

Alden S. Adkins
Sr. Vice President and
General Counsel

July 9, 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

Re: **File No. SR-NASD-98-46; Technical Corrections to Delegation Plan
and IM-1000-4**

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 WordPerfect 5.1 to facilitate production of the Federal Register release.

If you have any questions, please contact Mary Dunbar, Office of General Counsel, NASD Regulation, Inc., at (202) 728-8252; e-mail dunbarm@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Alden S. Adkins
Senior Vice President and General Counsel

Enclosure

File No. SR-NASD-98-46
Consists of 12 Pages

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

File No. SR-NASD-98-46

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 ("Commission") a proposed rule change to National Association of Securities Dealers, Inc. ("NASD" or "Association") Interpretive Material 1000-4 to make a technical correction and an amendment to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries ("Delegation Plan") to clarify NASD Regulation's authority to inspect the books and records of The Nasdaq Stock Market, Inc. ("Nasdaq"). Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

IM-1000-4. [Appointment of Executive Representative] Branch Offices and Offices of Supervisory Jurisdiction

[The term "executive representative" as found in Section 3 of Article III of the By-Laws means that person designated by the member to represent, vote and act for the member in all the affairs of the Association. Pursuant to the provisions of Section 8 of Article III of the By-Laws, every member who maintains a registered branch office in a district of the Association other than the one in which its main office is located, is entitled to one vote on all matters pertaining solely to the district in which such registered branch office is located, including the election of members of the Board of Governors from such district. Should a member maintain more than one branch office in a district, it is entitled to only one vote in that district. Therefore, each member shall

designate one executive representative and shall designate one "district executive representative" for each district other than the one in which the main office is located in which the member maintains a registered branch office.]

Each member is under a duty to insure that its membership application with the Association is kept current at all times by supplementary amendments to its original application and that any offices other than the main office are properly designated and registered, if required, with the Association.

Each member must designate to the Association those offices of supervisory jurisdiction, including the main office, and must register those offices which are deemed to be branch offices in accordance with the standards set forth in Rule 3010.

* * *

PLAN OF ALLOCATION AND DELEGATION OF FUNCTIONS BY NASD TO SUBSIDIARIES

I. NASD, Inc.

* * *

D. Access to and Status of Officers, Directors, Employees, Books, Records, and Premises of Subsidiaries

Notwithstanding the delegation of authority to the Subsidiaries, as set forth in Sections II.A. and III.A. below, the staff, books, records, and premises of the Subsidiaries are the staff, books, records, and premises of the NASD subject to oversight pursuant to the Act, and all officers, directors, employees, and agents of the Subsidiaries are officers, directors, employees, and agents of the NASD for

purposes of the Act. The books and records of Nasdaq shall be subject at all times to inspection and copying by NASD Regulation.

2. Procedures of the Self-Regulatory Organization

(a) The NASD Board of Governors approved the proposed rule change at its June 27, 1997 meeting. The Nasdaq Stock Market has been provided an opportunity to consult with respect to the proposed rule change pursuant to the Delegation Plan. No other action by the NASD is necessary for the filing of the proposed rule change.

(b) Questions regarding this rule filing may be directed to Mary M. Dunbar, Assistant General Counsel, NASD Regulation, Office of General Counsel, at (202) 728-8252.

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

(a) **Purpose**

The proposed rule change makes a technical correction to Interpretive Material 1000-4 by removing an obsolete provision regarding election procedures and district executive representatives. All regional nomination and district election procedures are now set forth in Articles VI and VIII of the NASD Regulation By-Laws, which permit only the Executive Representative of a member firm to cast a vote for a nomination or election.

The proposed rule change also adds a clarifying provision to the Delegation Plan specifically authorizing NASD Regulation to inspect and copy Nasdaq records. Nasdaq has always provided NASD Regulation with full access to its records. The clarification

to the Delegation Plan was recommended by the Independent Consultant retained by the NASD in accordance with Securities Exchange Act Release No. 37538 (August 8, 1996), SEC's Order Instituting Public Proceedings Pursuant to Section 19(h)(1) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions, In the Matter of National Association of Securities Dealers, Inc., Administrative Proceeding File No. 3-9056 ("Order"). Undertaking 2 of the Order requires that NASD Regulation have full access to the records of Nasdaq.

