

Tuesday, June 15

10:30 a.m.

All Employees Meeting (Public Meeting)
("The Green" Plaza Area)

1:30 p.m.

All Employees Meeting (Public Meeting)
("The Green" Plaza Area)

Wednesday, June 16

9:00 a.m.

Briefing on Proposed Export of High
Enriched Uranium to Canada (Public
Meeting) (Contact: Ron Hauber, 301-
415-2344)

Thursday, June 17

9:00 a.m.

Briefing on Status of Uranium Recovery
(Public Meeting) (Contact: King Stablein,
301-415-7238)

11:00 a.m.

Affirmation Session (Public Meeting) (If
needed)

1:30 p.m.

Discussion of Management Issues
(Closed—Ex. 2 and 6)

Friday, June 18

9:30 a.m.

Briefing on NRC International Activities
(Public Meeting) (Contact: Karen
Henderson, 301-415-1771)

Week of June 21—Tentative

There are no meetings scheduled for the
Week of June 21.

Week of June 28—Tentative

There are no meetings scheduled for the
Week of June 28.

The Schedule for Commission
meetings is subject to change on short
notice. To verify the status of meetings
call (recording)—(301) 415-1292.

CONTACT PERSON FOR MORE INFORMATION:
Bill Hill (301) 415-1661.

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The NRC Commission Meeting
Schedule can be found on the Internet
at [http://www.nrc.gov/SECY/smj/
schedule.htm](http://www.nrc.gov/SECY/smj/schedule.htm)

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This notice is distributed by mail to
several hundred subscribers; if you no
longer wish to receive it, or would like
to be added to it, please contact the
Office of the Secretary, Attn: Operations
Branch, Washington, D.C. 20555 (301-
415-1661). In addition, distribution of
this meeting notice over the Internet
system is available. If you are interested
in receiving this Commission meeting
schedule electronically, please send an
electronic message to wmmh@nrc.gov or
dkw@nrc.gov.

Dated: June 4, 1999.

William M. Hill, Jr.,

*SECY Tracking Officer, Office of the
Secretary.*

[FR Doc. 99-14719 Filed 6-7-99; 11:23 am]

BILLING CODE 7590-01-M

NUCLEAR REGULATORY COMMISSION

[Docket Nos. 50-16 and 50-341]

Detroit Edison Company; Temporary Closing of Local Public Document Room

Notice is hereby given that the Ellis
Reference and Information Center,
Monroe, Michigan, which serves as the
Nuclear Regulatory Commission (NRC)
local public document room (LPDR) for
the Detroit Edison Company's Enrico
Fermi Atomic Power Plant, will close on
May 27, 1999, for extensive building
renovation. The renovation is scheduled
to be completed in two months. During
this period the LPDR collection will be
inaccessible to the public.

Every effort will be made to meet the
informational needs of LPDR patrons
during the renovation. Requests for
records may be addressed to the NRC's
Public Document Room (PDR), Gelman
Building, 2120 L Street NW,
Washington, DC 20555-0001. The
telephone number is 800-397-4209,
toll-free.

In addition, other LPDRs maintain
records for the Fermi plant on
microfiche. For the locations of these
LPDRs, contact the PDR staff.

Dated at Rockville, Maryland, this 27th day
of May 1999.

For the Nuclear Regulatory Commission.
Russell A. Powell,
*Chief, Information Services Branch,
Information Management Division, Office of
the Chief Information Officer.*

[FR Doc. 99-14583 Filed 6-8-99; 8:45 am]

BILLING CODE 7590-01-P

POSTAL RATE COMMISSION

Tour of Advo Inc.

AGENCY: Postal Rate Commission.

ACTION: Notice of Commission visit.

SUMMARY: Postal Rate Commission staff
members will tour the Columbia, MD
facility of Advo Inc. on Wednesday,
June 9, 1999. Following the tour, the
group will meet with executives of
Advo to discuss postal matters.

DATES: The tour is scheduled for June 9,
1999, beginning at 9 a.m.

FOR FURTHER INFORMATION CONTACT:
Stephen L. Sharfman, General Counsel,
Postal Rate Commission, Suite 300,
1333 H Street NW., Washington, DC
20268-0001, 202-789-6820.

