



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 87-1**

January 6, 1987

TO: All NASD Members and Municipal Securities Bank Dealers  
ATTN: All Operations Personnel  
RE: Martin Luther King, Jr.'s Day: Trade Date-Settlement Date Schedule

The schedule of trade dates/settlement dates below reflect the observance by the financial community of Martin Luther King, Jr.'s Day, Monday, January 19, 1987. On Monday, January 19, 1987, the NASDAQ System and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed.

Trade Date-Settlement Date Schedule  
For "Regular-Way" Transactions

<u>Trade Date</u>	<u>Settlement Date</u>	<u>*Regulation T Date</u>
January 9	January 16	January 20
12	20	21
13	21	22
14	22	23
15	23	26
16	26	27
19	26	28
20	27	29

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

It should be noted that January 19, 1987, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on January 19.

The foregoing settlement dates should be used by broker-dealers and municipal securities dealers for purposes of clearing and settling transactions pursuant to the NASD's Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions concerning this notice should be directed to the NASD's Uniform Practice Department at (212) 839-6256.

Firm ✓



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 87-2**

January 7, 1987

TO: All NASD Members and Other Interested Persons

RE: Adoption of Amendments to Article III, Section 28 of the NASD Rules of Fair Practice Regarding Securities Accounts of Associated Persons at Non-NASD Members

## **EXECUTIVE SUMMARY**

This notice announces the adoption of amendments to Article III, Section 28 of the NASD Rules of Fair Practice and were made effective by the SEC on December 12, 1986. The amendments were adopted in response to a concern of the NASD Board of Governors regarding members' ability to supervise associated persons at non-NASD members.

The amendments impose disclosure requirements for securities activities in securities accounts held at any non-NASD member by NASD members' associated persons.

The text of the amended section is attached.

## **BACKGROUND**

The proposed amendments were adopted in response to a concern of the NASD Board of Governors that the inapplicability of the Rules of Fair Practice to securities activities in accounts of associated persons at non-NASD members would undermine NASD members' ability to supervise their associated persons and may possibly lead to abuses. The Board of Governors has also noted the dramatic increase in the securities activities of investment advisers, banks and other financial institutions, which are not members of the NASD.

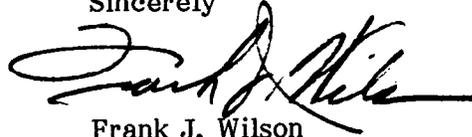
## **SUMMARY OF AMENDMENTS**

The amendments add a new paragraph (d) to Section 28 that imposes the additional disclosure obligation on NASD members' associated persons if they intend

to open a securities account at a non-NASD member. Paragraph (e) was added to provide that the disclosure obligation of Section 28 should only apply to accounts or orders in which an associated person has a financial interest or discretionary authority. In addition, transactions in unit investment trusts were added to the list of transactions in paragraph (f) that are exempt from the disclosure provisions of Section 28.

Questions regarding this notice should be directed to Craig Landauer, Attorney, NASD Office of the General Counsel, at (202) 728-8291.

Sincerely

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

Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Attachment

**AMENDMENTS TO ARTICLE III, SECTION 28  
OF THE NASD RULES OF FAIR PRACTICE**

The following is the full text of the amendments to Article III, Section 28. New language is underlined; deleted language is bracketed.

**Transactions for [Personnel of Another Member]  
or by Associated Persons**

Determine Adverse Interest

(a) A member ("executing member") who knowingly executes a transaction for the purchase or sale of a security for the account of a person associated with another member ("employer member"), or for any account over which such associated person has discretionary authority, shall use reasonable diligence to determine that the execution of such transaction will not adversely affect the interests of the employer member.

Obligations of Executing Member

(b) Where an executing member knows that a person associated with an employer member has or will have a financial interest in, or discretionary authority over, any existing or proposed account carried by the executing member, the executing member shall:

(1) notify the employer member in writing, prior to the execution of a transaction for such account, of the executing member's intention to open or maintain such an account;

(2) upon written request by the employer member, transmit duplicate copies of confirmations, statements, or other information with respect to such account; and

(3) notify the person associated with the employer member of the executing member's intention to [transmit] provide the notice and [the] information required by paragraphs (1) and (2) of this subsection (b).

Obligations of Associated Persons [Associated] Concerning an Account with a Member.

[(d)] (c) A person associated with a member who opens an account or places an order for the purchase or sale of securities with [any other] another member, shall[, where such associated person has a financial interest in such transaction and/or any discretionary authority over such account] notify the executing member of his or her association with [an] the employer member [regardless of any other function, capacity, employment or affiliation of such associated person. If]; provided, however, that if the account [is] was established prior to the association of [such] the person with [an] the employer member, the associated person shall notify the executing member promptly after becoming so associated.

Obligations of Associated Persons Concerning an Account with an Investment Adviser, Bank, or Other Financial Institution

(d) A person associated with a member who opens a securities account or places an order for the purchase or sale of securities with a domestic or foreign investment adviser, bank, or other financial institution, except a member, shall:

(1) notify his or her employer member in writing, prior to the execution of any initial transaction, of the intention to open the account or place the order; and

(2) upon written request by the employer member, request in writing and assure that the investment adviser, bank, or other financial institution provides the employer member with duplicate copies of confirmations, statements, or other information concerning the account or order;

provided, however, that if an account subject to this subsection (d) was established

prior to a person's association with a member, the person shall comply with this subsection promptly after becoming so associated.

(e) Subsections (c) and (d) of this section shall apply only to an account or order in which an associated person has a financial interest or with respect to which such person has discretionary authority.

Exemption for Transactions in Investment Company Shares and Unit Investment Trusts

[(c)] (f) The provisions [of subsection (b)] of this section shall not be applicable to transactions in unit investment trusts and variable contracts or redeemable securities of companies registered under the Investment Company Act of 1940, as amended, or to accounts which are limited to transactions in such securities.

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 87-3**

January 14, 1987

TO: All NASD Members and Level 2 and Level 3 Subscribers

RE: NASDAQ National Market System Grows to 2,729 Securities With 17  
Voluntary Additions on January 20, 1987

On Tuesday, January 20, 1987, 17 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,729. These 17 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 17 issues scheduled to join NASDAQ/NMS on Tuesday, January 20, 1987, are:

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
RDSIP	Anac Holding Corporation (Pfd)	Twinsburg, OH
FMLY	Family Mutual Savings Bank (The)	Haverhill, MA
FFCS	First Colorado Financial Corporation	Colorado Springs, CO
HFSLP	Home Owners Federal Savings & Loan Association (Pfd)	Boston, MA
JOSL	Joslyn Corporation	Chicago, IL
KNMC	Knutson Mortgage Corporation	Minneapolis, MN
LNBK	Lane Financial, Inc.	Northbrook, IL
MANA	Manatron, Inc.	Kalamazoo, MI
MAJL	Michael Anthony Jewelers, Inc.	New York, NY

\* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
OXEC	Oxford Energy Company (The)	New York, NY
PRES	Precision Resources, Inc.	Whippany, NJ
RSDL	Resdel Industries	Arcadia, CA
SHAW	Shaw's Supermarkets, Inc.	East Bridgewater, MA
STPT	Starpointe Savings Bank	Plainfield, NJ
TOBK	Tolland Bank, F.S.B.	Tolland, CT
UBMT	United Savings Bank, F.A.	Great Falls, MT
UBTC**	University Bank & Trust Company	Newton, MA

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

**Pending Additions**

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
BRDN	Brandon Systems Corporation	Secaucus, NJ
CCTVY	Carlton Communications, plc	London, England
EAGL	Eagle Financial Corp.	Torrington, CT
FGSV	First Georgia Savings Bank, F.S.B.	Brunswick, GA
INSMA	Insituform Mid-America, Inc. (CI A)	Chesterfield, MO
MTCI	Management Technologies, Inc.	New York, NY
MDTC	MDT Corporation	Torrance, CA
NRES	Nichols Research Corporation	Huntsville, AL

**NASDAQ/NMS Interim Additions**

<b>Symbol*</b>	<b>Security</b>	<b>Date of Entry</b>
ITANV	InterTAN, Inc. (WI)	01/02/87
WMRKV	Westmark International Incorporated (WI)	01/02/87
DCPI	dick clark productions, inc.	01/07/87
CRES	Crestmont Federal Savings & Loan Association	01/09/87

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\*\* University Bank & Trust Company did not enter the NASDAQ/NMS on January 6, 1987, as previously announced. It was rescheduled to enter on January 20, 1987.

