



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

notice to members 87-33

June 1, 1987

TO: All NASD Members and Other Interested Persons

ATTN: All Chief Executive Officers, Compliance Officers, and Registration Managers

RE: Forms BD and U-4 Revisions, Government Securities Brokers and Dealers Registration Requirements

EXECUTIVE SUMMARY

On October 28, 1986, President Reagan signed the Government Securities Act of 1986 providing for regulation of government securities activities by brokers and dealers. This legislation created new Section 15C under the Securities Exchange Act of 1934 (Act), which necessitated revisions to Form BD and Form U-4 to accommodate this new area of regulatory jurisdiction.

A copy of the 4/87 Revised Form BD is attached. Effective immediately, all members are required to use the new version of the form, **although no filing is required at this time for members that do not engage in any government securities activities.**

NASD members and member applicants that engage in any government securities activities must comply with the provisions of new Section 15C of the Act by completing and submitting a registration amendment on the 4/87 Revised Form BD to report their government securities activities.

FILING REQUIREMENTS FOR MEMBERS ENGAGED IN GOVERNMENT SECURITIES ACTIVITIES AND OTHER SECURITIES BUSINESS

All NASD members and applicants for membership that engage, or intend to engage, in **any** government securities activities in addition to other types of

investment banking or securities activities are required to complete an originally signed and properly notarized 4/87 Revised Form BD amendment. This filing is due **on or before July 25, 1987**, and should be sent to:

NASD
P.O. Box 9401
Gaithersburg, Maryland 20898-9401

The purpose of this filing is to report government securities-related activities and information. While it is not necessary to submit the entire form, members should review the complete form to ensure all information contained in the form that is affected by government securities activities disclosure is identified. The page or pages of the 4/87 Revised Form BD that must be updated to disclose government securities-related information should be completed and submitted with an originally signed and notarized execution page (page 1). For most firms, a completed filing can be accomplished using pages 1 and 5.

FILING REQUIREMENTS FOR MEMBERS ENGAGED EXCLUSIVELY IN GOVERNMENT SECURITIES ACTIVITIES

All NASD members or applicants that have applied for membership under Section 15C as exclusive government securities brokers or dealers using the old 1/86 Form BD are required to complete and submit a 4/87 Revised Form BD amendment. The filing must include an originally signed and notarized page 1 and a fully completed page 5, and be submitted **no later than July 25, 1987**.

FILING REQUIREMENTS FOR INDIVIDUALS ENGAGED IN GOVERNMENT SECURITIES ACTIVITIES — REVISED FORM U-4

A few minor changes were made to Form U-4 to accommodate the new registration requirements for individuals who function as government securities representatives or principals.

Individuals who are associated with an NASD member, are engaged in government securities activities and are **not** currently NASD-registered as a representative or principal in another category, are now subject to the registration requirements of the new government securities statutes. Those individuals are required to use the revised 4/87 version of Form U-4 to become effectively registered.

Therefore:

- If you are **not** engaged in government securities activities, the NASD will continue to accept both the 7/85 and 4/87 versions of Form U-4.

- If you have already filed for government securities representative or principal registration using the old (7/85) version of Form U-4, you are not required to file an additional form as long as the old form was completed by checking the "Other" box under item 11 and writing in "Government Securities Representative" or "Government Securities Principal."

● If you are associated with an NASD member, are engaged in government securities activities and are NASD-registered as a representative or principal in another category, there are no additional filing requirements.

NO EXAMINATION REQUIREMENT

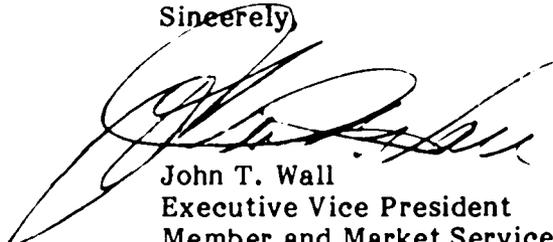
While currently there is no qualification examination requirement for registration as a government securities representative or principal, the Form U-4, fingerprint card, and appropriate fees should be submitted to the NASD. Registration must be approved **no later than July 25, 1987**, in order to conduct business thereafter.

If you are applying for registration as a government securities representative or principal and are subject to statutory disqualification pursuant to the Act, you should submit your application as soon as possible to allow adequate time to process the registration request and obtain approval from the SEC.

* * * *

Questions concerning this notice may be directed to Chris Goodwin, Assistant Director, at (301) 738-6717, or Maudese B. King, Manager, at (301) 738-6716, Member Firm Registration Services, NASD Membership Department.

