

NASD

NOTICE TO MEMBERS: 74-33

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

August 9, 1974

N O T I C E

TO: All NASD Members

RE: Continuing Commissions on Mutual Fund Transactions

Questions have recently arisen regarding the application of Article III, Section 26(c) of the Rules of Fair Practice (Rule) to the payment of continuing commissions by mutual fund underwriters to dealers who do not have sales agreements in effect. Section 26(c) reads, in pertinent part, as follows:

"No member who is an underwriter of the securities of an open-end investment company shall sell any such security to any dealer or broker at other than a public offering price unless (1) such dealer or broker is a member, and (2) at the time of the sale a sales agreement is in effect between the parties."

The basic question which has been presented to the Board of Governors is whether this Rule requires the existence of an effective sales agreement in order for an investment company underwriter to pay commissions to dealers on existing voluntary accumulation plans, contractual plans, and dividend reinvestment plans.

It is the Board's view that the Rule is intended to apply to new business processed by the dealer, such as the sale of a new plan, or an order placed by the dealer by telephone or teletype (so-called wire order) with the underwriter of the fund. The Rule should not therefore be interpreted as requiring such written agreements in order for the dealer to receive commissions on direct payments by existing clients to the fund or its agent, or on automatic dividend reinvestments.

It should also be understood that this explanation of the Rule is not intended to relate to the desirability of maintaining such agreements. The Board has no intention of precluding the exercise of business judgment in this area or of creating any obligation on the part of any member to pay such commissions. The sole concern of the Board is to clarify the application of the Rule in question.

Very truly yours,

A handwritten signature in cursive script that reads "Frank J. Wilson". The signature is fluid and elegant, with a prominent initial "F" and a long, sweeping underline.

Frank J. Wilson
Senior Vice President
Regulation

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A handwritten signature in cursive script, reading "Frank J. Wilson". The signature is written in dark ink and is positioned above the typed name.

Frank J. Wilson
Senior Vice President
Regulation

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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

August 16, 1974

TO: All NASD Member Firm Main Offices and Branches

Attention!

Training Personnel, Sales Managers and Branch Managers

Beginning in September 1974, the NASD, in conjunction with the New York Stock Exchange, will inaugurate a new Qualification Examination for General Securities Registered Representatives. This examination will be required of all candidates for registration who intend to engage in a general securities business. Candidates for registration who intend to limit their activities to (1) the sale of investment company products and/or variable contracts, and/or (2) the sale of limited partnership interests and/or (3) trading for the account of the member firm will be required to take the current registered representatives examination until such time as specialized qualification programs are established. These programs will be operational during the first part of 1975.

Applications for Registration

After September 1, 1974, all applications for registration as representatives must indicate whether the applicant will be registered as:

- | | |
|---|---------|
| 1. General Securities RR | (GS) |
| 2. Investment Company Products /
Variable Contracts RR | (IC/VC) |
| 3. Limited Partnership Interests RR | (LP) |
| 4. Security Trader | (ST) |

This can be accomplished on the first page of the B-302 application for registration under question 6 (b) in the box titled Representative. Applicants for registration should check the appropriate title, either Registered Representative or Assistant Officer, and on the line marked "Other", enter the applicable category or categories or their abbreviations listed above. The General Securities registration incorporates the qualification requirements of each of the three limited registration categories. Applicants choosing to be registered in more than one of the limited registration categories should so indicate on their applications. Examples of properly completed applications are shown below:

Example 1: General Securities RR

Representative

/x/ Registered Representative / / Assistant Officer / / Other General Securities RR

Example 2: Investment Company Products/Variable Contracts RR

Representative

/x/ Registered Representative / / Assistant Officer / / Other IC/VC RR

Example 3: Investment Company Products/Variable Contracts RR and Limited Partnership Interests RR

Representative

/x/ Registered Representative / / Assistant Officer / / Other IC/VC and LP

Details of the Qualification Examination for General Securities Registered Representatives

The general securities registered representative examination will be given in two three-hour sessions: one in the morning and the other in the afternoon on the same day. Both parts consist entirely of multiple choice questions. The new examination will be given on the third Saturday of each month only, commencing on September 21, 1974, and new forms of the examination will be utilized each month. This examination will not be administered in all the test centers currently maintained by the NASD. Test centers which will administer this examination are limited to the following cities:

New York City	Atlanta	Cleveland	Indianapolis
Los Angeles	Washington, D. C.	Miami	Rochester
San Francisco	Philadelphia	Kansas City	Lincoln
Chicago	Boston	Denver	New Orleans
St. Louis	Detroit	Seattle	Albuquerque
Dallas	Houston	Portland	
Minneapolis	Pittsburgh	Charlotte	

The admission certificate to these test centers will include details on the specific times and locations at which the general securities examination will be administered.

Scores and Score Reporting

Candidates' scores will be reported to their respective member firm employers on a Pass/Fail basis only. A profile will be provided for each failing candidate which will indicate overall performance in each of the examination's four principal subject areas. Every form of the examination is comparable in difficulty.

Examination Content

The examination will cover the following broad subject areas:

- I. Securities Industry Regulations and Procedures
 - A. Rules and regulations
 1. New York Stock Exchange (relating to trading procedures on the Exchange only)
 2. National Association of Securities Dealers
 3. Federal regulations
 - a. Securities Act of 1933
 - b. Securities Exchange Act of 1934
 - c. Investment Company Act of 1940
 - d. Regulations G, T, U
 - e. Securities Investor Protection Act (1970)
 - f. Trust Indenture Act of 1939
 - g. Investment Advisers Act of 1940
 4. State regulations (e.g., Blue Sky, Uniform Gifts to Minors)
 - B. Markets, investment banking, brokerage office procedures
 1. New York Stock Exchange trading
 - a. Dual listing
 - b. Auction market
 - c. Commission broker
 - d. \$2 broker
 - e. Odd lot dealer
 - f. NYSE Specialist
 - g. Requirements for listing
 - h. Types of orders
 - i. Block trade
 - j. Arbitrage
 - k. Bond trading
 - l. Reading the tape and newspapers, market indicators
 2. OTC trading
 - a. Securities traded
 - b. Functions of Market Maker
 - c. Sources of Market-Maker quotations
 - d. OTC order execution
 - e. Principal/Agent transactions
 - f. Third Market
 3. Other markets
 - a. Other exchanges
 - b. Foreign Market
 - c. Fourth Market
 - d. Chicago Board Options Exchange

4. Investment Banking
 - a. Common stock
 - b. Preferred stock
 - c. Corporate and municipal bonds
 - d. Closed-end funds
 - e. Rights offerings
 - f. Tender offers
 - g. Exchange offers
5. Brokerage Office procedures
 - a. Opening new accounts
 - b. Types of accounts
 - c. Entering an order
 - d. Maintenance of customer records
 - e. Review records of customer activity
 - f. Clearing, settlement and treatment of errors
6. Margins

II. Product Knowledge - Definitions, Characteristics and Uses

- A. Common stock
- B. Preferred stock
- C. Corporate bonds (including equipment trust certificates)
- D. Convertible bonds
- E. Government obligations (including agency bonds, FNMA, etc.)
- F. Municipal obligations (including industrial revenue bonds)
- G. Investment companies
- H. Money market instruments (non-government)
 1. Commercial paper
 2. Bankers acceptances
 3. Certificates of deposit
- I. Warrants, rights computations, options
- J. American Depository Receipts (ADR) and government guaranteed bonds
- K. Insurance and bank savings program
- L. Other products including REIT, Keogh Act plans, etc.

III. Economic, Financial and Security Analysis

- A. Economic, capital and money market analysis
- B. Security analysis and elements of finance
- C. Technical market analysis
- D. Taxation
- E. Formula plans (dollar cost averaging, etc.)

IV. Servicing Accounts

- A. Opening and handling new accounts
- B. Order execution and settlement

- C. Customer trading activities (margins, hedges, etc.)
- D. Customer investment objectives and constraints
- E. Customer portfolios
- F. Handling discretionary accounts
- G. Control stock (compliance)
- H. Tax consequences
- I. Security analysis

Study Outlines

The current NASD Study Outline for Qualification Examinations for Registered Representatives and Registered Principals can be utilized in preparation for this examination. Candidates and training personnel should understand that the subject matter covered in this outline will be tested in considerably more depth than has been the case with past examinations. In addition, the New York Stock Exchange has prepared a booklet titled Study Guide for the Registered Representative Examination which will be of assistance in preparing for this examination. Copies of this study guide are available from the New York Stock Exchange, Training and Examination Sections, 55 Water Street, New York, N. Y., 10041. A new study outline for this examination is being prepared by the Association's staff and will be available to member firms shortly.

Questions regarding this notice should be directed to Joseph F. Thompson, Director, Membership Department, (202) 833-7395.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

August 19, 1974

TO: ALL NASD MEMBERS

Enclosed herewith is a copy of the new NASD publication, Study Outline for the Qualification Examination for Registered Representatives Selling Investment Company Products and Variable Contracts. This outline identifies the subject matter content of the new and specialized examination for this class of registration, which will be implemented in early 1975.

The NASD will implement substantial changes in its qualification examination program throughout the remaining months of 1974 and early 1975. Essentially, these changes will incorporate a movement from general classes of registration for principals and representatives to a program of specialized registrations based on job function. The qualification standards for each class of registration have been derived from detailed job analyses conducted by the NASD staff and industry task forces composed of individuals from the appropriate segment of the industry.

In anticipation of this new registration program, the NASD has stipulated new procedures to be followed on all applications for registration (see NASD Release #74-34, dated August 16, 1974). While all applicants will be required to designate particular classes of registration on the application form following September 1, 1974, only those applicants designating a General Securities registration will be required to qualify by passing a new examination, developed in conjunction with the New York Stock Exchange and other regulatory agencies. Applicants designating registrations for the sale of investment company products and variable contracts, the sale of limited partnership interests and/or for security trading will continue to take the examination currently administered by the NASD until such time as specialized examinations for each of these categories are put into the field. As previously stated, these examination programs will be implemented commencing in January, 1975.

Additional copies of the enclosed Study Outline for the Qualification Examination for Registered Representatives Selling Investment Company Products and Variable Contracts may be purchased from the NASD Treasurer for \$2.00 per copy, with quantity discounts available on bulk purchase.

Questions concerning the content of this outline should be directed to Frank J. McAuliffe, Director, Qualification Standards, at (202) 833-7394.

Sincerely,

A handwritten signature in cursive script that reads "Frank J. Wilson". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Frank J. Wilson
Senior Vice President
Regulation

Enclosure



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION*

August 23, 1974

TO: All NASD Members

RE: Labor Day, Monday, September 2, 1974 -- Holiday Settlement Schedule For Non-NCC Transactions.

