

Laura Leedy Gansler
Assistant General Counsel

December 21, 1998

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: File No. SR-NASD-98-97, Extension of Effectiveness of Pilot Injunctive Relief Rule

Dear Ms. England:

Pursuant to Rule 19b-4, enclosed herewith is the above-numbered rule filing. Also enclosed is a 3-1/2" disk containing the rule filing in Microsoft Word 7.0 to facilitate production of the Federal Register release.

If you have any questions, please contact Laura Gansler at (202) 728-8275, Office of General Counsel, NASD Regulation, Inc. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Joan C. Conley
Secretary

Attachment

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

Form 19b-4

Proposed Rule Change

by

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act"), NASD Regulation, Inc. ("NASD Regulation") is filing with the Securities and Exchange Commission ("SEC") a proposed rule change to Rule 10335 of the Code of Arbitration Procedure ("Code") of the National Association of Securities Dealers, Inc. ("NASD" or "Association") to extend the effectiveness of the rule for six months. Below is the text of the proposed rule change, as amended. Proposed new language is underlined; proposed deletions are in brackets.

* * *

10335. Injunctions

* * *

(i) Effective Date

This Rule shall apply to arbitration claims filed on or after January 3, 1996. Except as otherwise provided in this Rule, the remaining provisions of the Code shall apply to proceedings instituted under this Rule. This Rule shall expire on [January 3, 1999] July 3, 1999, unless extended by the Association's Board of Governors.

* * *

2. Procedures of the Self-Regulatory Organization

The Board of Directors of NASD Regulation approved a six-month extension of the pilot program for the purpose of filing a rule change to amend Rule 10335 and to make it a permanent part of the Code at its meeting on May 6, 1998. The authority for the proposed amendment extending the effectiveness of the pilot rule is based on that action, and the proposed amendment will be submitted to the Board of Directors of NASD Regulation, Inc. for ratification at its

January 1999 meeting. The NASD Board of Governors will have an opportunity to review the proposed extension at its January 1999 meeting. The Nasdaq Stock Market has been provided an opportunity to consult with respect to the proposed rule change, pursuant to the Plan of Allocation and Delegation of Functions by the NASD to its Subsidiaries. No other action by the NASD is necessary for the filing of the proposed rule change. Section 1(a)(ii) of Article VII of the By-Laws permits the NASD Board of Governors to adopt NASD amendments to NASD Rules without recourse to the membership for approval.

The NASD will make the proposed rule change effective upon Commission approval.

Questions regarding this rule filing may be directed to Laura Gansler at (202) 728-8275, Office of General Counsel.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) **Purpose**

The NASD's injunctive relief rule, Rule 10335 of the Code, provides a procedure for obtaining injunctive relief in arbitration and for expediting proceedings for injunctive relief in intra-industry disputes. Rule 10335 took effect on January 3, 1996, for a one-year pilot period. The initial pilot period was subsequently extended twice by the Commission to permit NASD Regulation's Office of Dispute Resolution to gain additional experience with the rule before determining whether the rule should be made permanent, the pilot period should be extended, or the rule should be permitted to terminate by its terms. In July 1998, the Commission filed a proposed rule change that would amend Rule 10335 and make it a permanent part of the Code (SR-NASD-98-49.) At the same time, the NASD sought and the Commission approved a six-month extension of the pilot rule to provide time for the Commission to take action with respect

to the proposed rule change (SR-NASD-98-42.) The rule is currently due to expire on January 3, 1999.

The proposed amendments to Rule 10335 were published for comment, and the NASD filed an amendment to the proposed rule change in response to those comments in December 1998. The Commission has received additional comments regarding the proposed rule change since that amendment was filed. The purpose of the requested six-month extension of the pilot rule is to provide the NASD time to consider and respond to the additional comments.

(b) **Statutory Basis**

NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The NASD believes that the current pilot rule serves the public interest by enhancing the satisfaction with the arbitration process afforded by expeditious resolution of certain disputes, and that it is in the interest of members that the effectiveness of the rule remains uninterrupted pending Commission action on the permanent rule filing.

