

November 20, 1997

Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Mail Stop 2-2/Room 2097

Re: **SR-NASD-97-77, Amendment No. 1**

Dear Ms. England:

Pursuant to Rule 19b-4, enclosed herewith is an amendment to the above-numbered rule filing. This amendment makes minor changes in the explanation of the purpose of the proposed rule change, pursuant to discussions with Commission staff.

In particular, the amendments contained herein are listed below.

1. On page 4, in the last sentence, the letter "(B)" should be inserted after "15A(g)(3)."

2. On page 12, the heading in bold letters should be amended to read as follows:

Details of the Proposed Rule Change

3. On page 13, in the first sentence of the first full paragraph, the description of paragraph (b) has been amended as set forth below in response to a question raised by Commission staff as to whether sexual harassment claims would be limited by the language "in violation of a statute." We have considered this question and examined our research on this matter. We feel comfortable that sexual harassment repeatedly has been held to be a form of sex discrimination that violates Title VII of the Civil Rights Act of 1964. Therefore, the Association will treat claims of sexual harassment in the same way as any other claim of statutory employment discrimination. The amended language is as follows:

Katherine A. England
Page 2
November 20, 1997

Paragraph (b) applies only to claims alleging employment discrimination or sexual harassment¹ in violation of a statute.²

Corresponding changes should also be made to Exhibit 1.

The original rule filing in this matter was made available to the public on the NASD Regulation Web site. In order to avoid confusion, that filing will be replaced with an amended filing that includes the amendments contained herein. Therefore, we enclose for the Commission's convenience a complete, amended rule filing, so that visitors to the Public Reference Room will be able to obtain the same version of the rule filing as is available on the Web site. Also enclosed is a 3-1/2" disk containing the rule filing in WordPerfect 5.0 to facilitate production of the Federal Register.

If you have any questions, please contact Jean I. Feeney, Office of the General Counsel, NASD Regulation, Inc., at (202) 728-6959; e-mail: feeneyj@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Joan C. Conley
Corporate Secretary

Attachments

¹ Sexual harassment has been held to be a form of sex discrimination, and thus a violation of Title VII. Meritor Savings Bank v. Vinson, 477 U.S. 57, 64 (1986).

² The term "statute" is intended to be interpreted in its broad sense, as defined in Black's Law Dictionary 1410 (6th ed. 1990): "A formal written enactment of a legislative body, whether federal, state, city, or county."