Securities markets and the NASDAQ System will be closed on Labor Day, Monday, September 2, 1974. Non-NCC transactions+ ("regular-way") made on the business days immediately preceding September 2 will be subject to the following schedule of settlement dates:

Settlement dates for "regular-way" transactions

<u>Trade Date</u>		<u>Settlement Date</u>	
August	22	August	29
	23		30
	26	September	3
	27		4
	28		5
	29		6
	30		9
September	3	September	10
	4		11

+Members with NCC transactions should refer to NCC Important Notice No. NCC-68-74 for information.

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, New York 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

August 27, 1974

(Please Duplicate This Notice and Distribute to
All Branch Offices and Sales Personnel)

TO: All NASD Members

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

Enclosed herewith is the text of new Section 6, "Service Charges for Processing Extension of Time Requests," which was submitted to and not disapproved by the Securities and Exchange Commission. The new section permits a service charge of \$1 to be levied on all applications for extensions of time submitted by members pursuant to the provisions of Regulation T and/or Rule 15c3-3 and a charge of \$2 on any subsequent application involving an extension of time previously granted. It should be noted that the service charge shall be applied on all initial and subsequent extension requests regardless of whether the requests are granted. Extensions will be granted only if the Association is satisfied that the application is made in good faith and that exceptional circumstances warrant such action.

Effective Date

On June 20, 1974, Notice to Members 74-23 advised the membership that the anticipated effective date of the Schedule A amendment was September 3, 1974. The effective date has been redesignated to October 1, 1974 to enable all members the opportunity to receive the new application forms which will become available on or about September 20, 1974 at all of the Association's District Offices.

Explanation of Request Forms

In order to assist its members the NASD has developed two new forms to be used when applying to the Association for an extension of time

as provided under Regulation T and Rule 15c3-3. As of October 1, 1974 only the new forms will be accepted for processing and requests submitted on old forms will be returned.

The new application forms will be in four parts and must be completed in full by the member firm and directed to the District Office in which the member is located. The application forms must be either typewritten or printed and include such information as the firm's NASD Identification Number, whether the office requesting the extension is a main office or branch office, and whether the application is for an initial or subsequent request.

The District Office will return the first copy of the application to the member firm with a description of the action taken on the request. The second copy will be retained in the District Office files. The third and fourth copies of each application will be forwarded by the District Offices to the NASD's Treasurer's Department for billing purposes.

Billing Procedures

Service charges will be billed to members' main offices on a quarterly basis and will be levied for processing each application regardless of whether the request is granted or denied. A service charge will not be levied if an application is returned to a member firm for re-submission.

Should a member firm have a question concerning a particular invoice, it should be directed to the Association's Treasurer's Department (202-833-7380), making reference to the invoice number and the billing period covered by the invoice. Inquiries concerning a particular extension of time request should be directed to the Association's District Office in which the member firm is located.

Questions regarding this notice should be directed to 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

Enclosure

Amendment to Article III, Schedule A, of the
Association's By-Laws by Addition of
New Section 6

Section 6 - Service Charges for Processing
Extension of Time Requests

(a) There shall be a service charge imposed on all members who file with the Association a request for an extension of time pursuant to the provisions of Section 220.4(c)(6) of Regulation T and/or paragraph (n) of Rule 15c3-3 under the Securities Exchange Act of 1934.

(b) The service charge for processing each initial extension of time request shall be \$1. A service charge of \$2 shall be imposed on subsequent extension of time requests (1) involving the same transaction under Regulation T and/or (2) involving an extension of time previously granted pursuant to Rule 15c3-3(n).

* * *



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

September 10, 1974

TO: All NASD Members

RE: McMaster Hutchinson & Co.
150 S. Wacker Drive
Chicago, Illinois 60606

Attention: Operations Officer, Cashier, Fail-Control Department

On Wednesday, September 4, 1974 National Clearing Corporation, acting under NCC Operating Rules, temporarily ceased to act for McMaster Hutchinson & Co., a Chicago based member firm, with regard to NCC transactions.

As a result, Members having non-NCC over-the-counter transactions with the firm may use the "immediate close-out" procedures under Section 59 (i) of the NASD's Uniform Practice Code to close-out such open transactions.

Additionally, on Thursday, September 5, 1974, a court appointed temporary receiver was named for the firm. Questions regarding the firm should be referred to the temporary receiver indicated below.

Mr. Lowell E. Sachnoff, Esq.
Sachnoff Schroeger Jones & Weaver
1 IBM Plaza, Suite 4700
Chicago, Illinois 60611
Telephone (312) 644-2400

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

September 18, 1974

TO: All NASD Members and Branch Offices

IMPORTANT

QUALIFICATION EXAMINATION INFORMATION

- RE: (1) Changes in Schedule of Examination Centers -
(2) Details on Administration of the Series 7 Examination

Changes in Schedule of Examination Centers

Because of the initiation of the new Series 7 examination known as the "Qualification Examination for General Securities Registered Representatives," it has been necessary to make certain changes in our current Schedule of Examination Centers (July, 1974) previously sent you.

- (1) In the following centers the sessions which were scheduled for the third Saturday of each month are reserved exclusively for candidates taking the Series 7 examination effective September, 1974. Candidates for all examinations except the Series 7 may continue to take other examinations on the days listed in the Schedule except the third Saturday of each month.

Miami, Florida
Boston, Massachusetts
St. Louis, Missouri

- (2) Effective October 1, 1974, for all examinations except the Series 7 examination, the NASD test center in Indianapolis will be at the following location:

Indiana University/Purdue University at Indianapolis
925 W. Michigan, Cavanaugh Hall, Room 333
Indianapolis, Indiana

Examinations (except Series 7) will be conducted at this location every Tuesday at 2 PM.

The Series 7 examination will be conducted on the third Saturday of each month beginning September 21, 1974 in Indianapolis at the following address:

Indiana University/Purdue University at Indianapolis
925 W. Michigan, Lecture Hall, Room 105
Indianapolis, Indiana

For time and all other details concerning the administration of the Series 7 examination, see "Details on Administration of the Series 7 Examination" in this Notice.

- (3) Effective October 1, 1974, for all examinations except the Series 7 examination, the NASD test center in Cleveland will be at the following location:

Cleveland State University
University Center Building
2301 Euclid Avenue, Room 253-Balcony
Cleveland, Ohio

Examinations (except Series 7) will be conducted at this location on the first Saturday in each month at 9:00 AM.

The Series 7 examination will be conducted on the third Saturday of each month beginning September 21, 1974 at the same address. See "Details on Administration of the Series 7 Examination" in this Notice.

Other changes in the July, 1974, Schedule are as follows:

- (1) NASD test center facilities in Montreal, Canada, have been discontinued.
- (2) Time changes in New York City (Notice sent to Members and Branches in Districts #11, #12, and #13 on 7/3/74):

Every Monday,	9:00 AM	All Examinations* <u>except Series 7</u>
Every Thursday,	1:00 PM	All Examinations* <u>except Series 7</u>
Every Wednesday,	6:00 PM	NASD Series 1**, SECO, National Commodity Futures examinations only

* Candidates eligible to qualify for registration with the NASD and the NYSE by taking the Series 1 and Series 5 examinations may continue to take these examinations at the times indicated at Psychological Corporation, 304 E. 45th St., 12th Floor.

** This examination, until further notice, may only be used in meeting Association examination requirements by applicants who file an Application for Registration in the future for the following Registered Representative categories:

Investment Company Products/Variable Contracts
Limited Partnership Interests
Security Traders

Details on Administration of the Series 7 Examination

General

The Series 7 examination must be taken by any candidate having an examination requirement for registration with the NASD who will be selling general securities and who files an Application for Registration after September 1, 1974. The New York Stock Exchange will also require this examination for registration as a Registered Representative, beginning with those candidates who have been, will be or are

in training under the Exchange's four-month training requirement. The American Stock Exchange's examination requirement for Registered Representatives will be satisfied through the achievement of a passing score on the Series 7 examination by a candidate for registration with that Exchange, and other exchanges have under active consideration the possible acceptance of the Series 7 examination for satisfaction of their examination requirements for Registered Representatives.

Frequency

The Series 7 examination will be regularly administered once a month on the third Saturday of each month only in the cities listed below, and only at the locations specified. Candidates are advised to check the precise location for the Series 7 examination, for the address and/or room number in a number of instances is different from that where other examinations are given in the same city.

Time

Candidates must report to the examination center by 8:30 AM local time. Examinations begin promptly at 9:00 AM local time. NO CANDIDATE WILL BE ADMITTED ONCE THE EXAMINATION STARTS.

Identification

Positive identification will be required. A driver's license with a photograph is preferred; however, if such is not available, some identification with a written personal description must be provided. EACH CANDIDATE WILL ALSO BE REQUIRED TO PROVIDE HIS/HER SOCIAL SECURITY NUMBER.

Calculating Devices

No slide rules, calculators or similar devices may be used by candidates. Consequently, such items should not be brought to the test centers.

Admission Certificates

A Series 7 Admission Certificate will be required of all candidates who are to sit for the examination. The Admission Certificate will be valid for a time period to include only three test sessions. Each certificate will clearly indicate the time period for which it is valid, and no candidate will be permitted to sit for an examination if he/she presents a certificate at the test center before or after the time period stated thereon.

Member firms may obtain an original Admission Certificate for a candidate by filing an Application for Registration SIMULTANEOUSLY with each organization with which the candidate is to be registered and paying appropriate fees in accordance with the requirements of each regulatory body. At the appropriate time when a candidate may sit for the examination, the firm will be sent a validated Admission Certificate.

If the candidate does not take the examination during the time period specified on the Admission Certificate, the firm must RETURN THE EXPIRED CERTIFICATE and request a renewal Admission Certificate. Requests for renewal certificates (please note

this is NOT the same as a request for re-examination) should be addressed as follows:

NYSE/NASD Members -

Write: Registration Section
Regulation and Surveillance Group
New York Stock Exchange, Inc.
55 Water Street
New York, N. Y. 10041

ASE/NASD Members -

Write: Registered Representative Section
Membership Services Division
American Stock Exchange, Inc.
86 Trinity Place
New York, N. Y. 10006

All other NASD Members not
covered above having candidates
who must register with the
NASD as General Securities
Registered Representatives -

Write: Examination Section
Membership Department
National Association of Securities
Dealers, Inc.
1735 K St., N.W.
Washington, D.C. 20006

Series 7 Admission Certificates, both original and renewal, are two-part certificates and the candidate must present one part for admission to the morning session and one part for admission to the afternoon session. BE SURE THE CANDIDATE HAS BOTH PARTS OF THE CERTIFICATE WHEN HE/SHE FIRST APPEARS AT THE TEST CENTER.

No candidate will be admitted to the test session without a properly validated Series 7 Admission Certificate.