The following changes to the list of NASDAQ/NMS securities occurred since December 26, 1986:

**NASDAQ/NMS Symbol\* And/Or Name Changes**

<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
PFNC/PBNK	Progress Financial Corporation/ Progress Financial Corporation	12/30/86
TLPZV/TRRA	TENERA Limited Partnerships (WI)/ TERA Corporation	12/31/86
LCBM/DNOS	LifeCore Biomedical, Inc./ Diagnostic, Inc.	01/02/87
SOUT/TMAN	SouthernNet, Inc./TelMan, Inc.	01/02/87
CLSR/CLSR	Control Laser International Corporation/Control Laser Corporation	01/02/87
FIGI/FIGI	Figgie International, Inc./Figgie International Holdings, Inc.	01/02/87
FIGIA/FIGIA	Figgie International, Inc. (Cl A/ Figgie International Holdings, Inc. (Cl A)	01/02/87

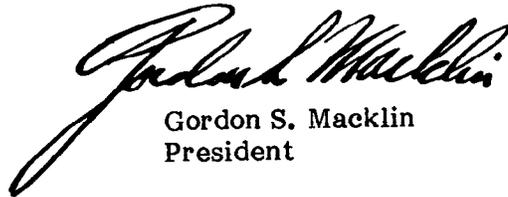
**NASDAQ/NMS Deletions**

<b>Symbol*</b>	<b>Security</b>	<b>Date</b>
TDAT	Third National Corporation	12/29/86
ERBL	Erb Lumber Company	12/30/86
HOMA	Home Federal Savings & Loan Association of Atlanta	12/30/86
PWNE	Pawnee Industries, Inc.	12/30/86
PEXP	People Express, Inc.	12/30/86
PEXPP	People Express, Inc. (Pfd Ser A)	12/30/86
PEXPO	People Express, Inc. (Pfd Ser B)	12/30/86
PSMN	Prism Entertainment Corporation	12/30/86
ADIT	Anadite, Inc.	12/31/86
SMAS	ServiceMaster Industries, Inc.	12/31/86
MRBA	Merchants Bancorp, Inc.	01/02/87
NUCY	NewCentury Bank Corporation	01/02/87
SAIN	Systems Associates, Inc.	01/02/87
MORW	II Morrow, Inc.	01/02/87
STJO	St. Joseph Bancorporation	01/02/87
CBNK	Centerbanc Savings Association	01/05/87
COLM	Columbus Mills, Inc.	01/06/87
PASQA	Pasquale Food Corporation (Cl A)	01/06/87
PASQB	Pasquale Food Corporation (Cl B)	01/06/87
SCON	Syscon Corporation	01/07/87
CPFD	Capital Federal Savings & Loan Association	01/08/87

Symbol*	Security	Date
GILD	Guilford Industries, Inc.	01/08/87
ISCX	Integrated Software Systems Corporation	01/08/87
PANC	Pasta & Cheese, Inc.	01/08/87
WSAM	WestAmerica Bancorporation	01/08/87
UBAZ	United Bancorp of Arizona	01/09/87

Any questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, Market Surveillance, at (202) 728-8192.

Sincerely,



Gordon S. Macklin  
President



National Association of Securities Dealers, Inc.  
 1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# notice to members 87-4

January 21, 1987

TO: All NASD Members and Municipal Securities Dealers  
 ATTN: All Operations Personnel  
 RE: Presidents' Day: Trade Date-Settlement Date Schedule

Securities markets and the NASDAQ System will be closed on Monday, February 16, 1987, in observance of Presidents' Day. "Regular way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

The NASDAQ System and the banks in New York State will be open on February 12, 1987, Lincoln's Birthday.

Trade Date-Settlement Date Schedule  
For "Regular Way" Transactions

<u>Trade Date</u>		<u>Settlement Date</u>		<u>Regulation T Date*</u>	
February	6	February	13	February	18
	9		17		19
	10		18		20
	11		19		23
	12		20		24
	13		23		25
	16	MARKETS CLOSED			—
	17		24		26

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

The preceding settlement dates should be used by brokers, dealers, and municipal securities dealers for purposes of clearing and settling transactions pursuant to the NASD's Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions regarding the application of these settlement dates to a particular situation may be directed to the NASD's Uniform Practice Department at (212) 839-6256.



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# notice to members 87-5

January 29, 1987

TO: All NASD Members and Level 2 and Level 3 Subscribers

RE: NASDAQ National Market System Grows to 2,754 Securities With 24 Voluntary Additions on February 3, 1987

On Tuesday, February 3, 1987, 24 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,754. These 24 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 24 issues scheduled to join NASDAQ/NMS on Tuesday, February 3, 1987, are:

Symbol*	Company	Location
ADBE	Adobe Systems Incorporated	Palo Alto, CA
ALTI	Altai, Inc.	Grand Prairie, TX
BPMI	Badger Paper Mills, Inc.	Peshtigo, WI
CBCT	Central Bank for Savings (The)	Meriden, CT
CMCL	ChemClear, Inc.	Wayne, PA
CSBF	Citizens Savings Bank, F.S.B.	Silver Spring, MD
CLGGB	Clabir Corporation (Cl B)	Greenwich, CT
COCA	CoCa Mines, Inc.	Denver, CO
ESSXA	Essex Communications Corporation (Cl A)	Greenwich, CT
FRKT	Florida Rock and Tank Lines, Inc.	Jacksonville, FL

\* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
GEOD	Geodyne Resources, Inc.	Tulsa, OK
GROS	Grossman's Inc.	Braintree, MA
HSPA	Home Savings Association of Penna.	Tamaqua, PA
IMMU	Immunomedics, Inc.	Newark, NJ
IGSI	Insituform Gulf South, Inc.	Pasadena, TX
ITIC	Investors Title Company	Chapel Hill, NC
LLSL	Lakeland Savings & Loan Association	Succasunna, NJ
ONCS	Oncogene Science, Inc.	Mineola, NY
PBKB	People's Savings Bank of Brockton	Brockton, MA
QEKG	Q-Med, Inc.	Clark, NJ
SDYN	Staadynamics, Inc.	Longmont, CO
SRSL	Sunrise Federal Savings & Loan Association	Newport, KY
TOOT	202 Data Systems, Inc.	Wayne, PA
ZBSTW	ZZZZ Best Co., Inc. (Wts)	Reseda, CA

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

#### **Pending Additions**

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
AIUKY	Airship Industries Limited	London, England
AMBJP	American City Business Journals, Inc. (Pfd)	Kansas City, MO
BAPO	Bamburger Polymers, Inc.	New Hyde Park, NY
TFSB	Federal Savings Bank (The)	New Britain, CT
PNRE	Pan Atlantic Re, Inc.	White Plains, NY
PRTK	Presto-Tek Corporation	Los Angeles, CA
SSAX	System Software Associates, Inc.	Chicago, IL

#### **NASDAQ/NMS Interim Additions**

<b>Symbol*</b>	<b>Security</b>	<b>Date of Entry</b>
COTG	Cottage Savings Association	1/13/87
FFPR	First Federal Savings Bank	1/13/87
NRES	Nichols Research Corporation	1/14/87
HMSD	Homestead Savings Association	1/21/87

<b>Symbol*</b>	<b>Security</b>	<b>Date of Entry</b>
WASC	Western Auto Supply Company	1/21/87
INSMA	Insituform Mid-America, Inc. (CI A)	1/22/87
MDTC	MDT Corporation	1/22/87
RFED	Roosevelt Federal Savings & Loan Association	1/23/87

The following changes to the list of NASDAQ/NMS securities occurred since January 9, 1987:

**NASDAQ/NMS Symbol\* And/Or Name Changes**

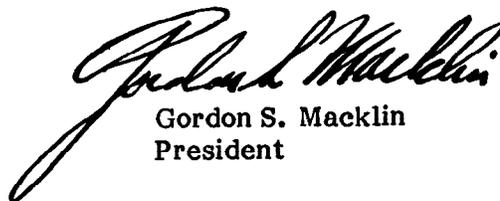
<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
INAI/INAI	IntelliCorp Inc./IntelliCorp.	1/12/87
ELXSF/TRILF	ELXSI, Ltd./Trilogy Limited	1/14/87
FHPC/FHPC	FHP International Corp./FHP Corp.	1/22/87
ACCC/ACCC	ACC Corporation/A.C. Teleconnect Corporation	1/23/87

**NASDAQ/NMS Deletions**

<b>Symbol*</b>	<b>Security</b>	<b>Date</b>
QTNTE	QT&T, Inc.	1/09/87
AMPD	Ampad Corporation	1/14/87
SAVR	Savers, Inc.	1/14/87
KDNYW	Home Intensive Care, Inc. (Wts)	1/20/87
KENN	Kennington Ltd., Inc.	1/22/87
INTY	Integrity Financial Group, Inc. (The)	1/23/87

Any questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,

  
Gordon S. Macklin  
President

# **NASD**

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 87-6**

January 30, 1987

**TO:** All NASD Members and Other Interested Persons

**RE:** Request for Comments on Proposed Amendments to the NASD's Rules of Practice and Procedure For the Small Order Execution System (SOES)

**LAST DATE FOR COMMENTS: MARCH 2, 1987.**

### **EXECUTIVE SUMMARY**

The NASD requests comments on two proposed amendments to Section (c)(1)(B) of the Rules of Practice and Procedure governing the NASD's Small Order Execution System (SOES). One amendment would prohibit NASDAQ market makers from utilizing SOES to execute agency orders in securities in which they are not registered as SOES market makers. The second amendment would prohibit persons associated with NASD members from utilizing SOES for executions in their personal accounts or in accounts in which they have an economic interest.