Dated: June 3, 1999.

Cyril J. Pittack,

Acting Secretary.

[FR Doc. 99-14534 Filed 6-8-99; 8:45 am]

BILLING CODE 7710-FW-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41468; File No. SR-NASD-
97-76]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Approval to Proposed Rule Change and Amendment No. 1 Thereto and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 2 and 3 to Proposed Rule Change To Amend Its Rule 3230 Relating to Clearing Agreements

June 2, 1999.

I. Introduction

On October 14, 1997, the NASD
Regulation, Inc. ("NASDR") submitted
to the Securities and Exchange
Commission ("Commission") on behalf
of the National Association of Securities
Dealers, Inc. ("NASD" or
"Association"), pursuant to Section
19(b)(1) of the Securities Exchange Act
of 1934 ("Act"),¹ and Rule 19b-4
thereunder,² a proposed rule change to
amend NASD Rule 3230 to monitor the
activities of introducing firms that are
parties to clearing agreements. On
November 20, 1997, NASDR filed
Amendment No. 1 to the proposed rule
change.³

The proposed rule change, as
amended, was published for comment
in the **Federal Register** on December 1,
1997.⁴ Three comment letters were
received on the proposal.⁵ On August
18, 1998, the NASDR submitted

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from John M. Ramsay, Deputy
General Counsel, NASDR, to Katherine A. England,
Assistant Director, Division of Market Regulation
("Division"), Commission, dated November 19,
1997 ("Amendment No. 1").

⁴ See Securities Exchange Act Release No. 39349
(November 21, 1997), 62 FR 63589.

⁵ See Letters to Jonathan Katz, Secretary,
Commission, from Alan G. Bower, Senior Vice
President and Managing Counsel, Smith Barney,
Inc., dated December 15, 1997 ("Smith Barney");
Henry H. Hopkins, Managing Director and Legal
Counsel, and David Oestreicher, Associate Legal
Counsel, T. Rowe Price Associates, Inc., dated
December 19, 1997 ("T. Rowe Price"); and Thomas
J. Berthel, Chairman, Local Firms Committee,
Edward Schlitzer, Chairman, Clearing Firms
Committee, and Thomas A. Franko, Ad Hoc
Clearing Subcommittee, Securities Industry
Association, dated December 29, 1997 ("SIA").

Amendment No. 2 to the Commission.⁶ On November 18, 1998, the NASDR submitted Amendment No. 3 to the Commission.⁷ This order approves the proposed rule change and Amendment No. 1 and approves Amendment Nos. 2 and 3 on an accelerated basis.

II. Description of the Proposal

The NASDR proposes to revise NASD Rule 3230 to enhance the ability of the Association and other securities self-regulatory organizations ("SROs") to monitor the activities of introducing firms that are parties to clearing agreements. NASD Rule 3230 governs the contractual agreements, known as clearing agreements, between a clearing firm and an introducing firm, that allocate certain functions and responsibilities associated with the clearing of, and transactions in, customer accounts. Generally, the proposed amendments to NASD Rule 3230 would provide for increased monitoring of customer complaints regarding introducing firms, require specific procedures for introducing firms requesting reports offered by clearing firms, and address procedures and responsibilities of introducing firms that are permitted to issue negotiable instruments of the clearing firms.

Specifically, the proposal, as amended, would require a clearing firm to provide promptly any written customer complaint it receives regarding the introducing firm to the introducing firm and the introducing firm's Designated Examining Authority

("DEA"). In addition, the proposal would require that the clearing firm notify the customer who submitted the written complaint in writing that the complaint was received and that it was provided to the introducing firm and the DEA. As initially proposed, the clearing firm would also have been required, in response to customer complaints, to inform customers of their right to transfer their accounts to another broker-dealer. As discussed further below, this provision was subsequently deleted from the proposal in response to comment letters received by the Commission.⁸

The proposal also would require the clearing firm to provide to each of its introducing firms, at the beginning of the agreement and annually thereafter, a list of all exception and other reports that it offers to assist its introducing firms in supervising and monitoring their customer accounts.⁹ The proposal would require each introducing firm to notify its clearing firm of those specific reports offered that should be provided to the firm.¹⁰