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

NASD Regulation does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

NASD Regulation does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

NASD Regulation requests the Commission to find good cause pursuant to Section 19(b)(2) for approving the proposed rule change prior to the 30th day after its publication in the Federal Register. Rule 10335 expires by its terms on January 3, 1999. As discussed above, NASD Regulation has filed a related proposed rule change to amend Rule 10335 and make it a permanent part of the Code. That proposed rule change has been published for comment. The NASD has amended the proposed rule in response to comments regarding the proposed rule change received by the Commission. Since that filing, the Commission has received additional comments. The NASD now seeks an extension of the pilot rule while it prepares its response to those additional comments. The NASD believes that it is in the interest of users of Rule 10335 for the procedures to remain in effect without interruption. Therefore, NASD Regulation requests the Commission to accelerate the effectiveness of the proposed rule change prior to the 30th day after its publication in the Federal Register.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

Pursuant to the requirements of the Securities Exchange Act of 1934, NASD Regulation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

NASD REGULATION, INC.

BY: _____
Joan C. Conley, Secretary

Date: December 21, 1998

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-97)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Extension of Effectiveness of Pilot Injunctive Relief Rule

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 , NASD Regulation, Inc. ("NASD Regulation") 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 NASD Regulation. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

I. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE TERMS OF SUBSTANCE OF THE PROPOSED RULE CHANGE

NASD Regulation is proposing to amend Rule 10335 of the Code of Arbitration ("Code") of the National Association of Securities Dealers, Inc. ("NASD" or "Association"), to extend the pilot injunctive relief rule for six months. Below is the text of the proposed rule change.

Proposed new language is in italics; proposed deletions are in brackets.

10335. Injunctions

* * *

(i) Effective Date

This Rule shall apply to arbitration claims filed on or after January 3, 1996. Except as otherwise provided in this Rule, the remaining provisions of the Code shall apply to proceedings instituted under this Rule. This Rule shall expire on [January 3, 1999] July 3, 1999, unless extended by the Association's Board of Governors.

II. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE PURPOSE OF, AND STATUTORY BASIS FOR, THE PROPOSED RULE CHANGE

In its filing with the Commission, NASD Regulation 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. NASD Regulation has prepared summaries, set forth in Sections (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

(a) **Purpose**

The NASD's injunctive relief rule, Rule 10335 of the Code, provides a procedure for obtaining injunctive relief in arbitration and for expediting proceedings for injunctive relief in intra-industry disputes. Rule 10335 took effect on January 3, 1996, for a one-year pilot period. The initial pilot period was subsequently extended twice by the Commission to permit NASD Regulation's Office of Dispute Resolution to gain additional experience with the rule before determining whether the rule should be made permanent, the pilot period should be extended, or

the rule should be permitted to terminate by its terms. In July 1998, the Commission filed a proposed rule change that would amend Rule 10335 and make it a permanent part of the Code (SR-NASD-98-49.) At the same time, the NASD sought and the Commission approved a six-month extension of the pilot rule to provide time for the Commission to take action with respect to the proposed rule change (SR-NASD-98-42.) The rule is currently due to expire on January 3, 1999.

The proposed amendments to Rule 10335 were published for comment, and the NASD filed an amendment to the proposed rule change in response to those comments in December 1998. The Commission has received additional comments regarding the proposed rule change since that amendment was filed. The purpose of the requested six-month extension of the pilot rule is to provide the NASD to consider and respond to the additional comments.

(b) Statutory Basis

NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The NASD believes that the current pilot rule serves the public interest by enhancing the satisfaction with the arbitration process afforded by expeditious resolution of certain disputes, and that it is in the interest of members that the effectiveness of the rule remains uninterrupted pending Commission action on the permanent rule filing.

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

NASD Regulation does not believe that the proposed rule change will result in any burden

on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

C) Self-Regulatory Organization's Statement on 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

NASD Regulation has requested that the Commission find good cause pursuant to Section 19(b)(2) for approving the proposed rule change prior to the 30th day after publication in the Federal Register. The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD and, in particular, the requirements of Section 15A and the rules and regulations thereunder. The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in that accelerated approval will permit members to have the benefit of injunctive relief in arbitration pending the Commission's approval or disapproval of the permanent rule filing to amend Rule 10335 and make it a permanent part of the Code.

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 such filing will also be available for inspection and copying at the principal office of the NASD. All submissions

should refer to the file number in the caption above and should be submitted by [insert date 21 days from the date of publication].

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change be, and hereby is, approved.

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

Jonathan G. Katz
Secretary