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Sr. Vice President
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July 15, 1999

Richard C. Strasser
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-99-05, Amendment No. 3** - Amendments to Rule 2520
(Margin Rules) Relating to Margin for Exempted Borrowers, Good Faith Accounts, Joint
Back Office Arrangements and Options Transactions

Dear Ms. England:

NASD Regulation hereby amends the referenced rule filing, on page 39 and 40 of
47, paragraph (f)(3) of the rule language, as follows:

(3) "When Issued" and "When Distributed" Securities

(A) Margin Accounts

The margin to be maintained on any transaction or net position in each "when
issued" security shall be the same as if such security were issued.

Each position in a "when issued" security shall be margined separately and any
unrealized profit shall be of value only in providing the amount of margin required on
that particular position.

When an account has a "short" position in a "when issued" security and there are
held in the account securities upon which the "when issued" security may be issued,
such "short" position shall be marked to the market and the balance in the account
shall for the purpose of this [paragraph (c)] Rule be adjusted for any unrealized loss
in such "short" position.

[(A)](B) Cash Accounts

On any transaction or net position resulting from contracts for a "when issued" security in an account other than that of a member, non-member broker/dealer, or a "designated account," equity must be maintained equal to the margin required were such transaction or position in a margin account.

On any net position resulting from contracts for a "when issued" security made for or with a non-member broker/dealer, no margin need be required, but such net position must be marked to the market.

On any net position resulting from contracts for a "when issued" security made for a member or for or with a "designated account," no margin need be required and such net position need not be marked to the market. However, where such net position is not marked to the market, an amount equal to the loss at the market in such position shall be charged against the member's net capital as provided in SEC Rule 15c3-1.

The provisions of this subparagraph [(B)](f)(3) shall not apply to any position resulting from contracts on a "when issued" basis in a security:

(i) which is the subject of a primary distribution in connection with a bona fide offering by the issuer to the general public for "cash," or

(ii) which is exempt by the Association as involving a primary distribution.

The term "when issued" as used herein also means "when distributed."

If you have any questions, please contact Elliott R. Curzon, Office of General Counsel, NASD Regulation, Inc., at (202) 728-8451; e-mail curzone@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

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