

# Notice To Members

National Association of Securities Dealers, Inc.

January 1991

**Number 91-1****Suggested Routing:\***

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| <input checked="" type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit     | <input checked="" type="checkbox"/> Operations | <input type="checkbox"/> Syndicate          |
| <input type="checkbox"/> Corporate Finance            | <input checked="" type="checkbox"/> Legal & Compliance | <input checked="" type="checkbox"/> Options    | <input type="checkbox"/> Systems            |
| <input type="checkbox"/> Government Securities        | <input type="checkbox"/> Municipal                     | <input type="checkbox"/> Registration          | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional                | <input type="checkbox"/> Mutual Fund                   | <input type="checkbox"/> Research              | <input type="checkbox"/> Training           |

\*These are suggested departments only. Others may be appropriate for your firm.

**MAIL VOTE**

**Subject: Proposed Amendments to the NASD Rules of Fair Practice Relating to Options Communications; Last Voting Date: February 4, 1991**

**EXECUTIVE SUMMARY**

Members are invited to vote on proposed amendments creating a separate section in the NASD's Rules of Fair Practice relating to options communications with the public. The proposed amendment would delete all existing subsections of Article III, Section 35 relating to options communications and establish a new Section 46 related exclusively to options communications. The text of the proposed amendments follows this notice.

**BACKGROUND**

The Securities and Exchange Commission (SEC) has recently been engaged in an examination of self-regulatory organizations' (SROs') regulatory programs relating to the review of member-firm communications with the public. Specifically, with respect to options communications, the SEC has expressed to the NASD its concern that the NASD's options communications rules are not sufficiently consistent with those of other SROs. Since a majority of NASD members conducting options business are also members of

other SROs, the SEC believes that the options regulations of the various SROs applicable to such members should be consistent.

Representatives from several SROs — the NASD, New York Stock Exchange, American Stock Exchange, Chicago Board Options Exchange, Midwest Stock Exchange, Philadelphia Stock Exchange, and Pacific Stock Exchange — have been working together in the Options Self-Regulatory Council ("Council") to develop options communications rules for each SRO that are consistent with one another. The Council's efforts have resulted in a substantial revision of the Guidelines for Options Communications (Guidelines). The Guidelines, first published several years ago, are designed to provide a coordinated explanation of SRO rules and, along with the SEC's examination comments, form the basis for the NASD's proposed options communications rule. Accordingly, the Board of Governors has approved amendments to Article III of the Association's Rules of Fair Practice that would establish a new Section 46<sup>1</sup> relating exclusively to options communica-

<sup>1</sup>In NASD Notice to Members 89-20 (Feb. 17, 1989), the membership approved new rules and amendments to the Rules of Fair Practice. When the new rules and amendments have been approved by the SEC, this section will be renumbered to conform to the new numbering of the Rules of Fair Practice.

tions, and would amend Section 35 of the Rules of Fair Practice, the NASD's general communications rule, to delete all provisions related to options.

The proposed new Section 46 will address concerns expressed by the SEC relating to the approval of options communications prior to use, suitability disclosure, educational communications, and communications containing comparisons and recommendations. The new rule will also serve to make the NASD's options communications regulations consistent with those of other SROs.

### **SUMMARY OF PROPOSED AMENDMENTS**

Proposed new Article III, Section 46 of the Rules of Fair Practice contains four subsections: Subsection (a), which defines the terms "advertisement," "educational material," and "sales literature;" Subsection (b), which requires advance approval of all options communications by a Compliance Registered Options Principal; Subsection (c), which requires advance approval of options advertising and educational material by the Association's Advertising Department, as well as spot-check procedures and special review procedures for members that fail to adhere to the standards for options communications; and Subsection (d), which sets forth the Association's standards for options communications with the public. The proposed amendments delete comparable provisions relating to options communications, as well as all references to options communications, from Article III, Section 35 of the Rules of Fair Practice.

#### **Section 46(a) — Definitions**

Proposed new Section 46(a) would establish definitions for "advertisements," "educational material," and "sales literature." The definitions of advertising and sales literature proposed in Section 46(a) are similar to the existing definitions in Section 35. However, they are designed to more clearly reflect the NASD's intent to distinguish between material directed to customers through media of mass communication (advertisements) and material targeted to specific existing or potential customers (sales literature).

Proposed Section 46(a) also would include a definition of educational material not previously included in Section 35. This definition is designed to complement SEC Rule 134A (which defines options material not deemed to be a prospectus) and

to capture within its scope advertisements and sales literature, as well as other material that does not meet the definitions of advertisement or sales literature.

#### **Section 46(b) — Approval by Compliance Registered Options Principal and Recordkeeping**

Proposed new Section 46(b) would incorporate the requirements currently in Section 35(b) that a Compliance Registered Options Principal approve each item of advertising or sales literature related to options in advance. In addition, the new provision would require that the member retain copies of the material, along with records reflecting the persons who prepared and approved the material and the source of any recommendations contained in the material.

#### **Section 46(c) — Association Approval Requirements and Review Procedures**

Proposed new Section 46(c) would combine current Subsections 35(c)(2), 35(c)(5), 35(c)(6), and 35(c)(8) into a new section on approval and review of options communications. The NASD proposes that Subsection 35(c)(2) be deleted and that the remaining subsections of Section 35(c) be renumbered.

Subsection 46(c)(1) would require all options advertising and educational material to be submitted to the Association's Advertising Department for approval at least 10 days prior to use. The section would apply only to advertising and educational material permitted to be used prior to the delivery of an options disclosure document (ODD). The section would also prohibit the use of any material that has been disapproved or for which changes have been recommended by the NASD's Advertising Department until the material is resubmitted and approved, or changed, as required. The provisions of proposed Subsection 46(c)(1) represent a change from the requirements of Section 35 in that the NASD may disapprove the use of material submitted or may recommend changes, rather than comment on a filing as in Section 35.