In addition, the proposal would require the clearing firm to provide written notice, on an annual basis within 30 days of July 1 of each year (i.e., between June 1 and July 31), to the introducing firm's Chief Executive Officer, Compliance Officer, and DEA, of the list of reports offered to the introducing firm and to specify those reports actually requested or supplied as of the report date.¹¹

The proposal, as amended, would grant the NASD the discretion, upon a showing of good cause, to grant exemptions from the requirements relating to the handling of customer complaints and the provision of exception reports in instances where the introducing firm is an affiliated entity of

the clearing firm.¹² The Association also proposes to amend NASD rule 9610(a) to add Rule 3230 to the list of rules for which exemptions are available.¹³

Finally, the proposal addresses those agreements that allow introducing firms to issue negotiable instruments (e.g., checks) to their customers, for which the clearing firm is the maker or drawer. The proposed rule provides that the introducing firm must represent to the clearing firm that it has supervisory procedures in place, which it enforces and which are satisfactory to the clearing firm,¹⁴ with respect to the issuance of such instruments.

III. Summary of Comments

The Commission received three comment letters on the proposed rule change.¹⁵ As discussed further below, the commenters generally supported the proposed amendments to NASD Rule 3230; however, they recommended a number of modifications to the proposal.

A. Customer Complaints

One commenter stated that the proposed requirement that clearing firms must forward customer complaints may be unnecessary since NASD Rule 3070 already requires the reporting of customer complaints.¹⁶ The NASDR declined to amend its proposal in response to this comment because the requirements differ and serve different purposes. Specifically, NASD Rule 3070 requires statistical reporting, while the proposal would require copies of the actual reports to be forwarded.

Two commenters recommended the deletion of the proposed requirement that the clearing firm notify complaining customers in writing that they have the right to transfer their accounts to another broker-dealer.¹⁷ These commenters expressed concerns that the proposed requirement could be misleading as it could create the perception that the subject of the customer's complaint necessarily warranted a transfer.¹⁸ For example, one commenter pointed out that the proposed statement "might well cause

⁶ See Letter from John M. Ramsay, Vice President and Deputy General Counsel, NASDR, to Katherine A. England, Assistant Director, Division, Commission, dated August 18, 1998 ("Amendment No. 2"). In Amendment No. 2, the NASDR responds to the comment letters received by the Commission and proposes to amend its filing to: (1) Delete the proposed requirement that, in response to customer complaints, the clearing firm must notify customers of their right to transfer their accounts; (2) delete the proposed requirement that the clearing firm provide, upon request of the introducing firm's Designated Examining Authority, reports that were offered to, but declined by, the introducing firm; (3) provide the NASD with the discretion to permit exemptions from the proposed customer complaint and exception report requirements for good cause shown; (4) modify its language relating to the issuance of negotiation instruments; and (5) conform the proposal to that of the New York Stock Exchange ("NYSE") by specifying an as of date for the required annual notice of exception reports.

⁷ See Letter from Alden S. Adkins, Senior Vice President and General Counsel, NASDR, to Katherine A. England, Assistant Director, Division, Commission, dated November 12, 1998 ("Amendment No. 3"). In Amendment No. 3, the NASDR proposes to amend the proposed rule language to limit the proposed exemption for good cause shown to instances in which the introducing firm is an affiliated entity of the carrying organization. The NASDR also proposes to amend NASD rule 9610(a) to add Rule 3230 to the list of rules for which exemptions are available.

⁸ See Amendment No. 2, *supra* note 6.

⁹ As initially proposed, the clearing firm would have been required to provide, upon request of the introducing firm's DEA, reports that were offered to the introducing firm, but which the introducing firm declined. This provision was subsequently deleted from the proposal. See Amendment No. 2, *supra* note 6.

¹⁰ In addition, the clearing firm would be required to retain and preserve copies of the specific reports requested by or supplied to the introducing firm or have the capability to: (1) Recreate copies of reports provided, or (2) make available the report format and data elements provided in the original reports necessary to recreate the original reports.