Re-Examination Requests

For candidates who fail the Series 7 examination, all re-examination requests, regardless of exchange affiliation, should be made to the NASD. Re-examination requests MUST be accompanied by the required \$30.00 examination fee (checks only, made payable to NASD) and should be addressed as follows:

Examination Section (Re-Exam Request)
Membership Department
National Association of Securities Dealers, Inc.
1735 K St., N.W.
Washington, D.C. 20006

NYSE FIRMS NOTE: SIMULTANEOUSLY WITH YOUR REQUEST TO THE NASD FOR A CANDIDATE'S RE-EXAMINATION, YOU ARE TO SEND A COPY OF THE REQUEST TO THE NYSE AT THE FOLLOWING ADDRESS. FAILURE TO DO SO MAY DELAY THE ISSUANCE OF THE RE-EXAMINATION CERTIFICATE.

Registration Section (Re-Exam Request)
Regulation and Surveillance Group
New York Stock Exchange, Inc.
55 Water Street
New York, N.Y. 10041

No fee need accompany your re-examination request to the NYSE.

Location of Test Centers

Information below is applicable ONLY to Series 7 examinations. With the aforementioned changes, the July, 1974 Schedule of Examination Centers continues to apply for all other examinations.

CALIFORNIA

Los Angeles - Loyola Marymount University,
Loyola Blvd. at W. 80th St.,
Seaver Hall, Room 100

San Francisco - University of San
Francisco, Golden Gate and Masonic
Avenues, Cowell Hall, Room 325

COLORADO

Denver - The Albany Hotel, 17th and Stout
Streets, Room posted on Hotel Directory

DISTRICT OF COLUMBIA

Washington, D.C. - George Washington
University, 2201 G Street, N.W.,
Building "C", Room 317

FLORIDA

Miami - Miami-Dade Junior College,
South Campus, 11011 S.W. 104th St.,
Science Bldg., Room 3321

GEORGIA

Atlanta - Emory University, Clifton and
N. Decatur Rds., Gambrell Hall, Room 104

ILLINOIS

Chicago - DePaul University, College of
Commerce, 25 E. Jackson Blvd.

INDIANA

Indianapolis - Indiana University/Purdue
University at Indianapolis, 925
W. Michigan, Lecture Hall, Room 105

LOUISIANA

New Orleans - Loyola University,
St. Charles Ave. and Calhoun St.,
Old Law Bldg., Room 206

MASSACHUSETTS

Boston - Northeastern University,
Huntington Ave. and Forsythe St.,
Forsythe Hall, Room 125

MICHIGAN

Dearborn - Detroit College of Business
Oakman Blvd. and S. Michigan Ave.,
Check Bulletin Board at entrance

MINNESOTA

Minneapolis - University of Minnesota,
West Bank Campus, Blegen Hall,
Room 130

MISSOURI

Kansas City - University of Missouri,
52nd and Rockville Rd., Haag Hall

St. Louis - Washington University,
Skinker and Forsythe Sts.,
Prince Hall

MONTANA

Billings - Billings Business College,
3125 Third Ave. North, Room 8

NEBRASKA

Lincoln - University of Nebraska,
Nebraska Center for Continuing
Education, 33rd and Haldrege Sts.,
Report to 2nd Fl. Registration Desk

NEW MEXICO

Albuquerque - University of New Mexico
University College Bldg., Testing
Division, Room 8

NEW YORK

New York City - New York Institute of
Finance, Two New York Plaza, Room 1

Rochester - University of Rochester,
River Campus, Psychology Bldg.,
Report to Lobby

NORTH CAROLINA

Charlotte - Central Piedmont Community
College, Terrell Administration
Bldg., Room 500

NOTE: Sessions previously open for all examinations on the third Saturday of each month in Miami Florida; Boston, Massachusetts; and St. Louis, Missouri, are reserved exclusively for Series 7 candidates, effective September, 1974.

OHIO

Cleveland - Cleveland State University,
University Center Bldg.,
2301 Euclid Ave., Room 253-Balcony

TEXAS

Dallas, Southern Methodist University
Main Quadrangle, Hyer Hall,
Room 204

OREGON

Portland - University of Portland,
5000 N. Willamette Blvd., West Hall,
Room 405

Houston - University of Houston
(Downtown Campus), One Main St.,
M & M Bldg., Room 656

PENNSYLVANIA

Philadelphia - Drexel University,
32nd and Market Sts., Matheson Hall,
Room 109

WASHINGTON

Seattle - Metropolitan Business
College, 414 Union St., Room 2

Pittsburgh - Duquesne University,
600 Forbes Ave., Rockwell Hall,
Room 303

Lunch

Lunch facilities are available at or near all Series 7 test centers. Lunch will be at the candidate's expense.

Parking

Parking facilities are also available at or near Series 7 test centers. However candidates are advised to check local restrictions.

Notification of Examination Results

Because the Series 7 examination will be given the same day of the month throughout the nation resulting in a highly concentrated influx of examinations to be graded, a delay of several days in getting the results to member firms compared to the present time may be experienced. Results will indicate "Pass" or "Fail" only and will be supplied to member firms as quickly as possible.

Series 7 Examinations at Foreign Test Centers

Administration of the Series 7 examination will initially be in the United States only. Plans are to be finalized in the near future for the administration of regular test sessions for the Series 7 examination outside the United States. Members will be notified as soon as arrangements are final.

Questions regarding this notice should be directed to Joseph F. Thompson, Director, Membership Department, NASD, Washington, D. C. - (202) 833-7395.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

September 20, 1974

TO: ALL NASD MEMBERS

RE: Financial House, Inc.
840 Buhl Building
Detroit, Michigan 48226

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

On Wednesday, September 18, 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

Mr. David Robb, Esq.
924 Ford Building
Detroit, Michigan 48226
Telephone (313) 962-8100

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, New York, New York 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.

OP file

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

October 1, 1974

TO: All NASD Members

FROM: David R. Murphey III, Chairman of the Board of Governors
Gordon S. Macklin, President

Persistent low volume in the over-the-counter market has necessitated continuing cost-cutting measures by the National Clearing Corporation (NCC), a wholly-owned subsidiary of the NASD. The latest of these steps is the selection of Bradford Computer and Systems, Inc. as the facilities management contractor for NCC clearing operations.

Need for Cost Cutting

Throughout 1973 volume handled by NCC averaged 24,475 transaction sides per day. This level of volume resulted in a net loss of \$461,191 to the clearing corporation for the year. When volume levels did not improve and, in fact, deteriorated during the first half of 1974, the Board of Directors of NCC instituted a major cost-cutting program by eliminating certain leased equipment and by reducing NCC staff from 384 to less than 300. Volume continued to fall so that despite these cost-cutting actions, NCC suffered a net loss of \$64,753 in August when average daily volume reached a low of 16,700 sides. The cumulative deficit for eight months of 1974 is \$892,841.

Recognizing that further cost-cutting steps would have to be taken, the NCC's Board of Directors during the summer initiated discussions with the Securities Industry Automation Corporation (SIAC) and Bradford Computer and Systems, Inc. to solicit the terms under which each would be willing to assume responsibility for management of NCC's clearing operations. (SIAC is a jointly-owned subsidiary of the New York and American Stock Exchanges.) Proposals were submitted to the NCC Board of Directors by Bradford and SIAC to assume facilities management and also by the NCC staff to continue operations with its own personnel.

Analysis of the three proposals showed that for a projected average volume of 18,000 transaction sides per day, the Bradford proposal would produce \$1,000,000 more in income for NCC over a three-year period than either the NCC staff or SIAC proposals. In addition, if average volume were to decrease, the terms of the

Bradford proposal become even more favorable by comparison with the terms of the other two proposals and NCC would be guaranteed a profit at any volume level.

The analysis showed that at 23,000 sides per day the Bradford proposal will generate more income than the SIAC approach. However, at all volume levels above 20,000 sides, the NCC staff plan would produce more income than either of the other two alternatives.

Of principal concern to the NCC Board of Directors was the need to protect the clearing corporation from incurring continuing losses and possibly requiring further rate increases. The net effect of the terms of the Bradford proposal is to eliminate the possibility of further losses and to improve the current cash flow at NCC by an estimated \$85,000, based on an average volume of 18,000 sides per day.

Bradford Computer and Systems, Inc.

The reason that Bradford was able to submit such a proposal is based upon its position as the nation's largest securities processing organization and its plans to utilize and share existing facilities for the over-the-counter clearing operation. These plans include:

- Sharing computer facilities with its stock transfer operations.
- Sharing of personnel employed in securities handling operations.
- Sharing personnel and facilities in seven cities in which NCC now has its own regional centers.
- Sharing courier service among centers served.
- Sharing of communications network costs tying the regional centers to New York City.
- Sharing of developmental resources with NCC.

A Single National Clearing System - Background

Equally important in the analysis of the proposals was that no action be taken that would delay implementation of the long-sought industry objective of a single national clearing system for all securities transactions. In approaching this matter, the Board of NCC discussed previous efforts by the NASD to achieve a national system working through the National Securities Processing Committee (NSPC). This committee, created by the Memorandum of Understanding signed by the NASD and the exchanges, has been meeting since January of this year.

The NSPC is currently working with the New York and American Stock Exchanges to achieve a merger by next spring of their clearing corporations under the aegis of a new member board. The next steps of integrating NCC with this new clearing board, selecting the system for use on a national basis and designating an organiza-

tion as system operator are expected to be significantly more complex tasks than that of merging the exchange clearing facilities. These are problems which must be solved before a national system can be implemented. Based upon progress to date, it was the opinion of the NCC Board that it is extremely doubtful an agreement on all of these matters could be achieved in less than a year's time.

Provisions for Early Termination of Bradford Contract

So as not to impede in any way progress toward a single national clearing system, provision was made in the Bradford arrangement for termination as early as a year from commencement of operations by Bradford. The contract provides that NCC may terminate the relationship at the end of 12 months for \$250,000, at the end of 24 months for \$125,000 and at the end of 36 months and thereafter at no cost. The net savings to the industry are substantial even if the contract should be terminated at the end of a year.

NCC Control

The NCC Board will continue to set policy as in the past and will retain staff to perform rules writing, surveillance over clearing members' financial status, uniform practice functions and membership administration matters. In addition, NCC will have technical staff on-site to monitor operations and oversee planning. Consequently, it is believed that adequate control over the clearing system will remain with industry representatives.

After careful consideration of all these factors, the Board of Directors of NCC concluded that the Bradford arrangement served best both the immediate and long-range interests of NASD members and the securities industry as a whole. The Board of Governors of the NASD reviewed the entire matter at its meeting on September 23 and concurs in the conclusions and actions taken by the Board of Directors of NCC.

* * *

DL file



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION*

October 2, 1974

To: ALL NASD MEMBERS

Transactions made on Monday, October 14, 1974 (when Columbus Day will be observed), Tuesday, November 5, 1974 (Election Day), and Monday November 11, 1974 (when Veteran's Day will be observed**) and transactions on the business days immediately preceding such days will be subject to the schedule of settlement dates below (for "regular-way" transactions). No settlements will be made on October 14, November 5 or November 11, but securities markets and the NASDAQ system will be in operation for trading.