Subsection 46(c)(2) would permit any District Business Conduct Committee (DBCC) to require a member to submit options advertising, educational material, and sales literature to the Advertising Department and/or the DBCC for review at least 10 days prior to use if the DBCC, after reviewing the member's advertising, determines that the mem-

ber may again depart from the standards of Section 46. The review requirements in proposed Subsection 46(c)(2) are not limited to material used prior to the delivery of an ODD, but may include all material coming within the definitions, notwithstanding the timing of their use. Any prior submission requirement imposed under Subsection 46(c)(2) cannot last more than one year, and a member has the right to ask for a hearing before the DBCC relating to the imposition of any prior submission requirement.

**Section 46(d) — Standards Applicable to Communications with the Public**

Proposed new Section 46(d) would replace Section 35(f), which the NASD proposes to delete. Section 46(d) sets forth both general and specific standards with respect to options communications, including, but not limited to, specific standards for advertisements, educational materials, and sales literature.

The general standards for options communications specified under Subsection 46(d)(1) would prohibit false or misleading statements; promises, claims, opinions, or forecasts that are unwarranted, exaggerated, or have no reasonable basis; hedge clauses that are illegible or inconsistent with the communication or that attempt to disclaim responsibility for the contents of the communication; or material that would constitute a prospectus, unless it meets the requirements of a prospectus under the federal securities laws.

The specific standards for options communications set forth in Subsection 46(d)(2) comprise a detailed set of requirements and guidelines concerning risk disclosure, the use and content of advertisements, the use and content of educational material, the use and content of sales literature, availability of supporting documents for sales literature, and performance projections and statistics contained in sales literature.

Subsection 46(d)(2)(A) would require the special risks attendant to options transactions and investment strategies to be disclosed in options communications that discuss the uses or advantages of options. Any disclosure must present a balanced portrayal of opportunities and risks. In addition, the NASD proposes that statements suggesting options are suitable for all investors or suggesting the certain availability of a secondary market for options be prohibited.

Subsection 46(d)(2)(B) would require options advertising to meet the requirements of SEC Rule 134 in that the advertisement must be limited to a general description of the security being offered and the name and address of the person from whom a current ODD can be obtained. In addition, an advertisement may briefly describe the options offered, the operation of any exchanges where the options are traded, and how options prices are determined. Statements required by state law or administrative agencies may be included in an advertisement, as well as designs and devices, provided they are not misleading. Recommendations and past or projected performance figures are not permitted in options advertisements, however.

Subsection 46(d)(2)(C) would require that options educational material must meet the requirements of SEC Rule 134A. As set forth in Subsection 46(d)(2)(C), with respect to educational material, Rule 134A (1) requires an explanation of risks; (2) prohibits the use of performance figures, including annualized rates of return; (3) prohibits recommendations; (4) prohibits identifying specific securities, other than a security exempt from registration, an index option, or a foreign currency option; and (5) requires the name and address of the person from whom an ODD can be obtained.

Subsection 46(d)(2)(D) would include the following specific requirements for sales literature.

- Sales literature must state that supporting documentation for claims, comparisons, recommendations, statistics, or other technical data will be supplied on request.

- Projected performance figures, if included, cannot contain a suggestion of certainty in future performance, must clearly establish parameters for performance figures, must disclose costs, must be plausible, must clearly identify all material assumptions, and must disclose risks. They also must, for annualized rates of return, not be based on less than 60 days of experience, display any formulas used, and include a statement that returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

- Portrayals of performance or actual transactions must be balanced, and records and statistics must be isolated to a specific period covering at least the most recent 12 months. They also must include detailed information about initial

recommendations or transactions; disclose all relevant costs and material assumptions; describe general market conditions (any comparisons must be valid); state that past results cannot be viewed as an indicator of future performance, and be reviewed and initialed by a Registered Options Principal for fair presentation of statistics or recommendations.

■ An options program must disclose the cumulative history or unproven nature of the program and its underlying assumptions.

■ Standard forms of options worksheets, if adopted, must be uniform within a member organization.

■ Communications portraying past performance must be easily accessible to the sales office for the accounts of the customers involved.

While many of the specific provisions of proposed Section 46(d) are drawn from the current provisions of Section 35(f), the provisions described above will reorganize and clarify the applicable standards. The new provisions will also serve to eliminate any inconsistencies between the NASD's rules and the rules of other SROs, while at the same time respond to the specific concerns and recommendations of the SEC as expressed to the Options Self-Regulatory Council.

The Board of Governors believes that the proposed amendments to the NASD Rules of Fair Practice are necessary and appropriate and recommends that members vote their approval. Prior to becoming effective, the proposed amendments also must be approved by the SEC.

Please mark the attached ballot according to your convictions and return it in the enclosed, stamped envelope to the Corporation Trust Company. Ballots must be postmarked **no later than February 4, 1991.**

Questions concerning this notice may be directed to the Advertising Department at (202) 728-8330.

**PROPOSED AMENDMENTS TO NASD  
RULES OF FAIR PRACTICE  
ARTICLE III**

Rules of Fair Practice

(Note: New text is underlined; deleted text is in brackets.)

\* \* \* \* \*

Communications With the Public

Sec. 35.

(b) Approval and Recordkeeping

(1) Each item of advertising and sales literature shall be approved by signature or initial, prior to use, by a principal (or his designee) or the member. [In the case of advertising or sales literature pertaining to options, the approval must be by the Compliance Registered Options Principal or his designee.]

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(c) Filing Requirements and Review Procedures

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[(2) Advertisements pertaining to options, and other options-related communications to persons who have not received the appropriate current disclosure document(s), shall be submitted to the Association's Advertising Department for review at least ten days prior to use (or shorter period as the Department may allow in exceptional circumstances), unless such advertisement or communication is submitted to and approved by a registered securities exchange or other regulatory body having substantially the same standards with respect to options advertising as set forth in this Section. The Association shall, within the ten-day review period specified herein, in the absence of highly unusual circumstances, either notify the member of its views with respect to the material filed or indicate that its comments are being withheld pending further analysis or the receipt of additional information.]

