

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 7, 1974

N O T I C E

TO: All NASD Members and Interested Persons

RE: Amendments to Schedule E of Article IV,
Section 2(c) of the Association's By-Laws

The Board of Governors of the Association has approved the following amendments to Schedule E of Article IV, Section 2(c) of the Association's By-Laws which will become effective April 1, 1974. The amendments were previously submitted to the membership for comment on November 30, 1972 subsequent to which an amended version redefining the duties of both the Audit Committee and the public director as set forth in Subsections 2(j) and (k) was submitted to the Securities and Exchange Commission and not disapproved by it on January 9, 1974. Schedule E deals with the public distribution of issues of members' securities and affiliates thereof. A section by section analysis of the amendments follows:

Explanation of AmendmentsSection 1 -- Definitions

This section has been changed by amending the definitions of "affiliate" [Subsection (a)], "bona fide active independent market" [Subsection (b)] and "tax sheltered program" [existing Subsection (m) redesignated Subsection (n)] and by the addition of a new definition, "public director" [new Subsection (i)]. Existing Subsections (i) through (m) have been redesignated Subsections (j) through (n).

Affiliate -- The definition of "affiliate" has been amended by changing paragraphs (1) and (3), as hereafter described, and by the addition of two new paragraphs (4) and (5). A technical amendment has also been made to paragraph (2).

Paragraph (1) has been amended to include as an affiliate a company which has a person associated with it who is also actively engaged in the management of a member's business or who is in a position to exercise control. Thus, if for instance, an officer of the member is associated with a company the member desired to underwrite, such could constitute an affiliate distribution and Section 4 of Schedule E would be fully applicable. The Board of Governors considered this provision necessary because of several situations where an affiliate status appeared in fact to exist but were not technically within the scope of the definition.

Paragraph (3) has been expanded to include within the definition of "affiliate" a company in which a member or person associated therewith holds an option to acquire with power to vote 10 per centum or more of the outstanding voting securities. Thus, if a member held an option to obtain more than 10% of the outstanding securities of a company at the time of the offering, notwithstanding the fact that the member did not at that time have the power to vote these securities, it would be prohibited from underwriting the securities unless it could meet all the required provisions of the Schedule.

A new paragraph (4) has been added to include within the definition of "affiliate," a sole proprietorship or partnership where the sole proprietor or any partner, general or limited, of the partnership has an interest in 10% or more of the distributable profits or losses of a member; or a partnership in which a member or person associated therewith who is actively engaged in the management of a member's business, or is in a position to exercise control, has an interest in 10% or more of the partnership's distributable profits or losses. This paragraph is designed to cover situations such as, among others, where a member may own a significant percentage of, for instance, a hedge fund (and act as its general partner) which purchases a substantial percentage of a new offering underwritten by that member. Since the member makes the investment decision for the hedge fund to purchase an issue underwritten by it, the offering is in the nature of an affiliate distribution and should be regulated as such.

New paragraph (5) declares an affiliate relationship to exist, in the case of a company, where an interest, direct or indirect, in 10% or more of the distributable profits or losses of a member-partnership is held by an officer or a person active in the management of the company's business. Paragraph (5) is designed to make the affiliate distribution provisions of Section 4 of Schedule E applicable to underwritings by member-partnerships comparable to underwritings by corporate members.

Bona Fide Active Independent Market -- This definition contained in Subsection (b) of Section 1 has been amended by substituting in paragraph (2) the word "aggregate" for "minimum" to make clear the intent that the

100,000 minimum trading volume requirement is a cumulative annual total and not a monthly total. Some confusion had been noticed in this respect.

Paragraph (3) of this definition has been amended by inserting language to make clear the intent that the requirement of 250,000 outstanding publicly-held shares must exist for the entire twelve-month period preceding the filing of the issuer-member's current registration statement. This would prevent the occurrence of a situation whereby the requirements could be met by, for instance, a "5 for 4" stock split immediately prior to the public offering if the issuer had only 200,000 shares previously outstanding.

Public Director -- A definition of "public director" is contained in new Subsection (i). Existing Subsections (i) through (m) have been relettered Subsections (j) through (n). Section 2(k), discussed below, imposes a requirement that publicly-held members have a public director on their board of directors.

The definition of "public director" specifies that such a person cannot be in any way engaged in the investment banking or securities business or be an officer or employee of the member or a member of the immediate family of an employee occupying a managerial position with a member. It is recognized that some stock ownership by a public director may be desirable but, in order to maintain independency the definition prescribes that a public director is also a person who, in the aggregate, holds no more than 5% of the outstanding securities of the member. It was anticipated that the specific qualifications of a public director will vary according to the requirements of a particular member, thus the definition has been generalized as to whom the director cannot be rather than listing qualifications for such.

Tax Sheltered Program -- This definition has been amended by deleting the word "material" to conform it to other proposed rules of the Association concerning tax sheltered programs.

Section 2 -- Offerings by an Issuer Member of its Own Securities

The changes in this section include an amendment in the introductory paragraph to make clear that public offerings intended to be included within the scope of Schedule E include offerings pursuant to mergers, exchange offerings, rights offerings and offerings of any other kind whatsoever.

A new paragraph (3) in Subsection 2(b) requires a legend to be placed on securities restricted by any of the provisions of Schedule E. This legend would be required to state clearly the date of the commencement of the restrictive period, the expiration date thereof and the fact that thereafter there is no further restriction on the transferability of the shares as a result of the provisions of Schedule E. It is believed this will assist in preventing

some of the problems which have arisen concerning the transferability of such shares as well as the terms of the period of restriction.

Subsection 2(f) has been amended to require that in unit offerings of securities with warrants attached either the exercise value of the warrants be included in computing the total dollar amount of the offering (which is prohibited from being more than three times net worth, exclusive of subordinated capital), or, alternatively, that a restriction be placed upon their exercise for a period of twelve months.

A new Subsection (j) has been added which requires the establishment of an Audit Committee by any member which makes a public offering of its securities within twelve months of the effective date of the offering. Subsection (j) further specifies the functions of the Audit Committee. The procedures prescribed therein have been purposely left undetailed so they may readily be adapted to the specific operations of the member subject to the requirement.

This Subsection is substantially changed from the original proposal which was submitted for comment in view of certain of the comments which were received. As originally proposed it required the public director required by Subsection (k) to be chairman of the Audit Committee and placed the burden of the implementation of certain procedures upon that director. Extensive comments were made regarding the substantial duties and potential liabilities this would impose upon the public director and the resultant undesirability of such a position. It was speculated, and undoubtedly correctly so, that it would be difficult under such conditions to find persons to serve in that capacity.

The concept of the corporate audit committee for publicly-held corporations is not new and the Board of Governors believes that the review of the financial matters of a member can more effectively be accomplished by a special committee established specifically for that purpose than it can by the full board because of the many other diverse matters which are always before it. The concept of an audit committee is widely used in England, and it has been established that over one third of all publicly-held companies in the United States have such a committee. The committee, generally speaking, would be expected to work directly with auditors, both internal and external. The desired goal is that the committee, in its semi-autonomous role and through meticulous inquiries concerning internal management, will achieve an "early warning system" that will be mutually beneficial to management and the board.

Newly relettered Subsection (k) requires that a member making a public offering elect to its board within twelve months of the effective date of the offering a public director who will be required to be a member of

the Audit Committee. An exception has been provided for certain types of offerings where the requirement of a public director may be inconsistent with the rules of certain exchanges.

New Subsection (l) requires that all publicly-held members, regardless of when or by what means they became public, be subject to the provisions of Subsections (j) and (k) except that they will be allowed twelve months from the effective date of these amendments in which to fulfill the requirements.

Existing but relettered Subsection (m) has been amended so as to require that all publicly-held members be subject to the requirement of submitting to their investors quarterly operations and annual financial statements. This Subsection has also been amended to clarify that these same reporting requirements are applicable to debt offerings.

A new Subsection (o) has been added subjecting a distribution by any issuer to the applicable provisions of Sections 2 and 3 of Schedule E when the proceeds of the offering are, or are intended to be, distributed to a subsidiary or affiliate broker/dealer-member in an amount resulting in the member's net worth exceeding 10% of the net worth of the issuer. The Board of Governors believes this provision is necessary since it has been aware of situations, in various forms, where public ownership of the member was achieved by means which circumvented the provisions of Schedule E.

A new Subsection (p) requires that the guidelines suggested by the Securities and Exchange Commission in its release entitled "Public Offerings Of Broker/Dealers" (January 3, 1972) be applicable to intrastate offerings by Association members. The Association's Board believes this requirement is essential in view of the disparity of disclosure requirements from state to state. The Board believes there should be uniform disclosure for all of the Association's members offering their own securities and that the referred to release is the most appropriate vehicle to achieve that result.

Section 4 -- Member Underwriting or Participating in the
Distribution of Issue of Securities of an Affiliate

Section 4(a)(5) has been amended to conform the reporting requirements thereof to amended Subsection (m) [old Subsection (j)] of Section 2 discussed above. Investors in debt offerings of an affiliate of a member would, therefore, be entitled to receive such operations and financial reports.

Section 7 -- Sales to Employees -- No Limitations

Section 7 has been amended so as to extend to members of the family of employees of an issuer-member, or persons associated therewith, who reside with or are dependent for their support upon such persons the right, notwithstanding the provisions of the Interpretation With Respect To "Free-Riding and Withholding," to purchase securities which are subject to the provisions of Section 2 or 3 of Schedule E without limitation as to amount regardless of whether such persons have an investment history with that member as required by the "Free-Riding" Interpretation, provided such securities are restricted as to sale or transfer, except as otherwise provided therein, for a period of twelve months. The Board believes that prohibiting such persons from purchasing securities of such issues, as is presently the case, is unwarranted under the circumstances.

Any inquiries regarding these amendments or existing provisions of Schedule E should be directed to the Association's Corporate Financing Department, 1735 K Street, N.W., Washington, D.C. 20006; telephone (202) 833-7240.

Very truly yours,



Frank J. Wilson
Senior Vice President
Regulation

Amendments to Schedule E to Article IV,
Section 2(c) of the Association's By-Laws

The amendments to Schedule E are indicated by deleting the language which has been lined out and by adding the language which is underlined, as set forth below. Schedule E in its entirety appears in the NASD Manual commencing on page 1101-3.

Section 1 - - Definitions

(a) Affiliate: ~~a company:~~

- (1) a company which controls, is controlled by or is under common control with a member, or a person associated with such a company who is actively engaged in the management of its business and who is actively engaged in the management of a member's business or in a position to exercise control;
- (2) a company which directly or indirectly owns, controls or holds with power to vote 10 per centum or more of the outstanding voting securities of a member; or
- (3) a company in which a member, or a person associated with a member, directly or indirectly, owns, controls, holds with power to vote 10 per centum or more of the outstanding voting securities or holds an option to acquire with power to vote 10 per centum or more of the outstanding voting securities;
- (4) a partnership wherein any partner, general or limited, or, in the case of a sole proprietorship where the individual, has an interest in 10 per centum or more of the distributable profits or losses of a member; or a partnership in which a member, or person associated with a member who is actively engaged in the management of the member's business, has an interest in 10 per centum or more of the partnership's distributable profits or losses; or
- (5) a company wherein an officer, or person active in the management of the company's business, has a direct or indirect interest in 10 per centum or more of the distributable profits or losses of a member-partnership;

provided, however, that the term "affiliate" shall not be deemed to include an investment company registered as such with the Securities and Exchange Commission pursuant to the provisions of the Investment Company Act of 1940, as amended; a separate account as defined in Section 2(a)(37) of the Investment Company Act

of 1940, as amended; a real estate investment trust as defined in Section 856 of the Internal Revenue Code, or a tax sheltered program.

- (b) Bona fide independent market -- a market in a class of securities of a company which:
- (1) are registered pursuant to the provisions of Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934, unless the company, or an industry of which a company is part, has specifically been exempted from the registration provisions of those Sections by the Securities and Exchange Commission;
 - (2) has a ~~minimum~~ an aggregate trading volume for the immediately preceding twelve months of at least 100,000 shares;
 - (3) has outstanding for the entire twelve-month period immediately preceding the filing of the registration statement, a minimum of 250,000 publicly-held shares of the class of securities being offered; and
 - (4) in the case of over-the-counter securities, has had at least three bona fide independent market makers for a period of at least thirty days immediately preceding the filing of the registration statement and the effective date of the offering.

[The definitions from Subsection (c), "Bona fide independent market maker," through and including Subsection (h), "Person," remain unchanged.]

[Existing Subsections (i) through (l) have been relettered (j) through (m) and remain unchanged. New Subsection (i) states as follows:]

- (i) Public Director -- a person elected from the general public to the board of directors of a member who has made a public distribution of an issue of its own securities. Such person shall not own or control with power to vote 5 per centum or more of the outstanding voting securities of the member and shall in no circumstances be in any way engaged in the investment banking or securities business or be an officer or employee of the member, or a member of the immediate family of an employee occupying a managerial position with a member.

- (m) (n) Tax Sheltered Program (Program) -- a program ~~in~~ which provides flow-through tax benefits ~~are-a-material-factor~~ regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate syndications (except real estate investment trusts), citrus grove developments, cattle programs and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof.

Section 2 - - Offerings By An Issuer-Member Of Its Own Securities

Any corporate member may make a public offering of an issue of its own securities. A public offering shall be deemed to include exchange offerings, rights offerings, offerings pursuant to a merger and all other public offerings of any kind whatsoever. The following general criteria shall apply to all such offerings whether primary or secondary in nature, or a combination thereof, unless otherwise specified here:

- (a) [Unchanged]
- (b) (1) [Unchanged]
- (2) [Unchanged]

[A new paragraph (3) has been inserted as follows:]

- (3) All securities which, pursuant to the provisions of this subsection (b), or of Section 7 hereof, are restricted as to sale or transfer, shall bear a legend stating clearly the commencement date of the period of restriction, the expiration date thereof and that after that date no restriction as to transferability of the security exists as a result of the provisions of this Schedule E;
- (c) [Unchanged]
- (d) [Unchanged]
- (e) [Unchanged]
- (f) The total dollar amount of an offering by an issuer-member of its securities (exclusive of those securities attributable to selling stockholders) shall be no larger than three times the net worth (exclusive of subordinated capital) of the issuer-member as reflected in the most recent balance sheet as of a date not more than 90 days prior to the filing of the registration statement and six (6) months prior to the effective date

of the offering. In computing the total dollar amount of an offering of securities with warrants attached, the issuer-member shall include the exercise value of such warrants or prohibit for a period of twelve (12) months the exercise thereof.

