

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 will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CXH-96-30 and should be submitted by January 30, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38112; File No. SR-NASD-96-53]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to Fees for Registering and Termination the Registration of Registered Individuals

January 3, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 19, 1996, NASD Regulation Inc. ("NASD Regulation") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. NASD Regulation has designated this proposal as one constituting a rule through which the Association imposes dues, fees and other charges under § 19(b)(3)(A)(ii) of the Act, which renders the rule effective upon the Commission's receipt of this filing. 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

NASD Regulation is proposing to amend Section 2 of Schedule A to the By-Laws of the National Association of Securities Dealers, Inc. ("NASD" or "Association"), to eliminate the scheduled fee rollbacks and to retain the current fee level for registration and termination of registration of individuals indefinitely. Below is the

text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

Schedule A

Assessments and fees pursuant to the provisions of Article VI of the By-Laws of the Corporation, shall be determined on the following basis.

Fees

Sec. 2.

(b) Each member shall be assessed a fee of \$85.00 for each application filed with the Association for registration of a registered representative or registered principal [from August 1, 1995 through December 31, 1996. Such fee shall be \$70.00 from January 1, 1997 through December 31, 1997 and shall be \$65.00 thereafter]. Additionally, each member shall be assessed a surcharge of \$95.00 for registrations involving a special registration review filed with the Association [from August 1, 1995 through December 31, 1997 and shall be \$85.00 thereafter]. The following shall apply to the filing of applications to register or transfer the registration of registered persons or registered principals in connection with acquisition of all or a part of a member's business by another member:

Number of registered personnel transferred	Discount in percent
1,000-1,999	10
2,000-2,999	20
3,000-3,999	30
4,000-4,999	40
5,000 and over	50

(h) (i) Each member shall be assessed a fee of \$40.00 for each notice of termination of a registered representative or registered principal filed with the Corporation as required by Section 3 of Article IV of the By-Laws [from August 1, 1995 through December 31, 1996. Such fee shall be \$35.00 from January 1, 1997 through December 31, 1997 and shall be \$25.00 thereafter].

(ii) A late filing fee of \$65.00 shall be assessed a member who fails to file with the Corporation written notice of termination of a registered representative or registered principal within thirty (30) calendar days of such termination [from August 1, 1995 through December 31, 1996. Such fee shall be \$60.00 from January 1, 1997 through December 31, 1997 and shall be \$50.00 thereafter].

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 self-regulatory organization 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. The self-regulatory organization 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

NASD Regulation has a major systems development project underway to completely redesign the Central Registration Depository ("CRD"). The CRD is a computerized system for one-stop registration and licensing of NASD members and their associated persons. The system was developed in 1981 to standardize and streamline the registration process by accommodating a single filing and payment of fees for registration in multiple jurisdictions. Today the system processes filing on behalf of 50 states, the District of Columbia and Puerto Rico, seven (7) self-regulatory organizations and the Commission.

The redesigned CRD, scheduled for a staged implementation in 1996 and 1997, will feature electronic filings, re-engineered work processes, expedited relicensing and a highly structured, relational database to better serve the information requirements of regulators, members and investors. In addition, the new system will include investment adviser registration for the SEC and states, an E-mail communication capability for system participants and a document imaging/storage/retrieval service for support documents required in certain filing situations.

NASD Regulation had originally intended to fund the CRD redesign effort from the current registration filing fees based on expected activity levels in the 1995-1997 period. In 1995 registration activity declined significantly, and the resulting lower revenue levels are now expected to continue through 1997. As a result, in 1995 the NASD adopted a temporary fee increase in order to continue the investment in this

⁸ 17 C.F.R. 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

important systems project.² The temporary fees were implemented on August 1, 1995, and applied to all filings received on or after that date. The fee increase was to be reduced for most types of filings made in calendar year 1997 and was to return to the pre-1995 levels in calendar year 1998.