\* \* \* \* \*

Subsections (c)(3) and (c)(4) are renumbered (c)(2) and (c)(3), respectively.

\* \* \* \* \*

[[5]4] Notwithstanding the foregoing provisions, any District Business Conduct Committee of the Association, upon review of a member's advertising and/or sales literature, and after determining that the member has departed and there is a substantial likelihood that the member will again depart from the standards of this section, may require that such member file all advertising and or sales literature, or the portion of such member's material which is related to any specific types or classes of securities or services, with the Association's Advertising Department and/or the District Committee, at least ten days prior to use.

The Committee shall notify the member in writing of the types of material to be filed and the length of time such requirement shall be in effect. The requirement shall not exceed one year, how-

ever, and shall not take effect until 30 days after the member receives the written notice, during which time the member may request a hearing before the District Business Conduct Committee, and any such hearing shall be held in reasonable conformity with the hearing and appeal procedures of the Code of Procedure.

[(6)5] In addition to the foregoing requirements, every member's advertising and sales literature shall be subject to a routine spot-check procedure. Upon written request from the Association's Advertising Department, each member shall promptly submit the material requested. Members will not be required to submit material under this procedure which has been previously submitted pursuant to one of the foregoing requirements and, except for material related to municipal securities, direct participation programs or investment company securities, the procedure will not be applied to members who have been, within the NASD's current examination cycle subjected to a spot-check by a registered securities exchange or other self-regulatory organization using procedures comparable to those used by the Association.

[(7)6] The following types of material are excluded from the foregoing filing requirements and spot-check procedures:

\* \* \* \* \*

(F) Advertisements prepared in accordance with Section 2(10)(b) of the Securities Act of 1933, as amended, or any rule thereunder, such as Rule 134, unless such advertisements are related to [options,] direct participation programs or securities issued by registered investment companies.

(8) Material which refers to investment company securities[, options] or direct participation programs solely as part of a listing of products and/or services offered by the member, is excluded from the requirements of paragraphs (c)(1) [,] and (c)(2) [and (c)(3)] of this section.

\* \* \* \* \*

[(f) Standards Applicable to Options-Related Communications]

[In addition to the provisions of subsection (d) of this Section, members' public communications concerning options shall conform to the following provisions:]

[(1) As there may be special risks attendant to some options transactions and certain options transactions involve complex investment strategies, these factors should be reflected in any communica-

tion which includes any discussion of the uses or advantages of options. Therefore, any statement referring to the opportunities or advantages presented by options should be balanced by a statement of the corresponding risks. The risk statement should reflect the same degree of specificity as the statement of opportunities, and broad generalities should be avoided. Thus, a statement such as, "by purchasing options, an investor has an opportunity to earn profits while limiting his risk of loss," should be balanced by a statement such as, "Of course, an options investor may lose the entire amount committed to options in a relatively short period of time."]

[(2) It should not be suggested that speculative option strategies are suitable for most investors, or for small investors and statements suggesting the certain availability of a secondary market for options should not be made.]

[(3)(A) Except as provided in subparagraph (B) below, no written material with respect to options issued by The Options Clearing Corporation ("OCC") may be sent to any person unless prior to or at the same time with the written material the appropriate current options disclosure document(s) is (are) sent to such person.]

[(B) Advertisements and other options-related communications may only be used (and copies of the advertisements may only be sent to persons who have not received the appropriate disclosure document) if the material meets the requirements of Rules 134 or 134a under the Securities Act of 1933, as these Rules have been interpreted as applying to OCC options. Under rules 134 and 134a advertisements are limited to general descriptions of the security being offered and of its issuer and to descriptions regarding the general nature of standardized options markets or options strategies. Advertisements under this Rule shall state the name and address of the person from whom (a) current disclosure document(s) may be obtained (this would usually be the member sponsoring the advertisement). Such advertisements may contain a brief description of OCC options, including a statement that the issuer of every OCC option is The Options Clearing Corporation. The text may also contain a brief descrip-

tion of the general attributes and method of operation of The Options Clearing Corporation and/or a description of any of the options traded in different markets, including a discussion of how the price of an option is determined; (ii) The advertisement may include any statement or legend required by any state law or administrative authority; (iii) Advertising designs and devices including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics may be used, provided such material is not misleading.]

[(C) Advertisements and other written communications used prior to delivery of the appropriate disclosure document(s) shall not contain recommendations, or past or projected performance figures, including annualized rates of return.]

[(4) Communications which contain comparisons, recommendations, statistics or other technical data, or claims made on behalf of options programs or the options expertise of sales persons, shall include, or offer to provide upon request, supporting documentation and shall refer to the current disclosure document(s) available upon request.]

[(5) Communications concerning an options program (i.e., an investment plan employing the systematic use of one or more options strategies) shall disclose the cumulative history of the program or its unproven nature, and its underlying assumptions.]

[(6) Standard forms of options worksheets, if adopted by a member for any particular options strategy, must, in addition to compliance with the other applicable provisions of this Section, be uniformly used by such member for that strategy.]

[(7) Communications which contain projected performance figures or records of the performance of past recommendations or of actual transactions shall disclose all relevant costs, including commissions and interest charges (if applicable with regard to margin transactions) and copies of such communications shall be kept at a place easily accessible to the sales office for the accounts or customers involved.]

[(8) Communications containing projected

performance figures must also:]

[(A) be plausible and intended as a source of reference or a comparative device to be used in the development of a recommendation;]

[(B) discuss the risks involved in the proposed transactions and not suggest certainty of future performance;]

[(C) identify all material assumptions made in such calculations (e.g., "assume options exercised", etc.);]

[(D) clearly establish parameters relating to such performance figures (e.g., to indicate exercise price of option, purchase price of the underlying security and its market price, option premium, anticipated dividends, etc.);]

[(E) if related to annualized rates of return, be based upon not less than a sixty-day experience, clearly display any formulas used in making the calculations, and include a statement to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and there is no certainty of doing so.]

