

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39495; File No. SR-MSRB-97-18]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Transaction Reporting Procedures

December 29, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 23, 1997, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-97-18). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. 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

Rule G-14—Reports of Sales or Purchases¹

No change.

Rule G-14 Transaction Reporting Procedures

(a) Inter-Dealer Transactions

No change.

(b) Customer Transactions

(i) Each broker, dealer and municipal securities dealer shall report to the Board all transactions with customer effected after [January 1, 1998] March 1, 1998, except as described in paragraph (iii) of this section (b). A broker, dealer or municipal securities dealer shall report a transaction by submitting or causing to be submitted to the Board, by midnight of trade date, the customer transaction information specified in paragraph (ii) of this section (b) in such format and manner specified in the current *User's Manual for Customer Transaction Reporting*. The broker, dealer or municipal securities dealer shall promptly report cancellation of the trade or corrections to any required data items.

(ii)-(iv) No change.

¹ Italics indicate additions; [brackets] indicate deletions.

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

In its filing with the Commission, the Board 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 texts of these statements may be examined at the places specified in Item IV below. The board 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

The proposed rule change changes the effective date for the beginning of the customer transaction phase of the Board's Transaction Reporting Program. The customer transaction phase of the program was filed by the Board and approved by the Commission in 1996, with an effective date for system operations of January 1, 1998. The addition of customer transactions to the existing transaction reporting system for inter-dealer transactions will allow the Board to include customer data in the daily reports of price and volume activity and in the surveillance database that the Board makes available to regulators.² The Commission also approved the Board's plan to conduct a mandatory testing program.³ The testing program is designed to ensure that modifications to dealer computer systems necessary for customer transaction reporting have occurred and that links between dealer systems that submit data and Board computer systems for processing data are coordinated and are operating correctly. The start date for the testing program was set for July 1, 1997.

The proposed rule change consists of two parts: (i) An amendment to the language of Rule G-14 Transaction Reporting Procedures, changing the effective date of dealers' obligations to report data correctly and accurately to the Board's Transaction Reporting Program from January 1, 1998, to March 1, 1998 (the "operational start date"); and (ii) a notice to the industry that explains, notwithstanding the delay in the operational start date, dealers are

² A complete description of the program is found in the Board's filing with the Commission on the customer phase of the program and the Commission's Approval Order. See Securities Exchange Act Release No. 37998 (November 29, 1996).

³ See Rule G-14 Transaction Reporting Procedures, section (b)(iv).

responsible under rule G-14 to continue to test their transaction reporting capabilities with the Board prior to the new operational start date. The notice states that, once initial testing protocols have been successfully completed, the testing program requires that dealers continue to submit live test data to the Board. This will allow the Board and dealers to resolve possible problems in reporting of certain types of transactions prior to the operational start date for the system. It also will provide the Board with information about the market that will help the Board to design the daily price and volume reports that will include customer transaction data.

The Board has determined that it is necessary to delay full system operations and to extend the testing period from January 1, 1998 to March 1, 1998, because of technical difficulties encountered in the development of computer systems that will operate the Program. The Board plans to complete computer system design and construction in time to place the Program on an operational basis for trades occurring on or after March 1, 1998. At its February 1998 meeting, the Board plans to review the status of system development and construction. At that time, the Board intends to review test data that has been submitted thus far and to decide how best to structure the daily price and volume reports that will reflect the customer transaction activity that is occurring in the market.

The Board believes the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which provides that the Board's rules shall:

Be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.

The Board believes that the proposed rule change is necessary so that initial operations of the customer transaction reporting phase of the Transaction Reporting Program can begin as soon as possible and so that the Board's production of daily price/volume reports can reflect customer transaction data as soon as possible. The Board believes that the operation of the Transaction Reporting Program, in general, will facilitate the statutory purposes noted above because the Program will provide an additional

degree of price transparency in the municipal securities market and will provide a surveillance audit trail that may be used by market regulators in furtherance of their regulatory purposes.

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

The Board does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act since it would apply equally to all brokers, dealers and municipal securities dealers and merely delays the start-up date for a program that previously has been approved by the Commission.

C. Self-Regulatory Organization's Statement of 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 Action

Because the proposed rule change is merely a technical correction of rule language, the Board has designated this proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement or an existing Board rule under Section 19(b)(3)(A) of the Act, which renders the proposed rule change effective upon receipt of this filing by the Commission. At any time within sixty 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 in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the Board's principal offices. All submissions should refer to File No. SR-MSRB-97-18 and should be submitted by January 27, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39494; File No. SR-NASD-97-97]

Self-Regulatory Organizations; Notice of Filing, Immediate Effectiveness and Designation of Accelerated Operative Date of Proposed Rule Change by National Association of Securities Dealers, Inc., Relating to Conforming, Technical Amendments to Certain Rules Relating to Procedures on Grievances Concerning The Automated Systems

December 29, 1997.

Pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 24, 1997, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq") 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 Nasdaq. Several technical amendments were made to the proposal on the same date.² The Association has designated the proposed rule change as constituting a "non-controversial" rule change under paragraph (e)(6) of Rule 19b-4 under the Act³ which renders the proposal effective upon receipt of this filing by the Commission.⁴ The Commission is

¹ 15 U.S.C. 78s(b)(3)(a).

² Conversation between Arnold Golub, Office of General Counsel, Nasdaq with Mandy Cohen, Division of Market Regulation, Commission (December 24, 1995).

³ 17 CFR 240.19b-4(e)(6).

⁴ The Association has represented that this proposed rule change: (I) Will not significantly affect the protection of investors or the public interest; (ii) will not impose any significant burden on competition, and (iii) will not become operative for 30 days after the date of this filing, unless

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 Association is filing the proposed rule change to make conforming technical changes to the Rule 9700 Series to substitute the "Nasdaq Hearing Review Committee," whose tenure will terminate next month, with the "Nasdaq Listing and Hearing Council," which will perform similar functions thereafter. These changes are necessary to conform the Rule 9700 Series to the recently approved revisions to the Nasdaq By-Laws that will take effect in January 1998.⁵ In addition, the text of new rule 4880 has been revised to reflect recent changes in the review process approved by the Commission at the same time as the by-laws.⁶ Finally, for ease of reference, the Rule 9700 Series has been renumbered as the Rule 4800 Series, since the rules contained therein relate to other rules within the Rule 4000 Series. The text of the proposed rule change follows:⁷

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Rules of the Association

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4000. The Nasdaq Stock Market

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[9700] 4800. Procedures on Grievances Concerning the Automated Systems

[9710] 4810. Purpose

The purpose of this Rule [9700] 4800 Series is to provide, where justified, redress for persons aggrieved by the operations of any automated quotation, execution, or communication system owned or operated by the Association, or any subsidiary thereof, and approved by the Commission, not otherwise provided for by the [this] Code of Procedure as set forth in the Rule 9000 Series or the Uniform Practice Code as set forth in the Rule 11000 Series, and to provide procedures for the handling of qualification matters pursuant to The Nasdaq Stock Market Rules, as set forth in the Rule 4000 Series.

otherwise accelerated by the Commission. The Association also has provided at least five business days notice to the Commission of its intent to file this proposed rule change, as required by Rule 19b-4(e)(6) under the Act. *Id.*

⁵ See Securities Exchange Act Release No. 39326 (November 14, 1997), 62 FR 62385 (November 21, 1997) (File No. SR-NASD-97-71).

⁶ See *Id.*

⁷ Proposed new language is underline, proposed deletions are in brackets.