Sincerely,



John T. Wall
Executive Vice President
Member and Market Services

Attachment



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

notice to members 87-34

June 2, 1987

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

RE: NASDAQ National Market System Grows to 2,917 Securities With 28
Voluntary Additions on June 2, 1987

On Tuesday, June 2, 1987, 28 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,917. These 28 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 28 issues scheduled to join NASDAQ/NMS on Tuesday, June 2, 1987, are:

Symbol*	Company	Location
ACTA	Action Auto Stores, Inc.	Flint, MI
APFC	American Pacific Corporation	Henderson, NV
ATTWY	Attwoods plc	Buckinghamshire, England
ACMS	CMS Enhancements, Inc.	Tustin, CA
CPSL	CSC Industries, Inc.	Warren, OH
DTCI	Data Technology Corporation	Santa Clara, CA
DMIC	Digital Microwave Corporation	San Jose, CA
EMPR	Empire Savings & Loan Association	Hammonton, NJ
EORR	Empire-Orr, Inc.	New York, NY
ENZN	Enzon, Inc.	South Plainfield, NJ
ENZNW	Enzon, Inc. (Wts)	South Plainfield, NJ
MTCL	First National Bank Corp.	Mount Clemens, MI
FWNY	First Women's Bank (The)	New York, NY
GBYLF	Giant Bay Resources, Ltd.	Burnaby, Canada

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

Symbol*	Company	Location
HNBC	Harleysville National Corporation	Harleysville, PA
HSSI	Hospital Staffing Services, Inc.	Ft. Lauderdale, FL
ITXI	Interactive Technologies, Inc.	North St. Paul, MN
LAKE	Lakeland Industries, Inc.	Levittown, NY
MGCP	Magma Copper Company (CI B)	San Manuel, AZ
MSAM	Marsam Pharmaceuticals, Inc.	Cherry Hill, NJ
MIGI	Meridian Insurance Group, Inc.	Indianapolis, IN
NAVG	Navigators Group, Inc. (The)	New York, NY
NSRU**	North Star Universal, Inc.	Minneapolis, MN
PISC	Pacific International Services Corp.	Honolulu, HI
RMCI	Right Management Consultants, Inc.	Philadelphia, PA
SONNF	Sonora Gold Corporation	Vancouver, Canada
VCCN	Valley Capital Corporation	Las Vegas, NV
VITX	Vitronics Corporation	Newmarket, NH

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

Pending Additions

Symbol*	Company	Location
CWTI	CWT Specialty Stores Incorporated	South Attleboro, MA
ECAD	ECAD, Inc.	Santa Clara, CA
FCTR	First Charter Corporation	North Concord, NC
HCCC	HealthCare COMPARE Corp.	Lombard, IL
MFCC	MFC Financial Corporation	Encino, OH
MLMC	Multi-Local Media Corporation	Oceanside, NY
MYCO	Mycogen Corporation	San Diego, CA
SSLN	Security Savings & Loan Association	Vineland, NJ
WLMN	Wellman, Inc.	Clark, NJ

NASDAQ/NMS Interim Additions

Symbol*	Security	Date of Entry
BMCC	Bando McGlocklin Capital Corporation	5/13/87

** This issue is scheduled to commence trading in the NASDAQ System concurrently with its designation as a NASDAQ/NMS security on June 2, 1987.

Symbol*	Security	Date of Entry
CMBK	Cumberland Federal Savings Bank (The)	5/14/87
GPAK	Graphics Packaging Corporation	5/14/87
PSBX	Peoples Savings Bank, F.S.B.	5/14/87
RARB	Raritan Bancorp, Inc.	5/14/87
WBNC	Washington Bancorp, Inc.	5/14/87
WFSB	Washington Federal Savings Bank	5/14/87
BOYS	Boys Markets, Inc.	5/15/87
SPBC	St. Paul Bancorp, Inc.	5/18/87
LTIZ	Liposome Technology, Inc.	5/19/87
MNPI	Microcom, Inc.	5/19/87
NELL	Nellcor Incorporated	5/19/87
CNBKA	Century Bancorp, Inc. (Cl A)	5/20/87
NJST	New Jersey Steel Corporation	5/20/87
TOPP	Topps Company, Inc. (The)	5/21/87
BDGT	Budget Rent A Car Corporation	5/22/87

The following changes to the list of NASDAQ/NMS securities occurred since May 11, 1987:

NASDAQ/NMS Symbol* And/Or Name Changes

New/Old Symbol*	New/Old Security	Date of Change
RGLD/RRCO	Royal Gold, Inc./Royal Resources Corporation	5/12/87
VISC/VISC	Visual Industries, Inc./Visual Electronics Corporation	5/13/87
AHTS/NMRC	American Health Services Corporation/ NMR Centers, Inc.	5/14/87
ALGR/AIDC	Allied Group, Inc./AID Corp.	5/18/87
CARX/CARX	CCC Information Services, Inc./ Certified Collateral Corporation	5/19/87
FRST/FRST	FirsTier Financial, Inc./ FirsTier, Inc.	5/19/87
GROV/GROV	GroveBank for Savings/Grove Hall Savings Bank	5/19/87

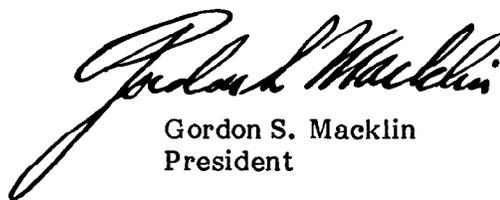
NASDAQ/NMS Deletions

Symbol*	Security	Date
CEDC	Catalyst Energy Development Corporation	5/11/87

Symbol*	Security	Date
FFCAP	First Federal of the Carolinas, F.A. (Pfd)	5/12/87
PFINW	P & F Industries, Inc. (Wts)	5/12/87
TLSS	Telesis Systems Corporation	5/12/87
FABKP	First of America Bank Corporation (Pfd)	5/13/87
CLST	Color Systems Technology, Inc.	5/14/87
INET	Instinet Corporation	5/14/87
CRVI	Coast R. V., Inc.	5/15/87
JOUL	Joule, Inc.	5/15/87
MNFT	Monfort of Colorado, Inc.	5/15/87
STAF	Staff Builders, Inc.	5/15/87
CBCO	Cobanco, Inc.	5/19/87
VUBN	Valley Utah Bancorporation	5/19/87
CIOTS	Income Opportunity Realty Trust (SBI)	5/20/87
CIOTW	Income Opportunity Realty Trust (Wts)	5/20/87
PAKS	PAXAR Corporation	5/20/87