[(9) Communications containing records or statistics relating to the performance of past recommendations or of actual transactions shall, in addition to complying with other applicable provisions of this section, state that the results presented should not and cannot be viewed as an indicator of future performance, and shall disclose all material assumptions used in the process of annualization if annualized rates of return are used. A Registered Options Principal shall determine that the record or statistics fairly present the status of the recommendations or transactions reported upon and shall initial the report.]

\* \* \* \* \*

#### Options Communications with the Public

##### Sec. 46.

(a) Definitions — For purposes of this section and any interpretation thereof,

(1) "Advertisement" shall include any material that reaches a mass audience through public media such as newspapers, periodicals, magazines, radio, television, telephone recording, motion picture, audio or video device, telecom-

munications device, billboards, signs or through written sales communications to customers or the public that are not required to be accompanied or preceded by one or more current options disclosure documents.

(2) "Educational material" shall include any explanatory material distributed or made generally available to customers or the public that is limited to information describing the general nature of the standardized options markets or one or more strategies.

(3) "Sales literature" shall include any written communication (not defined as an "advertisement" or as "educational material") distributed or made generally available to customers or the public that contains any analysis, performance report, projection or recommendation with respect to options, underlying securities or market conditions, any standard forms of worksheets, or any seminar text which pertains to options and which is communicated to customers or the public at seminars, lectures or similar such events.

(b) Approval by Compliance Registered Options Principal and Recordkeeping

All advertisements, sales literature (except completed worksheets), and educational material issued by a member or member organization pertaining to options shall be approved in advance by the Compliance Registered Options Principal or designee. Copies thereof, together with the names of the persons who prepared the material, the names of the persons who approved the material and, in the case of sales literature, the source of any recommendations contained therein, shall be retained by the member or member organization and be kept at an easily accessible place for examination by the Association for a period of three years.

(c) Association Approval Requirements and Review Procedures

(1) In addition to the approval required by paragraph (b) of this Rule, every advertisement and all educational material of a member or member organization pertaining to options shall be submitted to the Advertising Department of the Association at least ten days prior to use (or such shorter period as the Department may allow in particular instances) for approval and, if changed or expressly disapproved by the Association, shall be withheld from circulation until any changes

specified by the Association have been made or, in the event of disapproval, until the advertisement or educational material has been resubmitted for, and has received, Association approval.

(2) Notwithstanding the foregoing provision, any District Business Conduct Committee of the Association, upon review of a member's options advertisements, educational material and/or sales literature, and after determining that the member will again depart from the standards of this section, may require that such member file all options advertisements, educational material and/or sales literature, or the portions of such member's material that is related to any specific types or classes of securities or services, with the Association's Advertising Department and/or the District Committee, at least ten days prior to use.

The Committee shall notify the member in writing of the types of material to be filed and the length of time such requirement is to be in effect. The requirement shall not exceed one year, however, and shall not take effect until 30 days after the member receives the written notice, during which time the member may request a hearing before the District Business Conduct Committee, and any such hearing shall be in reasonable conformity with the hearing and appeal procedures of the Code of Procedure.

(3) In addition to the foregoing requirements, every member's options advertising and sales literature shall be subject to a routine spot-check procedure. Upon written request from the Association's Advertising Department, each member shall promptly submit the material requested. Members will not be required to submit material under this procedure that has been previously submitted pursuant to one of the foregoing requirements.

(4) The requirements of this subsection shall not be applicable to:

(A) advertisements or educational material submitted to another self-regulatory organization having comparable standards pertaining to such advertisements or educational material and

(B) advertisements in which the only reference to options is contained in a listing of the services of a member organization.

(5) Except as otherwise provided in Subsections (d)(2)(B) and (d)(2)(C), no written material respecting options may be disseminated to any per-

son who has not previously or contemporaneously received one or more current options disclosure documents.

(d) Standards Applicable to Communications with the Public

(1) General Standards — No member or member organization or person associated with a member shall utilize any advertisement, educational material, sales literature or other communications to any customer or member of the public concerning options which:

(A) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(B) contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labeled as forecasts;

(C) contains hedge clauses or disclaimers which are not legible, which attempt to disclaim responsibility for the content of such literature or for opinions expressed therein, or which are otherwise inconsistent with such communication; or

(D) would constitute a prospectus as that term is defined in the Securities Act of 1933, unless it meets the requirements of Section 10 of said Act.

(2) Specific Standards

(A) The special risks attendant to options transactions and the complexities of certain options investment strategies shall be reflected in any advertisement, educational material or sales literature which discusses the uses or advantages of options. Such communications shall include a warning to the effect that options are not suitable for all investors. In the preparation of written communications respecting options, the following guidelines shall be observed:

(i) Any statement referring to the potential opportunities or advantages presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad

generalities should be avoided. Thus, a statement such as "with options, an investor has an opportunity to earn profits while limiting his risk of loss," should be balanced by a statement such as "of course, an options investor may lose the entire amount committed to options in a relatively short period of time."

(ii) It shall not be suggested that options are suitable for all investors.

(iii) Statements suggesting the certain availability of a secondary market for options shall not be made.

(B) Advertisements pertaining to options shall conform to the following standards:

(i) Advertisements may only be used (and copies of the advertisements may be sent to persons who have not received one or more options disclosure documents) if the material meets the requirements of Rule 134 under the Securities Act of 1933, as that Rule has been interpreted as applying to options. Under Rule 134, advertisements must be limited to general descriptions of the security being offered and of its issuer. Advertisements under this Rule shall state the name and address of the person from whom a current options disclosure document(s) may be obtained. Such advertisements may have the following characteristics:

(a) The text of the advertisement may contain a brief description of such options, including a statement that the issuer of every such option is the Options Clearing Corporation.

The text may also contain a brief description of the general attributes and method of operation of the exchange or exchanges on which such options are traded and of the Options Clearing Corporation, including a discussion of how the price of an option is determined on the trading floor(s) of such exchange(s);

(b) The advertisement may include any statement required by any state law or administrative authority;

(c) Advertising designs and devices,



including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics may be used, provided such material is not misleading.