(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. NASD Regulation believes that the technical and clarifying corrections set forth in the proposed rule change are consistent with the provisions of the Section 15A(b)(6).

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

Not applicable.

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)(i) of the Act and Section (e) of Rule 19b-4 promulgated thereunder in that it constitutes a stated policy, practice, or interpretation with respect to the meaning of an existing rule.

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: _____
Alden S. Adkins, Senior Vice President and General Counsel

Date: July 9, 1998

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-98-46)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Technical Corrections to Delegation Plan and IM-1000-4

On July 9, 1998, NASD Regulation, Inc. ("NASD Regulation") filed with the Securities and Exchange Commission ("Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), and Rule 19b-4 thereunder. The proposed rule change is 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 a stated policy, practice, or interpretation with respect to the meaning of an existing rule under Section 19(b)(3)(A)(i) of the Act, which renders the proposal 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 make a technical correction to NASD Interpretive Material IM-1000-4 and a clarifying amendment to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries ("Delegation Plan") regarding NASD Regulation's authority to inspect the books and records of The Nasdaq Stock Market, Inc. ("Nasdaq"). Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

**IM-1000-4. [Appointment of Executive Representative] Branch Offices and Offices
of Supervisory Jurisdiction**

[The term "executive representative" as found in Section 3 of Article III of the By-Laws means that person designated by the member to represent, vote and act for the member in all the affairs of the Association. Pursuant to the provisions of Section 8 of Article III of the By-Laws, every member who maintains a registered branch office in a district of the Association other than the one in which its main office is located, is entitled to one vote on all matters pertaining solely to the district in which such registered branch office is located, including the election of members of the Board of Governors from such district. Should a member maintain more than one branch office in a district, it is entitled to only one vote in that district. Therefore, each member shall designate one executive representative and shall designate one "district executive representative" for each district other than the one in which the main office is located in which the member maintains a registered branch office.]

Each member is under a duty to insure that its membership application with the Association is kept current at all times by supplementary amendments to its original application and that any offices other than the main office are properly designated and registered, if required, with the Association.

Each member must designate to the Association those offices of supervisory jurisdiction, including the main office, and must register those offices which are deemed to be branch offices in accordance with the standards set forth in Rule 3010.

PLAN OF ALLOCATION AND DELEGATION OF FUNCTIONS BY NASD TO SUBSIDIARIES

I. NASD, Inc.

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D. Access to and Status of Officers, Directors, Employees, Books, Records, and Premises of Subsidiaries

Notwithstanding the delegation of authority to the Subsidiaries, as set forth in Sections II.A. and III.A. below, the staff, books, records, and premises of the Subsidiaries are the staff, books, records, and premises of the NASD subject to oversight pursuant to the Act, and all officers, directors, employees, and agents of the Subsidiaries are officers, directors, employees, and agents of the NASD for purposes of the Act. The books and records of Nasdaq shall be subject at all times to inspection and copying by NASD Regulation.

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

(1) Purpose

The proposed rule change makes a technical correction to Interpretive Material 1000-4 by removing an obsolete provision regarding election procedures and district executive representatives. All regional nomination and district election procedures are now set forth in Articles VI and VIII of the NASD Regulation By-Laws, which permit only the Executive Representative of a member firm to cast a vote for a nomination or election.

The proposed rule change also adds a clarifying provision to the Delegation Plan specifically authorizing NASD Regulation to inspect and copy Nasdaq records. Nasdaq has always provided NASD Regulation with full access to its records. The clarification to the Delegation Plan was recommended by the Independent Consultant retained by the NASD in accordance with Securities Exchange Act Release No. 37538 (August 8, 1996), SEC's Order Instituting Public Proceedings Pursuant to Section 19(h)(1) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions, In the Matter of National Association of Securities Dealers, Inc., Administrative Proceeding File No. 3-9056 ("Order"). Undertaking 2 of the Order requires that NASD Regulation have full access to the records of Nasdaq.

(2) 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. NASD Regulation believes that the technical and clarifying corrections set forth in the proposed rule change are consistent with the provisions of the Section 15A(b)(6).

(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)(i) of the Act and subparagraph (e) of Rule 19b-4 thereunder in that it constitutes a stated policy, practice, or interpretation with respect to the meaning of an existing rule.

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).

Jonathan G. Katz
Secretary