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

Correction to NASD Notice to Members 87-31

June 3, 1987

The Executive Summary in the above-referenced Notice to Members contained an inadvertent misstatement relating to the basis for calculating mark-ups on zero-coupon securities. The Executive Summary should have read as follows:

EXECUTIVE SUMMARY

The NASD wishes to apprise its members of the SEC's recent release relating to mark-ups on zero-coupon securities. The SEC has become aware of potential abuses in this area and emphasizes that applicable provisions of the federal securities laws, NASD rules, and MSRB rules apply equally to zero-coupon securities. The Commission cautions that broker-dealers should not generally establish mark-ups in these securities based upon their face value since this does not properly take into account the discount at which the securities are sold.

Substituted language is underlined.

The text of the body of Notice to Members 87-31 is not affected.

NASD

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

notice to members 87-35

June 9, 1987

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

RE: NASDAQ National Market System Grows to 2,940 Securities With 23 Voluntary Additions on June 16, 1987

On Tuesday, June 16, 1987, 23 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,940. These 23 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 23 issues scheduled to join NASDAQ/NMS on Tuesday, June 16, 1987, are:

Symbol*	Company	Location
ALBM	Alpha 1 Biomedicals, Inc.	Washington, D.C.
BEAR	Bear Automotive Service Equipment Company	New Berlin, WI
BRJS	Brajdas Corporation	Beverly Hills, CA
CAME	Carme, Inc.	Novato, CA
CHMXW	Chemex Pharmaceuticals, Inc. (Wts)	Denver, CO
COBAP	Commerce Bancorp, Inc. (Pfd)	Cherry Hill, NJ
DFLX	Dataflex Corporation	Edison, NJ
FRBC	First Republic Bancorp, Inc.	San Francisco, CA
GISH	Gish Biomedical, Inc.	Santa Ana, CA
HAKO	Hako Minuteman, Inc.	Addison, IL
INDHK	Independent Insurance Group, Inc.	Jacksonville, FL
ITXIW	Interactive Technologies, Inc. (Wts)	North St. Paul, MN

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

Symbol*	Company	Location
JAYJ	Jay Jacobs, Inc.	Seattle, WA
MMST	MedMaster Systems, Inc.	Logan, UT
MMSTW	MedMaster Systems, Inc. (Wts)	Logan, UT
MONY	Metropolitan Consolidated Industries, Inc.	New York, NY
ORGS	Organogenesis, Inc.	Cambridge, MA
OSIC	Osicom Technologies, Inc.	Rockaway Township, NJ
SWTX	Southwall Technologies, Inc.	Palo Alto, CA
UBSI	United Bankshares, Inc.	Parkersburg, WV
VAGO	Vanderbilt Gold Corporation	Las Vegas, NV
WHOO	Waterhouse Investor Services, Inc.	New York, NY
YORK	York Research Corporation	Stamford, CT

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

Pending Additions

Symbol*	Company	Location
BNDY	Brandywine Savings & Loan Association	Dowington, PA
CKSB	CK Federal Savings & Loan Association	Concord, NC
DDDI	Downey Designs International, Inc.	Indianapolis, IN
ESSF	ESSEF Corporation	Mentor, OH
EFSB	Elmwood Federal Savings Bank	Media, PA
FFES	First Federal Savings & Loan Association of East Hartford	East Hartford, CT
FFKY	First Federal Savings Bank of Elizabethtown	Elizabethtown, KY
HWCD	HWC Distribution Corp.	Houston, TX
ITGN	Integon Corporation	Winston-Salem, NC
ISPC	Intraspec, Inc.	Conshohocken, PA
JASN	Jason Incorporated	Milwaukee, WI
ONBK	Onondaga Savings Bank	Syracuse, NY
PTAC	Penn Treaty American Corporation	Allentown, PA
PFDC	Peoples Federal Savings Bank of DeKalb County	Auburn, IN
RFBK	Raleigh Federal Savings Bank	Raleigh, NC
SCRV	Scrivner, Inc.	Oklahoma City, OK
SFGI	Security Financial Group, Inc.	St. Cloud, MN

NASDAQ/NMS Interim Additions

Symbol*	Security	Date of Entry
HCCC	HealthCare COMPARE Corporation	5/29/87
IMMCO	International Mobile Machines Corporation (Pfd)	5/29/87
CRBN	Calgon Carbon Corporation	6/02/87
DESI	Designs, Inc.	6/02/87
MFSL	Maryland Federal Savings & Loan Association	6/02/87
GATW	Gateway Federal Savings & Loan Association	6/03/87
PRFT	Proffitt's, Inc.	6/03/87
WLMN	Wellman, Inc.	6/03/87
AREL	Alpharel, Inc.	6/04/87
BEZRY	C. H. Beazer (Holdings) Plc.	6/04/87
FCTR	First Charter Corporation	6/04/87
SSLN	Security Savings & Loan Association	6/05/87