(ii) The use of recommendations or of past or projected performance figures, including annualized rates of return, is not permitted in any advertisement pertaining to options.

(C) Educational material, including advertisements, pertaining to options may be used if the material meets the requirements of Rule 134A under the Securities Act of 1933. Those requirements are as follows:

(i) The potential risks related to options trading generally and to each strategy addressed are explained;

(ii) No past or projected performance figures, including annualized rates of return are used;

(iii) No recommendation to purchase or sell any option contract is made;

(iv) No specific security is identified other than

(a) a security which is exempt from registration under the Act, or an option on such exempt security, or

(b) an index option, including the component securities of the index; or

(c) a foreign currency option; and

(v) The material contains the name and address of a person or persons from whom the appropriate current Options Disclosure Document(s), as defined in Rule 9b-1 of the Securities Exchange Act of 1934, may be obtained.

(D) Sales literature pertaining to options shall conform to the following standards:

(i) Sales literature shall state that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics or other technical data, will be supplied upon request.

(ii) Such communications may contain

projected performance figures (including projected annualized rates of return), provided that:

(a) no suggestion of certainty of future performance is made;

(b) parameters relating to such performance figures are clearly established (e.g., to indicate exercise price of option, purchase price of the underlying stock and its market price, option premium, anticipated dividends, etc.);

(c) all relevant costs, including commissions and interest charges (if applicable with regard to margin transactions) are disclosed;

(d) such projections are plausible and are intended as a source of reference or a comparative device to be used in the development of a recommendation;

(e) all material assumptions made in such calculations are clearly identified (e.g., "assume option expires," "assume option unexercised," "assume option exercised," etc.);

(f) the risks involved in the proposed transactions are also discussed; and  
(g) in communications relating to annualized rates of return, that such returns are not based upon any less than a sixty-day experience; any formulas used in making calculations are clearly displayed; and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is not certainty of doing so.

(iii) Such communications may feature records and statistics which portray the performance of past recommendations or of actual transactions, provided that:

(a) any such portrayal is done in a balanced manner, and consists of records or statistics that are confined to a specific "universe" that can be fully isolated and circumscribed and that covers at least the most recent 12-month period;

(b) such communications include the

date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics, in lieu of the complete record there may be included the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request;  
(c) such communications disclose all relevant costs, including commissions and interest charges (if applicable with regard to margin transactions) and, whenever annualized rates of return are used, all material assumptions used in the process of annualization;  
(d) an indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid;  
(e) such communications state that

the results presented should not and cannot be viewed as an indicator of future performance; and

(f) a Registered Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the report.

(iv) In the case of an options program (i.e., an investment plan employing the systematic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.

(v) Standard forms of options worksheets utilized by member organizations, in addition to complying with the requirements applicable to sales literature, must be uniform within a member organization.

(vi) If a member organization has adopted a standard form of worksheet for a particular options strategy, non-standard worksheets for that strategy may not be used.

(vii) Communications that portray performance of past recommendations or actual transactions and completed worksheets shall be kept at a place easily accessible to the sales office for the accounts or customers involved.

# Notice To Members

National Association of Securities Dealers, Inc.

January 1991

## Number 91-2

### Suggested Routing:\*

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|---|--|--|---|
| <input checked="" type="checkbox"/> Senior Management | <input type="checkbox"/> Internal Audit                | <input checked="" type="checkbox"/> Operations | <input checked="" type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance            | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options               | <input type="checkbox"/> Systems              |
| <input type="checkbox"/> Government Securities        | <input type="checkbox"/> Municipal                     | <input type="checkbox"/> Registration          | <input checked="" type="checkbox"/> Trading   |
| <input checked="" type="checkbox"/> Institutional     | <input type="checkbox"/> Mutual Fund                   | <input type="checkbox"/> Research              | <input type="checkbox"/> Training             |

\*These are suggested departments only. Others may be appropriate for your firm.

**Subject: Request for Comments From Members, Issuers, and Investors on Nasdaq Short-Sale Rule; Last Date for Comments: March 1, 1991**

### EXECUTIVE SUMMARY

The NASD has taken several actions to eliminate short-sale abuses. Notwithstanding these initiatives, an important segment of market participants, including investors and corporate issuers, believe that the Securities and Exchange Commission (SEC) short-sale rule, which prohibits short sales in listed stocks on a down tick, should also apply to Nasdaq securities. The purpose of this notice is to solicit comment on the application of this rule or a comparable concept for short-sale regulation to Nasdaq securities.

### PROPOSALS FOR A NASDAQ SHORT-SALE RULE

Nasdaq issuers and investors are concerned that the absence of a short-sale rule or tick test for Nasdaq stocks permits aggressive short selling to have a negative impact on the price of a security. In the last five years, the NASD has taken a number of steps to eliminate short-sale abuses, including a requirement to mark order tickets long or short and the monthly publication of short interest in Nasdaq stocks.<sup>1</sup>

While the rules implemented have substantially reduced abusive practices by short sellers in Nasdaq stocks, there continues to be a perception by market participants and corporate issuers that the SEC "tick test" or equivalent restriction of short-selling activity is needed for Nasdaq or specifically Nasdaq National Market (Nasdaq/NMS) securities. The SEC rule, applicable to listed stocks, contains several exemptions, including exemptions for bona fide arbitrage and hedging activity, for specialists and market makers, and for orders executed through automatic execution systems. Market makers that trade listed securities are also bound by the SEC rule.