¹¹ Under the original proposal, the clearing firm would have been required to notify the introducing firm and the introducing firm's DEA of exception and other reports offered or supplied to, or requested by, the introducing firm during the previous year. The NASDR now proposes to conform its proposal to that of the NYSE by clarifying that the requisite notice must be made as of a specific date, rather than during the course of the year. See Amendment No. 2, *supra* note 6.

¹² See Amendment No. 2, *supra* note 6; see also Amendment No. 3, *supra* note 7.

¹³ See Amendment No. 3, *supra* note 7.

¹⁴ To conform its proposal to that of the NYSE, the NASD proposes to require that the introducing firm's supervisory procedures, with respect to the issuance of negotiable instruments for which the clearing firm is maker or drawer, are "satisfactory to the carrying organization." See Amendment No. 2, *supra* note 6.

¹⁵ See note 5, *supra*.

¹⁶ See T. Rowe Price Letter, *supra* note 5.

¹⁷ See Letters from T. Rowe Price and SIA, *supra* note 5.

¹⁸ *Id.*

the customer to infer wrongdoing and take his or her business elsewhere, regardless of the merit of the complaint or the underlying circumstances

* * *¹⁹ In response, the NASDR proposes to delete the provision that requires that customers be notified of their right to transfer their accounts to another broker-dealer, noting that investor education initiatives may more effectively accomplish the objectives of the proposed requirements.²⁰

B. Exception Reports

One commenter recommended that the proposal should require clearing firms to produce and make available certain basic reports to their introducing firms, rather than to require clearing firms to provide notices of the reports that are offered to their introducing firms.²¹ The NASDR declined to amend its proposal in response to this comment, noting that "firms generally have wide latitude to tailor clearing arrangements to individual business situations, and there is not industry standard for such arrangements or for the exception and other reports made available pursuant to such arrangements."²²

One commenter recommended that the NASDR conform its proposed rule language to that of the NYSE by specifying that the proposed notification requirements apply to reports offered, requested or supplied as of a specific date, because it would not be feasible for clearing firms to track all of the various reports that introducing firms may have been offered, requested or received over the course of a year.²³ In response, the NASDR proposes to amend its proposed rule language to require clearing firms to notify the introducing firms and the introducing firm's DEA of exception and other reports offered or supplied to, or requested by, the introducing firms as of a specific date, rather than through the course of the year.²⁴

The same commenter also opposed the proposed requirement that, upon the request of the introducing firm's DEA, the clearing firm must provide reports that were offered to the introducing firm, but which the introducing firm

declined to receive.²⁵ This commenter noted that compliance with this proposed requirement may be impossible, or, at a minimum, burdensome to the clearing firm.²⁶ In response, the NASDR proposes to delete this proposed requirement.²⁷

C. Exemption for Good Cause Shown

One commenter expressed concerns that the proposed provisions relating to customer complaints and exception reports would be unnecessary in situations in which clearing firms were already performing these compliance functions for their introducing firm subsidiaries.²⁸ In response to this comment, the NASDR proposes to amend its filing to allow the Association to grant an exemption from the customer complaint and exception report provisions in instances where the introducing firm is an affiliated entity of the clearing firm.²⁹

D. Negotiable Instruments

One commenter expressed concerns about the NASDR's description of the proposed provisions relating to negotiable instruments, noting that the NASDR's interpretation "is misleading in that it implies that the [clearing firm] could be liable for the acts of the [introducing firm] independent of the [clearing firm's] obligations as maker or drawer."³⁰ In response, the NASDR proposes to amend its discussion in the proposal to clarify that the proposal "simply requires introducing firms to establish clear safeguards and procedures that are satisfactory to the clearing member when the introducing member issues checks to customers drawn to the clearing member's account"³¹

IV. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of Section 15A of the Act³² and the rules and regulations thereunder applicable to a national securities association.³³ The Commission believes that the proposed rule change is consistent with and furthers the objectives of Section 15A(b)(6) of the Act,³⁴ in that it is

designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Commission believes that the proposed rule change, by assisting the NASD to better monitor the activities of introducing brokers, should help to prevent fraudulent and manipulative acts and practices. The proposal and the companion proposal submitted by the NYSE³⁵ represent an important step toward addressing recent concerns about questionable sales practices and potentially fraudulent activity engaged in by some introducing firms.³⁶ The Commission expects that the proposed rules, by establishing procedures for the handling of customer complaints, the offer and receipt of exception reports, and the introducing firm's issuance of negotiable instruments of the clearing firm, should assist the SROs in their regulatory efforts. In addition, by requiring clearing firms to provide to their introducing firms copies of customer complaints and lists of available exception reports, the proposal should help introducing firms to better monitor their customer accounts.