(g) [Unchanged]

(h) [Unchanged]

(i) [Unchanged]

[Existing Subsections (j) and (k) have been relettered (m) and (n) and new Subsections (j), (k), and (l) have been inserted and state as follows:]

- (j) Any member who makes a public offering of an issue of its own securities shall be required to establish within twelve (12) months of the effective date of said offering an Audit Committee composed of members of the board of directors, (except that it shall not include the chief accounting or chief financial officer of the member), the functions of which, among others, shall be the following:
- (1) recommend to the board of directors the independent auditors to be selected subject to ratification and approval of the stockholders;
 - (2) review the scope of the audit;
 - (3) review with the independent auditors the corporate accounting practices and policies and recommend to whom reports should be submitted within the company;
 - (4) review with the independent auditors their final report;
 - (5) review with internal and independent auditors overall accounting and financial controls; and
 - (6) be available to the independent auditors during the year for consultation purposes.
- (k) Any member who makes a public offering of an issue of its own securities shall cause to be elected to its board of directors within twelve (12) months of the effective date of said offering a public director who shall serve as a member of the Audit Committee except where such election is inconsistent with the rules of a registered national securities exchange.

- (l) Any member who has heretofore made a public offering of an issue of its own securities shall be required within twelve (12) months of the effective date of this Subsection to establish an Audit Committee which shall be charged with the functions set forth in Subsection (j) hereof and cause to be elected to its board a public director except where such election is inconsistent with the rules of a registered national securities exchange.
- ~~(j)-~~ (m) After a member has made Any member who has heretofore made, or hereafter makes, a distribution to the public of an issue of its securities, ~~- it~~ shall send to each of its shareholders or, in the case of debt offerings, to each of its investors:
- (1) quarterly, a summary statement of its operations; and
- (2) annually, independently audited and certified financial statements.
- (n) [Subsection (k) relettered as Subsection (n) remains unchanged.]

[New Subsections (o) and (p) have been inserted and state as follows:]

- (o) If an issuer intends to or does direct all or part of the proceeds from a public offering of its securities to a subsidiary or affiliate broker/dealer-member which results in the member having a net worth in excess of 10% of the net worth of the issuer, the offering shall be deemed to be a distribution subject to the provisions of Sections 2 and 3 of this Schedule E.
- (p) In the case of an intrastate offering, the registration statement must contain information at least comparable to that suggested by the Securities and Exchange Commission in Securities Act Release No. 5222 (January 3, 1972) entitled "Public Offerings of Registered Broker/Dealers."

Section 3 -- Underwriting By Issuer-Member of Issue Of Its Own Securities

[Unchanged]

Section 4 -- Member Underwriting Or Participating In The Distribution Of Issue Of Securities Of An Affiliate

- (a) Any member may underwrite or participate as a member of the underwriting syndicate or selling group in the distribution of an issue of securities of an affiliate only if:
- (1) [Unchanged]

(2) [Unchanged]

(3) [Unchanged]

(4) [Unchanged]

(5) the issuer represents that it will after the distribution to the public send to each of its shareholders, or in the case of debt offerings, to each of its investors:

a. quarterly, a summary statement of its operations; and

b. annually, independently audited and certified financial statements.

(b) [Unchanged]

(c) [Unchanged]

Section 5 -- Suitability

[Unchanged]

Section 6 -- Discretionary Accounts

[Unchanged]

Section 7 -- Sales to Employees -- No Limitations

Notwithstanding the provisions of the Board of Governors' Interpretation With Respect To "Free-Riding And Withholding," an issuer-member may sell securities which are subject to the provisions of Sections 2 and 3 hereof to its employees or persons associated with it, and those members of the immediate family residing with, or dependent for their support upon, said employees or associated persons, without limitation as to amount and regardless of whether such persons have an investment history with the member as required by that Interpretation; provided, however, that the sale or transfer of such securities shall be restricted for a period of 12 months except in the case of a bona fide gift of such securities in which case the period of restriction shall apply to the donee.

Section 8 -- Relationship of Schedule E To Interpretation With Respect to Review of Corporate Financing

[Unchanged]

Section 9 -- [Unchanged]

Section 10 -- [Unchanged]

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 11, 1974

TO: ALL NASD MEMBERS AND BRANCHES
SUBJECT: REGISTRATION FORM B-302

Beginning April 15, 1974, and until such time as a Joint Industry Registration form is put into use, the Association will accept only Form B-302 for the registration of representatives and principals.

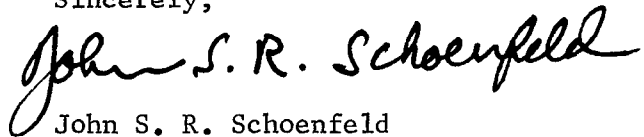
You are urged to destroy immediately any blank applications for registration with the NASD which are not Form B-302. The form number is located in the upper right-hand corner of the first page of the application.

If you do not have a supply of Form B-302, copies may be obtained by writing (not calling):

Registration Section
National Association of Securities Dealers, Inc.
1735 K Street, N. W.
Washington, D. C. 20006

Please Note: If a Registered Representative is being elevated to principal status with his present firm, Form PE-3 may still be used.

Sincerely,



John S. R. Schoenfeld
Executive Vice President

*NASD Notice, dated March 7, 1974, concerning Amendments to Schedule E of Article IV, Section 2(c) of the Association's By-Laws, was incorrectly numbered 74-10. It should be number 74-11.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 13, 1974

TO: All NASD Members

RE: Qualification Examination for Registered Representatives

New test forms of the Qualification Examination for Registered Representatives will be put into the field during the latter half of April. These new forms will replace forms Q and R of the Series 1 Examination for Registered Representatives.

The new examination forms are a continuation of a long standing qualification program for registered representatives. As such, these tests should not be considered part of the extensive changes in the nature of the NASD's qualification program which will be implemented towards the end of the year. The new forms cover the subject matter in the NASD study outline in a manner similar to previous examinations. The tests are broken down into the following nine categories:

Section

1. Investment Companies - applicable law and sources of information
2. Fundamentals of Investment Companies
3. Corporate finance and nature of a corporation; Money and Banking, Economics
4. Accounting - concepts and terminology; Analysis and interpretation of financial statements
5. The Analysis of Securities
6. Securities Markets
7. The NASD - Certificate of Incorporation; By-Laws; Rules of Fair Practice; 5% Policy
8. The NASD - Code of Procedure; Uniform Practice Code; Interpretations, Policies and Explanations; Resolutions; Obligations of the Registered Representative
9. Federal and State Law; Taxation, including Internal Revenue Code applicable to investment companies

The existing study material and training courses in the industry should be more than adequate in training registered representatives for this examination. It is recognized that new examinations shift the emphasis from one

subject matter area to another. Training personnel are advised, therefore, to review their programs to insure that these are comprehensive of the subject matter. In addition to reviewing the comprehensiveness of training programs, training personnel are advised to thoroughly review the following specific areas:

A. Corporate Finance, Accounting, Interpretation of Financial Statements and Fundamentals of Securities Analysis

1. Capital Structure - thorough understanding of the importance of a corporation's capital structure with particular emphasis on:
 - a. equity vs. debt financing
 - b. leverage
 - c. relationship between par value and paid-in surplus
2. Financial Statements - thorough understanding of the make-up of items included in the balance sheet and income statements of a corporation with particular emphasis on:
 - a. the basic meaning and interpretation (as opposed to the computation of) the various comparative ratios and other measures of financial condition.
 - b. basic understanding of the effects of changes in depreciation methods and methods of inventory valuation.
 - c. recognition of extraordinary items in income statement, the importance of operating income and the relevance of footnoted items to an understanding of the firm's financial conditions.
3. Securities Analysis - very basic understanding of the concepts of fundamental analysis. Most existing training programs cover this area in an adequate manner, but training personnel should ensure that the following areas receive treatment.
 - a. earnings per share with attention given to the deletion of extraordinary items from the calculation and allowance for the dilutive effects of outstanding convertible issues and the effect of a successful rights offering.
 - b. convertible issues and parity
 - c. call provisions

- d. yields - nominal, current, yield to maturity and yield to call
 - e. bonds and basic investment criteria, including interest earned standards, relationship to working capital and earnings trends.
- B. Securities Markets - basic understanding of different types of securities markets, their differences and similarities and types of securities traded therein.
- 1. OTC Trading Procedures
 - a. function of market maker
 - b. quotations
 - c. NASDAQ (particularly Level 1)
 - 2. New Issues
 - a. The Underwriting Process
 - b. Underwriter's compensation
 - c. Due Diligence
 - d. Types of offerings
 - e. Types of underwritings
 - f. Rule 146 - purpose and general provisions
 - g. Rule 144 - definition of affiliated person, control stock and general provisions with regard to sale of control stock. Emphasis will be on holding requirements of control person and restrictions on broker/dealer. Filing requirements of issuers and limitations on size of transaction under the Rule will not be addressed.
 - h. Rule 237 - treated in a similar manner as Rule 144
- C. Taxation - the usual coverage of the tax consequences of securities transactions and the special tax treatment afforded investment company shares. Emphasis will also be given to potential tax liabilities incurred by beneficiaries of inherited securities and gifts of securities.
- D. Margin buying and short sales - basic knowledge of initial Regulation T margin rules regarding margin purchases and short sales to include:
- 1. Definitions of terms such as marginable securities, initial margin, equity, debit balance, excess equity, buying power, minimum margin, and maintenance.

2. Role of Federal Reserve Board and NASD
3. Simple calculations of initial margin required on purchases and short sales, including use of marginable securities as collateral for loans.

Any inquiries regarding this announcement should be directed to the Association's Qualifications Standards Department, 1735 K Street, N.W., Washington, D. C., 20006; telephone (202) 833-7532.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

March 28, 1974

TO: All NASD Members

RE: Good Friday Closing - Settlement Dates

Securities markets and the NASDAQ system will be closed on April 12 in observance of Good Friday. Transactions made on the business days immediately preceding that day will be subject to the schedule of settlement dates below (for "regular-way" transactions).

April 12 shall not be considered as a business day in determining the day for settlement of a transaction, or in computing interest on bond transactions.

Schedule for "regular-way" transactions

<u>Trade Date</u>	<u>Settlement Date</u>
April 5	April 15
8	16
9	17
10	18
11	19
15	22

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N. Y., 10004, (212) 952-4018.

- * The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

March 28, 1974

IMPORTANT

MANDATORY FIDELITY BONDING RULE

DECLARED EFFECTIVE MARCH 15, 1974

TO: All NASD Members and Interested Persons

RE: Article III, Section 32 of Rules of Fair Practice and Appendix C to Article III, Section 32 (Mandatory Bonding Rule)

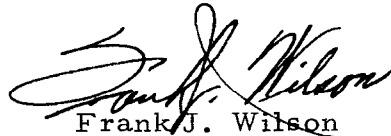
Enclosed herewith is new Section 32 of Article III of the Association's Rules of Fair Practice and Appendix C thereto concerning mandatory fidelity bonding for NASD members. This new rule was approved by the membership and submitted to and not disapproved by the Securities and Exchange Commission. The rule was thereafter declared effective as of March 15, 1974 by the President of the Association. Members are reminded that, henceforth, a bond currently in force will be required to be maintained at all times.

Subsection (a) of Article III, Section 32 requires every member to carry a blanket fidelity bond in such form and amount as prescribed by the Board of Governors of the Association. Appendix C to the rule limits this requirement to those members who are required to join the Securities Investor Protection Corporation, who are subject to SEC Rule 15c3-1 (the net capital rule), and who have employees. Subsection (b) authorizes the Board to adopt rules, regulations and provisions concerning mandatory fidelity bonding covering the form, amount and type of coverage thereof and to incorporate them in Appendix C to the rule. The Board is further authorized to change Appendix C

without a vote of the membership subject only to the requirement that such changes be sent to the membership for a period of comment prior to adoption. Appendix C thus contains the operative provisions governing the mandatory fidelity bonding authorized by Section 32. A detailed analysis of the provisions contained in Appendix C was set forth in Notice to Members 73-75, dated November 19, 1973.

If further information is needed by our members concerning this matter, please contact Mr. A. John Taylor, Vice President, Variable Contracts (202-833-7318), or Robert E. Aber, Office of General Counsel (202-833-7259), at the Association's Executive Office, 1735 K Street, N.W., Washington, D.C. 20006.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Frank J. Wilson".

Frank J. Wilson
Senior Vice President
Regulation

NASD

NOTICE TO MEMBERS: 74-16

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 18, 1974

NOTICE

TO: Members of the National Association
of Securities Dealers, Inc.

RE: Amendment to Filing Requirements with Respect
to Advertising and Sales Literature Regarding
Investment Company Securities (including mutual
fund shares and variable contracts)

The Association has for many years been reviewing members' investment company advertising and sales literature for compliance with the Statement of Policy of the Securities and Exchange Commission. In conjunction with the promulgation of the Statement of Policy by the Commission, the Association established, on August 14, 1950, a requirement that members file advertising and sales literature regarding investment companies with the Association within three days of first use.

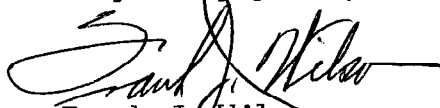
On April 1, 1953, the Association amended the filing requirement to clarify its application and to provide for advance filing by members. The current requirements are printed at Paragraph 5002 of the NASD Manual.

Currently, material which is submitted by members in advance of use must be resubmitted prior to use and again after it is published. The Board of Governors has determined that, in many cases, resubmission of such material places unnecessary burdens and expenses on the membership as well as on the Association staff.

Pursuant to the authority granted to it under Article IV, Section 5 of the Rules of Fair Practice, and Article IV, Section 2 of the By-laws, the Board has, therefore, amended the filing requirements as follows, such amended requirements to be effective as of the date of this notice.

Questions regarding this notice should be directed to Mr. Robert L. Butler, Advertising Department (202-833-7270), 1735 K Street, N.W., Washington, D.C. 20006.

Very truly yours,


Frank J. Wilson
Senior Vice President
Regulation

AMENDMENT TO FILING REQUIREMENTS REGARDING
INVESTMENT COMPANY ADVERTISING AND SALES LITERATURE

(New Material Underlined--Deleted Material Lined Out)

P 5001

Introduction

This section of the Association Manual is devoted to standards governing preparation and use of sales literature and advertising about investment company securities, together with some of the important ethical requirements relating specifically to sales practices of underwriters and dealers in offering such securities to the public.

It must be read in conjunction with and as supplemental to Sections 1, 2, 10, 19(a), 25, 26, and 27 of Article III of the Rules of Fair Practice.

Members should feel free to submit proposed sales literature or questions regarding its preparation and use to the ~~Investment Companies Department, Executive Office~~ Advertising Department of the National Association of Securities Dealers, Inc., in Washington, D.C.

~~Persons wishing more detailed information on preparation and use of sales literature and additional statutory regulations in this field are referred to the Association's handbook, "What You Must Know," available from the Executive Office at \$1.00 a copy.~~

P 5002

Sales Literature

The Association, as part of its process of self-regulation, administers the Securities and Exchange Commission's Statement of Policy governing standards for sales literature describing ~~the shares of investment companies~~ company securities. This administration involves the review of all literature and advertising used by NASD members to promote the sale of these ~~shares~~ securities, including all newspaper, radio, or television advertising or scripts and all postal cards, form letters, and individually typed sales letters which repeat the theme of the same central idea.

