transactions are open or uncompared, faster and more efficient trade reconciliation and confirmation, and increased efficiency of back office operations. Finally, the NASD notes that granting West Canada access to ACT will not affect or modify the process by which trades between NASD and West Canada members are cleared and settled. The proposal strictly provides a more efficient and streamlined method to compare trades between West Canada and NASD members in preparation for clearance and settlement.

The NASD also does not believe that granting West Canada and West Canada members access to ACt will jeopardize the integrity of ACT or any other market facility operated by NSMI. In this regard, before West Canada or any of its members are granted access to ACT, these entities must agree to be bound by the terms of the revised ACT Participant Application Agreements, which establish the terms and conditions under which West Canada and its members will receive access to ACT. The NASD believes that the revised Agreements will provide an adequate and sufficient surrogate for NASD membership which otherwise would provide the jurisdictional nexus to ensure compliance with applicable NASD rules and regulations. Initial and continuing access to ACT by nonmembers will be specifically conditioned upon adherence to the terms and conditions of these agreements. West Canada and West Canada members also will be required to maintain the physical security of the equipment used to input trades into ACT. Based on these factors, the NASD believes that granting West Canada and West Canada members access to ACT will not compromise the integrity or operation of ACT. Further, the NASD notes that the Commission has allowed nonmember access to ACT in the context of trade reporting for Nasdaqlisted securities traded on an exchange pursuant to unlisted trading privileges ("UTP"). Specifically, UTP participants may trade report through ACT to comply with transaction reporting requirements.

Apart from addressing ACT access by West Canada and West Canada members, this proposed rule change proposes to amend Section a) 2. of the ACT Rules which defines the term "Participant." As amended, this definition will include NASD member firms that function as market makers in over-the-counter ("OTC") equity securities that are eligible for clearing

via the NSCC's facilities.⁷ The instant modification will clarify that ACT participant status encompasses NASD members that function as market makers in such securities via the OTC Bulletin Board service or another interdealer quotation system.⁸ This element of the rule proposal is a technical change that has no bearing on the provision regarding ACT access to West Canada.

The NASD believes that the proposed rule change is consistent with Sections 15A(b)(6) 9 and 17A(a) 10 of the Act. Section 15A(b)(6) requires that the rules of a national securities association be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Section 17A(a) provides that the prompt and accurate clearance and settlement of securities transactions is necessary for the protection of investors and that inefficient procedures for clearance and settlement impose unnecessary costs on

By streamlining and improving the process by which trades between NASD and West Canada members are compared, the NASD believes the prompt and accurate clearance and settlement of securities will be facilitated and promoted. In addition, by compressing the time-period in which open trades are left uncompared, market participants will be better able to access and evaluate their market exposure thereby contributing to fair and orderly markets and the protection of investors and the public interest. Moreover, the NASD believes the proposed rule change is consistent with Rule 15c6-1, which mandates settlement on the third business day following the trade date ("T+3") by June 7, 1995.11 Because ACT

generally achieves locked-in trades within minutes of an execution, the NASD believes the ability to comply with the shorter time constraints necessitated by T+3 settlement will be enhanced. Accordingly, the NASD proposes to amend its rules governing ACT to accommodate the access of West Canada to ACT.¹²

B. Self-Regulatory Organization's Statement on Burden on Competition

The NASD believes that the proposed rule change will not result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the NASD consents, the Commission will:

A. by order approve such proposed rule change or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

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

⁷ Securities Exchange Act Release No. 30415 (February 26, 1992), 57 FR 7829 [File No. SR– NASD–92–5] (order approving OTC Equity Securities as ACT eligible securities).

⁸ Under Schedule D to the NASD By-Laws, Part XII, Section 1(d) defines "OTC Market Maker" to mean any NASD member that holds itself out as being a market maker in any OTC Equity Security by entering proprietary quotations or indications of interest in an inter-dealer quotation system.

^{9 15} U.S.C. § 78o-3(b)(6) (1988).

^{10 15} U.S.C. § 78q-1(a) (1988).

¹¹ On October 6, 1993, the Commission adopted Rule 15c6–1 under the Act, which establishes three business days after the trade date instead of five business days as the standard settlement timeframe for most broker-dealer transactions. Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (release adopting Rule 15c6–1). On November 16, 1994, the Commission changed the

effective date of Rule 15c6–1 from June 1, 1995, to June 7, 1995. Securities Exchange Act Release No. 34952 (November 9, 1994), 59 FR 59137.

¹² Access to the ACT Service desk, however, will continue to be limited to NASD member firms. The ACT Service desk allows input into ACT by those firms that do not have direct access to ACT, or by direct participant's of ACT that are having trouble with their own system.