The NASD believes that these amendments will help ensure maximum use of SOES for the benefit of public customers. The text of the proposed amendments is attached.

### **PROPOSED AMENDMENTS**

The NASD's Small Order Execution System was designed to provide a cost-effective system for the automated execution of small, public, agency orders in NASDAQ securities. Currently, customer transactions for up to 1,000 shares in NASDAQ National Market System securities or up to 500 shares in other NASDAQ

securities may be automatically executed through SOES. Because SOES was designed to benefit public customers, only agency orders, including riskless principal transactions, received from public customers may be entered by SOES order-entry firms into SOES for execution.

At the recommendation of the NASD Market Surveillance and Trading Committees, the Board of Governors has approved the publication for comment of two proposed amendments to the SOES rules, both of which are intended to ensure that SOES is utilized for the benefit of public customers.

The first proposed amendment would prohibit NASDAQ market makers from utilizing SOES to execute agency orders in securities in which they are not registered as SOES market makers. For example, if firm ABC is a registered NASDAQ market maker in Apple Computer, but is not a registered SOES market maker in that security, it would be prohibited from using SOES to execute agency trades in the security. Although statistics indicate that the number of agency orders entered by non-SOES market makers is minimal in comparison to total SOES transaction volume, the Board of Governors believes that the proposed prohibition will eliminate the possible execution of principal transactions through SOES.

The second proposed amendment would prohibit persons associated with NASD members from using SOES for executions in their personal accounts or in accounts in which they have an economic interest. "Economic interest" is defined as an ownership interest in an account or any other type of direct financial interest, including the sharing of profits in an account. The proposed amendment is designed to ensure that SOES is utilized consistent with its intended purpose — to provide for the automated execution of small, public, agency orders in NASDAQ securities. To the extent that SOES is used to execute orders in the personal accounts of industry professionals, the Board is concerned that SOES may not be serving its intended purpose.

The second proposed amendment also addresses concerns of the NASD Market Surveillance and Trading Committees with respect to the practice of dividing agency orders in excess of the 500- or 1,000-share execution limits into smaller orders to meet SOES size requirements. This practice, which has resulted in the institution of NASD disciplinary proceedings against several NASD members, often involves the placing of orders in the personal accounts of persons associated with NASD members or accounts in which such persons have an economic interest.

The NASD encourages all members and other interested persons to comment on the proposed amendments. Comments should be directed to:

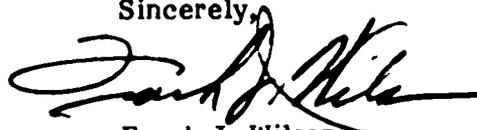
Mr. Lynn Nellius  
Secretary  
National Association of Securities Dealers, Inc.  
1735 K Street, N.W.  
Washington, D.C. 20006-1506

Comments must be received no later than March 2, 1987. Comments received by this date will be considered by the NASD Market Surveillance and

Trading Committees and the NASD Board of Governors. If the proposed amendments are approved by the Board, the amendments must be filed with and approved by the Securities and Exchange Commission before becoming effective.

Questions concerning this notice may be directed to either S. William Broka, Vice President, NASDAQ Operations-Members, at (202) 728-8050, or James M. Cangiano, Director, NASD Market Surveillance, at (202) 728-8186.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson", written over a horizontal line.

Frank J. Wilson  
Executive Vice President  
and General Counsel

Attachment

**PROPOSED AMENDMENTS TO RULES OF PRACTICE AND  
PROCEDURE FOR THE SMALL ORDER EXECUTION SYSTEM (SOES)**

(Existing language has been reorganized and divided into subsections. New language is underlined.)

Sec. 1

B. SOES Order Entry Firms

(i) All entries in SOES shall be made in accordance with the procedures and requirements set forth in the SOES User Guide. Orders may be entered in SOES by the SOES Order Entry Firm through either its NASDAQ terminal or computer interface. The firm will receive an immediate execution report on the terminal screen and printer, if requested, or through the computer interface, as applicable.

(ii) SOES will accept both market and limit orders for execution; however, limit orders not immediately executed due to price will be returned to the SOES Order Entry Firm. Orders may be preferenced to a specific SOES Market Maker or may be unpreferenced, thereby resulting in execution in rotation against SOES Market Makers.

(iii) Only agency orders of limited size, as defined herein, received from public customers may be entered by a SOES Order Entry Firm into SOES for execution against a SOES Market Maker. Agency orders in excess of limited size may not be divided into smaller parts for purposes of meeting the size requirements for orders entered into SOES.

(iv) No member or person associated with a member shall utilize SOES for the execution of agency orders in a security in which the member is not a SOES market maker.

(v) No member or person associated with a member shall utilize SOES for the execution of transactions in his personal account or in any account in which he has an economic interest. The term "economic interest" shall mean an ownership interest in an account or another type of direct financial interest, including the sharing of profits in an account.

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 87-7**

February 10, 1987

**TO:** All NASD Members and Level 2 and Level 3 Subscribers

**RE:** NASDAQ National Market System Grows to 2,775 Securities With 17 Voluntary Additions on February 17, 1987

On Tuesday, February 17, 1987, 17 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,775. These 17 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 17 issues scheduled to join NASDAQ/NMS on Tuesday, February 17, 1987, are:

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
BAPYZ	Burnham American Properties	San Diego, CA
DOZEZ	Burnham Sleepy Hollow, Ltd.	San Diego, CA
CISA	Citizens Savings Bank, F.S.B.	Ithaca, NY
CSTN	Cornerstone Financial Corporation	Derry, NH
DLWD	Delta Woodside Industries, Inc.	Greenville, SC
FFSD	First Federal Savings Bank	Decatur, AL
FFSL	Fulton Federal Savings & Loan Association of Atlanta	Atlanta, GA
GLGVF	Glamis Gold Ltd.	Vancouver, Canada
IFMX	Informix Corporation	Menlo Park, CA
KISC	Kimmins Corporation	Tampa, FL

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\* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
MDST	MEDSTAT Systems, Inc.	Ann Arbor, MI
NETX	Network Equipment Technologies, Inc.	Redwood City, CA
OCOMA	Outlet Communications, Inc. (CI A)	Providence, RI
SEAB	Seaboard Savings & Loan Association	Virginia Beach, VA
STRB	Strober Organization, Inc. (The)	Brooklyn, NY
WWBC	Washington Bancorporation	Washington, D.C.
WNSB	West Newton Savings Bank	West Newton, MA

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

**Pending Additions**

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
AMRE	AMRE, Inc.	Irving, TX
BSBX	Bell Savings Bank Pa S.A.	Upper Darby, PA
MSBI	Montclair Savings Bank	Montclair, NJ

**NASDAQ/NMS Interim Additions**

<b>Symbol*</b>	<b>Security</b>	<b>Date of Entry</b>
WATZV	Waterford Glass Group, plc (WI)	1/28/87
CCTVY	Carlton Communications, plc	1/30/87
UNCF	United Companies Financial Corporation	2/02/87
BRDN	Brandon Systems Corporation	2/03/87
EAGL	Eagle Financial Corporation	2/03/87
BAPO	Bamberger Polymers, Inc.	2/04/87
MBSX	MBS Textbook Exchange, Inc.	2/04/87

The following changes to the list of NASDAQ/NMS securities occurred since January 26, 1987:

**NASDAQ/NMS Symbol\* And/Or Name Changes**

<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
PALM/PALM	PALFED Inc./Palmetto Federal Savings Bank of South Carolina	1/28/87

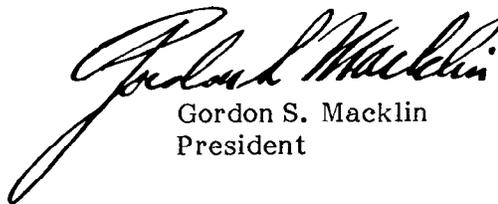
<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
CACIA/CACIA	CACI International, Inc. (CI A) CACI, Inc. (CI A)	1/29/87
KHLR/KHLR	Kahler Corporation/Kahler Corporation (The)	1/29/87
ILLR/ILLM	Illinois Regional Bancorp, Inc./ Illinois Marine Bancorp, Inc.	2/02/87
MIDL/MIDL	Midlantic Corp./Midlantic Banks, Inc.	2/02/87
SFCP/SSBK	Suffield Financial Corp./Suffield Savings Bank	2/02/87
PROSZ/PROS	Prospect Group, Inc. (The)/Prospect Group, Inc. (The)	2/06/87

**NASDAQ/NMS Deletions**

<b>Symbol*</b>	<b>Security</b>	<b>Date</b>
AFLT	American Fletcher Corporation	1/26/87
FNET	Fundsnet, Inc.	1/27/87
STVLQ	Stereo Village, Inc.	1/27/87
CBRP	Continental Bancorp, Inc.	2/02/87
NCBT	Nashville City Bank & Trust Company	2/02/87

Any questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,



Gordon S. Macklin  
President



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 87-8**

February 17, 1987

TO: All NASD Members and Other Interested Persons

RE: South African Sanctions Act Regulations

## **EXECUTIVE SUMMARY**

The U.S. Department of the Treasury recently adopted regulations under the South African Sanctions Act. The provisions of the Act were the subject of NASD Notice to Members 86-76.