Who must file

All members must file all sales literature prepared by (or especially for) them with the ~~Investment Companies Department, Executive Office,~~ Advertising Department within three days after first

use or publication. Material prepared by sponsors or underwriters of investment company ~~shares~~ securities need not be filed by dealers, nor do dealers have to file any literature with the Securities and Exchange Commission.

Advance comment

Members may submit sales material prepared by or for them in behalf of investment company ~~shares~~ securities in advance of use or publication, ~~with the request for comment as to whether such material seems to meet the requirements of the Statement of Policy, but they do not have to do this. If they do ask for advance comment, they must file a revised copy for final check prior to publication, and must still file the finished piece within three days after first use or publication,~~ but such advance filing is not required. If filed in advance of use, the material need not be refiled in either draft or final form unless such refiling is requested by the Advertising Department.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 18, 1974

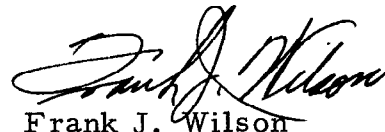
MANDATORY FIDELITY BONDING RULE

TO: All NASD Members and Interested Persons

RE: Article III, Section 32 of Rules of Fair Practice and Appendix C to Article III, Section 32 (Mandatory Bonding Rule)

Enclosed herewith please find the text of Article III, Section 32 of the Association's Rules of Fair Practice and Appendix C thereto which was inadvertently detached from Notice to Members 74-15, dated March 28, 1974.

Very truly yours,



Frank J. Wilson
Senior Vice President
Regulation

Article III, Section 32 of Rules of Fair Practice

(a) Every member shall be required to carry a blanket fidelity bond meeting requirements as to form, amount and type of coverage as the Board of Governors may prescribe pursuant to the authorization granted by paragraph (b) hereof.

(b) The Board of Governors is hereby authorized to adopt rules, regulations and procedures for blanket fidelity bonds concerning the form, amount and type of coverage thereof. The rules, regulations and procedures authorized hereby shall be incorporated into Appendix C to be attached to and made part of this rule. The Board of Governors shall have the power to alter, amend, supplement or modify the provisions of Appendix C from time to time without recourse to the membership for approval, as would otherwise be required by Article VII of the By-Laws. All contemplated changes shall, however, be submitted to the membership for comment prior to effectiveness. Appendix C shall become effective as the Board of Governors may prescribe unless disapproved by the Securities and Exchange Commission.

Appendix C

(a) Each member required to join the Securities Investor Protection Corporation who is subject to Rule 15c3-1 under the Securities Exchange Act of 1934, and has employees, shall:

(1) Maintain a blanket fidelity bond, in a form substantially similar to the standard form of Brokers Blanket Bond promulgated by the Surety Association of America, covering officers and employees which provides against loss and has agreements covering at least the following:

- (a) Fidelity
- (b) On Premises
- (c) In Transit
- (d) Misplacement
- (e) Forgery and Alteration (including check forgery)
- (f) Securities Loss (including securities forgery)
- (g) Fraudulent Trading
- (h) Cancellation Rider providing that the insurance carrier will use its best efforts to promptly notify the National Association of Securities Dealers, Inc. in the event the bond is cancelled, terminated or substantially modified.

(2) Maintain minimum coverage for all insuring agreements required in this subsection (a) of not less than \$25,000;

(3) Maintain required minimum coverage for Fidelity, On Premises, In Transit, Misplacement and Forgery and Alteration insuring agreements of not less than 120% of its required net capital under Rule 15c3-1 up to \$600,000. Minimum coverage for required net capital in excess of \$600,000 shall be determined by reference to the following table:

<u>Net Capital Requirement under Rule 15c3-1</u>	<u>Minimum Coverage</u>
\$ 600,001 - 1,000,000	\$ 750,000
1,000,001 - 2,000,000	1,000,000
2,000,001 - 3,000,000	1,500,000
3,000,001 - 4,000,000	2,000,000
4,000,001 - 6,000,000	3,000,000
6,000,001 - 12,000,000	4,000,000
12,000,001 - and above	5,000,000

(4) Maintain Fraudulent Trading coverage of not less than \$25,000 or 50% of the coverage required in subsection (a)(3), whichever is greater, up to \$500,000;

(5) Maintain Securities Forgery coverage of not less than \$25,000 or 25% of the coverage required in subsection (a)(3), whichever is greater, up to \$250,000.

(b) A deductible provision may be included in the bond of up to \$5,000 or 10% of the minimum insurance requirement established hereby, whichever is greater.

(c) Each member shall initially determine minimum required coverage of the bond pursuant to subsections (a)(2), (3), (4) and (5) herein, by reference to the highest required net capital during the twelve-month period immediately preceding issuance of the bond. Thereafter, each member shall annually review, as of the anniversary date of the issuance of the bond, the adequacy thereof by reference to the highest required net capital during the immediately preceding twelve-month period, which amount shall be used to determine minimum required coverage for the succeeding twelve-month period. Each member shall make required adjustments not more than thirty days after the anniversary date of the issuance of such bond.

(d) Each member shall report the cancellation, termination or substantial modification of the bond to the Association within ten business days of such occurrence.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

MAIL VOTE

IMPORTANT!

OFFICERS * PARTNERS * PROPRIETORS

To: Members of the National Association
of Securities Dealers, Inc.

Date: April 25, 1974

Re: Mail Vote on By-Law Amendment
Concerning Entry Standards

LAST VOTING DATE IS May 27, 1974.

Enclosed herewith is proposed new subsection (d) of Article I, Section 2, of the Association's By-Laws concerning the disqualification of an officer, director and general partner, among others, of a firm in respect to which proceedings have been instituted pursuant to the Securities Investor Protection Act (SIPA proceedings) from membership in the Association or from associating with a member thereof. The proposed amendment was previously sent to the membership on September 14, 1973 for comment. Subsequently, the matter was again presented to the Board of Governors in view of the comments received and it made appropriate changes.

Explanation of Proposed Amendments

The Association has long been concerned with the adequacy of standards for entry into the securities business including those for admission into the Association. This concern has become manifest since the adoption of the Securities Investor Protection Act of 1970 and the fact that numerous firms have required liquidation under the auspices of a SIPC trustee with SIPC advance payments made in excess of \$32,000,000. The Association believes that the proposed By-Law amendment is required

since many of the broker-dealers which ended in SIPC trusteeship were apparently managed by inexperienced or incompetent personnel and all too often fraudulent activities contributed directly or indirectly to the firm's demise. Nevertheless, many of these individuals have continued to engage in the securities business. In some instances, a new membership was obtained by the principals of the defunct SIPC trustee firm immediately after the appointment of the trustee thereof and continued in business with the new entity. In many other instances the principal registered with another entity immediately and continued to engage in the securities business. Under the proposed amendment, this business-as-usual situation will be curtailed.

The proposed amendment would redesignate existing subsection (d) of Article I, Section 2, as subsection (e) and add a new subsection (d) containing the new provisions. The proposal is somewhat changed from the original in that it has expanded considerably the due process procedures for individuals affected by the provision.

Paragraph (1) of the proposed amendment would authorize a determination, pursuant to certain criteria described in paragraph (4), of whether persons in the categories specified therein possess the qualifications for being associated with any member of the Association. The proposed amendment provides that such persons shall have been associated with a broker-dealer in the designated categories (officer, director, general partner, owner of 10 per centum or more of the voting securities or controlling person of, or otherwise engaged in any managerial or supervisory capacity) and performed the functions of such with the broker-dealer within three years of the institution of SIPA proceedings. This latter provision changes the original proposal which was open-ended and could have been construed to affect all persons previously associated with a SIPC trustee firm regardless of the period of employment.

Paragraph (1) also provides a two year "statute of limitations" commencing with the institution of SIPA proceedings during which period a notice of disqualification must be forwarded to affected persons. This provision also modifies the original proposal which did not contain such. The notification, which must be sent by mail or telegram, would become effective twenty (20) days thereafter and would continue to remain effective until such time as it is altered, modified or rescinded by the Board of Governors upon a finding that such would not be contrary to the public interest or the protection of investors.

Paragraph (2) provides that the person deemed unqualified pursuant to paragraph (1) may apply for a reconsideration of such determination.

within thirty (30) days of the date of the notification thereof. Such application would be required to be in writing and may include a request for a hearing on the application before a panel designated by the Board of Governors. The hearing would have to be held promptly and a record would be kept of the proceedings.

Paragraph (3) provides that within fifteen (15) days following notification of disqualification a person subject to paragraph (1) may apply to the President of the Association for a stay of the effectiveness of the disqualification. The application would be required to include documentation and evidence in support of the contention that the granting of a stay would not be contrary to the public interest or the protection of investors. Although a hearing is not provided for on such application, the proposed amendment would require a determination to be made by the President of the Association, or his delegate, within five (5) days of the receipt thereof and the applicant notified immediately of the action taken. In arriving at a determination in respect to the application for a stay the President or his delegate would be required to take into consideration the documentation submitted by the applicant, the records of the Association and any other information deemed pertinent and evaluate such from the standpoint of the criteria contained in paragraph (4). If the application for a stay is denied, the hearing requested pursuant to paragraph (2) would be required to be held promptly but in no event more than forty-five (45) days following notification to the applicant that the stay was denied and the Board of Governors' decision would be required to be made as promptly as possible but in no event more than sixty (60) days following the date of the hearing.

Paragraph (3) also provides in those cases where notification of disqualification was forwarded to the person subject to paragraph (1) more than six (6) months following the institution of SIPA proceedings that, upon application, a stay shall automatically be granted provided application for such was made within fifteen (15) days subsequent to notification of disqualification.

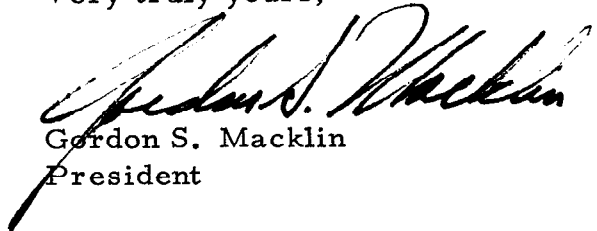
Paragraph (4) provides the criteria upon which a determination would be arrived at by the Board of Governors (and the President in connection with an application for a stay) as to whether the affected persons were qualified for association with a member. This criteria relates to the circumstances surrounding the financial and/or operational difficulties of the broker-dealer which led to SIPA proceedings and the involvement of the applicant in such activities. This paragraph would also require that where an applicant was not involved in the activity which led to SIPA proceedings, he shall be deemed qualified. Paragraph (4) would

also require the Board of Governors' decision to be promptly sent to the applicant and would authorize any person aggrieved thereby to make application to the Securities and Exchange Commission for review thereof to the extent such is permitted by the Securities Exchange Act of 1934.

Paragraph (5) would provide that no broker-dealer shall be qualified for admission to or continued in membership if such broker-dealer has associated with it any person not qualified for association with any member pursuant to the proposed subsection (d). Thus, if a member continued to have associated with it in any capacity a person deemed disqualified by the provisions of the proposed By-Law amendment, it would also be considered not qualified for membership and action could be taken to revoke such.

The proposed amendment to Article I, Section 2, of the Association's By-Laws is considered necessary and important by the Board of Governors and in the public interest, hence, it urges that you vote affirmatively for its adoption. Please mark your 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 May 27, 1974.

Very truly yours,



Gordon S. Macklin
President

Amendment to Article I, Section 2,
of the Association's By-Laws
by Addition of a New Subsection (d)
and by Relettering of Existing
Subsection (d) as Subsection (e)

(d) (1) In those cases where the Corporation, pursuant to the criteria contained in paragraph (4) hereof deems it appropriate in the public interest and for the protection of investors, a person who has been an officer, director, general partner, owner of ten (10) per centum or more of the voting securities or controlling person of, or was otherwise engaged in any managerial or supervisory capacity with, any broker/dealer within three (3) years of the institution of proceedings pursuant to the provisions of the Securities Investor Protection Act of 1970 (SIPA proceedings), may be deemed not to possess qualifications for being associated with any member of the Corporation. A determination, which shall be made and sent no more than two (2) years from the date of institution of SIPA proceedings, that such a person does not possess such qualifications shall become effective twenty (20) days after notification to that effect has been sent to him by mail or telegram by the Corporation and shall remain effective until such time as it is altered, modified or rescinded by the Board of Governors upon a finding that such would not be contrary to the public interest or the protection of investors.

(2) A person deemed unqualified pursuant to paragraph (1) hereof may make application to the Corporation for reconsideration of that determination within thirty (30) days of the date of notification thereof. The applicant may request a hearing on the application before a panel designated by the Board of Governors which hearing shall be held promptly. A record shall be kept of the proceedings.

(3) A person deemed unqualified pursuant to paragraph (1) hereof may make application to the President of the Corporation for a stay of the effectiveness of that determination within fifteen (15) days after notification to that effect was mailed or telegraphed. Such application shall contain evidence supporting the contention that a stay would not be contrary to the public interest or the protection of investors. An applicant shall not be entitled to a hearing on an application for a stay but definitive action shall be taken by the President, or his delegate, on such application, taking into consideration the documentation submitted therewith, the records of the Association and any other information deemed pertinent, within five (5) days of the receipt thereof and the applicant shall be immediately notified of the action taken; provided however if the date of the notification of disqualification is more than six (6) months subsequent to

the institution of SIPA proceedings the application for a stay shall be granted. If an application for a stay is not granted, the right to a hearing provided for in paragraph (2) hereof shall, upon written request by the applicant, be held as promptly as possible but in no event more than forty-five (45) days from the date of the notification of the denial of the stay. The applicant shall be notified of the determination of the Board of Governors as promptly as possible but in no event more than sixty (60) days from the date of the hearing.

(4) The Board of Governors (and the President or his delegate in connection with an application for a stay) shall consider the following in reaching a determination as to whether the contemplated action would be contrary to the public interest or the protection of investors:

- (i) the circumstances surrounding the financial and/or operational difficulties of the broker/dealer which led to the institution of SIPA proceedings; and
- (ii) the involvement of the applicant in the activities which led to the financial and/or operational difficulties of the broker/dealer in respect to whom SIPA proceedings had been instituted;

provided, however, in those cases where there has been no involvement by the applicant in the activity which led to the institution of SIPA proceedings the applicant shall be deemed qualified. The Board of Governors shall promptly notify the applicant of its decision. Any applicant or person aggrieved by the action of the Corporation may make application for review of such action to the Commission to the extent permitted by Section 15A of the Securities Exchange Act of 1934.