The following changes to the list of NASDAQ/NMS securities occurred since May 22, 1987:

NASDAQ/NMS Symbol* and/or Name Changes

New/Old Symbol*	New/Old Security	Date of Change
CVGT/CVGT	Convergent, Inc./Convergent Technologies, Inc.	5/26/87
COBK/COBK	Co-operative Bancorp/Co-Operative Bank of Concord (The)	5/27/87
SUDS/SUDS	Sudbury, Inc./Sudbury Holdings, Inc.	5/28/87
GLXIF/IHIRF	Glenex Industries, Inc./International HRS Industries, Inc.	5/29/87
ZION/ZION	Zions Bancorporation/Zions Utah Bancorporation	5/29/87
ALTS/FSFA	Altus Bank, A Federal Savings Bank/First Southern Federal Savings and Loan Association	6/01/87
AMSB/AMSB	American Savings Financial Corporation/American Savings Bank, F.S.B.	6/01/87
GRAN/GRAN	Bank of Granite Corporation/Bank of Granite	6/01/87
COOL/BUGS	Cooper Development Company/Cooper Development Company	6/01/87
GMFD/GMFD	Germania Bank, A Federal Savings Bank/Germania, F.A.	6/01/87

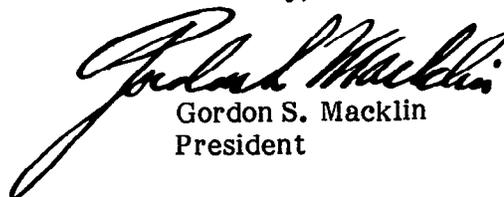
New/Old Symbol	New/Old Security	Date of Change
SOCS/SOCS	Society for Savings Bancorp, Inc./ Society for Savings	6/01/87
XTGX/TMPL	TGX Corporation/Templeton Energy, Inc.	6/02/87
TCJCA/TCJC	Town & Country Jewelry Manufacturing Corporation (CI A)/Town & Country Jewelry Manufacturing Corporation	6/02/87
IGEN/IGEN	IGI, Inc./ImmunoGenetics, Inc.	6/04/87

NASDAQ/NMS Deletions

Symbol*	Security	Date
KECO	Kent Electronics Corporation	5/22/87
RETI	Riedel Environmental Technologies, Inc.	5/22/87
AMRS	American Restaurants Corporation	5/26/87
CRII	Computer Resources, Inc.	5/26/87
FSSLA	Financial Security Savings and Loan Association (CI A)	5/26/87
GNUC	GNI, Inc.	5/26/87
USCC	U.S. Capital Corporation	5/26/87
USDC	U.S. Design Corporation	5/27/87
BDSY	Baron Data Systems	5/29/87
HPOC	High Plains Oil Corporation	6/01/87
PSWA	Pacific Southwest Airlines	6/01/87
PROG	Progressive Corporation (The)	6/01/87
QCBK	Quincy Co-Operative Bank (The)	6/01/87
BAPO	Bamberger Polymers, Inc.	6/03/87
ITIC	Investors Title Company	6/03/87
BPAC	Burnham Pacific Properties, Inc.	6/04/87
NAVIW	North American Ventures, Inc. (Wts)	6/05/87

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 87-36

June 12, 1987

TO: All NASD Members and Other Interested Persons

FROM: Options Committee of the NASD Board of Governors

RE: Split Expiration of Index Options and Futures on June 19, 1987

The June 19, 1987, expiration of index options and futures contracts, in addition to being a quarterly expiration, will be unique in that it will mark the first time that the settlement prices of the various stock indices will not be uniformly based on the closing price, of the primary market, of each component stock. Depending on the derivative instrument, some will settle vs. a value calculated against the primary market opening (a.m.) price of each component stock while others will continue to settle vs. a value calculated against the primary market closing (p.m.) stock prices.

Due to the unusual nature of this "split expiration," the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and others have raised concerns about the potential for trading abuses that may occur during the a.m./p.m. expirations. As appropriate, trading positions in expiring index options and futures contracts, together with related trading in underlying stocks, will be closely monitored. In particular, the NASD will closely examine unusual trading activity in NASDAQ/NMS stocks that are components of indices underlying expiring derivative products.

The SEC and CFTC have advised the NASD that members may be required to address questions such as what economic rationale was employed in establishing, liquidating, or substituting positions and why identifiable alternatives were not employed. To the extent that such inquiries may involve customer accounts, members are reminded of their obligation to use due diligence to learn the essential facts relative to every customer and every order adopted on behalf of customer accounts.

Questions concerning this notice may be directed to James M. Cangiano, Director, NASD Market Surveillance, at (202) 728-8186.

Firms (International)

NASD

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

notice to members 87-37

June 16, 1987

IMPORTANT MAIL VOTE
OFFICERS, PARTNERS, PROPRIETORS

TO: All NASD Members and Other Interested Persons
RE: Proposed Amendment to Article I, Section (c) of the NASD By-Laws
Relating to the Definition of the Term "Branch Office"

LAST VOTING DATE IS JULY 16, 1987.