This notice provides information relating to the new investment provisions of the Act which became effective on November 16, 1986.

The full text of the regulations and the Treasury Department's interpretive summary, as published in the Federal Register on December 29, 1986, are attached to this notice.

## **BACKGROUND**

On October 2, 1986, Congress enacted the Comprehensive Anti-Apartheid Act of 1986 (Sanctions Act) (Public Law 99-440) which contains prohibitions against certain transactions in securities issued by South African entities. An outline of the provisions of the Act was provided to members in Notice to Members 86-76, dated November 10, 1986.

This notice provides members with the new investment provisions under the Act. Members and associated persons should consult with their counsel to ensure that their trading activities comply with the Sanctions Act.

The new investment provisions of the Act became effective on November 16, 1986, and were issued pursuant to the foreign affairs exception to the Admini-

strative Procedure Act. To a large degree, the new investment provisions restate the statutory provisions.

### **NEW INVESTMENT PROVISIONS UNDER THE SANCTIONS ACT**

Some of the pertinent provisions are as follows.

● Section 545.210 substantially restates the general prohibition of "new investment in South Africa."

● Section 545.304 defines a "loan" to include the purchase of debt or equity securities issued by the government of South Africa or a South African entity on or after October 2, 1986.

● Section 545.319 defines "new investments" and sets forth the secondary trading exemption pursuant to the provisions of Section 3(4) of the Act as described in Notice to Members 86-76.

● Section 545.415 specifically recognizes the applicability of trading in American Depositary Receipts (ADRs) to the exemption for securities issued prior to October 2, 1986. This section also provides an exemption for shares issued as part of a stock split, dividend, recapitalization, merger or other reorganization transaction. Such securities will be deemed to have been issued on the date of issuance of the underlying shares unless the transaction results in payments to or for the benefit of the South African issuer from or on behalf of the security holder.

However, this exemptive treatment is not available for shares acquired on or after October 2, 1986, through the exercise of warrants or pre-emptive rights, although rights or warrants received after October 2 may be sold by the security holder without being in violation of the Act.

\* \* \*

If any further clarification of these provisions is forthcoming, such information will be provided to members. Questions regarding this notice may be addressed to T. Grant Callery, NASD Associate General Counsel, at (202) 728-8285.

Sincerely,



Frank J. Wilson  
Executive Vice President  
and General Counsel

Attachment

**DEPARTMENT OF THE TREASURY****Office of Foreign Assets Control****31 CFR Part 545****South African Transactions Regulations****AGENCY:** Department of the Treasury.**ACTION:** Final rule.

**SUMMARY:** This rule amends the South African Transactions Regulations, 31 CFR Part 545 (the "Regulations"), to implement sections 308 and 310 of the Comprehensive Anti-Apartheid Act of 1986, Pub. L. 99-440, 100 Stat. 1086, as amended by H.J. Res. 756, Pub. L. 99-631, 100 Stat. 3515 ("the Act"). Section 308 prohibits United States depository institutions from accepting, receiving, or holding deposit accounts from the South African Government or its controlled entities, except for diplomatic or consular accounts authorized by the President (Regulations, § 545.209). Section 310 prohibits U.S. nationals from making any new investment in South Africa (Regulations, § 545.210). These sections became effective on November 16, 1986. The Treasury Department is also amending the Regulations to reflect approval by the Office of Management and Budget of the information collection provision contained in § 545.807 of the Regulations.

**EFFECTIVE DATE:** All sections except § 545.423 are effective at 12:01 a.m. Eastern Standard Time, November 16, 1986. Section 545.423 is effective at 12:01 a.m., Eastern Daylight Time, October 2, 1986.

**FOR FURTHER INFORMATION CONTACT:** Marilyn L. Muench, Chief Counsel, Office of Foreign Assets Control, Department of the Treasury, 1331 G Street, NW., Washington, DC 20220 (telephone: 202/376-0408).

**SUPPLEMENTARY INFORMATION:** The initial set of amendments to the Regulations, implementing the immediately effective provisions of the Act, was published on November 19, 1986 (51 FR 41906). The amendments published today implement §§ 308 and 310 of the Act, effective November 16, 1986. Section 309 of the Act, banning importation of South African uranium ore, uranium oxide, coal, and textiles into the United States, will become effective on December 31, 1986.

Regulations implementing this provision will be issued at a later date.

Section 545.209 prohibits depository institutions located in the United States from accepting, receiving, or holding deposit accounts of the South African Government or its controlled entities, with the exception of diplomatic and consular accounts authorized by the Office of Foreign Assets Control by specific license.

Section 545.210 prohibits U.S. nationals from making new investments in South Africa, unless the new investment is in a firm owned by South African victims of apartheid. Section 545.319 defines "new investment" to include a commitment or contribution of funds or other assets, and a loan or other extension of credit. Exceptions are made for reinvestment of profits earned by a U.S.-controlled South African entity in that or another South African entity; contributions required to enable a U.S.-controlled South African entity to operate in an economically sound manner, without expanding its operations; and for the ownership or control of an interest in a South African entity, or of securities of the South African Government or a South African entity issued prior to October 2, 1986, and the transfer or acquisition of such a pre-October 2 interest or security, where no payment, contribution of funds or assets, or credit to the entity or issuer results. Trading in South African securities issued on or after October 2, 1986 is prohibited, whether by direct purchase, purchase of American Depository Receipts evidencing such securities, mutual fund investment or reinvestment, or otherwise (§§ 545.415).

New investment does not include expenses to comply with the Code of Conduct (Sullivan principles) in § 208 of the Act (§ 545.417); market-rate sales of goods, services or technology (§ 545.418); purchase of a residence for personal use by the purchasing U.S. national (§ 545.419); opening and holding personal bank accounts in South Africa by U.S. nationals permanently resident in that country, or corporate bank accounts for U.S. businesses doing business through permanent establishments in South Africa (§ 545.420); opening and holding bank accounts in South Africa used strictly to pay for and clear transactions (§ 545.420); or charitable contributions (§ 545.421).

Since these regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rulemaking, opportunity for public participation, and delay in effective

date, are inapplicable. Because no notice of proposed rulemaking is required for this rule, the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, does not apply. Because these regulations are issued with respect to a foreign affairs function of the United States, they are not subject to Executive Order 12291 of February 17, 1981, dealing with Federal regulations. The information collection requests contained in this document are being submitted to the Office of Management and Budget (OMB) under the Paperwork Reductions Act of 1980, 44 U.S.C. 3501 *et seq.* Notice of OMB action on this request will be published in the Federal Register.

**List of Subjects in 31 CFR Part 545**

Banks, Investments, Loans, Namibia, Reporting and recordkeeping requirements, and South Africa.

**PART 545—SOUTH AFRICAN TRANSACTIONS REGULATIONS**

31 CFR Chapter V, Part 545, is amended as set forth below:

1. The "Authority" citation for Part 545 is revised to read as follows:

**Authority:** 50 U.S.C. 1701 *et seq.*; E.O. 12532, 50 FR 36861, Sept. 10, 1985; E.O. 12535, 50 FR 40325, Oct. 3, 1985; Pub. L. No. 99-440, 100 Stat. 1086; H.J. Res. 756, Pub. L. 99-631, 100 Stat. 3515; E.O. 12571, 51 FR 39505, Oct. 29, 1986.

2. Section 545.203 is amended by adding a new paragraph (e) to read as follows:

**§ 545.203 Effective dates.**

(e) The effective date of the prohibitions in §§ 545.209 and 545.210 is 12:01 a.m. Eastern Standard Time, November 16, 1986.

3. Section 545.209 is added to read as follows:

**§ 545.209 Prohibition on South African Government bank accounts.**

A United States depository institution may not accept, receive, or hold a deposit account from the Government of South Africa or from any agency or entity owned or controlled by the Government of South Africa, except for such accounts which may be authorized pursuant to specific license for diplomatic or consular purposes.

4. Section 545.210 is added to read as follows:

**§ 545.210 Prohibition on new investment in South Africa.**

(a) No national of the United States may, directly or through another person, make any new investment in South Africa.

(b) The prohibition contained in this section shall not apply to a firm owned by black South Africans, provided that prior registration of new investment in such a firm is filed pursuant to § 545.603.

5. Section 545.304 is revised to read as follows:

**§ 545.304 Loan.**

(a) The term "loan" means any transfer or extension of funds or credit on the basis of an obligation to repay, or any assumption or guarantee of the obligation of another to repay an extension of funds or credit, including, but not limited to, overdrafts; currency swaps; the purchase by a financial institution in the United States of debt securities issued by the Government of South Africa after November 11, 1985; the purchase of debt or equity securities issued by the Government of South Africa or a South African entity on or after October 2, 1986; the purchase of a loan made by another person; the sale of financial assets, including precious metals, subject to an agreement to repurchase; a renewal or refinancing whereby new funds or credits are transferred or extended to a prohibited borrower or recipient; or the issuance of a standby letter of credit.