(5) No broker/dealer shall be considered qualified to be admitted to or continued in membership in the Corporation if such broker/dealer has associated with it any person deemed by the provisions of this subsection (d) not to possess the qualifications for being associated with any member.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

May 14, 1974

To: All NASD Members
All NASDAQ Issuer Companies

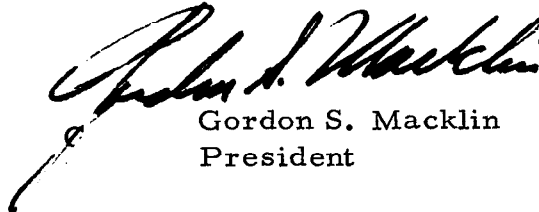
You may recall that, in 1970, the NASD Board of Governors approved the implementation of a nationwide Education Campaign to tell the NASDAQ story and, at the same time, begin to change institutional, industry, investor and public attitudes toward the OTC market.

In order to preclude any conflict with the Association's traditional regulatory responsibilities, this educational undertaking was accomplished almost solely with voluntary financial assistance from the broker/dealer community and the NASDAQ issuer companies.

The attached brief report discusses the program that was developed, the communication techniques that were employed, what was accomplished and how the money was spent in this effort.

The Information Committee of the NASD, which supervised this Educational Program, wishes to thank all supporters of this program, financial contributors and those who have used the educational tools that were developed. In spite of the current condition of financial markets, we believe that understanding and public awareness of the NASDAQ system has been greatly advanced through this cooperative effort.

Sincerely,



Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

Stewardship Report NASDAQ-OTC Education Program

Voluntary contributions to the NASDAQ educational program totalled \$679,400. This amount was obtained from NASDAQ subscribers, non-members of the NASD, and many NASDAQ "listed" companies.

Sale of the NASDAQ booklet and interest on investment of escrowed funds increased the total to \$723,314. After developmental Agency fees and solicitation expenses were paid and a multi-media slide show was produced, \$623,314 remained for actual implementation. The money was spent as follows:

Program Development	\$40,000
Multi-Media Presentation	35,000
Advertising	302,300
Public Relations	135,000
Promotional and other	
Educational Materials	88,700
NASDAQ Film	64,300
Fund Raising Expenses	49,500

(A detailed revenue and expense statement is attached)

ADVERTISING: The campaign approach utilized the theme:
NASDAQ: THE ELECTRONIC STOCK MARKET.

The media plan called for space in publications reaching the main business audience (*Investment Dealers Digest*, the *Wall Street Journal*, *Barron's*, *U.S. News and World Report* and *Time "B"*) as well as a broader group (*New York Times* and *Life*). The advertisements emphasized the changes NASDAQ has brought to the OTC market and invited readers to write the NASD for a booklet on NASDAQ for 25¢.

The rate of coupon returns indicated an excellent response. NASDAQ advertisements in special sections of the *New York Times* drew more requests than any special sections in the paper's history. Further, the Starch advertising research firm reported that a NASDAQ advertisement in the May 4, 1972 *Wall Street Journal* attained the issue's top readership score. And an ad in the special Annual Report Edition of *Time "B"* drew 1,500 booklet requests, far above average. Over 10,000 requests were received, from every state and some 20 foreign countries.

PUBLIC RELATIONS: The OTC Information Bureau, jointly sponsored by the NASD and the National Security Traders Association, is the public information arm of the NASDAQ-OTC Information program. From February 1971 to October 1, 1972, the New York based Bureau required \$135,000 from the fund. Since then, the Bureau has been funded directly by the NASD.

The Bureau submits story ideas and background material to financial writers and editors. In the program's first 30 months, the Bureau contacted over 300 press members. Among the results are: an article explaining NASDAQ in *Kiwanis Magazine*, entire issues devoted to NASDAQ by *Financial World* (one) and *Investment Dealers' Digest* (two), plus hundreds of articles in newspapers and magazines across the country.

Another effective device was the Bureau's press kit, *News About NASDAQ*, which included "mat" stories about NASDAQ with space to insert names of local firms and officers. The Bureau has become the information center for the OTC and NASDAQ, handling about 15 calls a day from the public, the investment community, and the press.

PROMOTIONAL AND OTHER EDUCATIONAL MATERIAL: The fundamental item produced by the program is the 32 page, NASDAQ basic booklet. Containing facts on NASDAQ and the OTC market, it is comprehensible to investors of varying sophistication. Through advertisements and investment firms, who purchased and distributed copies to clients and prospects, 200,000 copies of the booklet were made available.

The other major educational item was a booklet, *NASDAQ and The Listing Dilemma*, which discusses NASDAQ's impact on the OTC market and also on the traditional reasons for listing.

FILM: Another useful tool has been the full color, 13½ minute film on NASDAQ and the OTC market. Shot on location across the country, the film describes NASDAQ's impact and operations. Over 40 TV stations have shown the film, as have nearly 1,000 schools, universities, business and service groups here and abroad. In addition, over 1,200 bookings have been made by NASD member firms. Prints are available on a free loan basis or may be purchased for \$75.

FUND RAISING: Slightly less than \$50,000 was used for fund raising. This included showing the multi-media slide show in 20 cities to representatives of 450 brokerage firms and sending personal letters and follow-up communications to 2,500 NASDAQ companies and officers of member firms.

* * * *

The NASDAQ-OTC Education Program's aim was to bring information about the new NASDAQ system and greater understanding of OTC market processes to a variety of audiences. Each facet of the program was designed to reach a different audience or group of audiences—students, the man in the street, investors, or the sophisticated member of the financial community.

May 14, 1974

INCOME STATEMENT, ALL SOURCES
as of January 1, 1974
for the
NASDAQ-OTC EDUCATION PROGRAM

CONTRIBUTIONS

1. NASD members	\$419,125	
2. NASDAQ companies and other sources	<u>\$260,275</u>	
		Total Contributions \$679,400

OTHER SOURCES OF INCOME

1. Purchases of film prints	\$ 3,005	
2. Orders (single and quantity) for booklet "NASDAQ & the OTC"	\$ 22,246	
3. Interest accrued on investment of escrow funds	<u>\$ 18,663</u>	
		Total Other Income \$ 43,914
		TOTAL INCOME \$723,314
		Less Expenses \$717,400
		Excess Income Over Expenses \$ 5,914

EXPENSE STATEMENT
as of January 1, 1974
NASDAQ-OTC Education Program

1. Program Development (Agency retainer and consultation fees and services)		\$ 40,000
2. Multi-Media presentation (slide and sound)		\$ 35,000
3. Fund raising expenses (travel, printing, mailing, etc.)		\$ 49,496
4. Non-space dealer aids, promotion and direct mail informational material (booklets, reprints, etc.)		
Agency charges	\$ 35,325	
Initial printing of booklet "NASDAQ & the OTC" (100,000 copies)	\$ 15,936	
Second printing of booklet (100,000 copies)	\$ 9,516	
Clerical expense	\$ 2,192	
Shipping and Imprinting for bulk orders	\$ 782	
Postage for single copies	\$ 676	
Handling charges	\$ 250	
Shipping from NASD	\$ 845	
Fee for writing "NASDAQ and the Listing Dilemma"	\$ 2,300	
Production & distribution of "NASDAQ and the Listing Dilemma"	<u>\$ 20,891</u>	
		\$ 88,713
5. OTC/NASDAQ Film		
Production	\$ 48,079	
Agency Supervision charges	\$ 9,961	
Additional 100 Prints (200 prints in all)	<u>\$ 6,288</u>	
		\$ 64,328
6. Public Relations Program (February, 1971; February, 1972)		\$ 80,000
7. Public Relations Program (February, 1972; September 30, 1972)		\$ 55,000
8. Space Advertising Program		
Agency fees	\$ 45,000	
Spring Schedule through June 1972	\$158,174	
Fall Schedule through January 1973	<u>\$ 91,872</u>	
		\$295,046
9. Space Advertising, Production		
Agency Charges		\$ 9,817
	TOTAL EXPENSES	\$717,400

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 17, 1974

TO: All NASD Members

RE: Quarterly Check-List of Notices to Members
(First Quarter, 1974)

Listed below are the Notices to Members which have been issued during the first quarter of 1974.

Members should note that only one copy of each Notice to Members is mailed to every main office of every member. Copies are not mailed to branch offices or to additional personnel in the main office other than the Executive Representative. Therefore, we suggest that all members retain the original copy of each Notice to Members in a separate file in their main office, and that copies needed for internal or branch office distribution be duplicated from the original Notice.

If your main office file is missing any one of the following notices, please contact the Office Services Administrator at the NASD Executive Office. Requests for copies should be accompanied by a self-addressed label.

<u>Serial No.</u>	<u>Subject</u>	<u>Date</u>
74-1	Interest Equalization Tax Rate Change	1/4/74
74-2	CUSIP Fee on New Issues	1/4/74
74-3	Quarterly Check List of Notices to Members (Fourth Quarter, 1973)	1/4/74
74-4	Schedule of Examination Centers	1/3/74
74-5	Schedule of Holidays, 1974	1/11/74
74-6	Fidelity Registrar & Transfer Co. - Missing Certificates	1/22/74
74-7	Computer Service Bureaus	1/31/74
74-8	Adoption of Margin Maintenance Rule	1/31/74

<u>Serial No.</u>	<u>Subject</u>	<u>Date</u>
74-9	Interest Equalization Tax - Reduction to Zero	1/30/74
74-10	Settlement Date Schedule - Lincoln's Birthday & Washington's Birthday	2/6/74
74-11	Amendments to Schedule E of Article IV, Section 2(c) of the Association's By-Laws	3/7/74
74-12	Registration Form B-302	3/11/74
74-13	Qualification Examination for Registered Representatives	3/13/74
74-14	Good Friday Closing - Settlement Dates	3/28/74
74-15	Mandatory Bonding Rules	3/28/74

Sincerely,

John S. R. Schoenfeld

John S. R. Schoenfeld
Executive Vice President



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

May 17, 1974

TO: All NASD Members

RE: Memorial Day - Holiday Settlement Schedule For
Non-NCC Transactions

Securities markets and the NASDAQ System will be closed on Memorial Day, Monday, May 27, 1974. Non-NCC transactions+ ("regular-way") made on the business days immediately preceding May 27 will be subject to the following schedule of settlement dates:

Settlement dates for "regular-way" transactions

<u>Trade Date</u>	<u>Settlement Date</u>
May 20	May 28
21	29
22	30
23	31
24	June 3
May 27 (Memorial Day)	(non-business day)
28	June 4
29	5

+ Members with NCC transactions should refer to NCC Important Notices for information.

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y., 10004, (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 29, 1974

TO: All NASD Members

RE: NASDAQ Issuer Fees

In a letter dated April 1, 1974, the Association informed the membership of a proposal to levy fees upon corporations whose securities are quoted on the NASDAQ System and requested your comments.

After carefully reviewing the comments received from all interested parties, the Board of Governors has unanimously approved adoption of an annual fee for all companies whose securities are quoted on NASDAQ as well as an initial fee for new companies entering the System.

The schedule, in the form of amendments to Schedule D of the Association's By-Laws, was filed with and not disapproved by the Securities and Exchange Commission. Accordingly, it will become effective June 1, 1974.

The fees to be imposed can be summarized as follows: (1) an annual fee of 1/20 of a cent per share for each issue, with a minimum of \$250 per issue up to a maximum charge to each issuer of \$2,500, and (2) an entry fee (for issues not in the System prior to June 1, 1974) of 1/10 of a cent per share for each issue, with a minimum of \$1,000 per issue up to a maximum charge to each issuer of \$5,000. Securities of foreign issuers and American Depositary Receipts will be subject only to a flat minimum charge per issue as will units of which one or more component securities are included in the system.

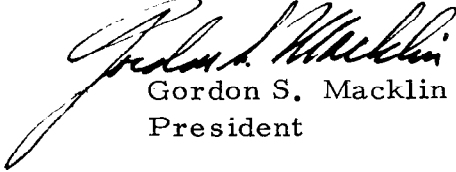
The Association believes that it is now appropriate and reasonable that companies whose securities are quoted in the NASDAQ System participate through these fees in sharing with the securities industry some of the costs of maintaining and enhancing the System.

In response to comment letters and in recognition of the need for corporate issuers to participate in policy determination, the Board of Governors has resolved to add a representative of a NASDAQ-quoted

corporation to the membership of the Board. In addition, the Board plans to add issuer representation to the membership of the NASDAQ Committee.

If further information is needed by our members concerning this matter, please contact Mr. Robert L. Stern, Information Department (202-833-7290) at the Association's Executive Office, 1735 K Street, N. W. Washington, D. C. 20006

Sincerely,



Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 20, 1974

TO: NASD Members and Branch Offices

FROM: Richard Peters
Director, NASDAQ Operations

RE: Restructuring of the National Newspaper Lists

The National OTC-NASDAQ List (1,400 issues) and the Additional OTC-NASDAQ List (950 issues) were revised on May 31, 1974 in accordance with Part VIII of Schedule D of the NASD By-Laws ("Publication and Dissemination of Quotations to the News Media"), and will be effective in newspapers published on July 2, 1974.

As before, inclusion in either list is determined by an issuer's dollar value of average weekly volume. The dollar value figure is used to rank all eligible securities in the System, with the 1,400 highest-ranking securities comprising the National List, and the next 950 issues making up the Additional List.

Due to the continuing adverse market conditions, the NASDAQ Committee is taking the following administrative actions to revise the price requirements for the purpose of this re-ranking:

1. The minimum price requirement for issues not already carried in the National or Additional Lists is reduced from \$3 bid to \$2 bid; and
2. The maintenance requirement for issues already carried is lowered from \$2 bid to \$1 bid.

All NASDAQ issuers have been individually apprised of their standing with respect to this revision, including their relative ranking and their dollar value of average weekly volume.

The ranking and dollar value of average weekly volume figures are not calculated for issues which had fewer than two market makers; had been in NASDAQ less than one month as of May 31, 1974; or did not meet the minimum price requirement. If an ineligible issue subsequently qualifies, it will compete with other qualified issues on the basis of dollar value of average weekly volume for vacancies on either list.

During the interim period between the semi-annual restructuring, issues will not be dropped from either list unless they are deleted from the NASDAQ System, or unless there are fewer than two registered market makers. An issue may move from the Additional List to the National List when vacancies occur since vacancies in the National List are filled by the qualified top-ranking issues from either the Additional OTC-NASDAQ List or issues not currently on either list.

Should you have any questions, please contact Mr. David B. Bowman of this office at (202) 833-4899.

* * * * *

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 20, 1974

NOTICE

Preliminary Report of Extension Request Service Charge

TO: Members of The National Association of Securities Dealers, Inc.

RE: Adoption under Schedule A of Article III, of Section 6 of the Association's By-Laws

The Board of Governors of the Association has recently approved an amendment to Schedule A of the By-Laws for submission to the Securities and Exchange Commission for non-disapproval. Schedule A concerns the powers of the Board of Governors to fix and levy assessments to defray reasonable expenses of administration in carrying on the work of the Association. The amendment provides for a new section that would permit a service charge of \$1 to be levied for all requests for extensions of time submitted by members pursuant to the provisions of Regulation T and Rule 15c3-3 and a charge of \$2 for any subsequent request on which an extension of time was previously granted.