EXECUTIVE SUMMARY

NASD members are invited to vote on a proposed amendment to Article I, Section (c) of the NASD By-Laws that would clarify that branch offices of NASD member firms located outside of the United States fall within the definition of "branch office." The amendment would delete the phrase "located in the United States" from the definition of "branch office" contained in Article I, Section (c) of the By-Laws.

A conforming change also has been approved by the NASD Board of Governors in the Explanation of the Board of Governors — "Distinction Between Branch Office and Office of Supervisory Jurisdiction; Appointment of Executive Representative; Standards for Determining Branch Offices," which follows Schedule C to the By-Laws.

The proposed amendment to Section (c) of Article I has been approved by the NASD Board of Governors and now requires membership approval. Prior to becoming effective, the proposed amendment must also be approved by the Securities and Exchange Commission.

The texts of both amendments are attached.

BACKGROUND AND SUMMARY OF PROPOSED AMENDMENTS

The NASD Board of Governors believes that the restrictive language now contained in the NASD By-Laws and Schedule C is inconsistent with the current environment of increasing internationalization of the securities markets and that such restrictive language serves no useful purpose. The Board of Governors has approved amendments to the By-Laws and Schedule C that delete the restrictive language, making the definition applicable to all branch offices, wherever located.

Under the proposed amendments, branch offices located outside the United States will be assigned to existing NASD districts for purposes of examinations, elections, and other district-level functions. The amendments would not affect the availability of the "foreign associate" category of registration for persons associated with foreign branch offices.

* * * * *

The Board of Governors believes that the clarifying amendment to Article I, Section (c) of the NASD By-Laws is 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 July 16, 1987.

Questions concerning this notice may be directed to Eugene Bleier, Attorney, NASD Office of General Counsel, at (202) 728-8287.

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel

Attachments

AMENDMENT TO NASD BY-LAWS*

ARTICLE I

Definitions

(c) "branch office" means an office [located in the United States] which is owned or controlled by a member, and which is engaged in the investment banking or securities business;

* * *

AMENDMENT TO SCHEDULE C TO THE BY-LAWS*

[This change has been approved by the NASD Board of Governors and is presented here for informational purposes only.]

• • • Explanation of the Board of Governors

**Distinction Between Branch Office and Office of
Supervisory Jurisdiction; Appointment of Executive
Representative; Standards for Determining Branch Offices**

. . . The term "branch office" defined in Article I of the By-Laws means any office, including a corporate subsidiary of a member, [located in the United States and] other than the main office which is owned or controlled by a member and engaged in the investment banking or securities business.

* Deleted language is bracketed.



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

notice to members 87-38

June 17, 1987

TO: All NASD Members and Municipal Securities Bank Dealers
 FROM: All Operations Personnel
 RE: Independence Day Trade Date-Settlement Date Schedule

Securities markets and the NASDAQ System will be closed on Friday, July 3, 1987, in observance of Independence Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule.

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

<u>Trade Date</u>		<u>Settlement Date</u>		<u>Regulation T Date*</u>	
June	25	July	2	July	7
	26		6		8
	29		7		9
	30		8		10
July	1		9		13
	2		10		14
	3	MARKETS CLOSED			—
	6		13		15

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

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

notice to members 87-39

June 19, 1987

Existing Limited Representative Examinations

- o Investment Company Products/Variable Contracts
- o Direct Participation Programs
- o Municipal Securities
- o Option Securities*

Products Covered in Proposed Corporate Securities Limited Representative Examinations

- o Common and Preferred Stock
- o Corporate Debt Issues
- o Stock Rights and Warrants
- o Foreign Securities and ADRs
- o Mortgage and Other Asset-Backed Securities
- o REITs
- o Shares of Closed-End Investment Companies and Money Market Funds

- * A limited registration category for Options Representatives presently exists under Schedule C. A new examination for this category is planned for late 1987.

TO: All NASD Members and Other Interested Persons

RE: Request for Comments on Addition of a Corporate Securities Limited Representative Category of Registration Under Schedule C to the NASD By-Laws

LAST DATE FOR COMMENT: JULY 19, 1987.

EXECUTIVE SUMMARY

The NASD requests comments on a proposal to establish a category of registration for persons who transact business in corporate and certain other securities and to require such persons to pass a test that covers these areas only. Presently, these representatives must pass the Series 7—General Securities Registered Representative Examination. The Series 7 examination, however, includes extensive testing of products that are not offered by all members, such as options and municipal securities, as well as duplicate coverage of other areas for representatives who have already qualified in one or more of the existing limited registration categories.

The proposed Corporate Securities Limited Representative registration category is a continuation of the existing system of limited representative registrations for investment company products/variable contracts, direct participation programs, and municipal securities. Successful completion of all of the limited examinations would be equivalent to qualifying by passing the Series 7.

The text of the proposed amendments to Schedule C to the NASD By-Laws is attached.