(b) The term "loan" does not include normal short-term trade financing for goods or services having a maturity not exceeding one year, as by commercial letters of credit, bankers' acceptances eligible for discount by a Federal Reserve Bank pursuant to para. 7 of section 13 of the Federal Reserve Act (12 U.S.C. 372), or similar trade credits; sales on open account in cases where such sales are normal business practice; or the rescheduling of existing loans, if no new funds or credits are thereby transferred or extended to a prohibited borrower or recipient.

**§ 545.306 Government of South Africa; South African Government.**

6. Section 545.306 is revised to delete therefrom the final phrase: ", as defined in § 545.307."

**§ 545.307 [Removed]**

7. Section 545.307 is removed.

8. Section 545.311 is revised to read as follows:

**§ 545.311 Prohibited borrower.**

The term "prohibited borrower" means a person, including the Government of South Africa, to whom the making of a loan or other extension of credit is prohibited by the terms of § 545.202(a) or 545.210(a).

9. Paragraph (c) of § 545.313 is revised to read as follows:

**§ 545.313 National of the United States; U.S. national.**

\* \* \* \* \*

(c) For purposes of §§ 545.206, 545.208, and 545.210 of this part, the terms "national of the United States" and "U.S. national" also mean a person located in the United States.

10. Section 545.317 is added to read as follows:

**§ 545.317 Code of Conduct.**

The term "Code of Conduct" means the Code of Conduct set forth in § 208(a) of the Act, as well as the additional actions stated in, or adopted pursuant to, that section which are intended to promote the end of the apartheid system.

11. Section 545.318 is added to read as follows:

**§ 545.318 Controlled South African entity.**

The term "controlled South African entity" means—

(a) A corporation, partnership, or other business association or entity organized in South Africa and owned or controlled, directly or indirectly, by a national of the United States; or

(b) A branch, office, agency, or sole proprietorship in South Africa of a national of the United States.

12. Section 545.319 is added to read as follows:

**§ 545.319 New investment.**

For purposes of § 545.210, the term "new investment" means—

(a) A commitment or contribution of funds or other assets; and

(b) A loan or other extension of credit, as defined in § 545.304; but

(c) Does not include—

(1) The reinvestment of profits generated by a controlled South African entity into that same controlled South African entity or the investment of such profits in a South African entity;

(2) Contributions of money or other assets where such contributions are necessary to enable a controlled South African entity to operate in an economically sound manner, without expanding its operations; or

(3)(i) The ownership or control of a share or interest in a South African entity, or a controlled South African entity, or a debt or equity security issued by the Government of South Africa or a South African entity before October 2, 1986, or

(ii) The transfer or acquisition of such a share, interest, or debt or equity security, if any such transfer or acquisition does not result in a payment, contribution of funds or assets, or credit to a South African entity, a controlled

South African entity, or the Government of South Africa.

13. Section 545.320 is added to read as follows:

**§ 545.320 Prohibited recipient.**

The term "prohibited recipient" means a person in whom the making of a new investment is prohibited pursuant to § 545.210.

14. Section 545.321 is added to read as follows:

**§ 545.321 United States depository institution.**

(a) For purposes of § 545.209, the term "United States depository institution" means a depository institution located in the United States, but does not include the foreign branches of a depository institution organized in the United States, or the parents, subsidiaries, branches or offices located outside the United States of a depository institution organized under foreign law.

(b) For purposes of this section, the term "depository institution" means a depository institution as defined in section 19(b)(1) of the Federal Reserve Act, 12 U.S.C. 461(b)(1).

15. Section 545.404 is revised to read as follows:

**§ 545.404 Rescheduling existing loans.**

Provided that no new funds or credits are thereby transferred or extended to a prohibited borrower or a prohibited recipient, §§ 545.202 and 545.210 do not prohibit a national of the United States or a financial institution in the United States from rescheduling loans or otherwise extending the maturities of existing loans, or from charging fees, or interest at commercially reasonable rates, in connection therewith.

16. Section 545.406 is revised to read as follows:

**§ 545.406 Loans through intermediaries.**

Sections 545.202 and 545.210 prohibit a national of the United States or a financial institution in the United States from making a loan to any person in the United States or a foreign country, where the U.S. national or financial institution has reason to believe that the loan is being obtained for, or on behalf of, a prohibited borrower or recipient, and that the relevant funds or credit will be made available to a prohibited borrower or recipient.

17. Section 545.408 is revised to read as follows:

**§ 545.408 Approval of loans by foreign affiliates.**

Sections 545.202 and 545.210 prohibit nationals of the United States or financial institutions in the United

States from approving loans by their foreign affiliates to prohibited borrowers or recipients.

18. Section 545.409 is revised to read as follows:

**§ 545.409 Loan participations.**

Sections 545.202 and 545.210 prohibit a national of the United States or a financial institution in the United States from purchasing, or otherwise acquiring a participation in, all or part of any loan made by any other person or persons to a prohibited borrower or recipient, regardless of the date of the original loan. However, the prohibition of § 545.202 does not apply if, in the case of a financial institution, it is obligated to make the purchase under an agreement entered into before September 9, 1985, or, in the case of a national of the United States that is not a financial institution in the United States, it is obligated to make the purchase under an agreement entered into before October 2, 1986. The prohibitions of §§ 545.202 and 545.210 do not apply to the acquisition of all or part of a loan made by any other person or persons to a prohibited borrower or recipient if such acquisition is incidental to the purchase or acquisition of an entity or all or substantially all of the assets of an entity that has previously made, or acquired a participation in, such a loan.

19. Section 545.410 is revised to read as follows:

**§ 545.410 South African law.**

If, under applicable laws of South Africa, a national of the United States or a financial institution in the United States cannot obtain enough information from a person in South Africa to enable it reasonably to conclude that a loan is not being obtained for, or on behalf of, a prohibited borrower or recipient, or that a new investment is not being made in, or with respect to, a prohibited recipient, §§ 545.202 or 545.210 prohibits the loan or new investment.

20. Section 545.415 is added to read as follows:

**§ 545.415 Trading in South African securities; American Depositary Receipts; recapitalizations.**

(a) For purposes of the prohibition on new investment in § 545.210, the ownership, control, transfer or acquisition of (1) a debt or equity security issued by the Government of South Africa or a South African entity, or (2) an American Depositary Receipt (ADR) evidencing an interest in such a security, is authorized provided that no interest represented by the security or ADR was issued on or after October 2, 1986.

(b) Shares issued by a South African entity on or after October 2, 1986 in a stock split or similar recapitalization transaction, in a merger or other reorganization, or as a stock dividend, with respect to its shares issued on or prior to that date, will be deemed issued on the date of issuance of the underlying shares for the purposes of § 545.210, provided that, except as permitted in § 545.319(c)(1), such split, recapitalization, reorganization, or dividend does not result in a payment, contribution of funds or assets, or credit to, or for the benefit of, the South African issuer from, or on behalf of, the security holder. This treatment is not available for shares acquired on or after October 2, 1986 through the exercise of warrants or preemptive rights. Rights or warrants received on or after October 2, 1986 with respect to shares issued prior to that date may, however, be sold by the security holder, or on an ADR holder's behalf by the depository.

21. Section 545.416 is added to read as follows:

**§ 545.416 Trading in commodities.**

Trading in commodities futures or options thereon with respect to South African commodities will be treated as the purchase or sale of the underlying goods. However, no such commodities subject to import prohibitions may be imported into the United States on or after the effective date of a relevant import prohibition.

22. Section 545.417 is added to read as follows:

**§ 545.417 Expenses to comply with Code of Conduct.**

Expenses incurred by U.S. nationals to comply with the Code of Conduct will not be treated as prohibited new investment in South Africa.

23. Section 545.418 is added to read as follows:

**§ 545.418 Sales of goods, services, and technology.**

Purchases and sales of goods, services, and technology in arms' length transactions on normal commercial terms will generally not be treated as new investment in South Africa for purposes of the prohibition in § 545.210.

24. Section 545.419 is added to read as follows:

**§ 545.419 Real estate acquisition.**

The purchase of real estate in South Africa for use as a residence by the purchasing individual U.S. national will not be treated as new investment in South Africa for purposes of § 545.210.

provided that no commercial or rental use is made of such real estate.

25. Section 545.420 is added to read as follows:

**§ 545.420 Bank accounts in South Africa.**

(a) The opening and holding of personal bank accounts in South Africa by an individual resident in South Africa, or of corporate or similar accounts by an entity that is a U.S. national doing business through a permanent establishment in South Africa, will not be treated as a "loan" or "new investment" for purposes of § 545.202 or 545.210.

(b) The opening and holding of non-interest-bearing demand deposit or call accounts in South Africa by a U.S. national located outside South Africa will not be treated as a "loan" or "new investment" for purposes of § 545.202 or 545.210, where such accounts are used exclusively to pay for and clear transactions with South African entities.

26. Section 545.421 is added to read as follows:

**§ 545.421 Charitable contributions.**

Contributions to charitable organizations engaged in social welfare, public health, religious, educational, and emergency relief activities in South Africa will not be treated as "new investments" for purposes of § 545.210.

