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May 19, 1998

BY ELECTRONIC MAIL AND HAND DELIVERY

Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Mail Stop 10-1

Re: **SR-NASD-98-36; Amendment No. 1; Proposed Change to NASD Regulation By-Laws Relating to At-Large Industry Members of the National Adjudicatory Council**

Dear Ms. England:

NASD Regulation, Inc. ("NASD Regulation") hereby submits Amendment No. 1 to the above-numbered rule filing. The text of the proposed rule change on pages 2 and 9 of the filing should be amended to read as follows:

BY-LAWS OF NASD REGULATION, INC.

ARTICLE V

NATIONAL ADJUDICATORY COUNCIL

Number of Members and Qualifications

Sec. 5.2 (a) The National Adjudicatory Council shall consist of no fewer than 12 and no more than 14 members. The number of Non-Industry members, including at least three Public members, shall equal or exceed the number of Industry members. In 1999 and thereafter, each [the Industry members shall represent a] geographic region [designated] established by the Board under Article VI, Section 6.1 shall be represented by an Industry member. Those Industry members not representing a geographic region, if any, shall be considered at-large Industry members.

* * *

Nomination Process

Sec. 5.3 (a) Pursuant to Article VII, Section 9 of the NASD By-Laws, the National Nominating Committee shall nominate all candidates for the National Adjudicatory Council for subsequent appointment by the Board. Each Regional Nominating Committee shall nominate an Industry member candidate for consideration by the National Nominating Committee as provided in Article VI of these By-Laws [and subsection (b) of this Section]. Candidates for at-large Industry member positions on the National Adjudicatory Council shall not be subject to regional nominating procedures.

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ARTICLE VI NATIONAL ADJUDICATORY COUNCIL REGIONAL NOMINATIONS FOR INDUSTRY MEMBERS Establishment of Regions

Sec. 6.1 The Board shall establish boundaries for geographical regions within the United States for the purpose of nominating candidates for regional Industry [membership] member positions on the National Adjudicatory Council to the National Nominating Committee. The Board may make changes from time to time in the number or boundaries of the regions as the Board deems necessary or appropriate in accordance with Article V, Section 5.2(a). The Board shall prescribe such policies and procedures as are necessary or appropriate to address the implementation of a new region configuration in the event of a change in the number or boundaries of the regions.

* * *

On page 5 before the last full paragraph and on page 12 before the first full paragraph, please add the following new paragraph:

"The proposed rule change is consistent with the corporate reorganization approved by the Commission in SR-NASD-97-71 in that the number of regions that may be established by the Board is not specified in the NASD Regulation By-Laws so that the Board may retain flexibility in determining the appropriate number of regions. The proposed rule change also is consistent with the regional plan approved by the Board at its meeting on May 6, 1998, which proposes a 12-member NAC and five regions for 1999. The proposed rule change thus would permit five Industry members of the NAC to be nominated by the regions for consideration by the National Nominating Committee and one at-large Industry member of the NAC who would not be subject to the regional nominating requirements in Article VI of the NASD Regulation By-Laws. All six Industry members, along with six Non-Industry

May 19, 1998
Katherine A. England
Page 3

members, would be nominated by the National Nominating Committee and appointed by the NASD Regulation Board."

If you have any questions, please call Mary M. Dunbar, Office of the General Counsel, at 728-8252.

Very truly yours,

T. Grant Callery