Deliveries of securities and payments of funds ordinarily due on October 14, November 5 and November 11 shall be due on the business day following such days.

Transactions made on October 14, November 5 and November 11 shall be combined for settlement with transactions made on the business day preceding such days.

These days shall not be considered business days in determining the day for settlement of a transaction, the day on which stock shall be quoted ex-dividend or ex-rights or in computing interest on bonds.

Further, marks to the market, reclamations, buy-ins and sell-outs as provided for in the Uniform Practice Code, shall not be exercised on October 14, November 5 or November 11.

Settlement dates for "regular-way" transactions

<u>Trade Date</u>		<u>Settlement Date</u>	
October	7	October	15
	8		16
	9		17
	10		18
	11 and 14		21
	29	November	6
	30		7
	31		8
November	1		12
	4 and 5		13
	6		14
	7		15
	8 and 11		18

-more-

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, New York 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.

** In some states Veteran's Day is observed October 28. However, October 28, 1974 will be considered a full business and settlement day. Similarly, some states have no elections on November 5, 1974.

*DP file***NASD**

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

October 2, 1974

To: All NASD Members

Re: Quarterly Check-List of Notices to Members (Third 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>
74-27	Schedule of Examination Centers	7/1/74
74-28	Quarterly Check-List of Notices to Members (Second Quarter, 1974)	7/2/74
74-29	Appointment of SIPC Trustee for Investment Securities Corporation	7/11/74
74-30	Reminder of State Registration Requirements for Broker-Dealers	7/30/74
74-31	Treatment of Prepaid Fails-to-Receive Pursuant to SEC Rules 15c3-1 and 15c3-3	7/30/74
74-32	Adoption of Amendments to Form X-17A-5	7/30/74
74-33	Continuing Commissions on Mutual Fund Transactions	8/9/74
74-34	New Qualification Examination for General Securities Registered Representatives	8/16/74
74-35	Study Guide for the Qualification Examination for Registered Representatives Selling Investment Company Products and Variable Contracts.	8/19/74

<u>Serial No.</u>	<u>Subject</u>	<u>Date</u>
74-36	Holiday Settlement Schedule - Labor Day	8/23/74
74-37	Adoption of Section 6, Schedule A, Article III of the Association's By-Laws ("Service Charges for Processing Extension of Time Requests")	8/27/74
74-38	Appointment of Temporary Receiver for McMaster Hutchinson & Co.	9/10/74
74-39	Changes in Schedule of Examination Centers	9/18/74
74-40	Appointment of SIPC Trustee for Financial House, Inc.	9/20/74

NASD*DP file*

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

October 16, 1974

To: All NASD Members and Interested Persons

Re: Proposed Amendment to Schedule D Under the By-Laws
Concerning a Minimum Commitment for NASDAQ Market
Makers

The Board of Governors of the Association has proposed an amendment to Schedule D under the Association's By-Laws which is being published by the Board at this time to enable all interested persons an opportunity to comment thereon. Such comments must be in writing and received by November 15, 1974 in order to receive consideration. After the comment period has closed the proposed amendment will again be reviewed by the Board. If approved, the amendment must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Explanation of Proposed Amendment

The proposed amendment would require each Association member who registers as a market maker in a NASDAQ security to make a commitment to enter quotations into the NASDAQ system in that security for a period of at least ninety (90) calendar days from the date of registration. The amendment further provides that if a registered market maker, without approval from the Association, terminates its registration in a NASDAQ security by withdrawing its quotations from the System prior to the expiration of the 90 day period, such market maker would be prohibited from re-registering as a NASDAQ market maker in that security for a period of ninety (90) calendar days.

The proposed amendment is a continuation of the policy of the Association's Board of Governors, to develop rules and regulations which strengthen the NASDAQ System and the over-the-counter securities market. The Board of Governors believes that the proposed amendment is a natural extension of the Association's present requirements concerning the firmness of quotations, market maker withdrawals from the System, and the relationship

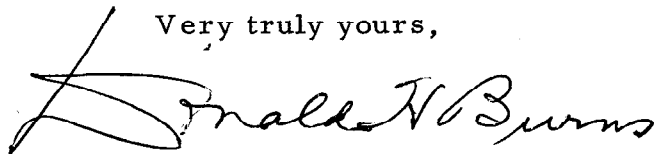
of quotations to the prevailing market. The Board believes that the proposed amendment will further improve the depth and liquidity of the over-the-counter market and will provide that the investing public and the industry receive NASDAQ quotations with the highest degree of confidence.

The Board recognizes that the application of the proposed amendment must provide for early termination of registration in the case of extraordinary circumstances such as: serious personnel problems; merger or consolidation of the member; or serious financial and operational problems of the member. In addition, the current Schedule D excused withdrawal procedure will continue to be available to market makers. However, circumstances which are acceptable for an excused withdrawal will not necessarily be acceptable for an early termination. It is clearly not possible for the Board to anticipate every situation wherein early termination may be appropriate and therefore the Board welcomes any comments or suggestions the membership may have to aid it in developing an early termination policy which will be fair and practical.

The Board recognizes the problems that may arise in the application of the proposed amendment to those market makers who register with the System for the purpose of entering quotations of a security during its distribution or for the purpose of engaging in legitimate arbitrage transactions. The Board specifically invites comments on these two situations.

Comments should be addressed to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D. C. 20006 on or before November 15, 1974. All communications will be considered available for inspection.

Very truly yours,

A handwritten signature in cursive script that reads "Donald H. Burns". The signature is written in dark ink and is positioned above the typed name and title.

Donald H. Burns,
Secretary

TEXT OF PROPOSAL

New material indicated by underlining

Proposed Amendment to Part I, Section C. of Schedule D
under Article XVI of the By-Laws

C. 3. Continuing Qualifications

b) Character of quotations entered into the System. A registered market maker which receives a buy or sell order must execute a trade for at least a normal unit of trading at his quotations as they appear on NASDAQ CRT screens at the time of receipt of any such buy or sell order. Each quotation entered by a registered market maker must be reasonably related to the prevailing market.

c) Market making commitment. A registered market maker who registers in a security must enter quotations into the System in such security for a period of at least ninety (90) calendar days from the effective date of registration.

6. Voluntary Termination. A registered market maker may voluntarily terminate its registration as to a given security by withdrawing its quotations from the System provided its registration in that security has been effective for at least ninety (90) calendar days. A registered market maker who, without the approval of the Corporation, voluntarily terminates its registration as to a given security by withdrawing its quotations from the System at any time prior to the expiration of the minimum ninety (90) calendar day period, shall be prohibited from re-registering in that security for a period of ninety (90) calendar days.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

November 7, 1974

TO: ALL NASD MEMBERS

On August 19, 1974, the NASD sent a Notice to Members #74-35 containing the Study Outline for the Qualification Examination for Registered Representatives Selling Investment Company Products and Variable Contracts. This outline identifies the subject matter content of the new and specialized examination for this class of registration. In that release, January 1, 1975, was set as the target date for implementing this and a number of other specialized examination programs for representatives. It has now been determined that it will be more equitable to the membership to change the effective implementation date to March 1, 1975.

The Association has been informed by a number of firms developing training material for the Investment Company/Variable Contracts Examination that it will be impossible for them to have new training material prepared and distributed to the field prior to January, 1975. Since the intent of the new qualification examination program is to equitably test prospective representatives in those areas for which they will be responsible, the NASD Board of Governors does not believe it reasonable to implement the new programs until the members have ample time to prepare and distribute new training material. Thus, the new implementation date will be March 1, 1975.

Questions concerning this notice should be directed to Frank J. McAuliffe, Director, Qualifications and Examinations Department, at 202-833-7394.

Sincerely,

A handwritten signature in cursive script that reads "Frank J. Wilson". The signature is written in dark ink and is positioned above the typed name and title.

Frank J. Wilson
Senior Vice President
Regulation

NASD



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

November 13, 1974

To: All NASD Members

Re: Availability of SECTOR Services to NASD Member Firms

The Securities Telecommunications Organization (SECTOR) has offered to extend the availability of SECTOR services to NASD Member firms. This presents an opportunity to member firms to reduce communications costs by sharing line facilities which have been leased at bulk rates.

SECTOR is a non-profit service organization, established by the New York Stock Exchange, the American Stock Exchange and the Securities Industry Association for the purpose of reducing the securities industry's communication costs. SECTOR, which is now a service of SIAC, offers low cost communication lines for:

- Point to point teletypewriter service
- Multipoint teletypewriter service
- Dial tie lines
- Off premise extensions
- Alternate voice data service
- Full data service

Should you have an interest in obtaining SECTOR circuits
contact:

Mr. P. Carroll
SECTOR Division
SIAC
55 Water Street
New York, New York 10041
Tel. (212) 623-8740



file

NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

November 13, 1974

TO: ALL NASD MEMBERS

RE: Dow Financial (formerly R. D. Hall Securities)
2041 Business Center Drive, Suite 211
Irvine, California 92664

Attention: Operations Officer, Cashier, Fail Control Dept.

On Monday, November 11, 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 directed to the SIPC Trustee indicated below:

Mr. Eugene W. Bell
Stevens, Jones, Lafever & Smith
800 Wilshire Boulevard
Los Angeles, California 90017
(213) 485-1111

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, New York, New York, 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

December 13, 1974

To: All NASD Members

Re: Christmas Day and New Years Day Closings - Non-NCC
Transactions*

The following notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.

Securities markets and the NASDAQ System will be closed on Christmas Day, Wednesday, December 25, 1974 and New Years Day, Wednesday, January 1, 1975. Transactions made on the business days immediately preceding such days will be subject to the schedule of settlement dates below (for "regular-way" transactions).

Settlement dates for "regular-way" transactions

<u>Trade Date</u>	<u>Settlement Date</u>
December 16	December 23
17	24
18	26
19	27
20	30
December 23	December 31
24	January 2
25 Christmas Day	
26	3
27	6
December 30	January 7
31	8
January 1 New Years Day	
2	9
3	10

*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.

NASD

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

December 13, 1974

TO: NASD Members and Branch Offices

FROM: Richard Peters
Vice President - NASDAQ Operations

RE: Restructuring of the National Newspaper Lists

The National OTC-NASDAQ List (1410 issues) and the Additional OTC-NASDAQ List (990 issues) were revised on November 29, 1974 in accordance with Part IX 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 January 7, 1975.

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 1410 highest-ranking securities comprising the National List, and the next 990 issues making up the Additional List.

Due to the continuing adverse market conditions, the NASDAQ Committee has, by administrative action, eliminated the minimum initial and maintenance bid price requirements for both lists.