Background of Amendment

The Securities Exchange Act of 1934 provides that the Board of Governors of the Federal Reserve System shall prescribe rules and regulations with respect to the amount of credit that may be initially extended and must subsequently be maintained on securities transactions. Regulation T was issued by the Federal Reserve Board pursuant to this provision.

The Securities and Exchange Commission and the Federal Reserve System depend upon the Association and other self-regulators for this aspect of Regulation T and, hence, it is an important phase of the Association's work.

On November 10, 1972, the Securities and Exchange Commission adopted Rule 15c3-3 under the Securities Exchange Act of 1934 which became effective January 15, 1973. This rule provides a formula for the maintenance by broker-dealers of basic reserves with respect to customers' cash and cash realized through the utilization of customers' securities and enunciates standards for broker-dealers concerning the physical possession or control of customers' securities.

Certain provisions of this rule require broker-dealers to obtain possession and control of, among other things, all fully paid and excess margin securities within prescribed periods of time. The rule also provides that the NASD and registered national securities exchanges may, for bona fide reasons, grant a broker-dealer an extension of time from the time frames so prescribed in the applicable sections of the rule. The request for such is referred to as a 15c3-3 extension of time request.

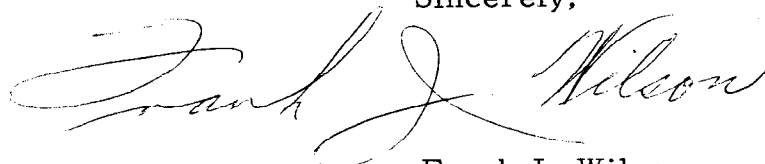
During 1973 the Association processed 73,278 Regulation T extension requests and approximately 6,000 15c3-3 extension requests for its membership. In addition to reviewing such requests for approval, the Association staff routinely reviews and examines all members' books and records during field examinations to insure compliance with both Regulation T and Rule 15c3-3. The administration, examination and follow-through review of all such extension requests are an integral and essential part of the Association's regulatory responsibilities. In view of the administrative and financial costs that this obligatory aspect of self-regulation places on Association personnel and finances, it is necessary that such activities be on a self-sustaining basis. The charging of members for extension requests, although new to the Association, has been common practice for several major national securities exchanges for some time. Also, the application of an assessment in this manner is equitable to the entire membership in that the costs of administering extension requests will be borne by only those members who submit such for processing.

Effective Date

The anticipated effective date of the Schedule A amendment is September 3, 1974. As of that date, all members requesting extensions of time for Regulation T and Rule 15c3-3 purposes will be assessed \$1 for each such request. In addition, for every subsequent request, a \$2 assessment will be charged where an extension of time was previously granted.

In the near future, a notice will be sent to all members containing the text of the new section and an explanation of the assessment procedures. Questions regarding this notice should be directed to Mr. Jack Rosenfield (202-833-4828), Department of Regulatory Policy and Procedures, 1735 K Street, N. W., Washington, D. C. 20006.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

TO: All NASD Members

RE: July 4th - Holiday Settlement Schedule For
Non-NCC Transactions

Securities markets and the NASDAQ System will be closed on Independence Day, Thursday, July 4, 1974. Non-NCC transactions+ ("regular-way") made on the business days immediately preceding July 4th will be subject to the following schedule of settlement dates:

Settlement dates for "regular-way" transactions

<u>Trade Date</u>	<u>Settlement Date</u>
June 24	July 1
25	2
26	3
27	5
28	8
July 1	July 9
2	10
3	11
4 Independence Day	(non-business day)
5	12
July 8	July 15

+Members with NCC transactions should refer to NCC Important Notice No. NCC-9-74 for information.

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y. 10004 (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

TO: All NASD Members

RE: Amendment to Section 36 of the NASD's Uniform Practice Code - Re: "Legal Assignments" - Effective July 1, 1974

The Board of Governors of the Association has amended Section 36 of the Uniform Practice Code to provide that a registered security bearing an assignment or power of substitution executed by a domestic individual executor or administrator, a domestic individual trustee under an inter vivos or testamentary trust or a domestic guardian including committees, conservators and curators shall be a "good delivery" in settlement of contracts. Section 36 had previously precluded securities bearing such "legal assignments" or powers of substitution from being good deliveries.

The amendment is the result of continuing efforts to streamline the procedures surrounding the above "legal assignments" and powers of substitution and to further the advances already made in the area of uniform transfer requirements. This change, resulting from the cooperative efforts of several banking and securities industry groups and the American Bar Association, will be distributed by the Stock Transfer Association and the Corporate Transfer Agents Association to their members. A survey of transfer agents of OTC securities conducted by the Section of Real Property, Probate and Trust Law of the American Bar Association has indicated that the large majority of transfer agents of OTC issues now treat the specified legal assignments and powers of substitution as routine transfers without the requirement of additional documentation. Any member learning of a transfer agent of an OTC issue which requires additional documentation, or which does not otherwise treat the items in paragraph (b) of Section 36 as a good delivery, should notify the Uniform Practice Division.

Attached is the amended form of Section 36. Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y. 10004 (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

Attachment

Paragraph 3536 Certificate in Name of Deceased Person, Trustee, etc.

Section 36(a) A certificate shall not be a good delivery with an assignment or power of substitution executed by a: (1) person since deceased; (2) trustee or trustees, except as provided in paragraph (b) below, or except for trustees acting in the capacity of a board of directors of a corporation or association, in which case Section 32(a) shall apply; (3) guardian, except as provided in paragraph (b) below; (4) infant; (5) executor, except as provided in paragraph (b) below; (6) administrator, except as provided in paragraph (b) below; (7) receiver in bankruptcy; (8) agent; (9) attorney; (10) or with a qualification, restriction or special designation.

(b) A certificate shall be a good delivery with an assignment or a power of substitution executed by a: (1) domestic individual executor(s) or administrator(s); (2) domestic individual trustee(s) under an inter vivos or testamentary trust; or (3) domestic guardian(s) including committees, conservators and curators. These exceptions to paragraph (a) above are to cover transfers that will be effected by transfer agents without additional documentation. This paragraph (b) shall apply only to securities of a domestic issuer (organized under the laws of any state in the United States or District of Columbia) which are registered in the name(s) of (1), (2) or (3) of this paragraph (b). Certificates delivered pursuant to this paragraph (b) must be properly assigned, and the signature(s) to the assignment must be guaranteed pursuant to Section 29(g).

(c) Section 36 does not apply to certificates registered under a Statutory Gifts to Minors Act.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

TO: All NASD Members

RE: Amendment to the Interpretation of the Board of Governors -
FORWARDING OF PROXY AND OTHER MATERIALS - Appendix

The Board of Governors of the Association has amended the Interpretation of the Board of Governors entitled FORWARDING OF PROXY AND OTHER MATERIALS - Appendix which establishes a guide to members for reimbursement of expenses incurred in forwarding of proxy and other materials. The amendment, which increases the suggested rates of reimbursement which members may use, was appropriate in light of the higher clerical and postage costs experienced in providing the forwarding services. The new suggested rates of reimbursement will be effective with respect to services performed in connection with annual meetings held after March 31, 1974. Said rates will be effective as to the other services performed after March 31, 1974.

It is important to note that members have an inherent duty under the Interpretation to forward to each beneficial owner all proxy material, annual reports, information statements and other material required by law to be sent to stockholders periodically which are properly furnished to the member by the issuer.

Attached is the amended form of the Interpretation. Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y., 10004, (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

Interpretation of the Board of Governors

FORWARDING OF PROXY AND OTHER MATERIALS

Appendix

The Board of Governors has determined that the following suggested rates of reimbursement for expenses incurred in forwarding proxy material, annual reports, information statements and other materials are to be used as a guide by members:

50 cents for each set of proxy material, plus postage, with a minimum of \$3.00 for all sets mailed;

10 cents for each copy, plus postage, for interim reports or other material, with no minimum.

Members are reminded that Article III, Section 3 of the Rules of Fair Practice requires that any such charges must be reasonable. Accordingly, this is a guide and a member may request reimbursement of expenses at other rates after taking into consideration all relevant factors.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

July 1, 1974

TO: ALL NASD MEMBERS AND BRANCHES

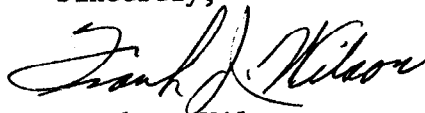
ATTN: Training Directors and Registration Departments

Enclosed is a new Schedule of Examination Centers which will be effective July 1, 1974.

Please advise all applicants now holding admission certificates that there is a new examination schedule in effect.

If there are any questions with regard to these changes, please contact Mr. Robert L. Lewis, Manager, Examination Section, at (202) 833-7188.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation

Note holiday
schedule changes

SCHEDULE OF EXAMINATION CENTERS

Administered by the National Association of Securities Dealers, Inc.

JULY, 1974

EXAMINATION SCHEDULE SUBJECT TO CHANGE: BE SURE YOU HAVE THE MOST RECENT ISSUE

IMPORTANT: * Denotes a change effective on this schedule • Denotes State Law Examination administered. Examination sessions falling on the following holidays will be rescheduled for the following business day unless otherwise noted on this schedule.

Independence Day, Thursday, July 4; Labor Day, Monday, September 2; Columbus Day, Monday, October 14; Veterans' Day, Monday, October 28; Thanksgiving Day, Thursday, November 28; Christmas Day, Wednesday, December 25; New Year's Day, Wednesday, January 1.

ALABAMA

- **Birmingham.** 1st & 3rd Fri., by appt. only. Univ. of Alabama in Birmingham. Contact Mr. James Garrett at (205) 934-5268. Florida State Law Administered.

ALASKA

- Anchorage.** By appointment only. 2nd Tues., Alaska Methodist University, Grant Hall, Rm. 17. Communicate with R. H. Mohr, 279-1974.
- * **Juneau.** By appointment only. Juneau-Douglas Community College, SE Regional Center. Contact Mr. Derrill Johnson at (907) 586-2521.

ARIZONA

- Phoenix.** 2nd & 4th Sat., 10:00 a.m., Willetta & 1st St. Branch of Valley Nat'l Bank, Drive-In Entrance.

ARKANSAS

- * **Little Rock.** 2nd & 4th Tues., 9:00 a.m. Contact Donna Lipsmeyer for appointment at 371-1011.

CALIFORNIA

- Fresno.** 2nd Tuesday, 2:00 p.m. Central California Commercial College, 1545 Fulton Ave.
- Los Angeles.** Every Monday, 1 p.m.—All exams. 2nd and 4th Thursday, 4:30 p.m.—All exams. California Teachers Association, 1125 W 6th St., Banquet Rm., 1st Floor. *Note:* Nov. 28 session cancelled, NOT rescheduled; Dec. 26 session cancelled, rescheduled Dec. 27.
- San Diego.** 1st & 3rd Sat., 8:00 a.m. Business Administration Bldg., Rm. BA-346; San Diego State College.
- San Francisco.** Every Thursday, 1:00 p.m.—All exams. 1st and 3rd Mondays, 7:00 p.m.—NASD, Reg. Rep., SECO and Nat'l Commodity Futures exams, only. Munson Business College, Rm. 370, 760 Market St.

CANADA

- Montreal, Quebec.** 2nd Wed., 1:30 p.m., McGill Univ. Guidance Service, 522 Pine Ave. W. Please phone 392-5115 for appointment.
- * **Toronto, Ontario.** By appointment only, 4th Thursday. Contact Mrs. Irene Vibrys at Canadian Securities Institute, 366-4622. *Note:* Nov. 28 session WILL BE HELD; Dec. 26 session cancelled, rescheduled Dec. 19.

COLORADO

- Denver.** 2nd and 4th Friday, 1:00 p.m., The Albany Hotel, 17th and Stout Sts., Rm. posted on hotel directory.
- Grand Junction.** 2nd Tues. 1 p.m., Mesa Jr. College, Testing Office, Library Bldg.

CONNECTICUT

- *• **Hartford.** 2nd and 4th Thursdays, 2:30 p.m., University of Hartford, Auerbach Hall, Rm. 320, 200 Bloomfield Ave., West Hartford. Massachusetts and Rhode Island Laws administered. *Note:* Nov. 28 and Dec. 26 sessions cancelled, rescheduled Nov. 27 and Dec. 24.

DISTRICT OF COLUMBIA

Every Tuesday, 10:00 a.m., George Washington Univ., Law School, Stockton Hall, 720 20th St., N.W., rm. B-3. *Note:* Dec. 24 session cancelled, NOT rescheduled.

FLORIDA

- **Jacksonville.** 2nd Tues., 1 p.m. Report to Placement Office, Howard Administration Bldg., Jacksonville Univ. Florida State Law administered.
- *• **Miami.** Every Sat., 9:00 a.m., Miami-Dade Junior College, South Campus, 11011 SW 104 St., Science Bldg., 3rd fl. Rm. 3321. Robert Ochs, Examiner. Home phone 271-9429. Florida State Law administered. *Note:* Aug. 31, Nov. 30 and Dec. 28 sessions cancelled, NOT rescheduled.
- **Tallahassee.** 1st Mon., 1 p.m. Rm. 203, Office of the Dean. School of Business, Fla. State University. Fla. State Law administered.
- *• **Tampa.** 2nd and 4th Thurs., 1:00 p.m., Univ. of Tampa, Plant Hall, Room 220 Florida Law administered. *Note:* Nov. 28 session cancelled, rescheduled Nov. 26.

GEORGIA

- **Atlanta.** 2nd, 3rd and 4th Wednesday, 1:00 p.m., Emory University. For location call 377-2411 Ext 7648. Florida State Law administered.

HAWAII

- Hilo.** By appointment only. Univ. of Hawaii, Hilo Campus, New Admin. Bldg., Rm. 109. Contact Sharon Wong.
- **Honolulu.** 1st Friday, 10:00 a.m., YMCA, Central Branch, 401 Atkinson Drive, Rm. number posted. Hawaii State Law administered.

IDAHO

- Boise.** 4th Wed., 5 p.m., Industrial Admin. Bldg., 317 Main St., Rm. 51.

ILLINOIS

- *• **Chicago.** Every Wed. and Fri., 2 p.m., DePaul Univ., Col. of Commerce, 25 E. Jackson Blvd. Mass., Indiana State Law administered. *Note:* Nov. 29, Dec. 26 and Jan. 2 sessions cancelled, NOT rescheduled.

INDIANA

- *• **Indianapolis.** Every Tuesday, 2:00 p.m., Butler University, College of Business Administration, Jordan Hall, Rm. 152. Indiana State Law administered. *Note:* Through Aug. 20, 1:00 p.m. EST; Dec. 24 session cancelled, NOT rescheduled; Dec. 31 session cancelled, rescheduled Dec. 30.

