpretation of those other rules. The Commission notes that as a self-regulatory organization, the NASD is responsible for interpreting its own rules.

³¹ See 17 CFR 200.30-3(a)(12).