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 or had been in NASDAQ less than one month as of November 29, 1974. If an eligible issue subsequently qualifies, it will compete with other qualified issues on the basis of

- more -

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*file*

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

, December 16, 1974

TO: All NASD Members and Interested Persons

RE: Proposed Amendment to Article XV, Section 5, and Proposed Adoption Under Schedule A of Article III of Section 7 of the Association's By-Laws

The Board of Governors of the Association has proposed amendments to the By-Laws and to Schedule A thereunder which are being published at this time to enable all interested persons an opportunity to comment thereon. Such comments must be in writing and received by January 15, 1975 in order to receive consideration. After the comment period has closed, the proposals must again be reviewed by the Board. Thereafter, the proposed amendments to Article XV, Section 5, must be submitted to the membership for vote. If approved, all proposals must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Explanation of Proposed Amendments

The Board is concerned with the need to more closely review terminations-for-cause of registered persons whose activities at the firms they leave require staff investigation and where such activities may eventually lead to District Business Conduct Committee sanctions. It has been noted that all too often notices of termination for such individuals are not promptly filed, if filed at all, with the Association thereby allowing the individual to register with another member firm or open his own securities firm before the circumstances surrounding his former employment are investigated.

The Board proposes an amendment to Article XV, Section 5, that would require all members to file with the Association a written notice of termination of any registered person associated with the member no later than fifteen (15) business days following the actual date of his termination. It would also provide that where such notification is not submitted within the time prescribed, a late filing fee of

\$25 would be charged the delinquent member pursuant to the provisions of proposed new Section 7 of Schedule A of the Association's By-Laws. The Board of Governors recognizes the fact that the term "employment" does not have universal application to all registered persons, particularly those classified as independent contractors, and, as such, proposes that the word "association" replace the word "employment" in Section 5. It is the intent of the Board that all such persons are to be covered by the proposed amendment.

The proposed amendments represent a continuation of the policy of the Association's Board of Governors to develop rules and regulations which strengthen standards for entry into the securities business including those for admission to membership in the Association. The proposed amendments will provide for closer surveillance over applicants and help expedite the administrative processing of individuals' registrations where, heretofore, specific historical employment data has not always been available on a timely basis. Comments should be addressed to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006 and should be received on or before January 15, 1975 to receive consideration.

Sincerely,

A handwritten signature in cursive script that reads "Frank J. Wilson". The signature is written in dark ink and is positioned above the typed name.

Frank J. Wilson
Senior Vice President
Regulation

Attachment

Proposed Amendment to Article XV, Section 5

Section 5 - Notification by Member to Board of Termination

No person associated with a member who is registered with the Corporation may transfer his registration or any right arising therefrom. Promptly upon, but in no event later than fifteen (15) business days after, upon the termination of the ~~employment~~ association by a member of a person who is registered, such member shall give written notice to the Board of Governors of the termination of such ~~employment~~ association. A member who does not submit such notification in writing within the time period so prescribed shall be assessed a late filing fee pursuant to the provisions of Schedule A, Section 7, of the By-Laws. Termination of registration (subject to Section 6) of such person associated with a member shall not take effect until 30 days after receipt thereof by the Board of Governors nor so long as any complaint or action is pending against a member and to which complaint or action such person associated with a member is also a respondent, or so long as any complaint or action is pending against such person individually or so long as any examination of the member or person associated with such member is in process. The Board of Governors, however, may in its discretion declare the resignation effective at any time.

Proposed New Section 7 of Schedule A of the By-Laws

Section 7 - Notification of Termination Late Filing Fee

(a) A late filing fee of \$25 shall be assessed a member who fails to submit to the Board of Governors written notification of the termination of the association of a person who is registered within fifteen (15) business days of such termination as required by Section 5 of Article XV of the By-Laws.

(b) The late filing fee prescribed by subsection (a) hereof shall accompany any delinquent written notification of termination filed with the Board of Governors and shall be made by United States postal money order, certified check, bank cashier check or bank money order payable to the National Association of Securities Dealers, Inc.

file

NASD

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

December 16, 1974

TO: ALL NASD MEMBERS

RE: Universal Underwriting Service
352 Denver Street, #200
Salt Lake City, Utah 84111

The following notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.

On Tuesday, December 10, 1974, a court appointed Temporary Receiver was named for the above captioned firm. Accordingly, Members may use the "immediate close-out" procedures described in Section 59 (j) 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 directed to:

Temporary Receiver

Mr. Herschel Saperstein, Esq.
Pugsley, Hayes, Watkiss, Campbell &
Cowley
315 E. 2nd South
Salt Lake City, Utah 84111

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.

*DFP file***NASD**

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

December 20, 1974

To: All NASD Members and Interested Persons

Re: Proposed Article XVIII of the Association's By-Laws
and Schedule G Thereunder

The Board of Governors of the Association has proposed a new Article XVIII of the Association's By-Laws as well as a new Schedule G thereunder which are being published at this time to give all interested persons an opportunity to comment. The Board of Governors believes the changes are essential to the establishment of a Consolidated Tape for public reporting of exchange and over-the-counter transactions in certain listed securities.

All comments must be in writing and received by January 20, 1975 in order to receive consideration. After the comment period has closed the proposals must again be reviewed by the Board. Thereafter, if approved by the Board, the proposed new Article XVIII to the By-Laws must be submitted to the membership for vote. The proposed Schedule G does not require membership vote. If the new By-Law is approved by the membership, the By-Law and Schedule G thereunder must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Background and Explanation of Proposals

On December 15, 1972, the Securities and Exchange Commission as a step in the establishment of a Consolidated Tape, adopted Rule 17a-15 requiring the national securities exchanges and the Association to file with the Commission a written plan or plans meeting specific standards respecting the collection and dissemination of information relating to transactions executed by members in certain listed securities. Rule 17a-15 also requires every member of a national securities exchange and every

member of the Association to promptly transmit to the exchange or Association, any information and records required under such required plan or plans. On May 17, 1974, the Commission declared effective a joint plan filed by the Association and the national securities exchanges. The plan as filed requires reporting of all transactions in eligible securities to the Consolidated Tape. The term "eligible securities" is defined by the plan as (1) any common stock, long-term warrant or preferred stock registered or admitted to unlisted trading privileges on the New York Stock Exchange or the American Stock Exchange on the date full implementation of the Consolidated Tape is commenced; (2) any common stock, long-term warrant or preferred stock registered or admitted to unlisted trading privileges on any other national securities exchange which, on the date full implementation of the Consolidated Tape is commenced, substantially meets the original listing requirements of the New York Stock Exchange or the American Stock Exchange; (3) after the date on which full implementation of the Consolidated Tape is commenced, any common stock, long-term warrant or preferred stock which becomes registered on any national securities exchange and which at the time of such registration substantially meets the original listing requirements of the New York Stock Exchange or the American Stock Exchange; and (4) any right admitted to trading on a national securities exchange which entitles the holder to purchase or acquire a share or shares of an eligible security provided that both the right and the eligible security are admitted to trading on the same national securities exchange.

On October 18, 1974, the Consolidated Tape commenced on a test basis covering transactions in fifteen selected securities executed by members of the American, New York, Pacific and PBW stock exchanges and certain third market makers. The Consolidated Tape is scheduled to be fully implemented on February 21, 1975 at which time all transactions in eligible securities will be covered.

Proposed Article XVIII of the By-Laws

The proposed Article XVIII of the By-Laws authorizes the Board of Governors to adopt rules and procedures in order to carry out the Association's duties under Commission Rule 17a-15 and to implement the plan required by the rule. The proposed By-Law also gives the Board of Governors authority to use the Association's automated quotations system (NASDAQ) whenever necessary and appropriate to further the

implementation and operation of the Consolidated Tape. The Board would also have authority to impose reasonable and equitable fees and charges in connection with the collection and dissemination of last sale information.

Scope and Summary of Proposed Schedule G

The rules, procedures and charges which the Board intends to adopt if the proposed By-Law is approved are contained in attached Schedule G. The Schedule covers all over-the-counter transactions in eligible securities as defined in the required plan referred to above. The Schedule does not apply to over-the-counter transactions in any other securities.

(1) Transaction Reporting

a) Designated Reporting Members - Section 1(a) of Schedule G provides that the Association shall designate as Reporting Members those members which the Association determines execute a substantial amount of over-the-counter transactions in eligible securities. There shall be attached to Schedule G a list of Reporting Members and it is contemplated that the list will initially include the major third market makers. The list will be amended from time to time as more information becomes available concerning over-the-counter volume in eligible securities.

Each designated Reporting Member shall be required, during the hours of the Consolidated Tape, to transmit to the Association reports of all purchases and sales except for those less than a round-lot within one and one-half minutes after execution and all trade tickets must be time stamped at the time of execution. The reports of transactions shall be made through the Association's NASDAQ Trade Reporting System. This system will accept trade reports through a NASDAQ Level III terminal or a NASDAQ Transaction Reporting terminal and will validate and transmit such reports to the processor of the Consolidated Tape. Each transaction is required to be reported at the price reflected on the order ticket exclusive of commissions, taxes or other charges except principal transactions executed at a price plus or minus a differential where the reported price shall be the price inclusive of the differential. The Securities and Exchange Commission has expressed its view that transactions of the latter type should be reported to the Consolidated Tape in this manner and, accordingly, the proposal reflects this view. In transactions

between Reporting Members only the selling member is required to report.

b) Members Not Designated As Reporting Members - Section 1(b) of Schedule G establishes the circumstances under which members not covered by Section 1(a) are required to report transactions in eligible securities. These members are required to report all their transactions in eligible securities except for transactions with designated Reporting Members and transactions executed on an exchange. In addition, where any transaction is with another member not designated as a Reporting Member only the selling member shall be required to report. The price and time within which the report must be made are the same as applicable to members covered by Section 1(a) except that members who do not have a modified Level III terminal or a Transaction Reporting terminal may report via Telex, TWX or telephone. The Board of Governors has also recognized that some members may execute only occasional transactions in eligible securities. Therefore Section 1(b) provides that members may report in writing, on a weekly basis, transactions in eligible securities which do not exceed 300 shares and \$3,000 in any one trading day.

(2) Suspension of Trading

Section 2 of Schedule G makes clear that suspension of trading in an eligible security by an exchange does not affect the requirement that members continue to report transactions in the particular eligible security.

Section 2 also requires members to promptly notify the Association whenever they have knowledge or information concerning an eligible security or the issuer which has not been adequately disclosed to the public or have knowledge of any regulatory problem.

(3) Prohibitions Against Certain Practices in Dealings in Eligible Securities

Section 3 of Schedule G declares that certain specified practices are prohibited when engaged in by members in their dealings in eligible securities. These practices primarily relate to manipulative and fraudulent activities such as: executing transactions for the purpose of creating misleading activity; influencing the market price or establishing a false market price; executing "wash sales" for the purpose of creating a false appearance of activity; joining in any pool syndicate or joint account in order to unfairly influence the market price of a security; disseminating false or misleading information; and preferring their own

interests over those of customers when executing transactions. Many of these practices are currently prohibited under the anti-fraud and anti-manipulative provisions of the federal securities laws.