A. Customer Complaints

The proposed customer complaint provisions of the proposal would require clearing firms to provide any written customer complaint they receive regarding the introducing firm to the introducing firm and the introducing firm's DEA. In addition, the proposal would require that the customer who submitted the written complaint be notified in writing by the clearing firm that the complaint was received and that it was provided to the introducing firm and the DEA.

The Commission believes the proposed requirements relating to the handling of customer complaints received by clearing firms are reasonable. These procedures should enhance the ability of introducing firms and their DEAs to monitor complaints. In particular, DEAs and firms should be better able to identify patterns of complaints to determine, for example, whether there is a problem with the firm's supervisory procedures, operations, or an individual registered

¹⁹ See SIA Letter, *supra* note 5 (incorporation by reference Letter to Jonathan Katz, Secretary, Commission, from Thomas J. Berthel, Chairman, Local Firms Committee, Edward Schlitzer, Chairman, Clearing Firms Committee, and Thomas A. Franko, Ad Hoc Clearing Subcommittee, Securities Industry Association, dated November 3, 1997, on File No. SR-NYSE-97-25).

²⁰ See Amendment No. 2, *supra* note 6.

²¹ See T. Rowe Price Letter, *supra* note 5.

²² See Amendment No. 2, *supra* note 6.

²³ See SIA Letter, *supra* note 5.

²⁴ See Amendment No. 2, *supra* note 6.

²⁵ See SIA Letter, *supra* note 5.

²⁶ *Id.*

²⁷ See Amendment No. 2, *supra* note 6.

²⁸ See Smith Barney Letter, *supra* note 5.

²⁹ See Amendment No. 2, *supra* note 6.

³⁰ See SIA Letter, *supra* note 5.

³¹ See Amendment No. 2, *supra* note 6.

³² 15 U.S.C. 78o-3.

³³ In approving this rule, the Commission considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³⁴ 15 U.S.C. 78o-3(b)(6).

³⁵ The Commission is simultaneously approving the NYSE's amended proposal, File No. SR-NYSE-97-25.

³⁶ The Commission encourages the NASD, the NYSE, and others to continue to consider additional measures focusing on introducing and clearing firm processes that would assist in detecting and deterring fraudulent and manipulative activities.

representative. The Commission notes one commenter's concern that the proposal is duplicative because existing NASD Rule 3070(c) requires member firms to report to the Association statistical and summary information regarding customer complaints.³⁷ The Commission, however, believes that because this proposal would require the submission of a copy of the actual complaint to the DEA, the proposed reporting requirements supplement, rather than duplicate, the existing reporting requirements.

Moreover, the Commission agrees with the commenters that the notification provisions, initially proposed, which required clearing firms to advise complaining customers of their right to transfer their accounts, could have created the perception that the subject of the customer's complaint warranted a transfer. Many customer complaints relate to operational issues, such as delayed dividend checks, and are easily resolved by the firm. The Commission believes that broader investor education initiatives designed to inform investors of their rights would more effectively achieve the same objectives without creating the possibility of unnecessary confusion. The Commission is working with the SROs on educational initiatives in this area. Accordingly, the Commission believes that the Association's proposal to delete the proposed notification provision is appropriate.

B. Exception Reports

The proposal also would require clearing firms to provide a list of all reports that are offered to their introducing firms and would require each introducing firm to provide its clearing firm with a list of specific reports requested. The proposal further would require clearing firms to provide to their introducing firms and their introducing firm's DEA written annual notice, within 30 days of July 1, of the list of reports offered to each introducing firm and to specify those reports actually requested or supplied as of the report date.

Exception and other reports are important in the monitoring and supervision of customer accounts, from both a risk management and customer services perspective. For example, reports that flag unusual account activity or possible unauthorized trades may allow for early detection and correction of potential problems with a firm's supervisory procedures, operations, or an individual registered representative. The Commission

therefore believes that the Association's proposal will enhance the firm's supervisory procedures and give DEAs more information to identify potential weaknesses at individual firms.