27. Section 545.422 is added to read as follows:

**§ 545.422 Foreign exchange transactions.**

A foreign exchange transaction executed at current market prices, for immediate or future delivery but without an extension of credit, will not be deemed a "loan" as defined in § 545.304.

28. Section 545.423 is added to read as follows:

**§ 545.423 Confirmation of short-term trade credits.**

The confirmation of short-term trade financing instruments, such as commercial letters of credit, is authorized, provided that the instrument being confirmed is not within the definition of "loan" in § 545.304.

29. Section 545.424 is added to read as follows:

**§ 545.424 Firm owned by black South Africans.**

For purposes of § 545.210, the term "firm owned by black South Africans" means an entity owned by South African victims of apartheid.

30. Section 545.603 is added to read as follows:

**§ 545.603 Registration of new investment in firms owned by black South Africans.**

Every person making a new investment in a firm owned by black

South Africans pursuant to the exception to the prohibition on new investment in § 545.210(b) shall, prior to making such new investment, file with the Office of Foreign Assets Control a report with respect to such investment, including: (a) The name and address of the U.S. national making the investment; (b) the name of the black-owned firms, (c) full information on the black-owned firm's ownership, sufficient to demonstrate its eligibility under § 545.210(b); and (d) the amount and nature of the U.S. national's new investment.

31. Section 545.604 is added to read as follows:

**§ 545.604 Registration of contributions necessary to enable a controlled South African entity to operate in an economically sound manner.**

Every person making a contribution necessary to enable a controlled South African entity to operate in an economically sound manner, pursuant to the exception to the prohibition on new investment in § 545.317(c)(2), shall, prior to making such contribution, file with the Office of Foreign Assets Control a report with respect to such contribution, including: (a) the name and address of the U.S. national making the contribution; (b) the name and address of the controlled South African entity; (c) full information on the circumstances requiring the contribution, sufficient to demonstrate its eligibility under § 545.319(c)(2); and (d) the amount and nature of the U.S. national's contribution.

32. Section 545.901 is revised to read as follows:

**§ 545.901 Paperwork Reduction Act notice.**

The information collection requirements in §§ 545.503, 545.504, 545.601, and 545.602 have been approved by the Office of Management and Budget (OMB) and have been assigned control number 1505-0091. The information collection requirements of § 545.807 have been approved by OMB and have been assigned control number 1505-0097.

Dated: December 12, 1986.

**Dennis M. O'Connell,**  
*Director, Office of Foreign Assets Control.*

Approved: December 19, 1986.

**Francis A. Keating II,**  
*Assistant Secretary (Enforcement).*

[FR Doc. 86-29172 Filed 12-23-86; 4:42 pm]

BILLING CODE 4810-25-M

# **NASD**

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 87-9**

February 19, 1987

### **IMPORTANT MAIL VOTE**

#### **OFFICERS, PARTNERS AND PROPRIETORS**

**TO:** All NASD Members

**RE:** Proposed Amendments to Article XIV of the NASD By-Laws and Article V, Sections 1 and 2 of the NASD Rules of Fair Practice Concerning Disciplinary Sanctions

**LAST VOTING DATE IS MARCH 21, 1987.**

#### **EXECUTIVE SUMMARY**

Members are invited to vote on amendments to the NASD By-Laws and Rules of Fair Practice that would effect certain technical and conforming changes to reflect the NASD's position on the use of disgorgement as a sanction in disciplinary proceedings. These amendments would include disgorgement orders in the enumeration of available sanctions and would expressly authorize the NASD to invoke summary suspension, expulsion or revocation proceedings for failure to pay a disgorgement order.

Prior to becoming effective, the amendments must be approved by the NASD membership and the Securities and Exchange Commission.

The texts of the proposed amendments are attached as Exhibits 1 and 2.

## BACKGROUND

In appropriate cases, the NASD has required respondents in disciplinary actions to disgorge to the NASD monetary gain realized as a consequence of their misconduct. This sanction is premised upon the NASD's position that a respondent should not be permitted to profit from wrongdoing. The NASD's authority to impose an order of disgorgement is based upon Section 15A(b)(7) of the Securities Exchange Act of 1934, which enumerates the sanctions permitted to be imposed by a national securities association. It concludes with the authority to impose "any other fitting sanction." (This language is also found in Article XIV of the NASD By-Laws.)

An order to disgorge ill-gotten gains is a fitting sanction in situations where a member or person associated with a member would otherwise retain profits earned in violation of the rules and regulations governing the securities industry. The NASD Board of Governors has approved amendments to the By-Laws and Rules of Fair Practice for the purpose of incorporating references to disgorgement in the provisions that pertain to the imposition of sanctions.

## PROPOSED AMENDMENTS

Article XIV of the NASD By-Laws sets forth the powers of the Board of Governors to prescribe sanctions. Subsection (e) provides that sanctions may be prescribed for failure to "adhere to any ruling, order, direction or decision of, or to pay any penalty, fine or costs, imposed by the Board of Governors or any District Business Conduct Committee." The proposed amendment would add disgorgement orders to the items enumerated in Subsection (e).

Article V, Section 1 of the NASD Rules of Fair Practice sets forth the sanctions that may be imposed by the Board of Governors and the District Business Conduct Committees. It states in part that these bodies may "impose any other fitting penalty deemed appropriate under the circumstances. . . ." (emphasis added) The proposed amendment would substitute the word "sanction" for the word "penalty" to conform the language used in the Rule of Fair Practice to that used in the NASD By-Laws.

Article V, Section 2 of the NASD Rules of Fair Practice sets forth provisions for payment to the NASD of fines imposed and costs assessed by the Board of Governors or a District Business Conduct Committee. It also provides that members may be summarily suspended or expelled and that the registration of a person associated with a member may be revoked, upon seven days' notice, for failure to pay any such fines or costs. The proposed amendment would bring other monetary sanctions, such as disgorgement, expressly within the scope of this section.

\* \* \* \* \*

The Board of Governors believes that these clarifying and conforming amendments to the NASD By-Laws and the NASD Rules of Fair Practice are necessary and appropriate and recommends that members vote their approval.

Please mark the attached ballot according to your convictions and return it in the enclosed, stamped envelope to "The Corporation Trust Company." Ballots must be postmarked no later than March 21, 1987.

Questions regarding this notice may be directed to Jacqueline D. Whelan, Attorney, NASD Office of the General Counsel, at (202) 728-8270.

Sincerely,

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

Frank J. Wilson  
Executive Vice President  
and General Counsel

Attachments

**PROPOSED AMENDMENT TO ARTICLE XIV OF THE NASD BY-LAWS**

[New text is underlined.]

**Powers of Board to Prescribe Sanctions**

The Board of Governors is hereby authorized to prescribe appropriate sanctions applicable to members, including censure, fine, suspension or expulsion from membership, suspension or barring from being associated with all members, limitation of activities, functions and operations of a member, or any other fitting sanction, and to prescribe appropriate sanctions applicable to persons associated with members, including censure, fine, suspension or barring a person associated with a member from being associated with all members, limitation of activities, functions and operations of a person associated with a member, or any other fitting sanction, for:

- 
- 
- 

(e) failure by a member or a person associated with a member to adhere to any ruling, order, direction or decision of, or to pay any penalty, fine, disgorgement order, or costs imposed by, the Board of Governors or any District Business Conduct Committee.

**PROPOSED AMENDMENTS TO ARTICLE V  
OF THE NASD RULES OF FAIR PRACTICE**

[New text is underlined; deleted text is in brackets.]

**~~[Penalties]~~ Sanctions for Violation of the Rules**

**Sec. 1.** Any District Business Conduct Committee, or the Board of Governors, in the administration and enforcement of these Rules, and after compliance with the Code of Procedure, may (1) censure any member or person associated with a member and/or (2) impose a fine not in excess of Fifteen Thousand Dollars (\$15,000.00) upon any member or person associated with a member and/or (3) suspend the membership of any member or suspend the registration of a person associated with a member, if any, for a definite period, and/or (4) expel any member or revoke the registration of any person associated with a member, if any, and/or (5) suspend or bar a member or person associated with a member from association with all members, or (6) impose any other fitting ~~[penalty]~~ sanction deemed appropriate under the circumstances, for each or any violation of any of these Rules by a member or person associated with a member or for any neglect or refusal to comply with any orders, directions or decisions issued by any District Business Conduct Committee or by the Board of Governors in the enforcement of these Rules, including any interpretative ruling made by the Board of Governors, as any such Committee or Board, in its discretion, may deem to be just; provided, however, that no such sanction imposed by any District Business Conduct Committee shall take effect until the period for appeal therefrom or review has expired, as provided in Section 14 of the Code of Procedure; and provided, further, that all parties to any proceeding resulting in a sanction shall be deemed to have assented to or to have acquiesced in the imposition of such sanction unless any party aggrieved thereby shall have made application to the Board of Governors for

review pursuant to the Code of Procedure, within fifteen (15) days after the date of such notice.

