



Corporate Financing Department
NASD Regulation, Inc.
1801 K Street, NW - 8th Floor
Washington DC 20006-1500
202-728-8000

November 23, 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/Room 10507

Re: **File No. SR-NASD-98-87**
Amendment to Corporate Financing Filing Fees

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 Suzanne E. Rothwell, Chief Counsel, Corporate Financing, NASD Regulation, Inc., at (202) 974-2747. The fax number of the Corporate Financing Department is (202) 974-2732.

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 Schedule A to the By-Laws and Rule 2710 of the National Association of Securities Dealers, Inc. ("NASD" or "Association") to delete the provision mandating that Corporate Financing filing fees be paid in the form of a check or money order. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

SCHEDULE A TO THE NASD BY-LAWS

Assessments and fees pursuant to the provisions of Article VI of the By-Laws of the Corporation, shall be determined on the following basis.

Section 1 - Section 5 No change.

Section 6-Fees for Filing Documents Pursuant to the Corporate Financing Rule

(a) No change.

(b) No change.

[(c) Filing fees shall be paid only in the form of check or money order payable to the National Association of Securities Dealers, Inc.]

[(d)] (c) The provisions of Rule 457 adopted under the Securities Act of 1933, as amended, shall govern the computation of filing fees for all offerings filed pursuant to this Section, including intrastate offerings, to the extent the terms of Rule 457 are not inconsistent with this Section.

Section 7 - Section 15 No change

* * *

2710. Corporate Financing Rule - Underwriting Terms and Arrangements

(a) Definitions No change.

(b) Filing Requirements

(1) - (9) No change.

(10) Filing Fees

(A) No change.

(B) No change.

[(C) Filing fees shall be paid only in the form of a check or money order payable to the National Association of Securities Dealers, Inc.]

[(D)] (C) The provisions of SEC Rule 457 adopted under the Securities Act of 1933, as amended, shall govern the computation of filing fees for all offerings filed pursuant to this Rule, including intrastate offerings, to the extent the terms of Rule 457 are not inconsistent with subparagraph (A)[,] or (B) [or (C)] above.

(11) - (13) renumbered (10) - (12)

(c) No change

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of NASD Regulation and by the Board of Governors of NASD Regulation at their meetings on August 6, 1998, at which the Boards also authorized the filing of the rule change with the SEC. 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 amendments to NASD Rules without recourse to the membership for approval.

Questions regarding this rule filing may be directed to Suzanne E. Rothwell, Chief Counsel, Corporate Financing, at (202) 974-2747.

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

(a) NASD Conduct Rule 2710 (the “Corporate Financing Rule”) requires that members file most proposed public offerings with the Corporate Financing Department (“Department”) of NASD Regulation. The Corporate Financing Department reviews these filings in order to determine whether the underwriting terms and arrangements are fair and reasonable pursuant to standards set forth in Rules 2710, 2720, and 2810 prior to the commencement of the offering. Schedule A to the NASD By-Laws and Paragraph (b)(10) of Rule 2710 include identical provisions that impose a fee on each filing, in the amount of \$500 plus .01% of the value of securities, with a maximum filing fee limit of \$30,500 (the “Corporate Financing filing fee”).

Section 6(c) of Schedule A and Paragraph (b)(10)(C) of Rule 2710 currently require that all Corporate Financing filing fees be paid by check or money order. Such a specific provision was originally adopted in order to prevent the payment of filing fees in cash. Since that time, new methodologies have arisen that facilitate the transfer of money. In order to ensure that NASD Regulation has the necessary flexibility to implement newer forms of payment, NASD Regulation proposes to eliminate Section 6(c) of Schedule A. Members may continue to submit Corporate Financing filing fees in the form of a check or money order to

the Corporate Financing Department at the same time that the related documents are filed. Cash payment will not be accepted in accordance with the standard business practice of the Association. The Association will also implement payment of the Corporate Financing filing fee by wire transfer. In the case where such a wire transfer is used, the payment of the fee on a timely basis will be considered to “accompany” the filing of the original offering documents or amended offering documents to which it relates, as required by Sections 6(a) and (b) of Schedule A and by Subparagraphs (b)(10)(A) and (B) of Rule 2710.

(b) NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act, which requires that the rules of the Association provide for the equitable allocation of reasonable dues, fee, and other charges among members. The Association believes that the proposed rule change provides for the equitable allocation of the fees paid by members in connection with the submission of proposed public offerings with the Corporate Financing Department for review.