IOWA

- Des Moines.** 1st and 3rd Wednesdays, 1:30 p.m., The American Institute of Business, 2500 Fleur Drive, Rm. 306.

KANSAS

- **Wichita.** 1st Tuesday, 1:30 p.m., University of Wichita. Room number will be posted in main lobby of Clinton Hall. Kansas State Law administered.

KENTUCKY

- Frankfort.** 3rd Thursday, 10:00 a.m., Kentucky State University, Hathaway Hall, Rm. 219. *Note:* Park in Visitor's lot.
- Louisville.** 1st Fri., 1 p.m., Univ. of Louisville Testing Center, Leopold Hall, Belknap Campus.

LOUISIANA

- * **New Orleans.** 2nd Sat., 1 p.m., Loyola Univ., Old Law Bldg., Room 207.
- * **Shreveport.** 3rd Wednesday, 2:00 p.m., Centenary College of Louisiana, Library Basement, Rm. 25.

MAINE

- * **Bangor.** 3rd Wed., 3:15 p.m., Husson College, Academic Bldg., 3rd floor, Rm. 5102. *Note:* July 17, Aug. 21 sessions cancelled, NOT rescheduled.

MARYLAND

- Baltimore.** 2nd Wednesday, 1:00 p.m., University of Baltimore, School of Business, Rm. 103, Howard Hall, 800 Block of N. Howard St.

MASSACHUSETTS

- **Boston.** Every Sat., 10:00 a.m., Northeastern Univ., Forsyth Bldg. on Forsyth St., Rm. 201. Massachusetts and Rhode Island State Laws administered.

MICHIGAN

- *• **Detroit.** Every Thurs., 1:30 p.m., Detroit College of Business Oakman Blvd., South of Michigan Ave., Dearborn, Michigan. Additional sessions: 1st & 3rd Mon., 1:30 p.m. Michigan State Law administered. *Note:* July 4 and Nov. 28 sessions cancelled, rescheduled July 3 and Nov. 27.

MINNESOTA

- * **Minneapolis.** By appointment only Call (612) 373-3818. Every Thursday, University of Minnesota, Architecture Bldg., Rm. 50. *Note:* July 4 and Nov. 28 sessions cancelled, NOT rescheduled.

MISSISSIPPI

- * **Jackson.** 1st Thursday, 1:30 p.m., Universities Center, Rm. 130, 1855 Eastover Dr. *Note:* July 4 session cancelled, rescheduled July 11.

MISSOURI

- *• **Kansas City.** Every Friday, 1:00 p.m., University of Missouri at Kansas City, School of Business and Public Administration Bldg., Rm. 3, Oxford Hall, Missouri and Kansas State Law administered. *Note:* July 5 and Nov. 29 sessions cancelled, rescheduled July 8 and Dec. 2.
- *• **St. Louis.** 2nd, 3rd and 4th Saturdays, 8:30 a.m., Washington University, Prince Hall, Skinker and Forsythe Sts., Rm. 204. Missouri State Law Administered. *Note:* Dec. 28 session cancelled, rescheduled Dec. 7.

MONTANA

* **Billings.** 2nd Tues., 2 p.m., Billings Business College, 3125 3rd Ave. North, Rm. 8. *Note:* July 9 session cancelled, rescheduled July 16.

* **Great Falls.** 3rd Thurs., 1:30 p.m., Col. of Great Falls, 1301 20th St. S., Rm. C-207.

NEBRASKA

* **Lincoln.** 2nd and 4th Thurs., 1 p.m., Univ. of Nebraska, Nebraska Center for Continuing Education, 33rd and Holdrege Sts. Report to 2nd fl., registration desk. *Note:* Nov. 28 session cancelled, rescheduled Nov. 27; Dec. 26 session cancelled, NOT rescheduled.

NEVADA

* **Las Vegas.** 2nd Sat., 9:30 a.m., Univ. of Nevada at Las Vegas, Division of Bus. Admin. & Economics. Report to lobby, Humanities Bldg.

* **Reno.** 4th Monday, 2:00 p.m., College of Business Administration, University of Nevada. Report to Office of the Dean. *Note:* Dec. 23 session cancelled, rescheduled Dec. 16.

NEW JERSEY

* **Trenton.** 2nd and 4th Saturday, 10:00 a.m. Howard Johnson Motor Lodge, 2991 Brunswick Pike, Route 1. Pennsylvania State Law administered.

NEW MEXICO

* **Albuquerque.** 2nd Thursday, 1:00 p.m., University College Bldg., Testing Division, Rm. 8, University of New Mexico, New Mexico State Law administered. *Note:* Park off campus or apply for special parking permit prior to day of test (Parking Services, 1821 Roma N.E.).

NEW YORK

* **Albany.** 2nd and 4th Tuesday, 1:00 p.m., Hyatt Motor Inn, Washington Avenue (adjacent to State University).

* **Buffalo.** 1st and 3rd Tuesday, 6:00 p.m., State University of New York at Buffalo, 147 Capen Hall (north wing of Medical-Dental Bldg.) Park in student lots adjacent to Capen Hall or on west side of Bailey Ave. Pennsylvania State Law administered.

* **New York.** Every Monday, 9:30 a.m.—All exams. Every Thursday, 1:30 p.m.—All exams. Every Wednesday, 6:30 p.m.—NASD Reg. Rep., SECO & National Commodity Futures exams only, Psychological Corp., 304 E. 45th St. (between 1st & 2nd Ave.), 12th floor, Fla., Indiana, Mass., Mich., Rhode Island, Penn. State Laws administered at all sessions. *Note:* July 4, Sep. 2, Nov. 28, Dec. 25 and Jan. 1 sessions cancelled, NOT rescheduled.

* **Rochester.** 1st Fri., 1:00 p.m., University of Rochester, Gavett Hall, Rm. 306. Massachusetts State Law administered.

* **Utica.** 2nd & 4th Wed., 2 p.m., Utica Col., Main Academic Bldg., Burrstone Rd. Rm. number at information desk. *Note:* Dec. 25 session cancelled, NOT rescheduled.

NORTH CAROLINA

* **Charlotte.** 2nd Mon., 2 p.m., Central Piedmont Community College, New Counseling and Administration Bldg., Elizabeth Ave. and Kings Drive, Rm. 507.

* **Raleigh.** 4th Mon., 1:30 p.m., Poe Hall, Rm. 634, N.C. State Univ. *Note:* Dec. 23 session cancelled, rescheduled Dec. 16.

NORTH DAKOTA

* **Bismarck.** 3rd Sat., 9 a.m., Business Manager's Office, Bismarck Jr. Col., Shafer Heights.

OHIO

* **Cincinnati.** By appointment only. Phone 475-2941, 1st, 3rd & 5th Tuesday, 10:00 a.m., University of Cincinnati Testing and Counseling Center, 325 Pharmacy Bldg. (Enter through main gate on Clifton Ave.). *Note:* Dec. 31 session cancelled, NOT rescheduled.

* **Cleveland.** 1st and 3rd Sat., 10 a.m., Library Bldg., Cuyahoga Community College; 7200 York Rd., Parma, Ohio. Pennsylvania Law administered.

* **Columbus.** 2nd and 4th Sat., 1 p.m., Ohio Dominican College, Erskine Hall. Report to Info. Office for rm. 1216 Sunbury Rd. *Note:* Dec. 28 session cancelled, NOT rescheduled.

OKLAHOMA

* **Oklahoma City.** 1st and 3rd Mon., 1 p.m., Rm. 217, Bus. and Law Bldg., Oklahoma City Univ.

OREGON

* **Medford.** 1st Sat., 9 a.m., Room H-121, Medford Senior High, 1900 N. Keeneway Dr.

* **Portland.** 2nd and 4th Fri., 1 p.m., Univ. of Portland, West Hall, Rm. 405.

PENNSYLVANIA

* **Philadelphia.** Every Mon., 2:30 p.m., Drexel Institute of Technology, Matheson Hall, Rm. 208. Penn State Law administered. *Note:* Oct. 14 and Oct. 28 sessions WILL BE HELD.

* **Pittsburgh.** Every Mon., 4 p.m., Duquesne Univ., Sch. of Bus. Admin., Rm. 503, 600 Forbes Avenue, Pennsylvania State Law administered. *Note:* Sept. 2 session cancelled, NOT rescheduled; Oct. 14 and Oct. 28 sessions WILL BE HELD.

PUERTO RICO

* **Rio Piedras.** Last Sat., 12 noon, School of Public Communication, University Ave. #11, Univ. of Puerto Rico. *Note:* July 27, Aug. 31 and Oct. 26 sessions cancelled, rescheduled July 20, Aug. 24 and Oct. 19.

RHODE ISLAND

* **Providence.** 2nd Saturday, 9:00 a.m., Rm. 242 Bryant College, Douglas Pike, Route 7, Smithfield, Rhode Island. Communicate with Mr. Richard F. Alberg, 231-1200 Ext. 226. Rhode Island State Law administered.

SOUTH CAROLINA

* **Columbia.** 1st Wednesday, 2:00 p.m., University of South Carolina. Management Center, New Business Administration Bldg., 8th floor. *Note:* Jan. 1 session cancelled, rescheduled Jan. 8.

SOUTH DAKOTA

* **Aberdeen.** 2nd Sat., 1 p.m., Central High Sch., 225-3rd Ave., S.E.

* **Rapid City.** 3rd Sat., by Appt. only. Contact Dr. R. B. Houska, Nat'l College of Business. Phone 348-1200, ext. 79.

* **Sioux Falls.** 1st Sat., 9:00 a.m. Augustana College, Gilbert Science Center, 33rd & Summit, Rm. 101. Contact Mr. Robert Erkonen at 336-5220 for appointment.

TENNESSEE

* **Memphis.** 2nd and 4th Friday, 9:00 a.m., Joint University Center, Goodwyn Institute Bldg., Rm. 702. Tennessee State Law administered. *Note:* Dec. 27 session cancelled, rescheduled Dec. 30.

* **Nashville.** 2nd and 4th Tuesday, 1:30 p.m., University of Tennessee, Rm. 319, 323 McLemore St. (corner of Tenth Ave., North and Charlotte) Tenn. State Law administered. *Note:* Dec. 24 session cancelled, rescheduled Dec. 31.

TEXAS

* **Abilene.** 4th Fri., 2:00 p.m., Rm. 210, Chambers Hall, Abilene Christian College. Texas State Law administered. *Note:* Aug. 23, Nov. 22 and Dec. 27 sessions cancelled, rescheduled Aug. 16, Nov. 15 and Dec. 13.

* **Amarillo.** 1st Tuesday, 7:00 p.m., Ordway Hall, Rm. 103, Amarillo College. Texas State Law administered. *Note:* July 2 session cancelled, rescheduled July 9.

* **Corpus Christi.** First Sat., Del Mar College, 9:00 a.m., Student Center Bldg., Rm. 208. Texas State Law administered.

* **Dallas.** Every Tuesday, 1:00 p.m., Plaza Psychological Services, 6621 Snider Plaza. Texas State Law administered.

* **El Paso.** 3rd Wed., 1 p.m., YMCA, 701 Montana Ave. Texas State Law administered.

* **Houston.** 2nd and 4th Fri., 2 p.m., South Texas Col., 1 Main St., M&M Bldg., Rm. 656. Texas State Law administered.

* **San Antonio.** 1st Sat., 8:30 a.m., San Antonio College. Obtain room assignment at Info. Desk, lobby of Main Admin. Bldg., 1300 San Pedro Ave. Texas State Law administered. *Note:* July 6 and Aug. 3 sessions cancelled, rescheduled July 5 and Aug. 2.

UTAH

* **Salt Lake City.** July and Aug., ONLY, 2nd & 4th Thurs.; Sep., ONLY, 1st & 3rd Thurs., 2:00 p.m., Utah Technical College, Main Admin. Bldg., Rm. 242. EFFECTIVE Oct. 5, 1st & 3rd Sat., 8:00 a.m., by appt. only. Contact Mr. Michael Homer for confirmation at (801) 299-3411, ext. 202 or 254.

VERMONT

* **Montpelier.** 1st Thursday, 1:00 p.m., Mr. Harry E. Lantz, Dept. of Banking and Insurance, State Office Bldg., phone 828-3301. By appointment only.

VIRGINIA

* **Norfolk.** First Wednesday, 3:00 p.m., Old Dominion College School of Business Administration, Chandler Hall, Rm. 21. For further information call Dr. C. Russell Miller, 6. 1275 or 857-5995.

* **Roanoke.** By appointment only. 3rd Sat., 9:00 a.m., Fishburn Hall, Rm. 204, Virginia Western Community College. Maurice Strausbaugh, 344-2031. *Note:* Aug. 17 session cancelled, rescheduled Aug. 24.

WASHINGTON

* **Seattle.** 2nd and 4th Tues., 1 p.m., Metropolitan Bus. Col., Rm. 2, 414 Union St.

* **Spokane.** 4th Sat., 9 a.m., Kinman Bus. Univ., N. 214 Wall St., 9th floor, Rm. 930.

WEST VIRGINIA

* **Charleston.** 3rd Sat., 9 a.m., Center Col., Report to Reception Desk, 1000 Virginia St. E.

WISCONSIN

* **Green Bay.** 2nd Wednesday, 1:30 p.m. University of Wisconsin-Green Bay, Library Learning Center, Rm. 113. Michigan State Law administered.

WYOMING

* **Casper.** 3rd Sat., 10 a.m., Casper Col., Admin. Bldg., Rm. 113, 125 College Dr. Report to main admin. office for rm. assignment.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

July 2, 1974

To: All NASD Members

Re: Quarterly Check-List of Notices to Members (Second Quarter, 1974)

Listed below are the Notices to Members which have been issued during the second quarter of 1974.

Members should note that only one copy of each Notice to Members is mailed to every main office of every member. Copies are not mailed to branch offices or to additional personnel in the main office other than the Executive Representative. Therefore, we suggest that all members retain the original copy of each Notice to Members in a separate file in their main office, and that copies needed for internal or branch office distribution be duplicated from the original Notice.

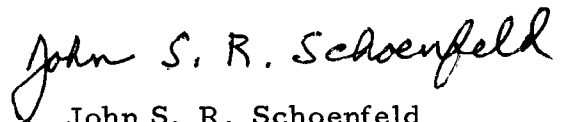
If your main office file is missing any of the following notices, please contact the Office Services Administrator at the NASD Executive Office. Requests for copies should be accompanied by a self-addressed label.

