

provides an efficient method for responding to a violation charge and for identifying where a disciplinary action may be inappropriate. CSE Rule 8.2 also expresses that a member or person associated with a member has the right to be represented by counsel during an investigation, proceeding or inquiry, thereby helping to ensure the fairness of the proceedings.

Finally, the proposed rule change promotes the fairness of disciplinary procedures in proposed Interpretation .01 to CSE Rule 8.11. Interpretation .01 to CSE Rule 8.11 emphasizes the Exchange's commitment to a fair disciplinary process. It states that the staff shall comply with all procedural requirements of the Rules. The interpretation also addresses public disclosure of disciplinary proceedings setting forth Exchange policy, providing for a fair procedure for determining if disclosure is appropriate.

Accordingly, the Commission believes the proposed rule change should protect those subject to the CSE's disciplinary process while ensuring the Exchange's enforcement of the Rules meant to protect investors.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change (SR-CSE-98-02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40579; File No. SR-DTC-98-7]

#### Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of Proposed Rule Change Adding a New Service Providing Pre-Issuance Messaging of Money Market Instruments Trade Details to Issuing and Paying Agents and Dealers

October 20, 1998.

On April 22, 1998, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-98-7) pursuant to Section 19(b)(1) of the

Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on July 1, 1998.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

The rule change provides a mechanism for issuing and paying agents ("IPAs") and dealers to communicate securities information, specifically Pre-Issuance Messaging ("PIM") instructions, related to the issuance of money market instruments ("MMI"). Although the PIM service is designed to accommodate all types of MMIs, initially the PIM service will be utilized only for commercial paper ("CP"). The service will enable dealers and IPAs to communicate issuance instructions to one another prior to the IPAs' issuing CP by book-entry through DTC or through physical certificates outside DTC.

Under the rule change, IPAs and dealers can send PIM instructions to each other by using DTC as a conduit or central switch for the messages. PIM instructions will be sent electronically to DTC. DTC will not perform any processing on the instructions but will instead automatically route them to the recipient indicated in the sender's instructions.

PIM employs several levels of system security in addition to allowing IPAs and dealers to utilize their own password security per message if they wish. As each message sent requires an acknowledgment from the receiving party, it is unlikely that messages will be lost. Should a message be undeliverable for some reason, DTC will issue a notice to the message originator indicating the message could not be delivered. The originator will then have to reissue a new message. DTC will charge the sending party \$.04 per message. There will be no charge to the message receiver. Each user of the PIM Service will enter into a PIM agreement with DTC.

#### II. Discussion

Section 17A(b)(3)(F) of the Act<sup>3</sup> requires that the rules of a clearing agency be designed to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission believes that PIM should enable dealers and IPAs to better

communicate issuance instructions to one another prior to the IPAs' issuing CP by book entry through DTC or through physical certificates outside DTC. As a result, the rule change should help perfect the national clearance and settlement system. Therefore, the Commission believes that DTC's proposed rule change is consistent with its statutory obligation under Section 17A(b)(3)(F) of the Act.

#### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with Section 17A of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-98-7) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40578; File No. SR-NASD-98-47]

#### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Integration of the Trade Acceptance and Reconciliation Service Into the Automated Confirmation Transaction Service

October 20, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 9, 1998, 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 ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by Nasdaq. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 40119 (June 24, 1998), 63 FR 36008.

<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>4</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).