Consideration of a short-sale rule is responsive to those issuers listed on the Nasdaq market that view a short-sale restriction as a desirable reg-

<sup>1</sup>Other initiatives include requiring an affirmative determination that a security can be borrowed and delivered before a short sale is effected for customer accounts, requiring that buy-in transactions for customer accounts must be for cash or guaranteed delivery, and successfully petitioning the SEC to adopt Rule 10b-21. The SEC rule states that short sales made between the announcement and offering dates of a secondary offering cannot be covered with purchases made out of the offering. In the fall of 1985, the NASD retained Irving M. Pollack, a former SEC Commissioner and recognized expert in the field of securities regulation, to conduct a comprehensive study of short-selling practices in the Nasdaq market. The Pollack study, published in 1986, recommended that the NASD adopt several of these rules, but it stopped short of recommending a tick test.

ulatory characteristic of a registered market. Therefore, the NASD Board of Governors is seeking comment from investors, issuers, market makers, and other broker-dealers concerning the desirability of developing a short-sale rule applicable to Nasdaq or Nasdaq/NMS securities. If commenters believe that a short-sale rule is appropriate or necessary for the Nasdaq market, they may wish to comment on how such a rule should operate. For example, two alternatives would be a "tick test" based on the last-sale prices or a "bid test" based on the current inside bid.

Members, Nasdaq issuers, investors, and interested parties are urged to comment on these and any other relevant issues. Questions may be directed to Gene L. Finn, Chief Economist, at (202) 728-8243 or Beth E. Mastro, Assistant General Counsel, at (202) 728-6998.

Written comments should be forwarded to Mr. Lynn Nelliuss, Office of the Secretary, National Association of Securities Dealers, Inc., 1735 K Street, NW, Washington, DC 20006. Comments should be received **no later than March 1, 1991.**

# Notice To Members

National Association of Securities Dealers, Inc.

January 1991

## Number 91-3

### Suggested Routing:\*

- |   |  |  |   |
|---|--|--|---|
| <input checked="" type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit     | <input checked="" type="checkbox"/> Operations | <input type="checkbox"/> Syndicate          |
| <input type="checkbox"/> Corporate Finance            | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options               | <input checked="" type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities        | <input type="checkbox"/> Municipal                     | <input type="checkbox"/> Registration          | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional                | <input type="checkbox"/> Mutual Fund                   | <input type="checkbox"/> Research              | <input type="checkbox"/> Training           |

\*These are suggested departments only. Others may be appropriate for your firm.

## Subject: Implementation of Matching Service in SOES Limit-Order File

### EXECUTIVE SUMMARY

On December 10, 1990, the NASD implemented a new feature for the Small Order Execution System (SOES) Limit-Order File — a matching service. Matching allows an opportunity for customer limit orders, priced between the best Nasdaq bid and offer, to execute against each other if they match or better each other in price. The new feature includes a five-minute period prior to the automatic match for a market maker to execute one of the matching orders without moving its quote, and it permits execution of partial orders so long as an odd-lot order is not left in the file. The NASD believes the matching service enhancements will help build investor confidence and increase interest in The Nasdaq Stock Market.

### BACKGROUND

The NASD's Small Order Execution System (SOES) is designed to improve the efficiency of executing transactions in Nasdaq securities by providing automated executions at the "inside" price for public, retail customers. The addition of limit-order processing capability serves the purpose of providing members (and in particular members not

having proprietary systems with such capability) with the ability to enter and store limit orders.

In response to concerns articulated by the Securities and Commission in its order approving the limit-order file on a pilot basis,<sup>1</sup> the Association has modified the system to permit, in certain circumstances, matching and full or partial execution of customer limit orders at prices that are between the highest bid and lowest offer reflected in the Nasdaq system.

### HOW THE MATCHING FUNCTIONS WORK

The new functions for the limit-order file provide market makers with notice that matching orders are resident in the system and allow them an opportunity to execute one or both sides of a matched order within a prescribed time frame (five minutes). If neither order is executed, the system thereafter executes the matching orders against each other. Enhancements to the SOES limit-order file also include alert messages sent to market makers regarding the presence of matching limit orders in the file and the ability for a market maker to take out, or execute, an order without changing its quote.

■ **Alert** — The alert message brings to the SOES market maker's attention a limit order that has been priced within the inside (i.e., between

<sup>1</sup>See Release 34-26476, dated January 19, 1989.

the best bid and offer available at that moment) and that potentially matches another order already pending in the limit-order file. For example, if an order is entered that cannot be executed (because it is away from the inside), but its price is equal to or better than the price of a previously entered order on the other side, an alert message is displayed on the market maker's screen to indicate a potential match.

■ **Take-out** — The limit-order file take-out function is a new feature added to SOES that allows market makers to execute limit orders at a specific price without changing their quotes. Any active SOES market maker that has an open quote and available exposure in an issue may take out shares in that issue.

Market makers are able to review a summary of resident limit orders in each security and enter take-out orders specifying the side of the market (buy/sell), the number of shares to be taken out, and the price at which the market maker is willing to execute. The system receives the take-out, screens it for accuracy, and executes orders from the file at the take-out price. Orders are executed on a price/time priority — first in/first out, on a full or partial basis, at the take-out price. Any take-out order processed will include remaining odd lots in the issue. For example, if there are 350 shares in the limit-order file, a take-out order for 300 shares will result in an execution of all 350 shares.

Take-outs will not interfere with the regular processing of SOES limit or market orders. Orders will continue to be executed against the inside quote as long as there is available size in the market maker's exposure limit, while the take-out is being processed.

■ **Matching** — If, after five minutes, neither of the matched orders has been executed, either as a result of a change to the inside quote, or because a market maker has entered a take-out, the orders on the file will be matched and executed. Matches will include partial execution of orders that match or improve price but do not match in size. Trades that are the result of a system order match will have a special identifier on both order-entry firms' Executed Order Scans, and the indicator will also be incorporated in the execution report on the Nasdaq screen.

## MEMBERS' RESPONSIBILITIES TO CUSTOMERS

Members are reminded of the Interpretation of the Board of Governors regarding *Execution of Retail Transactions in the Over-the-Counter Market*, otherwise known as the "best execution" interpretation.<sup>2</sup> This interpretation states in pertinent part that "in any transaction for or with a customer, a member and persons associated with a member shall use reasonable diligence to ascertain the best inter-dealer market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions."