In addition, Section 3 would impose several specific requirements concerning, among other things, the handling of customer stop orders, and the reporting of certain information with respect to members' participation in joint accounts.

(4) Fees and Charges

Section 4 contains the fees and charges applicable to those members required to report their transactions in eligible securities to the Association. The Association has developed a highly sophisticated trade reporting system to collect and disseminate to the Consolidated Tape reports of transactions in eligible securities. The purpose of the fees and charges is to help defray the costs to the Association of developing this trade reporting system. It is contemplated that the fees and charges will be reviewed annually by the Board of Governors.

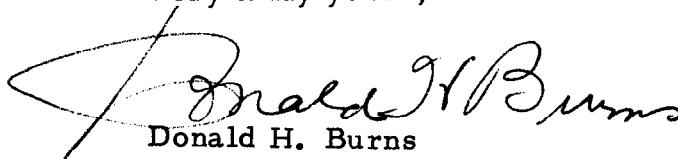
Those members having NASDAQ Level III service can have their terminals modified to permit reporting of transactions. The charge for modifying a NASDAQ Level III terminal will be a single \$25 charge for each terminal. The basic charges for NASDAQ Level III service are contained in Part IV of Schedule D under the By-Laws. The charge for reporting transactions through a modified NASDAQ Level III terminal will be \$.20 per transaction. Members with NASDAQ Level III service who want their terminals modified please contact Richard Peters, NASDAQ Operations, 1735 K Street, N. W., Washington, D. C. 20006.

Members may also obtain a NASDAQ Transaction Reporting terminal which is a NASDAQ Level III terminal which has transaction reporting capability but does not have NASDAQ quotation capability. The charge for NASDAQ Transaction Reporting service will be \$300 per month for the first terminal and \$250 per month for each additional terminal. The charge for reporting transactions through a Transaction Reporting terminal will be \$.20 per transaction for the first 300 transactions in one day and \$.35 for each transaction in excess of 300.

Members may report transactions to the NASDAQ supervisory office in New York City via Telex, TWX or telephone. The charge for reporting transactions in this manner will be \$.20 per transaction.

Comments should be addressed to Mr. Donald H. Burns,
Secretary, National Association of Securities Dealers, Inc., 1735 K
Street, N. W., Washington, D. C. 20006 on or before January 20,
1975. All communications will be considered available for inspection.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Donald H. Burns". The signature is written in dark ink and is positioned above the typed name and title.

Donald H. Burns
Secretary

TEXT OF PROPOSAL

Proposed Article XVIII of the Association's By-Laws and
Schedule G thereunder

Article XVIII

Under the provisions of Rule 17a-15 adopted by the Securities and Exchange Commission under Section 17 of the Securities Exchange Act of 1934 the Corporation is required to file with the Securities and Exchange Commission a written plan meeting specified standards concerning the collection and dissemination by the Corporation of information relating to over-the-counter transactions executed by its members in securities registered or admitted to unlisted trading privileges on an exchange. The Board of Governors is hereby authorized to adopt rules and procedures in order to carry out the Corporation's responsibilities and duties under Rule 17a-15 and implement the plan filed pursuant to the rule as it may be amended from time to time. Such rules and procedures may include, among other things:

- (1) The manner of collecting and reporting last sale information;
- (2) The standards and methods to insure the promptness, accuracy and completeness of reporting and similar matters; and
- (3) The procedures to provide that last sale information will not be reported in a fraudulent or manipulative manner.

The Board of Governors shall also have authority to use any automated quotations system established under the provisions of Article XVI of the By-Laws in any manner it deems necessary and appropriate to further the implementation and operation of any composite transaction reporting system established pursuant to Rule 17a-15. The Board of Governors shall also have authority to impose reasonable and equitable fees and charges in connection with the collection and dissemination of last sale information.

Such rules, procedures and charges shall be incorporated into Schedule G attached to and made a part of these By-Laws. The Board

of Governors shall have the power to adopt, alter, amend, supplement or modify the provisions of Schedule G from time to time without recourse to the membership for approval as would otherwise be required by Article IX hereof, and Schedule G as adopted, altered, amended, supplemented or modified shall become effective as the Board of Governors shall prescribe unless disapproved by the Commission.

SCHEDULE G

Section 1 - Trade Reporting

(a) Reporting Members - The members appearing in the attached list are designated by the Association as "Reporting Members". Such list of Reporting Members consists of those members which the Association has determined effect a substantial portion of over-the-counter transactions in listed securities required by the plan to be reported on the Consolidated Tape (eligible securities). Such members shall be subject to the reporting requirements of this paragraph (a). Such list shall be amended from time to time as the Association deems it appropriate.

1) Reporting Members shall transmit to the Association last sale reports of transactions in eligible securities executed during the trading hours of the Consolidated Tape, within one and one-half minutes after execution of the transaction. If the last sale report is not transmitted within one and one-half minutes after execution, such report shall be designated as late. All last sale reports of transactions executed during the trading hours of the Consolidated Tape shall be transmitted through the NASDAQ Trade Reporting System. Last sale reports of transactions executed outside of trading hours shall be reported weekly in writing to the NASDAQ supervisory office in New York City.

2) Reporting Members shall transmit last sale reports for eligible securities for all purchases and sales in such securities except transactions for less than a round-lot at the price recorded on the trade ticket exclusive of commissions, taxes or other charges, provided however, that principal transactions which are effected at a price plus or minus a commission, commission equivalent or differential shall be reported at the net price after addition or subtraction of the commission, commission equivalent or differential.

3) In transactions between two Reporting Members, only the Reporting Member representing the sell side shall report.

4) Reporting Members shall not transmit last sale reports for transactions executed on an exchange.

5) All trade tickets on transactions in eligible securities must be time-stamped at the time of execution.

(b) Members Not Designated as Reporting Members - Members not designated in paragraph (a) above as Reporting Members shall be subject to the reporting requirements of this paragraph (b).

1) Members not designated as reporting members shall not transmit last sale reports for the following transactions.

(i) Transactions with a Reporting Member;

(ii) Transactions executed on an exchange.

2) Members not designated as reporting members shall transmit last sale reports for eligible securities for all purchases and sales in such securities except transactions for less than a round-lot at the price recorded on the trade ticket exclusive of commissions, taxes or other charges, provided however, that principal transactions which are effected at a price plus or minus a commission, commission equivalent or differential shall be reported at the net price after addition or subtraction of the commission, commission equivalent or differential.

3) In transactions between two members not designated as reporting members only the member representing the sell side shall report.

4) All trade tickets on transactions in eligible securities must be time-stamped at the time of execution.

5) Members not designated as reporting members must transmit last sale reports of transactions executed during the trading hours of the Consolidated Tape within one and one-half minutes after execution of the transactions except as provided in paragraph (6). If the last sale report is not transmitted within one and one-half minutes after execution such report shall be designated as late. Last sale reports may be transmitted through the NASDAQ Trade Reporting System or, if such System is unavailable, via Telex, TWX or telephone to the NASDAQ supervisory office in New York City. Last sale reports of transactions executed outside of the trading hours of the Consolidated Tape shall be reported weekly to the NASDAQ supervisory office in New York City.

6) Members not designated as reporting members may report transactions in eligible securities by completing a Form T report to be filed weekly with the NASDAQ supervisory office in New York City provided that:

(i) The aggregate number of shares of eligible securities which such member executed and is required to report does not exceed 300 shares in any one trading day; and

- (ii) The total dollar amount of shares of eligible securities which such member executed and is required to report does not exceed \$3,000 in any one trading day.

A member not designated as a reporting member whose transactions in any one day exceed the limits of (i) or (ii) above must report such transactions pursuant to paragraph (5).

Section 2 - Suspension of Trading

(a) Members shall promptly notify the Association whenever they have knowledge of any matter related to an eligible security or the issuer thereof which has not been adequately disclosed to the public or where they have knowledge of a regulatory problem relating to such security.

(b) Whenever any market for any eligible security halts or suspends trading in such security, members may continue to conduct trading in such security during the period of any such halt or suspension and shall continue to report all last sale prices reflecting transactions in such security.

Section 3 - Trading Practices

(a) No member shall execute or cause to be executed or participate in an account for which there are executed purchases of any eligible security at successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

(b) No member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an eligible security or creating or inducing a false or misleading appearance with respect to the market in such security:

- 1) execute any transaction in such security which involves no change in the beneficial ownership thereof, or

- 2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or
- 3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

(c) No member shall execute purchases or sales of any eligible security for any account in which such member is directly or indirectly interested, which purchases or sales are excessive in view of the member's financial resources.

(d) No member shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manager or finance a manipulative operation.

- 1) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of an eligible security shall be deemed to be a manipulative operation.
- 2) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.
- 3) The carrying on margin of a position in such securities or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

(e) No member shall make any statement or circulate and disseminate any information concerning any eligible security which such member knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

- (f) 1) No member shall (i) personally buy or initiate the purchase of an eligible security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while such member

holds or has knowledge that any person associated with it holds an unexecuted market order to buy such security in the unit of trading for a customer, or (ii) sell or initiate the sale of any such security for any such account, while it personally holds or has knowledge that any person associated with it holds an unexecuted market order to sell such security in the unit of trading for a customer.

- 2) No member shall (i) buy or initiate the purchase of any such security for any such account, at or below the price at which it personally holds or has knowledge that any person associated with it holds an unexecuted limited price order to buy such security in the unit of trading for a customer, or (ii) sell or initiate the sale of any such security for any such account at or above the price at which it personally holds or has knowledge that any person associated with it holds an unexecuted limited price order to sell such security in the unit of trading for a customer.
- 3) The provisions of this section shall not apply (i) to any purchase or sale of any such security in an amount less than the unit of trading made by a member to offset odd-lot orders for customers, or (ii) to any purchase or sale of any such security upon terms for delivery other than those specified in such unexecuted market or limited price order.

(g) No member or person associated with a member shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling an eligible security, unless such joint account is promptly reported to the Association. The report should contain the following information for each account:

- 1) Name of the account, with names of all participants and their respective interests in profits and losses;
- 2) a statement regarding the purpose of the account;
- 3) name of the member carrying and clearing the account; and
- 4) a copy of any written agreement or instrument relating to the account.

(h) No member shall offer that a transaction to buy or sell an eligible security will be the closing transaction on the Consolidated Tape.

- (i) 1) No member shall accept a stop order in an eligible security.
 - (i) A buy stop order is an order to buy which becomes a market order when a transaction takes place at or above the stop price.
 - (ii) A sell stop order is an order to sell which becomes a market order when a transaction takes place at or below the stop price.
- 2) Members may accept stop limit orders in eligible securities where the stop price and the limit price are the same. When a transaction occurs at the stop price, the order to buy or sell becomes a limit order at the stop price.