<u>Serial No.</u>	<u>Subject</u>	<u>Date</u>
74-16	Amendment to Filing Requirements with Respect to Advertising and Sales Literature Regarding Investment Company Securities.	4/18/74
74-17	Mandatory Fidelity Bonding Rule - text	4/18/74
74-18	Mail Vote on By-Law Amendment Concerning Entry Standards	4/25/74
74-19	Quarterly Check-List of Notices to Members (First Quarter, 1974)	5/17/74
74-20	Memorial Day - Holiday Settlement Schedule	5/17/74

(over)

<u>Serial No.</u>	<u>Subject</u>	<u>Date</u>
74-21	NASDAQ Issuer Fees	5/29/74
74-22	Restructuring of the National Newspaper Lists	6/20/74
74-23	Preliminary Report of Extension Request Service Charge	6/20/74
74-24	July 4th - Holiday Settlement Schedule	6/24/74
74-25	Amendment to Section 36, Uniform Practice Code - Re: "Legal Assignments" - Effective July 1, 1974	6/26/74
74-26	Amendment to the Interpretation of the Board of Governors - Forwarding of Proxy and Other Materials - Appendix	6/28/74

Sincerely,



John S. R. Schoenfeld
Executive Vice President



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

July 11, 1974

TO: All NASD Members

RE: Investment Securities Corporation
7733 Forsyth Blvd.
Clayton, Missouri 63105

Attention: Operations Officer, Cashier, Fail-Control
Dept.

On Monday, July 8, 1974, a SIPC Trustee was appointed for the above firm. Accordingly, members may use the "immediate close-out" procedures detailed in Section 59(i) of the NASD's Uniform Practice Code to close-out open OTC contracts. The firm is not a member of NCC.

Questions regarding the firm should be referred to the Trustee indicated below.

SIPC Trustee

Martin M. Green, Esq.
120 So. Central Avenue
Clayton, Missouri 63105
Telephone (314) 862-6800

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, New York, N.Y. 10004, (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

July 30, 1974

TO: All NASD Members

RE: State Registration Requirements
for Broker-Dealers

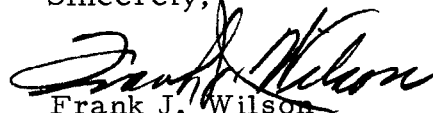
Recently it has come to the attention of the Association that certain broker-dealers have been executing transactions with public customers who are residents of states in which such broker-dealers and/or their agents are not registered. In this connection, transactions such as these are generally in violation of the securities laws of most states.

Thus, it is the responsibility of members to determine whether broker-dealer and/or agent registration is necessary in a foreign state prior to soliciting and/or executing business with any customer who is a resident of that state. This determination is of utmost necessity, particularly in those cases in which a member acts as the underwriter of an issue which has been specifically registered by the issuer pursuant to exemptive provisions of a state's securities laws.

Therefore, any member contemplating the solicitation and/or execution of securities transactions with or for public customers domiciled in a state in which the firm and/or its agents are not registered is obligated to contact the State Securities Commission of such state to determine the applicability of state securities laws relating to such activities.

Questions regarding this notice should be directed to David P. Parina at (202) 833-7247.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

July 30, 1974

TO: All NASD Members

Attention: Financial and Operational Officers,
Partners and Proprietors

RE: Treatment of Prepaid Fails-to-Receive Pursuant
to SEC Rules 15c3-1 and 15c3-3

In connection with member inquiries concerning the effect upon a broker-dealer's net capital of advance payments on fail-to-receive contracts made for the purpose of obtaining accommodation transfers by the selling broker-dealer, the Association requested and subsequently received an interpretive letter from the Commission staff.

In its response, dated July 15, 1974 (copy attached), the staff stated that it is their view that all such prepayments represent unsecured short positions which should be deducted from net worth pursuant to Rule 15c3-1, but in cases where transfer service is provided that it would recommend (to the Commission) that no action be taken if certain specified criteria, outlined below, are satisfied.

The following is a summary of the criteria established by the staff:

1. A broker-dealer utilizing the facilities of another broker-dealer for accommodation transfers must obtain a statement from the broker-dealer effecting such transfers specifying that accommodation transfers are carried by the carrying broker-dealer in an account designated as a "Special Custody Account for Accommodation Transfers for the Exclusive Benefit of Customers of (name of purchasing broker-dealer)" (the "Account");

2. The Account must contain only the securities of customers of that broker-dealer which are in transfer or pending transfer;
3. The broker-dealer maintaining the Account may not effect security transactions through such Account;
4. The securities in the Account must be free of any charge, lien or claim in favor of the carrying broker-dealer;
5. The carrying broker-dealer must undertake to comply fully with all aspects of SEC Rule 15c3-3 with respect to the Account; and,
6. The carrying broker-dealer must make an appropriate application to the Commission.

The staff has noted that it will recommend to the Commission, upon satisfaction of the above criteria and if an appropriate application has been made by the carrying broker-dealer to the Commission, that the Account be considered a control location pursuant to subparagraph (c)(7) of SEC Rule 15c3-3.

With the concurrence of the Commission staff, the Association has adopted the position that all such prepaid fails-to-receive executed prior to July 15, 1974, which do not exceed forty (40) calendar days in age past the date of payment or have been confirmed to be in transfer during the past forty (40) calendar days shall not be deducted from net worth in computing net capital pursuant to SEC Rule 15c3-1. In addition, members which have utilized such services of another broker-dealer to obtain accommodation transfers at any time during the last two years may continue to utilize such services without incurring a capital deduction and may treat such prepaid fails-to-receive as being in a control location pursuant to SEC Rule 15c3-3 provided, however, that upon receipt of this notice, prompt action is initiated to obtain the required statement from the accommodating broker-dealer.

It should be noted that members who wish to avail themselves of the services offered by an accommodating broker-dealer but have not utilized such services prior to this notice must obtain the required statement prior to or at the time of any such prepayment or, in the absence of such, treat all such prepaid fails-to-receive as short security count differences and, upon receipt of payment from the customer, as being in a non-control location pursuant to paragraph (b) of SEC Rule 15c3-3 until such letter is obtained.

It is strongly recommended that all members who either utilize, plan to utilize or offer this service carefully read the attached copy of the SEC staff letter to insure that they satisfy the criteria established by the Commission staff.

Should you have any questions regarding this matter, please contact Robert L. Smith at (202) 833-7356.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson", written in a cursive style.

Frank J. Wilson
Senior Vice President
Regulation

Attachment

July 15, 1974

Mr. Douglas F. Parrillo
Director - Regulatory Policy
and Procedures
National Association of
Securities Dealers, Inc.
1735 K Street, N. W.
Washington, D. C. 20006

Dear Mr. Parrillo:

In your letter of August 20, 1973, you indicate that the Association has received numerous inquiries from its membership concerning the effect upon a firm's net capital where advance payments are made for securities which the firm is failing to receive. You state that these situations frequently arise as a result of the practice by small broker-dealers of prepaying fail-to-receive contracts to facilitate the transfer process. You indicate that you understand that the Commission would consider a prepayment by a broker-dealer on a fail-to-receive created by a customer transaction as a contingent liability includable in aggregate indebtedness pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.

With respect to the application of the provisions of Rule 15c3-1 to such transactions, it is our view that such items should not be considered contingent liabilities but rather unsecured short positions which should be deducted by a broker-dealer pursuant to a computation under Rule 15c3-1. We recognize that the transfer service provided is useful and desirable to smaller broker-dealers not located in the major financial centers and that the practice ultimately benefits the customers of these firms. Therefore, we would recommend that no action be taken if a broker-dealer does not deduct such items as an unsecured short position pursuant to a computation of its net capital under Rule 15c3-1, where such items conform to the criteria set forth below.

For the purposes set forth above, a broker-dealer who wishes to utilize the facilities of another broker-dealer for accommodation transfers shall obtain a statement from the broker-dealer effecting such transfers which shall provide that accommodation transfers shall be carried by the carrying broker-dealer in an account designated as a "Special Custody Account for Accommodation Transfers for the Exclusive Benefit of Customers of (name of purchasing Broker-Dealer)" (the "Account"). The Account shall contain only the securities of customers of that particular broker-dealer in transfer, or pending transfer. The broker or dealer carrying the Account shall not effect security transactions through such Account, its purpose being exclusively for carrying securities being transferred for the customers of the purchasing broker-dealer. The broker-dealer carrying the Account shall agree that securities carried in such Account shall be free of any charge, lien or claim of any kind in favor of such carrying broker-dealer. Additionally, the carrying broker-dealer shall undertake to comply fully with all aspects of Rule 15c3-3 with respect to the Account.

Finally, it is our view that the term customer set forth in subparagraph (a)(1) of Rule 15c3-3 shall be deemed to include a broker-dealer to the extent that such broker-dealer maintains with another broker-dealer an account designated "Special Custody Accounts for Accommodation Transfers for the Exclusive Benefit of Customers of (name of purchasing Broker-Dealer)," which meets the criteria set forth above and if such criteria were complied with by the carrying broker-dealer, the Division would consider recommending to the Commission that such accounts be treated as control locations for purposes of Rule 15c3-3(c)(7) upon an appropriate application to the Commission by the Carrying broker-dealer.

Sincerely,

Nelson S. Kibler
Assistant Director
Broker-Dealer Financial Responsibility
and Securities Transactions

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

July 30, 1974

TO: All NASD Members

ATTENTION: Financial Officers, Partners and Proprietors

RE: Adoption of Amendments to Form X-17A-5

In Release No. 10825, dated May 24, 1974, a copy of which is attached, the Securities and Exchange Commission announced the adoption of certain amendments to Form X-17A-5 and related audit requirements. The principal amendments to both the Form X-17A-5 and the audit requirements concern recently adopted Rule 15c3-3 under the Securities Exchange Act of 1934. The amendments are effective for all audits under SEC Rule 17a-5 commencing on or after July 15, 1974.

In order to assist members in their compliance with these requirements, the major components of the amendments are summarized below.

Summary of the Amendments

1. Question 1 requires the submission of a schedule in support of the computation of a broker-dealer's "Reserve Requirement" as of the audit date while the financial questionnaire itself calls for reporting of the amount required to be deposited in the "Special Reserve Bank Account" and any amount on deposit in such account in excess of the reserve requirement.

2. Question 4 of the financial questionnaire has been revised to classify open items with other broker-dealers and clearing organizations utilizing a continuous net settlement system in accordance with the amounts which would be included in the calculation of a firm's "Reserve Requirement." In addition, the amounts includable in aggregate indebtedness under the various net capital rules and amounts which are not included in either computation are required. This question also requires separate disclosure of

free shipments of securities to other broker-dealers as well as redemptions receivable from registered investment companies or other issuers redeeming their securities.

3. The revised form also requires disclosure of any security in customers' margin accounts exceeding 15% of the aggregate value of all securities which collateralize all secured margin accounts receivable.

4. The form has also been revised to determine a broker-dealer's compliance with the requirements of SEC Rule 15c3-3 to reduce customer's fully paid and excess margin securities to possession or control. Responses to Question 6 G. 1 indicate whether instructions to obtain possession or control issued by the margin department were properly acted upon as required by SEC Rule 15c3-3.


5. In addition, all cash accounts which are subject to Regulation T of the Board of Governors of the Federal Reserve System will now be reported in Question 6A rather than limiting reporting to those accounts which are considered bona fide cash accounts. As a result of this change the audit requirements of Form X-17A-5 have been amended to require the independent public accountant to review and test respondent's procedures relating to the prompt payment for securities purchased in a Special Cash Account pursuant to Regulation T.

Various other audit requirements of Form X-17A-5 have been amended to require, among other things, that the scope of the review and tests of the accounting system, internal account control and procedures for safeguarding securities shall be sufficient to provide reasonable assurance that any material inadequacies existing at the date of the examination would be disclosed. Additionally, a review of the procedures followed by broker-dealers in complying with Rule 15c3-3 is now required under the revised audit requirements.

The above summary is intended to highlight the major components of these amendments. Consequently, each NASD member should review enclosed SEC Release No. 34-10825, Notice of Adoption of Amendments to Form X-17A-5 and the Audit Requirements of Form X-17A-5 Annual Report of Members, Brokers and Dealers. This release presents the complete text of these amendments.

Should you have any questions, please contact John H. Feldt at (202) 833-7209.

Sincerely,


Frank J. Wilson
Senior Vice President
Regulation

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Securities Exchange Act of 1934
Release No. 10825/May 24, 1974

Notice of adoption of amendments to Form X-17A-5 and the audit requirements of Form X-17A-5 - Annual Report of Members, Brokers and Dealers.

The Securities and Exchange Commission today announced the adoption of amendments to Form X-17A-5 and the Audit Requirements thereto which reflect the additional information necessary to monitor compliance with Rule 15c3-3 as well as other developments in the securities industry since 1967 which have affected the auditing and financial regulation of brokers and dealers.

Summary of the Amendments

The principal amendments to the Form relate to the Commission's adoption of Rule 15c3-3 under the Securities Exchange Act of 1934 and require the submission of a schedule in support of the computation of a broker-dealer's "Formula for Determination of Reserve Requirement" ("Reserve Requirement") under Rule 15c3-3 as of the audit date and the financial questionnaire requires reporting of the amount required to be deposited in the "Special Reserve Bank Account for the Exclusive Benefit of Customers" ("Reserve Bank Account") and any amount on deposit in such account in excess of the Reserve Requirement.

Question 4 of the financial questionnaire has been revised to classify open items with other brokers and dealers, clearing organizations or issuers in accordance with the amounts which are to be included in the calculation of a firm's Reserve Requirements, the amounts includable in aggregate indebtedness under the net capital rules and amounts which are not included in either computation. The revised disclosure is intended to simplify reporting and facilitate review of the questionnaire by self-regulators and the Commission.

In order to determine whether a broker-dealer has an undue concentration of a specific security long in a customer's margin account, the amended Form requires note disclosure of any security in such accounts exceeding 15% of the aggregate value of all securities which collateralize all secured margin accounts receivable so that proper determination of any reserve requirement adjustments pursuant to Note (B) of the Reserve Requirement computation may be determined. This requirement should not be construed as precluding the respondent from combining accounts as permitted by General Instruction 6 to Form X-17A-5.

The Form has also been revised to test the broker-dealer's compliance with the requirements of Rule 15c3-3 to reduce customers' fully paid for and excess margin securities to a broker-dealer's possession or control.

Question 6G.1. will disclose whether instructions to obtain physical possession or control which were properly issued by the margin department were, in fact, accomplished or acted upon by the cashiering department or other persons responsible for accomplishing such instructions as required by Rule 15c3-3.

Question 6G.2. would indicate whether or not the margin department or other personnel responsible for the margin function had issued appropriate instructions within the parameters required by Rule 15c3-3.

Other Amendments to Form X-17A-5

Question 4 of the financial questionnaire has been amended to require reporting of open items with clearing organizations using a continuous net settlement system. In addition, the Form now requires separate disclosure of free shipments of securities to other broker-dealers as

well as redemptions receivable from registered investment companies or other issuers redeeming their securities.