The introduction of the SOES limit-order matching capability will facilitate the execution of limit orders at prices between the inside bid and asked quotation, a capability previously unavailable in SOES. In addition, the system provides an opportunity for centralized interaction of orders in the Nasdaq system. Members accepting customer limit orders should therefore consider the existence of this capability in carrying out their obligation to use reasonable diligence to ascertain the best market for the security.

For example, members, including those utilizing proprietary trading systems, should include a review of pending customer orders in the SOES limit-order file carrying out their best-execution responsibilities.

In addition, members should remember that the limit-order capabilities of SOES do not impose priorities for the execution of customer limit orders, *vis-à-vis* members' proprietary transactions. Members are therefore cautioned that customer limit orders must be handled in a manner consistent with members' fiduciary obligation to their customers.<sup>3</sup>

Questions or comments on the SOES Limit-Order File may be directed to Market Operations, New York, at (800) 635-6485.

<sup>2</sup>NASD Manual, CCH Edition, paragraph 2151.03.

<sup>3</sup>Certain of these responsibilities are described in *Notice to Members 85-12* dated February 15, 1985, and in the opinion and order of the Securities and Exchange Commission *In Re E.F. Hutton Co., Inc.*, Securities Exchange Act Release No. 25887 (July 6, 1988).

# Notice To Members

National Association of Securities Dealers, Inc.

January 1991

**Number 91-4****Suggested Routing:\***

- |   |  |  |                                    |
|---|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit     | <input checked="" type="checkbox"/> Operations   | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance            | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options                 | <input type="checkbox"/> Systems   |
| <input type="checkbox"/> Government Securities        | <input type="checkbox"/> Municipal                     | <input checked="" type="checkbox"/> Registration | <input type="checkbox"/> Trading   |
| <input type="checkbox"/> Institutional                | <input type="checkbox"/> Mutual Fund                   | <input type="checkbox"/> Research                | <input type="checkbox"/> Training  |

\*These are suggested departments only. Others may be appropriate for your firm.

**Subject: 1991 Renewal Rosters and Final Adjusted Invoices****EXECUTIVE SUMMARY**

The 1990-91 NASD broker-dealer and agent registration renewal cycle begins its second phase this month. The NASD is publishing information in this notice to assist members in reviewing, reconciling, and responding to the Final Adjusted Invoice packages that will be mailed to all firms in mid-January.

**FINAL ADJUSTED INVOICE PACKAGES**

On or about January 11, 1991, the NASD will mail final adjusted invoices and renewal rosters to all NASD member firms. The invoice will reflect the year-end 1990 total of fees for NASD personnel assessments, NASD branch-office fees, New York Stock Exchange (NYSE) and American Stock Exchange (ASE) maintenance fees, state agent renewal fees, and state broker-dealer renewal fees. It will also reflect payment submitted by an NASD member in response to the initial renewal invoice mailed in November 1990.

The final invoice will include a renewal roster that lists each firm's NASD and, if applicable, NYSE- and ASE-registered personnel as of year-end 1990. In addition, the roster will list alphabetically all firm agents whose registrations were renewed in states. Firms with registered branch offices that were active as of October 1, 1990, or

thereafter, including those branches that remain active into 1991, will receive a branch-office roster in addition to the agent roster.

A member's final invoice will show an "amount due," a "credit due," or a "zero balance due." If a firm's year-end 1990 total of NASD, NYSE, ASE, and state renewal fees exceeded the firm's payment submitted in response to the initial renewal invoice, the NASD paid the additional renewal fees due at year-end on behalf of the member and will mail an "amount due" invoice to collect that sum.

If the invoice shows an amount due, please submit payment in the form of a check made payable to the National Association of Securities Dealers, Inc. The check should be drawn on the member firm's account, with the firm's Central Registration Depository (CRD) number included on the check. Submit the check along with the top portion of the invoice and mail it in the return envelope provided. Payments should be received by the NASD no later than March 11, 1991.

If a firm's payment submitted in response to the initial renewal invoice exceeded its year-end 1990 total of NASD, NYSE, ASE, and state renewal fees, a "credit due" invoice will be issued. If your firm's invoice shows a credit due and you would like it paid to your firm, please detach and sign the top portion of the invoice and send it to Kelly O. Palmer, Special Registration Review,

NASD, Inc., 9513 Key West Avenue, Rockville, MD 20850. If the NASD does not receive a request for a refund check by March 11, 1991, the credit amount will be applied to your firm's CRD account.

Final adjusted invoices showing a zero balance due require no further action by the member.

### **REVIEWING THE RENEWAL ROSTER**

Member renewal rosters include all agent registrations renewed for 1991. Since registrations that were pending approval or were deficient at year-end 1990 were not assessed renewal fees, those registrations will not be reported on the

renewal roster. Members should examine their rosters carefully to ensure that all registration approvals and terminations are reflected properly.

If discrepancies exist, report them in writing along with supporting documentation, such as Notices of Approval/Termination, Forms U-4 or U-5, or Schedule E amendments. Report the discrepancy directly to the NASD, NYSE, ASE, or the applicable state. All renewal-roster discrepancies should be reported by March 22, 1991. The inside cover of the renewal roster contains detailed instructions to assist members in completing the renewal process. Questions regarding this notice may be directed to NASD Information Services at (301) 590-6500.



# Notice To Members

National Association of Securities Dealers, Inc.

January 1991

**Number 91-5****Suggested Routing:\***

Senior Management  
 Corporate Finance  
 Government Securities  
 Institutional

Internal Audit  
 Legal & Compliance  
 Municipal  
 Mutual Fund

Operations  
 Options  
 Registration  
 Research

Syndicate  
 Systems  
 Trading  
 Training

\*These are suggested departments only. Others may be appropriate for your firm.