Section 4 - Fees and Charges

(a) NASDAQ Level III Terminal

- 1) Charges for NASDAQ Level III service are contained in Part IV of Schedule D under Article XVI of the By-Laws.
- 2) The charge for modifying a NASDAQ Level III terminal for transaction reporting capability shall be \$25.
- 3) The charge for each transaction reported via a modified NASDAQ Level III terminal shall be \$.20 per transaction.

(b) NASDAQ Transaction Reporting Terminal

- 1) A NASDAQ Transaction Reporting terminal can be utilized for transaction reporting but does not have the capability of performing any of the NASDAQ bid/ask functions.
- 2) The charge for the first Transaction Reporting terminal shall be \$300 per month. The charge for each additional Transaction Reporting terminal shall be \$250 per month.
- 3) The charge for each transaction reported via a Transaction Reporting terminal shall be \$.20 per transaction for the first 300 transactions per day and \$.35 per transaction for each transaction in excess of 300 transactions per day.

- 4) Installation, removal and relocation charges for control units and Transaction Reporting terminals are the same as those for NASDAQ Level III service contained in Part IV of Schedule D under Article XVI of the By-Laws.

(c) The charge for any transaction reported through the NASDAQ supervisory office in New York City via Telex, TWX, telephone or other accepted method of communication shall be \$.20 per transaction.

(d) There shall be no charge for transactions reported in writing in conformance with the provisions of this Schedule.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

December 27, 1974

TO: All NASD Members

RE: Form U-4/"Uniform Application for Securities and Commodities Industry Representative and/or Agent"

Introduction

The Association is pleased to announce that beginning January 1, 1975, Form U-4,^{1/} the "Uniform Application for Securities and Commodities Industry Representative and/or Agent" will be accepted as the form for requesting registration with the NASD of persons required to be registered under Schedule C.^{2/} Form U-4 will replace Form B-302, the "Application for Registration" which has been used in the past solely for requesting registration with the Association.

This action is being taken in cooperation with all registered national stock exchanges, with certain commodity exchanges, and forty (40) states which have agreed to accept Form U-4 in lieu of their individual applications for registration. It represents an effort dating back to an October 1972 meeting held in the Association's Washington Office which eventually involved the registered national stock exchanges, the SEC, and the North American Securities Administrators Association (NASAA), as well as the Association and other interested parties.

Initial Use of the Form

Following the printing of a quantity of the Form U-4's by certain exchanges for distribution to their members, certain technical changes appeared to be warranted in the form itself. At the time this became evident, the Association had not yet printed the initial supply it would need for distribution to its 3000-plus members. It was determined, therefore, that the Association would not print the large quantity necessary until such time as these technical changes could be made. These are presently being worked on, and it is hoped that they can be effected in January 1975. Once these changes are made, the Association will print and distribute sufficient copies for its membership.

^{1/} For NASD purposes only, the term "Form U-4" means the properly executed four page Form U-4 PLUS the NASD Addendum thereto (Form N-1). In order to be accepted, the copy of Form U-4 filed with the Association MUST be accompanied by Form N-1. Consult the instruction sheet with Form U-4 for addenda which must be filed with other agencies, jurisdictions, or organizations.

^{2/} See Paragraph 1102A in your NASD Manual.

In order to minimize any hardship which may be caused member firms by possibly having to file a Form U-4 with another regulatory body, and the old B-302 with the Association, the Association has arranged to purchase a small quantity of Form U-4 which it is distributing with this memo to its members which are not members of exchanges, exchange members having received copies from exchange sources. Exchange members are also being supplied with the NASD Addendum (N-1) which MUST be attached to the copy of Form U-4 filed with the Association. (See Note 1.) The initial supply of forms distributed by the Association to its sole members will include the NASD Addendum (N-1) and the Supplemental State Information (AD-A).

It is recommended that firms use the enclosed Form U-4 only to reproduce the first four pages of the form and the AD-A, but only as the need arises to register or re-register an individual during this interim period. We specifically request that you do not reproduce these forms in quantity. Sufficient quantities of the NASD Addendum (N-1) are available from the Association's Executive Office in Washington and will be available shortly in the District Offices.

States Not Accepting Form U-4

Through NASAA, forty (40) states have agreed to accept Form U-4 filed with the proper addenda for the state (AD-A plus, in some instances, a special state addendum).

Those states and/or jurisdictions NOT accepting Form U-4 in lieu of their own registration form as of January 1, 1975, are as follows:

- | | |
|------------------------------|------------------|
| 1. Connecticut | 7. New Jersey |
| 2. Delaware (no requirement) | 8. New York |
| 3. District of Columbia | 9. Oklahoma |
| 4. Maine | 10. Pennsylvania |
| 5. Maryland | 11. Rhode Island |
| 6. Mississippi | 12. Puerto Rico |

Our understanding is that firms will be required to file the regular state forms when registering associated persons with these states and/or jurisdictions.

Major Technical Change

The third sentence in Question #12 on Page 1 of Form U-4 has caused concern among certain industry organizations since it is language required by a relatively small number of states. The sentence begins with "Also, the acts of this employee . . ." and ends with the word ". . . commodity" on the last line above the box in Question #12.

The NASD, certain states, and at least the American Stock Exchange, Midwest Stock Exchange, and New York Stock Exchange will temporarily accept Form U-4 with this sentence lined through on the copy of the form which is filed with them. The Principal signing the Form U-4 should initial the line-out.

States which have agreed to accept Form U-4 but which will NOT accept it if this sentence is lined through include the following:

- | | |
|-------------------|--------------------------|
| 1. Alabama | 4. South Carolina |
| 2. Louisiana | 5. Texas |
| 3. North Carolina | 6. Vermont ^{3/} |

Response on this point has not been received from the States of Arkansas, Nebraska, Washington, and Wyoming as of the writing of this Notice.

It is suggested that member firms having questions regarding the filing of Form U-4 with a specific agency, jurisdiction, or organization contact appropriate personnel in that regulatory body for appropriate filing instructions.

On Completing the Form

1. Read VERY CAREFULLY the instructions contained on the cover of Form U-4.
2. Since Form U-4 is designed to permit registration with more than one regulatory body, make certain that all copies of the form (on 8½ x 11 paper only) are made before required signatures are affixed. Only original signatures on copies of all pages requiring signatures will be accepted by the various regulatory bodies.
3. Read the Instructions to Questions #26 and #51 carefully. While the information on the form is required, certain attachments required by other regulatory bodies are not required for NASD purposes.
4. Make certain that the proper addendum (or addenda) is (are) attached to the copy of the form you mail to the agency, jurisdiction, or organization with which registration is requested. It is not necessary to send copies of all addenda to each organization with which registration is requested. Attach only the addendum required by an agency, jurisdiction, or organization when submitting the form to that particular regulatory body. The address of the regulatory body (except states) will usually be found on its addendum.

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Questions regarding this Notice or filing instructions for the NASD should be directed to Joseph F. Thompson, Director, Membership Department, NASD in Washington, D. C. - (202) 833-7395.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation

^{3/} Vermont will accept Form U-4 with the sentence lined out only with the special Vermont addendum (different from AD-A) filed with Form U-4 and AD-A.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

December 31, 1974

NOTICE TO MEMBERS

IMPORTANT: MEMBERS GOLD ACTIVITIES

TO: All NASD Members

RE: Potential Problems Relating to Dealings in Gold and
Other Precious Metals

As of December 31, 1974, the federal restrictions upon the ownership of gold bullion by United States citizens will be lifted. It is apparent that some members are or may be planning to engage in transactions in gold bullion and interests therein, in some instances in addition to their either existing or planned business activity in silver and other precious metals. The Association believes such activity may be fraught with many dangers and wishes to call some of these to the attention of members.

The lifting of restrictions upon the ownership of gold may reasonably be expected to have a substantial impact upon trading in gold and possibly other precious metals. Since virtually no members have experience in this area, it becomes necessary for them to rely upon the advice and integrity of firms and individuals who present themselves as being experts in gold. In some cases, unfortunately, such individuals may be unsophisticated or unethical and may, in fact, be attempting to defraud members and public customers. It is, therefore, of extreme importance to exercise great caution in such dealings and to become entirely familiar with the business repute and credentials of those with whom one deals. Thus, members should investigate thoroughly companies with which they intend to do business as well as the backgrounds of the principal officers thereof. In this connection, it would be most important to investigate their activities prior to entering the gold business. The Association has already become aware that certain persons previously barred from the securities business are now in the gold business and are actively soliciting broker/dealers to do business with them.

The Securities and Exchange Commission has spoken to possible abuses in transactions in gold in a recent release, a copy of which is attached hereto. In that release, the Commission notes that numerous

fraudulent schemes have already surfaced in this area. For example, bars of almost pure lead have been fraudulently certified as pure gold and "secret processes" for the extraction of gold from worthless ore have been used to induce investor interest. Other examples, as well as an important listing of precautionary measures, are included in the SEC Release.

In addition to these concerns, it is also imperative that one become fully familiar with all applicable federal and state regulations in this area. Certain aspects of federal and state securities regulations are of such importance that the Association believes they deserve specific mention. Of perhaps greatest concern in dealings in gold and other precious metals is the possibility that interests in such metals may constitute securities which should be registered under federal or state registration requirements. At the federal level, the Securities and Exchange Commission has not as yet published specific definitional guidelines in this area since there has been no experience to date as to the form of such transactions. The Commission has indicated that it will deal with this issue on a case-by-case basis. When such definitions are established, however, those who have been dealing in instruments which they presume not to be securities may be subject to prosecution for the sale of unregistered securities. At the state level, some states are proposing the registration of persons and companies engaged in activities in gold and other precious metals, and the failure to comply with such regulations could subject one to further liability. It is therefore important that members consult legal counsel on this point before engaging in any transactions in precious metals or interests therein.

While many transactions in interests in gold and other precious metals may potentially involve securities, other transactions, such as in bullion, for example, may in the future be regulated by the laws and regulations governing commodities transactions. It is, therefore, important that all members familiarize themselves with all such commodities regulations.

Certain federal securities regulations, including certain Association rules, may also be applicable to transactions related to gold and other precious metals regardless of whether the transaction itself constitutes one in a security or a commodity. For example, a member would be required to satisfy Association suitability requirements in justifying the liquidation of a securities portfolio to make possible the purchase of gold bullion. Also, suitability questions could arise notwithstanding the non-existence of a liquidating transaction when recommendations are made to small investors to invest in gold since it appears that because of various charges, i. e. reprocessing costs, among others, the market price of the gold purchased may have to rise as much as between 25% and 35% before the investor could recapture his cost. Likewise, an Association member would be held

responsible for the supervision of its personnel in such a transaction and any sales literature and advertising relating thereto could be subject to existing Association regulations. These are only by way of example and it should be noted that other Association rules might be held equally applicable to transactions in bullion or interests in gold and other precious metals. Most importantly, of course, all members would be held to standards of high commercial honor and just and equitable principles of trade in any transactions.