In addition, all cash accounts which are subject to Regulation T of the Board of Governors of the Federal Reserve System will now be reported in Question 6A rather than limiting reporting to those accounts which are considered bona fide cash accounts. As a result of this change, the Audit Requirements of Form X-17A-5 have also been amended to require the independent public accountant to review and test respondent's procedures relating to the prompt payment for securities purchased in a Special Cash Account pursuant to Regulation T.

The Audit Requirements of Form X-17A-5 have also been amended to require that the scope of the review and tests of the accounting system, internal accounting control and procedures for safeguarding securities shall be sufficient to provide reasonable assurance that any material inadequacies existing at the date of the examination would be disclosed.

Finally, review of the procedures for complying with Rule 15c3-3 is also required by these amendments.

Statutory Basis

These amendments are hereby adopted under the Securities Exchange Act of 1934, particularly Sections 15(c)(3), 17(a), 10(b) and 23(a) thereof and shall be effective for all audits pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 commencing on or after July 15, 1974.

The text of the amendments is as follows: additions are underscored.

General Instruction B.2 shall be amended to read as follows:

2. The valuations of customers' fully paid securities and excess margin securities in respondent's possession or control need not be included in the answers. For the purpose of this questionnaire the terms "fully paid securities," "excess margin securities" and "physical possession or control" shall have the meanings found in the applicable provisions of Rule 15c3-3.

The following questions in Part 1 of the Questionnaire are amended to read as follows:

Question 1 -- Bank Balances and Other Deposits

State separately total of each kind of deposit (cash and/or market value of securities) with adequate description. This shall include cash on hand; cash in banks representing funds subject to immediate withdrawal; "Special Reserve Bank Account for the Exclusive Benefit of Customers"; "Special Account for the Exclusive Benefit of Customers"; cash in banks subject to withdrawal restrictions; cash and securities segregated pursuant to regulations of any agency of the Federal Government, any state, any national securities exchange or national securities association; contributions to clearing organizations incident to membership; deposits with clearing organizations in connection with commitments; guaranty and margin deposits; good faith deposits (see Note 3 to Question 14); drafts with securities attached deposited for collection.

NOTES: 1. In support of the amount in the "Special Reserve Bank Account for the Exclusive Benefit of Customers" submit a schedule of the computation required under Rule 15c3-3(e) in the form prescribed in Exhibit A of Rule 15c3-3. The computation shall be as of the audit date and shall be accompanied by a reconciliation of the amounts set forth in the schedule with the amounts reported in this Questionnaire. A schedule shall be submitted even though no deposit was required to be maintained as a result of the computation unless the broker-dealer

reserves; mortgages payable; other liabilities and deferred credits; market value of securities borrowed (other than for delivery against customers' sales) to the extent to which no equivalent value is paid or credited (other than securities borrowed from customers which are reported in question 6.H); drafts payable (issued in settlement of customers' credit balances); long security count difference valuations; short security count difference valuations, and other accounts not specifically mentioned herein.

- NOTES: 1. . . . (no change)
- 2. . . . (no change)

3. State in a footnote the number of securities in which there were long security count differences; the number in which there were short security count differences; and the total number of securities in which there were positions as of the date of the accountant's report.

4. State separately or in a footnote as of the audit date (a) the market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days, (b) market value of short security count difference valuations over 30 calendar days old, and (c) ledger credit balances and short security valuations in all suspense accounts over 30 calendar days.

Audit Requirements

The introductory paragraph and Items 2, 10 and 11 are amended as follows:

The audit shall be made in accordance with generally accepted auditing standards and shall include a review of the accounting system, the internal accounting control and procedures for safeguarding securities including appropriate tests thereof for the period since the prior examination date. The scope of such review and tests shall be sufficient to provide reasonable assurance that any material inadequacies existing at the date of the examination would be disclosed. The audit shall include all procedures necessary under the circumstances to substantiate the assets and liabilities and securities and commodities positions as of the date of the responses to the financial questionnaire and to permit the expression of an opinion by the independent public accountant as to the financial condition of the respondent at that date. Based upon such audit, the accountant shall concurrently comment upon any material inadequacies found to exist in: (a) the accounting system; (b) the internal accounting control; (c) procedures for safeguarding securities; and (d) the practices and procedures whose review is specified in Items 8, 9, 10 and 11 below; and shall indicate any corrective action taken or proposed. If the audit did not disclose any material inadequacies, the accountant shall so report.

The independent public accountant may perform audit procedures at any time which he may deem appropriate; however, if the procedures prescribed in Items 2, 3, 4 and 6(c)-(g), excluding Item 6(e)(v), are performed at a date other than the audit date, then all such aforementioned procedures shall be performed as of the same date, which shall not be more than 190 days prior to the financial statement date.

The scope of the audit shall include the following procedures, but nothing herein shall be construed as limiting the audit or permitting the omission of any additional audit procedures which an independent accountant would deem necessary under the circumstances. As part of his audit the independent public accountant shall:

(1) . . . (no change)

(2) Account for by physical examination and comparison with the books and records: all securities, including customers' fully paid and excess margin securities; material amounts of currency and tax stamps; warehouse receipts; and other assets on hand, in vault, in box or otherwise in physical possession. Control shall be maintained over such assets during the course of the physical examination and comparison.

- (3) . . . (no change)
- (4) . . . (no change)
- (5) . . . (no change)
- (6) . . . (no change)
- (7) . . . (no change)
- (8) . . . (no change)
- (9) . . . (no change)

* * *

(10) Review and test respondent's procedures relating to compliance with the requirement for the prompt payment for securities pursuant to Section 4(c) of Regulation T of the Board of Governors of the Federal Reserve System; and,

(11) (a) Review the procedures followed in making the periodic computations and deposits required under the provisions of paragraph (e) and Exhibit A of Rule 15c3-3.

(b) Review the procedures followed in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required under the provisions of Rule 15c3-3.

(c) If respondent is exempt from Rule 15c3-3, the independent public accountant shall ascertain that the conditions of the exemption were being complied with as of the examination date and that no facts came to his attention to indicate that the exemption had not been complied with during the period.

* * *

By the Commission.

George A. Fitzsimmons
Secretary

following Note 2 is added:

NOTES: 1. Question 5 requires entries in short valuation column only.

2. State separately or in a footnote the market value of securities which have been in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days immediately preceding the audit date. The market value of securities in transfer in excess of 40 days which have been confirmed only by the independent public accountant in connection with his audit shall be included in such footnote or classification.

Question 6 -- Customers' Security Accounts

Items A, G and Note 1 are amended and Items H, I and Notes 6 and 7 added as follows:

State separately totals of ledger debit balances; ledger credit balances; long security valuations; short security valuations and classify as follows:

A. Cash accounts (i. e., accounts subject to Section 4(c) of Regulation T of the Board of Governors of the Federal Reserve System) which have both unsettled money balances and positions in securities.

- 1. Accounts with debit balances.
- 2. Accounts with credit balances.

B. Secured Accounts:

- 1. Accounts with debit balances.
- 2. Accounts with credit balances.

C. Partly secured accounts (accounts liquidating to a deficit):

- 1. Accounts with debit balances.
- 2. Accounts with credit balances.

D. Unsecured accounts.

E. Accounts with credit balances having open contractual commitments.

F. Accounts with free credit balances.

G.1 Securities for which instructions to reduce to possession or control had been issued and which were not in possession or control as of the examination date:

(a) Required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the audit date or required action was taken by respondent within the time frames specified pursuant to Rule 15c3-3.

(b) Required to be in possession or control as of the audit date for which the required action was not taken by respondent within the time frames specified by Rule 15c3-3 (Note 7).

2. Market value of excess margin securities and fully paid securities in cash accounts having either credit or no money balances for which instructions to place in possession or control were not reflected on the books and records of the respondent as of the audit date.

(a) Arising from "temporary lags which result from normal business operations" permitted pursuant to Rule 15c3-3.

(b) Not arising from "temporary lags which result from normal business operations" permitted pursuant to Rule 15c3-3.

H. Fully paid securities borrowed from customers

pursuant to specific agreement.

1. Allowance for customers' accounts doubtful of collection.

NOTES: 1. All unsecured cash accounts shall be reported under D and partly secured accounts deemed doubtful of collection shall be reported under C.

- 2. . . . (no change)
- 3. . . . (no change)
- 4. . . . (no change)
- 5. . . . (no change)

6. State separately or in a footnote, description, quantity, price and valuation of any specific security (other than an exempted security) which is collateral for margin accounts included in the long security valuations at B.1 and C.1 and which exceeds in aggregate value 15 per cent of the aggregate value of all securities which collateralize all margin accounts receivable reported at these two questions. A specific security is deemed to be collateral for a margin account only to the extent it represents in value not more than 140 per cent of the customer debit balance in a margin account.

7. State separately or in a footnote whether securities reported in 6G(1)(b) above were subsequently reduced to possession or control by the respondent. Also state the number of individual items which were reported in 6G(1)(b) above.

Question 8 -- Accounts of Officers and Directors

The note is redesignated Note 1 and Note 2 is added:

NOTES: 1. . . . (no change).

2. All "excess margin" and "fully paid securities" of officers and directors shall be reported together and Notes 6 and 7 to Question 6 shall not apply to this Question.

Question 9 -- General Partners' Individual Accounts

A new Note 3 is added as follows:

- NOTES: 1. . . . (no change)
- 2. . . . (no change)

3. All "excess margin" and "fully paid securities" shall be reported together and Notes 6 and 7 to Question 6 shall not apply to this question.

Question 10 -- Trading and Investment Accounts of Respondent

A new Note 4 is added as follows:

- NOTES: 1. . . . (no change)
- 2. . . . (no change)
- 3. . . . (no change)

4. State separately or in a footnote both long and short security valuations attributable to principal purchases or sales from or to customers which are included in the answer to Question 10.A.

Question 13 -- Other Accounts, etc.

This question is amended to read as follows:

State details (ledger balances, valuations of securities and spot (cash) commodities; status of future commodity positions; and any other relevant information) of any accounts which have not been included in one of the answers to the above questions. These shall include: accounts for exchange memberships; furniture, fixtures, and other fixed assets; valuation reserves; funds provided or deposited by the respondent as margin in joint accounts; revenue stamps; dividends receivable, payable and unclaimed; floor brokerage receivable and payable, commissions receivable and payable, advances to salesmen and other employees; commodity difference account; goodwill; organization expense, prepaid expenses and deferred charges; liability

is exempt from Rule 15c3-3 by any provision of paragraph (k) of that rule. If the broker-dealer was not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers" because he was exempt from Rule 15c3-3, a note shall so state.

2. The amount reported for "Special Reserve Bank Account for the Exclusive Benefit of Customers" shall indicate the required deposit and any amount in excess of requirements shall be classified as "Amount on Deposit in Special Reserve Bank Account for the Exclusive Benefit of Customers in Excess of Requirement and Subject to Immediate Withdrawal."

Question 2 -- Money Borrowed and Accounts Carried by Respondent by Other Banking and Brokerage Houses, Secured by or Containing Customers' Collateral.

A new Note 3 is added:

- NOTES: 1. . . . (no change)
- 2. . . . (no change)

3. State separately the market value of securities collateralizing a loan on behalf of the respondent which securities are reportable as customer securities as defined in Rule 15c3-3.

The caption to Question 4 is amended to read as follows:

Question 4 -- Other Open Items with Brokers and Dealers, Clearing Organizations and Issuers.

Items A, B and Note 1 are amended and Items E, F and Note 3 added as follows:

State separately totals of ledger debit balances; ledger credit balances; long security valuations; short security valuations, and classify as follows:

A. Securities borrowed (i. e., amount to be received from others upon return to them of securities borrowed by respondent):

- 1. Items includable in "Formula for Determination of Reserve Requirement."
- 2. Other.

B. Securities failed to deliver (i. e., amount to be received from brokers and dealers upon delivery of securities sold by respondent):

- 1. Items includable in "Formula for Determination of Reserve Requirement."
- 2. Other.

C. Securities loaned (i. e., amount to be paid to others upon return of securities loaned by respondent):

- 1. Items excludable from aggregate indebtedness and "Formula for Determination of Reserve Requirement."
- 2. Items includable in aggregate indebtedness but excluded from "Formula for Determination of Reserve Requirement."

3. Items includable in both aggregate indebtedness and "Formula for Determination of Reserve Requirement."

4. Items includable only in "Formula for Determination of Reserve Requirement."

D. Securities failed to receive (i. e., amount to be paid to brokers and dealers upon receipt of securities purchased by respondent):

- 1. Items excludable from aggregate indebtedness and "Formula for Determination of Reserve Requirement."

2. Items includable in aggregate indebtedness but excluded from "Formula for Determination of Reserve Requirement."

3. Items includable in both aggregate indebtedness and "Formula for Determination of Reserve Requirement."

4. Items includable only in "Formula for Determination of Reserve Requirement."

E. Balances with clearing organizations utilizing a continuous net settlement system (representing securities borrowed or failed to deliver; and securities loaned or failed to receive):

1. Items excludable from aggregate indebtedness and "Formula for Determination of Reserve Requirement."

2. Items includable in aggregate indebtedness but excluded from "Formula for Determination of Reserve Requirement."

3. Items includable in both aggregate indebtedness and "Formula for Determination of Reserve Requirement."

4. Items includable only in "Formula for Determination of Reserve Requirement."

5. Other (See Note 3).

F. Free shipments (i. e., amount to be received from others for securities already delivered to them not accompanied by documents requiring payment upon delivery or for which payment was not received upon delivery).

G. Redemptions Receivable (i. e., amount to be received from issuers or their agents for securities submitted for redemption):

1. Includable in "Formula for Determination of Reserve Requirement."

2. Other.

NOTES: 1. Where it is impractical or unduly expensive to allocate all securities to each category in A, B, C, D, E, F and G proper allocation shall be made to the extent feasible and all other such ledger balances and security valuations shall be reported in the case of receivables as "Other" and in the case of liabilities and related security valuations in C. 3, D. 3 and E. 3.

2. State separately or in a footnote the totals of ledger debit balances; ledger credit balances; long security valuation; short security valuations, for transactions outstanding 30 calendar days or longer included in the answers to Question 4. B (Securities Failed to Deliver); and Question 4. D. 3 (Securities Failed to Receive). The amounts reported for Question 4. B shall be classified in accordance with the period that the transactions have been outstanding: 30 to 39 calendar days; 40 to 49 calendar days; 50 to 59 calendar days; and 60 or more calendar days.

3. Where it is impractical or unduly expensive to allocate the ledger balance to each category in E, a net amount may be reported and the balance shall be so indicated. Security valuations shall be allocated to E. 1, 2, 3 and 4 to the extent feasible and all other such security valuations shall be reported under E. 3 (in the case of net short valuations) or E. 5 (in the case of net long valuations).

The caption to Question 5 is amended to read as follows:

Question 5 -- Valuation of Securities and Spot (Cash) Commodities in Box, Depositories, Transfer and Transit

The present note is redesignated Note 1 and the