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)

The rule change is effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act and Section (e) of Rule 19b-4 promulgated thereunder in that it is concerned solely with the administration of a self-regulatory organization.

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: November 23, 1998

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-98-87)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Filing Fees Under the Corporate Financing 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. NASD Regulation has designated this proposal as one constituting an amendment to the dues, fees and other charges on its members under § 19(b)(3)(A)(iii) of the Act, which renders the rule effective upon the Commission's receipt of this filing. 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

NASD Regulation is proposing to amend Schedule A to the By-laws and Rule 2710 of the National Association of Securities Dealers, Inc. ("NASD" or "Association"), to delete the provision mandating that Corporate Financing filing fees be paid in the form of a check or money order. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

SCHEDULE A TO THE NASD BY-LAWS

Assessments and fees pursuant to the provisions of Article VI of the By-Laws of the Corporation, shall be determined on the following basis.

Section 1 - Section 5 No change.

Section 6-Fees for Filing Documents Pursuant to the Corporate Financing Rule

(a) No change.

(b) No change.

[(c) Filing fees shall be paid only in the form of check or money order payable to the National Association of Securities Dealers, Inc.]

[(d)] (c) The provisions of Rule 457 adopted under the Securities Act of 1933, as amended, shall govern the computation of filing fees for all offerings filed pursuant to this Section, including intrastate offerings, to the extent the terms of Rule 457 are not inconsistent with this Section.

Section 7 - Section 15 No change

* * *

2710. Corporate Financing Rule - Underwriting Terms and Arrangements

(a) Definitions No change.

(b) Filing Requirements

(1) - (9) No change.

(10) Filing Fees

(A) No change.

(B) No change.

[(C) Filing fees shall be paid only in the form of a check or money order payable to the National Association of Securities Dealers, Inc.]

[(D)] (C) The provisions of SEC Rule 457 adopted under the Securities Act of 1933, as amended, shall govern the computation of filing fees for all offerings filed pursuant to this Rule, including intrastate offerings, to the extent the terms of Rule 457 are not inconsistent with subparagraph (A)[,] or (B) [or (C)] above.

(11) - (13) renumbered (10) - (12)

(c) No change

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) NASD Conduct Rule 2710 (the “Corporate Financing Rule”) requires that members file most proposed public offerings with the Corporate Financing Department (“Department”) of NASD Regulation. The Corporate Financing Department reviews these filings in order to determine whether the underwriting terms and arrangements are fair and reasonable pursuant to standards set forth in Rules 2710, 2720, and 2810 prior to the

commencement of the offering. Schedule A to the NASD By-Laws and Paragraph (b)(10) of Rule 2710 include identical provisions that impose a fee on each filing, in the amount of \$500 plus .01% of the value of securities, with a maximum filing fee limit of \$30,500 (the “Corporate Financing filing fee”).

Section 6(c) of Schedule A and Paragraph (b)(10)(C) of Rule 2710 currently require that all Corporate Financing filing fees be paid by check or money order. Such a specific provision was originally adopted in order to prevent the payment of filing fees in cash. Since that time, new methodologies have arisen that facilitate the transfer of money. In order to ensure that NASD Regulation has the necessary flexibility to implement newer forms of payment, NASD Regulation proposes to eliminate Section 6(c) of Schedule A. Members may continue to submit Corporate Financing filing fees in the form of a check or money order to the Corporate Financing Department at the same time that the related documents are filed. Cash payment will not be accepted in accordance with the standard business practice of the Association. The Association will also implement payment of the Corporate Financing filing fee by wire transfer. In the case where such a wire transfer is used, the payment of the fee on a timely basis will be considered to “accompany” the filing of the original offering documents or amended offering documents to which it relates, as required by Sections 6(a) and (b) of Schedule A and by Subparagraphs (b)(10)(A) and (B) of Rule 2710.

(b) NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5)¹ of the Act, which requires that the rules of the Association provide for the equitable allocation of reasonable dues, fee, and other charges among members. The Association believes that the proposed rule change provides for the equitable

¹ 15 U.S.C. § 78q-3.

allocation of the fees paid by members in connection with the submission of proposed public offerings with the Corporate Financing Department for review.

(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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act and subparagraph (e) of Rule 19b-4 thereunder in that it is concerned solely with the administration of a self-regulatory organization.

At any time within 60 days of the filing of a rule change pursuant to Section 19(b)(3)(A) of the Act, the Commission may summarily abrogate the 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 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].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).²

Jonathan G. Katz
Secretary

² 17 CFR 200.30-3(a)(12) (1996).