**Subject: NASD 1991 Holiday Schedule**

The NASD will observe the following holiday schedule in 1991:

January 1	New Year's Day	July 4	Independence Day
February 18	Presidents' Day	September 2	Labor Day
March 29	Good Friday	November 28	Thanksgiving Day
May 27	Memorial Day	December 25	Christmas Day

# Notice To Members

National Association of Securities Dealers, Inc.

January 1991

## Number 91-6

### Suggested Routing:\*

- |  |  |  |   |
|--|--|--|---|
| <input type="checkbox"/> Senior Management     | <input checked="" type="checkbox"/> Internal Audit     | <input checked="" type="checkbox"/> Operations | <input checked="" type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance     | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options               | <input checked="" type="checkbox"/> Systems   |
| <input type="checkbox"/> Government Securities | <input checked="" type="checkbox"/> Municipal          | <input type="checkbox"/> Registration          | <input checked="" type="checkbox"/> Trading   |
| <input type="checkbox"/> Institutional         | <input type="checkbox"/> Mutual Fund                   | <input type="checkbox"/> Research              | <input type="checkbox"/> Training             |

\*These are suggested departments only. Others may be appropriate for your firm.

### Subject: Trade Date-Settlement Date Schedule for 1991

#### Martin Luther King, Jr., Day: Trade Date-Settlement Date Schedule

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Martin Luther King, Jr., Day, Monday, January 21, 1991. On January 21, the Nasdaq system and the exchange markets will be open for trading. However, it will not be a settlement date because many of the nation's banking institutions will be closed.

Trade Date	Settlement Date	Reg. T Date*
Jan. 10	17	21
11	18	22
14	22	23
15	23	24
16	24	25
17	25	28
18	28	29
21	28	30
22	29	31

**Note:** January 21, 1991, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on January 21 will be combined with transactions made on the previous business day, January 18, for settlement on January 28.

Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on January 21.

#### Presidents' Day: Trade Date-Settlement Date Schedule

Securities markets and the Nasdaq system will be closed on Monday, February 18, 1991, in observance of Presidents' Day. "Regular way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

Trade Date	Settlement Date	Reg. T Date*
Feb. 8	15	20
11	19	21
12	20	22
13	21	25
14	22	26
15	25	27
18	Markets Closed	—
19	26	28

\*Pursuant to Sections 220.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Reg. T Date".

**Good Friday: Trade Date-  
Settlement Date Schedule**

Securities markets and the Nasdaq system will be closed on Good Friday, March 29, 1991. "Regular way" transactions made on the business days immediately preceding that day will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
March 21	March 28	April 2
22	April 1	3
25	2	4
26	3	5
27	4	8
28	5	9
29	Markets Closed	—
April 1	8	10

**Memorial Day: Trade Date-  
Settlement Date Schedule**

Securities markets and the Nasdaq system will be closed on Monday, May 27, 1991, in observance of Memorial Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
May 17	May 24	May 29
20	28	30
21	29	31
22	30	June 3
23	31	4
24	June 3	5
27	Markets Closed	—
28	4	6

**Independence Day: Trade Date-  
Settlement Date Schedule**

Securities markets and the Nasdaq system will be closed on Thursday, July 4, 1991, in observance of Independence Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
June 26	July 3	July 8
27	5	9
28	8	10
July 1	9	11

Trade Date	Settlement Date	Reg. T Date*
2	10	12
3	11	15
4	Markets Closed	—
5	12	16

**Labor Day: Trade Date-  
Settlement Date Schedule**

Securities markets and the Nasdaq system will be closed on Monday, September 2, 1991, in observance of Labor Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
Aug. 23	Aug. 30	Sept. 4
26	Sept. 3	5
27	4	6
28	5	9
29	6	10
30	9	11
Sept. 2	Markets Closed	—
3	10	12

**Columbus Day: Trade Date-  
Settlement Date Schedule**

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Columbus Day, Monday, October 14, 1991. On this day, the Nasdaq system and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed in observance of Columbus Day.

Trade Date	Settlement Date	Reg. T Date*
Oct. 3	10	14
4	11	15
7	15	16
8	16	17
9	17	18
10	18	21
11	21	22
14	21	23
15	22	24

**Note:** October 14, 1991, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on Monday, October 14, will be combined with transactions made on the previous business day, October 11, for settlement on October 21. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on October 14.

**Veteran's Day and Thanksgiving Day:  
Trade Date-Settlement Date Schedule**

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Veteran's Day, Monday, November 11, 1991, and Thanksgiving Day, Thursday, November 28, 1991. On Monday, November 11 the Nasdaq system and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed in observance of Veteran's Day. All securities markets will be closed on Thursday, November 28, in observance of Thanksgiving Day.

Trade Date	Settlement Date	Reg. T Date*
Oct. 31	Nov. 7	Nov. 11
Nov. 1	8	12
4	12	13
5	13	14
6	14	15
7	15	18
8	18	19
11	18	20
12	19	21
20	27	Dec. 2
21	29	3
22	Dec. 2	4
25	3	5
26	4	6
27	5	9
28	Markets Closed	—
29	6	10

**Note:** November 11, 1991, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on November 11 will be combined with transactions made on the previous business day, November 8, for settlement on November 18. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on November 11.

**Christmas Day and New Year's Day:  
Trade Date-Settlement Date Schedule**

Securities markets and the Nasdaq system will be closed on Wednesday, December 25, 1991, Christmas Day, and Wednesday, January 1, 1992, New Year's Day. "Regular way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

Trade Date	Settlement Date	Reg. T Date*
Dec. 17	Dec. 24	Dec. 27
18	26	30
19	27	31
20	30	Jan. 2, 1992
23	31	3
24	Jan. 2, 1992	6
25	Markets Closed	—
26	3	7
27	6	8
30	7	9
31	8	10
Jan. 1, 1992	Markets Closed	—
2	9	13

Brokers, dealers, and municipal securities dealers should use the foregoing settlement dates for purposes of clearing and settling transactions pursuant to the NASD Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions regarding the application of these settlement dates to a particular situation may be directed to the NASD Uniform Practice Department at (212) 858-4341.