NASD Regulation has added functionality to the new CRD system and improved the system's compatibility with various computer operating systems, such as Windows 95 and Windows NT. This has resulted in delays and cost increases in implementing the redesigned CRD. Accordingly, NASD Regulation is proposing to amend Schedule A, Section 2 to eliminate the scheduled fee rollbacks and to retain the current fee level indefinitely. This fee level will provide \$4 million in extra revenue each year over the revenue produced by the pre-1995 fee levels.

The NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act³ which requires that the rules of the Association provide for the equitable allocation of reasonable dues, fees, and other charges in that the proposed rule provides a consistent basis for assessments among member firms and fairly assesses a charge to cover the costs incurred by the Association in the implementation of the redesigned CRD System.

2. Statutory Basis

The proposed rule change is consistent with Section 15A of the Act⁴ in general and furthers the objectives of Section 15A(b)(5)⁵ in particular in that it provides for the equitable allocation of reasonable dues, fees, and other charges among the NASD's members and other persons using its facilities.

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

The proposed rule change does not impose 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 Change Received From Members, Participants, or Others

The NASD has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change constitutes or changes a due, fee, or other charge imposed by the NASD and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁶ and subparagraph (e) of Rule 19b-4 thereunder.⁷

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. 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 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 National Association of Securities Dealers. All submissions should refer to File No. SR-NASD-96-53 and should be submitted by January 30, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Jonathan G. Katz,

Secretary.

[FR Doc. 97-439 Filed 1-8-97; 8:45 am]

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[Release No. 34-38115; File No. SR-NASD-95-54]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by National Association of Securities Dealers, Inc., Relating to a Modification of the Operation of the Small Order Execution System During Locked and Crossed Markets

January 3, 1997.

On November 15, 1995,¹ the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder.³ The rule change amends NASD Rule 4730(b)(4)⁴ to provide that during locked or crossed markets, SOES will execute orders in five-second intervals against a locked or crossed market maker at the best price, regardless of whether the market maker entered the quotation locking or crossing the market.

Notice of the proposed rule change, together with the substance of the proposal, was provided by issuance of a Commission release (Securities Exchange Act Release No. 37845, October 21, 1996) and by publication in the Federal Register (61 FR 55342, October 25, 1996). One comment letter was received.⁵ This order approves the proposed rule change.

I. Description of Rule Change

The rule change approved today modifies SOES to provide that during

¹ The NASD amended the proposed rule change four times subsequent to its initial filing. Amendment No. 4 filed October 16, 1996, changed the narrative in the proposed rule change. Amendment No. 3, filed October 2, 1996, replaced Amendment No. 2, which was filed September 23, 1996. Amendment No. 2, in turn, replaced Amendment No. 1, which was filed August 5, 1996.

The proposed rule change, as originally submitted, would have provided market makers with a 15-second grace period following their receipt of a Small Order Execution System ("SOES") execution report during locked and crossed markets in which to update their quotation in that security before being required to execute another SOES order in that security. The filing as amended would establish a 5 second grace period between SOES executions in locked and crossed markets. See letter from Robert E. Aber, Vice President and General Counsel, The Nasdaq Stock Market to Katherine England, Assistant Director, Division of Market Regulation, Commission (October 2, 1996).

² 15 U.S.C. § 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ NASD Manual, Marketplace Rules (CCH), Rule 4730.

⁵ Letter from Edward J. Johnsen, Vice President & Counsel, Morgan Stanley & Co. Inc. ("Morgan Stanley"), to Jonathan G. Katz, Secretary, Commission, dated November 14, 1996.

² Securities Exchange Act Release No. 36025 (July 26, 1995), 60 FR 39200 (Aug. 1, 1995).

³ 15 U.S.C. § 78o-3.

⁴ 15 U.S.C. 78o-3.

⁵ 15 U.S.C. 78o-3(b)(5).

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4.

⁸ 17 CFR 200.30-3(a)(12).