BACKGROUND

When the NASD adopted the Series 7—General Securities Registered Representative Examination in 1974, the Board of Governors recognized that the broad product coverage in that test was not suitable for many representatives whose firms specialized in limited product areas of the industry. The Board, therefore, elected to retain the predecessor Series 1—Registered Representative Examination to qualify those representatives who "limited" their securities activities to either investment company products and variable annuities, or to direct participation programs. The Series 1 was used until August 1980 when the Series 6—Investment Company Products/Variable Contracts Representative Examination and the Series 22—Direct Participation Programs Representative Examination were implemented. Two similar categories of limited representative were added to Schedule C to the NASD By-Laws at that time. In addition, in 1978, the Municipal Securities Rulemaking Board introduced the Series 52—Municipal Securities Representative Examination that created, from an NASD perspective, another category of limited representative.

These three limited examinations offered members and their representatives some, but not total, flexibility in qualifying for registration. For example, representatives who were already registered in one or more limited areas would be re-tested in those areas when they sought General Securities Representative status through the Series 7 examination. Also, those limited representatives who only wanted to add equity products to their qualifications would still have to engage the full spectrum of municipal securities and options products training in studying for the General Securities test. Compounding this problem, the options material in the Series 7 examination was significantly revised in June 1986, to include not only the traditional coverage of equity options, but also, debt, foreign currency, and index options.

Therefore, the NASD Qualifications Committee decided to add two more limited representative registration categories. The first, Series 62—Corporate Securities Limited Representative Examination, is the subject of this notice. The second, the Series 42—Options Limited Representative Examination, is planned for the near future. A member or representative would then have total flexibility in qualifying in one or more product areas. Additionally, representatives qualifying in all five limited categories would be designated "General Securities Representatives," thereby offering an alternative to the Series 7 examination in qualifying for that particular category. The NASD would also establish procedures with other self-regulatory organizations to ensure comparability of subject matter coverage between the Series 7 examination and the five limited examinations.

SUMMARY OF PROPOSED AMENDMENTS

Under the proposed amendments to Schedule C, a Series 62—Corporate Securities Limited Representative would be able to transact a member's business in the following products: common and preferred stocks, corporate bonds, stock rights, warrants, foreign securities, ADRs, shares of closed-end investment companies and money market funds, privately issued mortgage-backed securities, other asset-backed securities, and REITs. Registration in this category alone would not allow a representative to transact a member's business in municipal securities,

direct participation programs, redeemable securities of companies registered under the Investment Company Act of 1940, variable contracts, or options. Representatives seeking to transact business in these latter products would have to register in one or more of the NASD's other limited representative categories, or as General Securities Registered Representatives.

Members have indicated a need for qualification tests that reflect the various product markets in the industry, and it is expected that a corporate securities registration category will apply broadly to many member firms. Expected users of the program include:

- Existing limited representatives, especially those associated with insurance company members, who wish to expand their product offerings to include securities that presently require Series 7—General Securities Representative qualification;
- Representatives of smaller firms who are not involved in all the securities markets included in the Series 7—General Securities Representative program;
- Representatives who would prefer to attain general securities qualification in successive steps rather than in the all-or-nothing manner required by the Series 7—General Securities Representative program;
- Equity and corporate debt traders;
- Corporate finance personnel; and
- Certain research personnel required to be registered under NASD rules.

Nothing in this proposal would affect a member's ability to require its associated persons to qualify as Series 7—General Securities Representatives as a matter of firm policy. The Series 62—Corporate Securities Limited Representative Examination, either alone or in conjunction with other limited representative examinations, is intended to provide greater flexibility to members in qualifying their personnel, while still maintaining the necessary investor protection afforded by the NASD's qualification programs. The Series 62—Corporate Securities Limited Representative Examination, like the other limited examinations, would be administered on a daily basis using the NASD's automated testing system in the PLATO network.

The NASD Qualifications Committee authorized the changes to Schedule C that incorporate a new category of limited representative. This new category would qualify associated persons to conduct a member's business in corporate and certain other securities. The Committee also authorized development of a qualification examination (Series 62) for this new limited representative category. Accordingly, a study outline was developed by a task force of NASD member delegates and a bank of test questions is now being completed.

Additional information in the form of a draft study outline for the Series 62 is available from the NASD Qualifications Department at (301) 738-6693.

The proposed amendments to Schedule C to the NASD By-Laws would add a paragraph (e) to Part III, Section (2). Conforming changes to Part II, Section (2)(a) are also being proposed to permit the use of the Corporate Securities Limited Representative Examination as a prerequisite for the Series 24—General Securities Principal Examination.

* * * * *

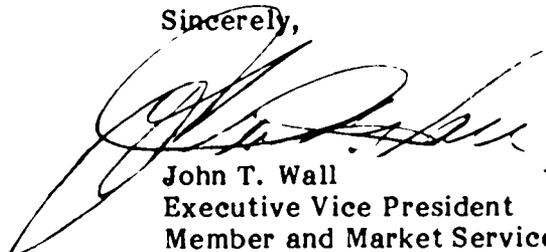
The NASD urges members to comment on these proposals. The Board of Governors requests that commentators specifically address the issue of whether creation of this separate registration category would result in lessening the qualification standards for the industry and whether a system that permits persons to hold multiple registrations would make it burdensome for firms to supervise their associated persons' activities. 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

All comments and suggestions must be received no later than July 19, 1987. All comments and suggestions received by this date will be considered by the NASD Board of Governors. If the proposed amendments are approved by the Board, they must be filed with and approved by the Securities and Exchange Commission before becoming effective.