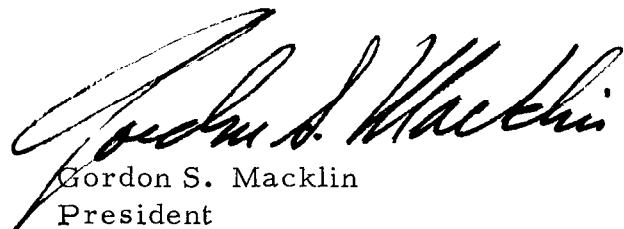
In addition to those general responsibilities set forth above, members are reminded of additional specific responsibilities which the Association believes they may have in connection with transactions in precious metals or interests therein. Insurance coverage should be assured for any gold or other bullion under a member's control. It is suggested that insurance underwriters be contacted to determine whether present coverage is extended to bullion in the member's possession or control. The applicability of net capital and customer protection rules (SEC Rules 15c3-1 and 15c3-3) to transactions in precious metals and the effect of such transactions upon a member's compliance with such rules should be determined. Similarly, a member's responsibilities under rules relating to books and records (SEC Rules 17a-3 and 17a-4) should be met, as well as those under Federal Reserve Board Regulation "T". In connection with Regulation "T", it is important to note that the requirements set forth therein would be equally applicable to any transaction in an interest in a precious metal which was deemed to be a security as to any other security. In those transactions to which Regulation "T" does not apply, the Association believes members should obtain payment promptly in cash accounts or require appropriate initial deposits and maintenance payments in margin accounts.

Finally, the Association believes members have a responsibility to fully disclose to customers all relevant facts and circumstances relating to any transaction in gold or other precious metals or interests therein. In this regard, customers should be informed that transactions in gold and other commodities are not protected under the Securities Investor Protection Act. All charges and costs relating to the transfer, storage, insurance, analysis, reprocessing and resale of gold or other precious metals should be disclosed and fully explained; the quality of the bullion in terms of, for example, fineness and weight should be specified; the names and locations of depositories for bullion should be provided; and, finally, any special risks and expenses which may be involved should be fully disclosed.

As noted above, the Association does not purport to present herein an exhaustive list of all member responsibilities relating to transactions in gold and other precious metals and interests therein. The Association will, however, attempt to provide guidance on specific questions in this area or refer such questions to appropriate authorities. In this regard, such questions should be directed to Mr. Jack Rosenfield (833-4828) or Mr. William Mahany (833-7328) at the Association's Executive Office, 1735 K Street, N.W., Washington, D.C. 20006.

As part of its ongoing program related to member dealings in precious metals, the Association wishes to compile certain data. A brief questionnaire dealing with such activity is attached hereto. This questionnaire must be completed and returned by all members not later than January 15, 1975. Those members who have furnished the information requested in the questionnaire in a filing with another self-regulatory organization may submit such filing initially in lieu of the Association filing requirement. All such members must respond, however. The questionnaire seeks information on each member's present status, but each member firm which in the future makes a decision to transact any aspect of a business in gold or other precious metals must notify the Association of such prior to engaging in such activities as well as the details of their planned business activities in that respect.

As noted at the outset, the area of transactions in gold and other precious metals is fraught with possible problems. It is, therefore, requested that, in addition to the information requested on the attached questionnaire, each member notify the Association of any questionable practices which come to its attention involving the sale or purchase of gold or other precious metals. In this regard, please communicate with your local Association District Office or the aforementioned named individuals in the Executive Office. The Association will in turn undertake to keep the membership informed of further developments in federal securities regulation in this area.


Gordon S. Macklin
President

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Securities Exchange Act of 1934
Release No. 11,125

GOLD PURCHASING AND INVESTING

As of December 31, 1974 the Federal restrictions on the purchase, sale and ownership of gold will be lifted. The President's Special Assistant for Consumer Affairs, the Department of Justice, the Federal Trade Commission (FTC), the U.S. Postal Inspection Service and the Securities and Exchange Commission (SEC) have today issued the recommendations set forth below to prospective gold purchasers and investors.

The Department of Treasury recently announced that the U.S. Government will offer for sale 2 million ounces of gold in 400-ounce bars on January 6, 1975, at public auction. The Department will consider at a later date whether subsequent sales of gold would be appropriate.

As in the instance of other precious metals, investors and unsophisticated purchasers must often rely upon the representations of others and the integrity of the seller or promoter. Accordingly, it is recommended that purchasers and investors obtain as much information as possible about the companies and individuals with whom they are dealing. In other words, investigate before you invest.

Various Federal and State regulatory agencies will regulate gold trading. The SEC regulates public interstate offerings of and trading in securities related to gold. Federal law prohibiting unfair or deceptive acts in interstate commerce is enforced by the FTC. Trading in gold commodity futures and transactions involving margin and leverage contracts in gold bullion and bulk gold coins will be regulated effective April 21, 1975 by the recently created Commodity Futures Trading Commission. Federal laws against securities and mail fraud will be enforced by the SEC, the Postal Inspection Service, and the Department of Justice. Justice Department has underway a major effort to detect and prosecute the growing number of frauds involving gold and other precious metals.

The purchase of and investment in gold is a potentially fertile area for unscrupulous promoters and fraudulent schemes. Moreover, the price of gold is oftentimes dictated by speculative interests rather than industrial supply and demand, and is subject to significant and rapid fluctuations.

Inquiries or complaints regarding unfair or deceptive trade practices, including false or misleading advertisements, should be addressed to the FTC's Division of Special Statutes, 7th Street and Pennsylvania Avenue, N. W., Washington, D. C. 20580. With respect to investment programs, prospective investors should insist upon a prospectus or offering circular before making an investment decision. A copy of the prospectus may be reviewed at the public reference facilities of the respective state securities agencies, and in the instance of registered interstate offerings or registered companies, at the public reference rooms of the SEC in Washington, D. C., New York City, Chicago and Los Angeles. To determine whether any particular company is registered with the SEC call or write the SEC, Public Reference Section, 500 North Capitol Street, Washington, D. C. 20549, (202) 523-5506. Information concerning buyer-investor experience with specific companies may be obtained from your nearest Better Business Bureau.

The following guidelines are suggested (but should not be considered to be all inclusive) before purchasing or investing in gold.

1. Be wary of unsolicited correspondence or calls from strangers offering to sell you gold or gold investments;
2. Be skeptical of promises of spectacular profits. Ask yourself why am I being offered this golden opportunity;
3. Resist pressures to make hurried, uninformed investment decisions;
4. Be suspicious of claims of new, secret or exotic processes to extract gold;
5. Seek independent advice from a person you trust and who is knowledgeable;
6. Consider the risks in relation to your own financial position and needs;
7. Find out if the company has registered with the SEC or state securities agency;
8. Attempt to determine the seller's mark-up (or how much it cost the seller to purchase the gold);
9. Ascertain what costs, in addition to the quoted price of gold, are involved. For example, you may be required to pay a refining charge, assay fees, commissions, shipping and storage fees, insurance costs and sales tax;

10. Demand a written guarantee concerning weight and fineness (purity). Some gold bears a refiner's mark assaying its weight and fineness; however, there are no Federal standards;
11. Attempt to make your purchases through local reputable firms. (Firms including the term "Exchange" in their name should not be assumed to constitute an association or group of firms which provide a public market for buyers and sellers);
12. Obtain in writing the terms of your purchase, for example, when and how the gold will be delivered and stored, including what security precautions will be taken to insure that your gold is not shaved or that counterfeit gold is not substituted;
13. Ask whether the gold will be segregated and stored in your name (not the seller's or supplier's). Make sure you receive a written receipt showing that the requisite amount of gold is being stored for your account by a reputable concern; and
14. Ask whether there will be a ready market for the gold in the form being offered to you. You may have to pay to have your gold reassayed, recast into a different shape, size and/or transported to a distant market before you can sell it.

The areas which are fraught with the greatest potential for fraud are representations concerning the existence, amount and purity of gold, accuracy of assays and geological surveys and secret refining processes. Several schemes that appear to have already surfaced involve the following situations:

- False mining claims were used to inflate a company's financial position and to tout its investment merit. Bogus or speculative geological surveys by a purported expert or misleading ore samples were used by the company as the basis for unwarranted high estimates of mineral value.
- Purportedly large quantities of gold located outside of the United States and obtained from underdeveloped countries were being offered in the form of certificates of ownership through off-shore banks.
- An unscrupulous assayer conspired with a seller to certify that bars of almost pure lead were pure gold.

- Gold coins of low purity have been issued within the past year or two by small foreign entities. (The Certification Service of the American Numismatic Association, P.O. Box 87, Ben Franklin Station, Washington, D. C. 20044, will, for a fee, authenticate gold coins.)
- Secret processes promised to extract gold from ore which had been previously labeled as worthless. Investors were induced to finance the construction of the secret-process machinery necessary for the production of the gold.

If you believe that you may have been the victim of a fraud, you should consult your attorney to determine what steps to take to assert and protect your rights. You should also communicate such information to any of the Federal agencies listed above or to the Consumer Protection Division of the Attorney General's Office in your state or your State Securities Commissioner, and to your nearest local Better Business Bureau. Consider authorizing your attorney to inform the agencies of any problem that may arise. Although the agencies cannot intervene in your behalf or offer legal representation to obtain redress of your individual rights, your complaint may prevent others from being defrauded.

Remember, investigate before you make a purchase or investment.

By the Commission.

George A. Fitzsimmons
Secretary

QUESTIONNAIRE
TRANSACTIONS IN GOLD, SILVER OR OTHER PRECIOUS METALS

Name of Member _____
Address _____
NASD I. D. No. _____

1. Does your firm intend to engage in transactions involving gold, silver or other precious metals? _____
Types of transactions: bullion _____; coins/medallions _____;
future contracts _____; investment contracts _____;
Other (describe) _____
2. On a separate sheet list the names and addresses of all firms, dealers or suppliers with which your firm intends to effect transactions as described in question 1.
3. a. Will your firm act as market maker in, or position:
bullion _____; coins or medallions _____; or investment contracts _____?
b. Will your firm repurchase any of the above from customers? _____
4. Will your firm store bullion, coins or medallions for customers? _____
Where? _____ If so, have provisions been made to insure customers' bullion, coins or medallions in transit and in storage? _____
5. In what types of accounts will transactions for customers be effected?
Cash _____ Margin _____ Other (specify) _____
6. Have you determined whether the registration requirements under Federal or state securities laws apply to the types of transactions in which your firm intends to engage? _____
7. Name the individual in your organization directly responsible for supervision of the above activities. _____

Signed _____

Title _____

Date _____

Return to: NASD, Inc.
1735 K Street, N.W.
Washington, D.C. 20006

Attention: Mr. Jack Rosenfield