The Commission disagrees with the comment that the Association's rules should dictate certain basic reports that every introducing broker should receive.³⁸ The Commission is concerned that because an industry standard has not been established at this time, encouraging the NASD to establish a list of "basic" reports would likely result in many introducing brokers obtaining no more than that minimum, despite the fact that a particular introducing firm may need more comprehensive information. That being said, however, the Commission notes that it is the responsibility of each introducing firm to obtain from its clearing firm or elsewhere all relevant information that the introducing firm requires to adequately supervise and monitor its operations, including the handling of customers' accounts.

The Commission believes that the Association's proposal to amend the rule language to require clearing firms to provide the requisite notification regarding exception and other reports offered, supplied to, or requested by the introducing firm as of a specific date, rather than through the course of the year, is reasonable. The Commission also supports the NASD's proposed deletion of the requirement that, at the request of the introducing firm's DEA, the clearing firm must provide reports that were offered to the introducing firm, but which the introducing firm declined to receive.

The Commission believes that these revisions to the original proposal should not diminish the value of the proposed amendments to NASD Rule 3230 as a supervisory tool. Information regarding reports available and those reports requested as of a specific date should assist both the introducing firm in assessing its prospective needs and the introducing firm's DEA in its regulatory efforts. Even without a reporting requirement, the DEA will still be able to determine which reports were made available to the introducing firm, and which were not requested. In addition, the Commission notes that both of these proposed revisions to the Association's original filing seek to conform the NASD's proposal to that submitted by the NYSE. The Commission believes that uniformity between the NASD's and the NYSE's rules in this area should ease the compliance burden on introducing firms and their clearing

brokers alike, as well as enhance the usefulness of the rules for the firms' respective DEAs.

Finally, the Commission notes that the proposed requirements relating to exception reports apply to all clearing firm/introducing firm relationships, regardless of the manner in which the data is transmitted from the clearing firm to the introducing firm. Therefore, the proposed rules are equally applicable to clearing agreements that provide for the transmission from the clearing firm to the introducing firm of raw data, rather than information organized in a formatted report. Under either scenario, the Commission expects the introducing firm to determine what information is needed for the proper supervision of its customer accounts, and to have the ability to use the data provided by its clearing firm in its supervisory efforts.

C. Exemption for Good Cause Shown

The NASD is proposing to include an exemption from the customer complaint and exception report provisions of the proposal for those situations in which clearing firms are already performing these compliance functions for their introducing firm affiliates. The Commission believes that it is reasonable for the Association to have the authority to grant such an exemption in the limited circumstances in which the introducing firm is an affiliated entity of the clearing firm to avoid duplication of efforts.

D. Negotiable Instruments

The Commission believes that the proposed procedures to be followed by introducing firms that issue negotiable instruments for which the clearing firm is the maker or drawer are reasonable. Specifically, the Commission believes that it is appropriate for the introducing firm to be required to represent to the clearing firm that it has supervisory procedures in place, which it enforces, and which are satisfactory to the clearing firm. A clearing firm that finds that its introducing firm does not have minimal safeguards and procedures for the issuance of checks drawn on the clearing firm's account should, at a minimum, reexamine its relationship with the introducing firm. The Commission views the proposed requirement as a supplement to, rather than a replacement for, any other obligation or legal liability of the clearing firm as maker or drawer of the instrument.³⁹

³⁹ See e.g., NASD Guide to Rule Interpretations 1996, p. 75, Ability of a (k)(2)(ii) Broker/Dealer to

³⁷ See T. Rowe Price, *supra* note 5.

³⁸ See T. Rowe Price Letter, *supra* note 5.