Questions concerning this notice may be directed to either Frank McAuliffe, Vice President, NASD Qualifications, at (301) 738-6694, or David Uthe, Senior Qualifications Analyst, at (301) 738-6695.

Sincerely,



John T. Wall
Executive Vice President
Member and Market Services

Attachments

**AMENDMENT TO SCHEDULE C, PART III
TO THE NASD BY-LAWS**

III

REGISTRATION OF REPRESENTATIVES

•
•
•

(2) Categories of Representative Registration

•
•
•

[The following section is new.]

(e) Limited Representative—Corporate Securities

(i) Each person associated with a member who is included within the definition of a representative in Part III, Section (1) hereof may register with the Corporation as a Limited Representative—Corporate Securities if:

(a.) Such person's activities in the investment banking or securities business involve the solicitation, purchase, and/or sale of a "security," as that term is defined in Section 3(a)(10) of the Securities Exchange Act of 1934 (the "Act"), and do not include such activities with respect to the following securities unless such person is separately qualified and registered in the category or categories of registration related to these securities:

- (1.) Municipal securities as defined in Section 3(a)(29) of the Act;
- (2.) Option securities as defined in Article III, Section 33(d) of the NASD Rules of Fair Practice;
- (3.) Redeemable securities of companies registered pursuant to the Investment Company Act of 1940, except for money market funds;
- (4.) Variable contracts of insurance companies registered pursuant to the Securities Act of 1933; and/or,
- (5.) Direct Participation Programs as defined in Part II, Section 2(d)(ii) hereof.

(b.) Such person passes an appropriate qualification examination for Limited Representative—Corporate Securities.

(ii) A person qualified solely as a Limited Representative—Corporate Securities shall not be qualified to function in any area not prescribed by Part III, Section 2(e)(i) hereof.

**CONFORMING CHANGE TO SCHEDULE C, PART II
TO THE NASD BY-LAWS***

II

REGISTRATION OF PRINCIPALS

•
•
•

(2) Categories of Principal Registration

(a) General Securities Principal

(i) [Change to last sentence of this paragraph:]

Each person seeking to register and qualify as a General Securities Principal must, prior to or concurrent with such registration, become registered pursuant to Part III hereof, either as a General Representative or as a Limited Representative--Corporate Securities.

(ii) A Limited Representative--Corporate Securities seeking registration as General Securities Principal who will have supervisory responsibility over the conduct of business in investment company and variable contracts products and/or direct participation programs as defined herein must, prior to or concurrent with registration as a General Securities principal, become registered pursuant to Part III hereof as a Limited Representative--Investment Company and Variable Contracts Products and/or a Limited Representative--Direct Participation Programs.

[Existing Sections (ii) through (v) are renumbered to reflect the above.]

* New language is underlined.



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

notice to members 87-40

June 22, 1987

TO: All NASD Members and Other Interested Persons

RE: Request for Comments on a Proposed Amendment to Article III, Section 35 of the NASD Rules of Fair Practice Concerning Testimonials

LAST DATE FOR COMMENT: JULY 22, 1987.

EXECUTIVE SUMMARY

The NASD requests comments on a proposed amendment to Article III, Section 35(d)(2)(D) relating to testimonials used in members' communications with the public. The amendment would conform the NASD rule to that of the New York Stock Exchange.

The text of the proposed amendment is attached.

BACKGROUND

Article III, Section 35 of the NASD Rules of Fair Practice relates to members' communications with the public and contains specific standards governing testimonials used in such communications. When the rule was originally adopted in 1980, these standards were patterned after those of the New York Stock Exchange for purposes of consistency and reduction of unnecessary regulatory burdens on dual NASD/Exchange members. The current NASD rule applies to testimonial material concerning any advice, analysis, report, or other investment or related service rendered by the member and requires that members make clear that such experience is not necessarily indicative of future performance or of results obtained by others. Testimonials also must disclose compensation paid to the maker and if they imply a specialized opinion, the qualifications of the maker of the testimonial must be stipulated.

It was brought to the attention of the NASD's Advertising Department that the New York Stock Exchange had amended its testimonial rule and the question of a conforming amendment was presented to the National Business

Conduct Committee in March 1987. At that time, the NBCC referred the issue for further study and subsequent to a report submitted to it at its May meeting, the NBCC recommended that the NASD amend its rule to conform to the NYSE rule.

PROPOSED AMENDMENT

The proposed amendment would conform the NASD rule to New York Stock Exchange Rule 472.40(8). The NYSE rule differs from the current NASD rule in two respects. First, and of the greatest significance, the NYSE's rule applies only to testimonials concerning the quality of a firm's investment advice. Secondly, the NYSE rule only requires disclosure of compensation if it is more than a nominal amount. Limiting testimonial treatment to communications that relate to the quality of investment advice is consistent with other provisions of the rule that focus upon disclosing that future performance may not be consistent with the experience of the individual giving the testimonial. The "nominal sum" exclusion allows payment to announcers or non-customer actors without requiring disclosure of such payment.

The NASD Board of Governors believes that this amendment will eliminate inconsistent regulation in the securities industry and that it is appropriate to limit the scope of testimonial amendments to communications relating to the quality of investment advice.

