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May 13, 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: SR-NASD-98-32, Amendment No. 1  
Proposed Rule Excluding Research Reports from Filing Requirements**

Dear Ms. England:

Pursuant to Rule 19b-4, enclosed herewith is amendment 1 to the above-numbered rule filing.

1. The amendment makes the following changes in the rule language on page 2 and the corresponding parts of the Federal Register exhibit (deletions are struckout, additions are underlined):

At (G)(ii): "in preparing the report, the services of the research firm have not been procured by the investment company, any of its affiliates or any member using the report in order to prepare the report;"

At (G)(v): "the ~~content of the~~ report has not been materially altered by the member using the report."

2. The amendment makes the following changes to the discussion in the third full paragraph on page 4 and the corresponding part of the Federal Register exhibit:

~~(NASD Regulation does not believe that these research reports would have to be filed with the SEC under Section 24(b) of the Investment Company Act of 1940 if the proposed rule change were adopted.)~~ The Department intends to interpret the term "independent" in (G)(i) of the proposed rule change in a manner similar to the use of that term in NASD Rule IM-2210-3 regarding rankings.

The amendment makes the following changes to item 7 on pages 6 and 7 of the proposed rule change and the corresponding part of the Federal Register exhibit:

~~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. The proposed rule change would reduce regulatory burdens and allow the dissemination of information that may be useful to investors, without raising any significant investor protection issue. Because NASD Regulation believes that the proposed rule change would reduce regulatory burdens and allow the dissemination of information that may be useful to investors, without raising any significant investor protection issue, 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. Not applicable.~~

If you have any questions, please contact Thomas M. Selman, Vice President, Investment Companies/Corporate Financing, NASD Regulation, Inc., at (202) 728-8068. His fax number is (202) 728-6976.

Very truly yours,

A handwritten signature in black ink, appearing to read "John Ramsay", with a long horizontal flourish extending to the right.

John Ramsay  
Vice President  
Deputy General Counsel  
NASD Regulation, Inc.