**Payment of Fines, Other Monetary Sanctions, or Costs**

**Sec. 2.** All fines and other monetary sanctions shall be paid to the Treasurer of the Corporation and shall be used for the general corporate purposes. Any member who fails promptly to pay any fine or other monetary sanction imposed pursuant to Section 1 of this Article, or any costs imposed pursuant to Section 3 of this Article after such fine, monetary sanction, or costs has become finally due and payable, may after seven (7) days' notice in writing be summarily suspended or expelled from membership in the Corporation. A member may also be summarily suspended or expelled from membership in the Corporation if the member fails to immediately terminate the association of any person who fails promptly to pay any fine or other monetary sanction imposed pursuant to Section 1 of this Article, or any costs imposed pursuant to Section 3 of this Article after such fine, monetary sanction, or costs has become finally due and payable after seven (7) days' notice in writing. The registration of a person associated with a member, if any, may be summarily revoked if such person fails promptly to pay any fine or other monetary sanction imposed pursuant to Section 1 of this Article, or any costs pursuant to Section 3 of this Article after such fine, monetary sanction, or costs has become finally due and payable after seven (7) days' notice in writing.

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 87-10**

February 25, 1987

**TO:** All NASD Members and Other Interested Persons

**ATTN:** Syndicate Department

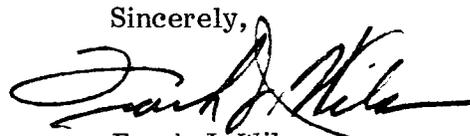
**RE:** Proposed Amendment to Section 66 of the NASD Uniform Practice Code Regarding Prompt Settlement of Syndicate Accounts

On October 1, 1985, the NASD adopted Section 66 to its Uniform Practice Code requiring syndicate managers to settle syndicate accounts within 120 days of the date securities are delivered by the issuer to or for the account of syndicate members. At that time, the NASD stated its intention to review members' experience under the 120-day requirement after one year with a view to reducing the settlement period to 90 days.

The NASD's Board of Governors and its Corporate Financing Committee have reviewed members' experience since adoption of Section 66 and have determined that a reduction in the period required to settle syndicate accounts is appropriate. The Board, therefore, has approved an amendment to Section 66 reducing the period required for final settlement of syndicate accounts from 120 days to 90 days. The amendment will be effective upon approval by the Securities and Exchange Commission. Such approval is not expected for several months. The NASD wishes to give the membership advance notice of a potential reduction in the settlement period and encourage members to establish and implement procedures relating to the proposed requirement.

All comments or questions pertaining to the current requirement and proposed modification of Section 66 may be directed to the NASD's Corporate Financing Department at (202) 728-8258.

Sincerely,



Frank J. Wilson  
Executive Vice President  
Legal and Compliance



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 87-11**

February 25, 1987

**TO:** All NASD Members and Level 2 and Level 3 Subscribers

**RE:** NASDAQ National Market System Grows to 2,788 Securities With 17 Voluntary Additions on March 3, 1987

On Tuesday, March 3, 1987, 17 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,788. These 17 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 17 issues scheduled to join NASDAQ/NMS on Tuesday, March 3, 1987, are:

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
AROS	Advance Ross Corporation	Chicago, IL
ATAXZ	America First Tax Exempt Mortgage Fund 2 L.P.	Omaha, NE
BINC	Biospherics Incorporated	Rockville, MD
CEMX	CEM Corporation	Matthews, NC
CERN	Cerner Corporation	Kansas City, MO
CLDA	Clinical Data, Inc.	Brookline, MA
CRPG	CR/PL, Inc.	Evanston, IL
DJCO	Daily Journal Company	Los Angeles, CA
FEDF	Federated Financial Savings & Loan Association	Wauwatosa, WI

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\* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
FLAG	First Federal Savings & Loan Association of LaGrange	LaGrange, GA
FGSV	First Georgia Savings Bank, F.S.B.	Brunswick, GA
HESI	Hunter Environmental Services, Inc.	Canton, OH
PULS	Pulawski Savings & Loan Association	South River, NJ
ROYL	Royalpar Industries, Inc.	West Hartford, CT
SFNS	Spear Financial Services, Inc.	Los Angeles, CA
STRR	Star Technologies, Inc.	Sterling, VA
WSSX	Wessex Corporation	Franklin, TN

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

**Pending Additions**

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
ELEX	Elexis Corporation	Miami, FL
FIRF	First Financial Savings Association	Dowington, PA
NBBS	New Bedford Institution for Savings	New Bedford, MA
SSBA	Seacoast Savings Bank	Dover, NH

**NASDAQ/NMS Interim Additions**

<b>Symbol*</b>	<b>Security</b>	<b>Date of Entry</b>
MRGO	Margo Nursery Farms, Inc.	2/09/87
BSBX	Bell Savings Bank	2/11/87
SSAX	Systems Software Associates, Inc.	2/12/87
CFNH	Cheshire Financial Corporation	2/18/87
CONH	Continental Homes Holding Corporation	2/19/87
PNRE	Pan Atlantic Re, Inc.	2/19/87

The following changes to the list of NASDAQ/NMS securities occurred since February 6, 1987:

**NASDAQ/NMS Symbol\* And/Or Name Changes**

<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
NNSL/NNSL	Newport News Savings Bank/Newport News Savings & Loan Association	2/18/87

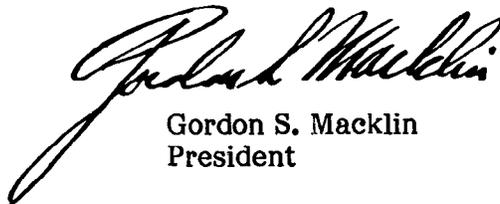
<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
ROIL/ROIL	Reserve Industries Corporation/Reserve Oil and Minerals Corporation	2/18/87
KNDR/KNDR	Kinder-Care, Inc./Kinder Care Learning Center, Inc.	2/19/87
PANT/CDII	Pantera's Corporation/Concept Development, Inc.	2/23/87

**NASDAQ/NMS Deletions**

<b>Symbol*</b>	<b>Security</b>	<b>Date</b>
SCFC	Scientific Communications, Inc.	2/09/87
BMSDW	Bio-Medicus, Inc. (Wts)	2/10/87
CHGTQ	Chargit, Inc.	2/10/87
CVGI	Congress Video Group, Inc. (The)	2/10/87
CVGIW	Congress Video Group, Inc. (The) (Wts)	2/10/87
MVIC	Machine Vision International Corporation	2/10/87
SKYX	Sky Express, Inc.	2/10/87
WCHI	Westworld Community Healthcare, Inc.	2/10/87
ASSRF	ARC International Corporation	2/12/87
FLCOE	Finalco Group, Inc.	2/19/87

Any questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, Market Surveillance, at (202) 728-8192.

Sincerely,



Gordon S. Macklin  
President



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 87-12**

February 26, 1987

TO: All NASD Members and Other Interested Persons

RE: Adoption of Amendment to Schedule G of the NASD By-Laws

## **EXECUTIVE SUMMARY**

The SEC recently approved an amendment to Section 2 of Schedule G of the NASD By-Laws (SEC Release Number 34-23780). The amendment, which is effective immediately, requires NASD members to report transactions in listed securities executed in the over-the-counter market in the United States between 4:00 p.m. and 4:30 p.m. Eastern Time to the Consolidated Tape Association (CTA) through the NASDAQ System.

The amendment is in response to concern over the apparent lack of uniformity in reporting procedures for transactions in listed securities executed after hours.

The text of the amendment is attached.

## **BACKGROUND AND SUMMARY OF AMENDMENT**

The amendment to Section 2 of Schedule G of the NASD By-Laws was adopted in response to concern over the apparent lack of uniformity in reporting procedures for transactions in listed securities executed after hours.

The purpose of the amendment is to standardize these reporting procedures for transactions in listed securities executed in the United States between the hours of 4:00 and 4:30 p.m. Eastern Time.

Some NASD members currently utilize NASDAQ facilities to report transactions in listed securities executed after the market close to CTA, while other NASD members report such transactions via the NASD's Form T. Form T is used to report trades executed after the close of CTA trading hours. It is submitted to the NASD on a weekly basis. While transactions reported through

CTA are included in daily market activity summaries, information submitted on Form T is not.

Therefore, requiring that transactions in listed securities executed between 4:00 and 4:30 p.m. Eastern Time be reported to CTA through the NASDAQ System will ensure uniformity of reporting procedures. This will also result in the dissemination of more complete data on daily trading activity to the wire services and print media and, ultimately, to public investors.

It should be noted that transactions in exchange-listed securities executed outside exchange trading hours are considered over-the-counter transactions. Therefore, the amendment to Schedule G will apply to only domestic transactions in listed securities executed between 4:00 and 4:30 p.m. Eastern Time by NASD members, including those that are also members of a national securities exchange. However, the amendment does not address the reporting of transactions in listed securities executed abroad after the close.

Questions concerning this notice may be directed to S. William Broka, Vice President, NASDAQ Operations-Members, at (202) 728-8050.