The Commission finds good cause for approving proposed Amendment Nos. 2 and 3 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. In Amendment No. 2, the NASDR modifies the original filing in response to specific comments raised in three comment letters. Specifically, Amendment No. 2 deletes the proposed rule language requiring clearing firms to include in their responses to customer complaints a statement regarding the customer's right to transfer the account to another broker-dealer. As discussed above, the Commission believes that alternative investor education initiatives should inform public customers of their rights without raising the possibility of customer confusion regarding whether the clearing firm believes such action is warranted. Amendment No. 2 also adds a good cause exclusion from certain provisions of the proposed rule in certain circumstances. In Amendment No. 2, the NASDR also proposes several amendments to conform its proposed rule language to that proposed by the NYSE. In Amendment No. 3, the NASDR limits the proposed good cause exemption to situations in which the introducing firm is an affiliated entity of the clearing firm. As the modifications proposed in Amendment Nos. 2 and 3 are reasonable and do not significantly alter the original proposal, the Commission believes that Amendment Nos. 2 and 3 raise no new issues of regulatory concern. Accordingly, the Commission believes that it is consistent with Section 6 of the Act⁴⁰ to approve Amendment Nos. 2 and 3 to the proposed rule change on an accelerated basis.

V. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 2 and 3, including whether Amendment Nos. 2 and 3 are consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 all such filings will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-97-76 and should be submitted by June 30, 1999.

VI. Conclusion

The Commission believes that the proposal, as amended, should significantly assist the efforts of introducing firms and their DEAs to fulfill their supervisory responsibilities. Specifically, the Commission believes that, by ensuring that clearing firms provide introducing firms with important information about their customers' accounts and by requiring that the introducing firms have in place supervisory procedures with respect to their issuance of negotiable instruments, the proposed rules should enhance good business practices by introducing firms. Further, by requiring that introducing firms receive copies of customer complaints and exception and other reports about their customers' accounts, the proposal should assist introducing firms in more quickly identifying and addressing potential problems with their supervisory procedures, operations, or an individual registered representative. This should reduce the risks to both the firm and its customers from questionable sales practices and potentially fraudulent activity.

In addition, the Commission believes that the proposal should also assist the regulatory efforts of the introducing firms' DEAs. Specifically, the Commission believes that the proposal may allow earlier detection by an introducing firm's DEA of potentially fraudulent activity, which will benefit investors and the public. Therefore, the Commission finds the approval of the proposed rule change, as amended, is consistent with the requirements of the Act applicable to a national securities association, and in particular, with the requirements of Section 15A(b)(6) of the Act⁴¹ and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act,⁴² that the proposed rule change (SR-NASD-97-76) is approved, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴³

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-14576 Filed 6-8-99; 8:45 am]

BILLING CODE 8010-01-M

SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions and Delegations of Authority

This statement amends Part S of the Statement of the Organization, Functions and Delegations of Authority which covers the Social Security Administration (SSA). Chapter S2 covers the Deputy Commissioner, Operations (DCO). Notice is hereby given that Section S2.20 and Subchapter S2N are being amended to reflect responsibility for coordinating and implementing a comprehensive, nationwide program for DCO focusing on systems security and programmatic fraud. The changes are as follows:

Section S2.20 *The Office of the Deputy Commissioner, Operations—* (Functions):

Amend as follows:

1. The Office of Public Service and Operations Support (OPSOS) (S2N) provides operations analysis, program support, service to the public and employee services for the Deputy Commissioner, Operations (DCO), and conducts studies and analyses. Provides broad operations support to FOs, TSCs, PSCs, and the Office of Central Operations. OPSOS also integrates operational delivery of public services under the RSDI, SSI and health insurance (HI) programs for domestic beneficiaries and delivery of RSDI program services for foreign beneficiaries. Provides broad operations support to the maintenance of activities associated with the overall effectiveness and efficiency of the DCO components. Coordinates and implements a comprehensive DCO nationwide program to focus on systems security and programmatic fraud. Directs and coordinates internal management support functions to ensure effective position management, workforce utilization and management analysis and planning. Directs the overall DCO budget process. Plans, implements, manages and assesses the interrelated duties of delivery of SSA program and related services to the public.

Section S2N.00 *The Office of Public Service and Operations Support—* (Mission):

Write Checks on Behalf of the Clearing Firm, see also Amendment No. 2, *supra* note 6.

⁴⁰ 15 U.S.C. 78f.

⁴¹ 15 U.S.C. 78o-3.

⁴² 15 U.S.C. 78s(b)(2).

⁴³ 17 CFR 200.30-3(a)(12).