Sincerely,

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

Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Attachment

**AMENDMENT TO SCHEDULE G OF THE NASD BY-LAWS\***

**(Effective Immediately)**

**SCHEDULE G**

**Section 2 — Transaction Reporting**

(a) When and How Transaction Reported

(1) Designated Reporting Members shall transmit through the NASDAQ Transaction Reporting System, within 90 seconds after execution, last sale reports of transactions in eligible securities during the trading hours of the Consolidated Tape otherwise than on a national securities exchange. Designated Reporting Members shall transmit through the NASDAQ Transaction Reporting System, within 90 seconds after execution, last sale reports of transactions in eligible securities executed in the United States between 4:00 p.m. and 4:30 p.m. Eastern Time. Transactions not reported within 90 seconds after execution shall be designated as late.

(2) Non-Designated Reporting Members shall transmit through the Transaction Reporting System or, if such System is unavailable, via Telex, TWX or telephone, to the NASDAQ Department in New York City, within 90 seconds after execution, last sale reports of transactions in eligible securities executed during the trading hours of the Consolidated Tape otherwise than on a national securities exchange unless all of the following criteria are met:

(A) The aggregate number of shares of eligible securities which the member executed and is required to report does not exceed 1,000 shares in any one trading day;

(B) The total dollar amount of shares of eligible securities that the member executed and is required to report does not exceed \$25,000 in any one trading day; and

(C) The member's transactions in eligible securities have not exceeded the limits of (A) or (B) above on five or more of the previous ten trading days.

Non-Designated Reporting Members shall transmit through the NASDAQ Reporting System, or if such System is unavailable, via Telex, TWX or telephone, to the NASDAQ Department in New York City, within 90 seconds after execution, last sale reports of transactions in eligible securities executed in the United States otherwise than on a national securities exchange between the hours of 4:00 p.m. and 4:30 p.m. Eastern Time unless all of the criteria specified in paragraphs (A), (B) and (C) above are met.

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\* New language is underlined; deleted language is bracketed.

Transactions not reported within 90 seconds after execution shall be designated as late. If the member has reason to believe that its transactions in a given day will exceed the above limits, it shall report all transactions in eligible securities within 90 seconds after execution; in addition, if the member exceeds the above limits at any time during the trading day, it shall immediately report and designate as late any unreported transactions in eligible securities executed earlier that day.

(3) Non-Designated Reporting Members shall report weekly to the NASDAQ Department in New York City, on Form T, last sale reports of transactions in eligible securities that are not required by paragraph (2) to be reported within 90 seconds after execution.

(4) All members shall report weekly to the NASDAQ Department in New York City, on Form T, last sale reports of transactions in eligible securities executed outside the hours of 9:30 a.m. and 4:30 p.m. Eastern Time [trading hours of the Consolidated Tape].

(5) All trade tickets for transactions in eligible securities shall be time-stamped at the time of execution.

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 87-13**

February 27, 1987

**IMPORTANT MAIL VOTE  
OFFICERS, PARTNERS AND PROPRIETORS**

TO: All NASD Members

RE: Proposed Amendments to Article II, Sections 3, 4 and 5 of the NASD By-Laws

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**LAST VOTING DATE IS MARCH 29, 1987.**

### **EXECUTIVE SUMMARY**

NASD members are invited to vote on proposed amendments to Article II, Sections 3, 4 and 5 of the NASD By-Laws. The amendments would require controlling persons of a firm liquidated under the Securities Investor Protection Act of 1970 (SIPA) to undergo eligibility proceedings pursuant to the NASD Code of Procedure prior to approval of their registration with an NASD member firm. Such ineligible persons will be permitted, however, to commence or continue in employment with a member firm pending the outcome of an eligibility proceeding.

The proposed amendments have been approved by the NASD Board of Governors and now require the approval of the membership. Prior to becoming effective, the amendments must also be approved by the SEC. The text of the proposed amendments is attached.

## BACKGROUND

In NASD Notice to Members 86-85 (December 5, 1986), the NASD Board of Governors requested comment on proposed amendments to Article II, Sections 3, 4 and 5 of the NASD By-Laws that would authorize the NASD to examine the involvement of certain controlling persons in, and their responsibility for, the activities that led to the liquidation of a broker-dealer, prior to approving the association or continued association of such persons with another NASD member firm.

As originally proposed, the amendments provided that a person who was an officer, director, general partner, financial and operations principal, owner of 10 percent or more of the voting securities, or a controlling person (or a person performing similar functions) of a broker-dealer at the time SIPA proceedings were instituted, or whose association with the broker-dealer was terminated within six months prior to institution of SIPA proceedings, would be ineligible to become associated or continue in association with an NASD member until an eligibility proceeding pursuant to Article VII of the NASD Code of Procedure had been concluded.

## REVISIONS TO PROPOSED AMENDMENTS

Based on numerous comments received from members and other interested persons, the NASD Board of Governors, at the recommendation of its Qualifications Committee, revised the proposed amendments in three significant areas. These changes reflect the Board's intent to limit the universe of persons covered under the amendments, while ensuring that the regulatory scope of the amendments is adequate and includes persons most likely responsible for the broker-dealer's liquidation.

The revisions to the amendments since originally proposed are:

- The category of persons subject to the restrictions has been narrowed. In the original version, the proposed amendments applied to officers, directors, general partners, financial and operations principals, owners of 10 percent or more of the voting securities, or a controlling person (or a person performing similar functions) of a liquidated broker-dealer.

Because many officers, directors and general partners are not actively involved in the day-to-day management or operations of a broker-dealer, the NASD Board determined it appropriate to include only those officers, directors and general partners that are registered as principals. Owners of 10 percent or more of the voting securities of a broker-dealer and other controlling persons (or persons performing similar functions) would be subject to the amendments as originally proposed.

- As originally proposed, the amendments applied to certain persons associated with a broker-dealer at the time SIPA proceedings are instituted or whose associations with the firm are terminated within six months preceding the SIPA filing. The Board has reduced this period to four months from six months. Therefore, a person would be required to undergo an eligibility proceeding if SIPA proceedings are instituted against the former employer-member within four months of the person's termination.

● The Board determined that a person required to undergo an eligibility proceeding will be permitted to be employed by an NASD member firm pending the conclusion of the eligibility proceeding. If the Board determines, however, that the ineligible person's registration should not be approved, the individual's registration would be terminated immediately.

Once an ineligible person's registration with a member firm has been approved, he or she will not be required to undergo eligibility proceedings in connection with any future applications for registration in the approved capacity, assuming that the individual is not otherwise ineligible. An additional eligibility proceeding would be required if an individual who was previously approved as a registered representative requests registration in a principal capacity.

\* \* \* \* \*

The Board of Governors believes that the proposed amendments to Article III, Sections 3, 4 and 5 of the NASD By-Laws are necessary and appropriate and recommends that members vote their approval.

Please mark the attached ballot according to your convictions and return it in the enclosed, stamped envelope to "The Corporation Trust Company." Ballots must be postmarked no later than March 29, 1987.

Questions concerning this notice may be directed to Craig L. Landauer, NASD Office of General Counsel, at (202) 728-8291.

Sincerely,



Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Attachment

**PROPOSED AMENDMENTS TO ARTICLE II,  
SECTIONS 3, 4 AND 5 OF THE NASD BY-LAWS\***

**Sec. 3.** (a) No registered broker, dealer or municipal securities broker or dealer shall be admitted to membership, and no member shall be continued in membership, if such broker, dealer, municipal securities broker or dealer or member fails or ceases to satisfy the qualification requirements under Section 2 of this Article, or if such broker, dealer, municipal securities broker or dealer or member is or becomes subject to a disqualification under Section 5 [4] of this Article.

(b) No person shall become associated with a member, or continue to be associated with a member, or transfer association to another member, if such person fails or ceases to satisfy the qualification requirements under Section 2 of this Article, if such person is or becomes ineligible under Section 4 of this Article, or if such person is or becomes subject to a disqualification under Section 5 [4] of this Article; and no broker, dealer or municipal securities broker or dealer shall be admitted to membership, and no member shall be continued in membership, if any person associated with it is ineligible to be an associated person under this subsection.

(Remainder of Section 3 is unchanged.)

**Sec. 4.** If a person associated with a member or seeking to become associated with a member was an officer, director or general partner registered as a principal, a limited principal-financial and operations, owner of ten (10) percent or more of the voting securities, or a controlling person (or a person performing similar functions) of a member that was the subject of proceedings under the Securities Investor Protection Act of 1970 ("SIPA") instituted during such person's association with the member or within four months after the termination of such person's association with the member, then such person shall be considered ineligible for registration in any capacity. Before the registration of such ineligible person may be approved in any capacity, he shall make application for registration to the Board of Governors pursuant to Article VII of the NASD Code of Procedure; provided, however, that such person may commence or continue in employment with a member pending the outcome of his application for registration; and provided further that, once such person's registration or continued registration with a member subsequent to the institution of SIPA proceedings has been approved in a particular capacity, no additional application or approval shall be required with respect to any future application for registration in the capacity approved.

(Renumber Section 4 as Section 5.)

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\* New language is underlined; deleted language is bracketed.