* * * * *

The NASD encourages all members and other interested persons to comment on the proposed amendment. 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 July 22, 1987. Comments received by this date will be considered by the NASD National Business Conduct Committee and the NASD Board of Governors. If approved by the Board, the amendment will be submitted to the membership for a vote. If approved by the membership, the amendment must be filed with and approved by the Securities and Exchange Commission before becoming effective.

Questions concerning this notice may be directed to Ms. R. Clark Hooper, Director, NASD Advertising Department, at (202) 728-8330.

Sincerely,



Frank J. Wilson
Executive Vice President
Legal and Compliance

Attachment

**PROPOSED AMENDMENT TO ARTICLE III, SECTION 35
OF THE
NASD RULES OF FAIR PRACTICE***

Communications With the Public

Section 35

.
.
.

(d) Standards Applicable to Communications With the Public

(2) Specific Standards

.
.
.

(D) Testimonials: [Testimonial material concerning the member or concerning any advice, analysis, report or other investment or related service rendered by the member must make clear that such experience is not necessarily indicative of future performance or results obtained by others. Testimonials must also disclose that compensation has been paid to the maker directly or indirectly, if applicable, and if they imply an experienced or specialized opinion, the qualifications of the maker of the testimonial should be given.]

In testimonials concerning the quality of a firm's investment advice, the following points must be clearly stated in the communication:

(i) The testimonial may not be representative of the experience of other clients.

(ii) The testimonial is not indicative of future performance or success.

(iii) If more than a nominal sum is paid, the fact that it is a paid testimonial must be indicated.

(iv) If the testimonial concerns a technical aspect of investing, the person making the testimonial must have knowledge and experience to form a valid opinion.

* New language is underlined; deleted language is bracketed.

NASD

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

notice to members 87-41

June 29, 1987

TO: All NASD Members and Other Interested Persons

RE: Proposed Amendments to Definitions of "Branch Office" and "Office of Supervisory Jurisdiction" Under the NASD By-Laws, Schedule C to the By-Laws, and the Rules of Fair Practice

LAST DATE FOR COMMENT: AUGUST 14, 1987.

EXECUTIVE SUMMARY

The NASD requests comments on proposed amendments to the definitions of "branch office" and "office of supervisory jurisdiction." Under the proposed amendments, any office at which certain specified functions take place would be defined as an office of supervisory jurisdiction; branch offices would be defined by the number of individuals located therein and whether the location is advertised as an office of the firm. Offices where three or fewer registered persons are employed and that are not advertised or listed as offices of the member would be defined as "non-branch business offices."

The proposed amendments are intended to address certain regulatory problems noted by the NASD in situations where there is an absence of on-site supervision by registered principals. The amendments would retain the requirement of an annual inspection of each office of supervisory jurisdiction and would establish requirements for the inspection of branch offices and the employment of on-site principals.

The proposed amendments are attached as Exhibits A, B, and C.

BACKGROUND

In recent years, the NASD has become increasingly concerned with the operation by member firms of business locations that are not subject to on-site supervision by a registered principal or to regular examination by the firm. This concern was discussed in detail in Notice to Members 86-65 (September 12, 1986) regarding the employment and supervision of off-site personnel, which emphasized those existing NASD rules most directly applicable to off-site employment. The notice stated that the NASD was continuing to study the possible revision of requirements for designating branch offices and for on-site supervision by principals.

After studying patterns of past disciplinary cases involving deficiencies in supervisory structure, the NASD Qualifications Committee and the National Business Conduct Committee concluded that it is necessary to revise the current definitions of "branch office" and "office of supervisory jurisdiction." The primary intent of the proposed changes is to require a minimum supervisory structure that facilitates closer supervision by principals with clear responsibilities.

DESCRIPTION AND ANALYSIS OF PROPOSED AMENDMENTS

An "office of supervisory jurisdiction" (OSJ) is presently defined in Article III, Section 27 of the NASD Rules of Fair Practice as ". . . any office designated as directly responsible for the review of the activities of registered representatives or associated persons in such office and/or in other offices of the member." Under the proposed amendments, an OSJ would be any business location of a member firm at which one or more of the following functions take place:

- Order execution and/or market making;
- Origination of underwritings or private placements;
- Maintaining custody of firm or customers' funds and/or securities;
- Acceptance (approval) of new accounts on behalf of the member;
- Review and approval of customer orders;
- Origination of advertising or sales literature, including the authorization of such material developed by an organization or person other than the member;
- Review and endorsement of correspondence of associated persons pertaining to the solicitation or execution of any securities transaction; or
- Responsibility for supervising the activities of persons associated with the member at one or more other offices of the member, as defined below.

Thus, the proposed amendments broaden the range of functions which, if undertaken at a particular business location, would cause that location to be designated as an OSJ. Further, the designation as an OSJ would be mandatory, rather than by the firm's choice. An OSJ would be required to have at least one individual on site who is fully qualified to act in a principal capacity with respect to any functions undertaken by the office. Also, as presently provided, each OSJ would be required to be examined annually by the firm's main office.

The term "branch office" is presently defined in Article I, Section (c) of the NASD By-Laws as "... an office located in the United States which is owned or controlled by a member, and which is engaged in the investment banking or securities business." ^{1/} An Explanation of the Board of Governors set forth in Schedule C to the NASD By-Laws reiterates this definition and provides further that a place of business of a person associated with a member shall be considered a branch office if the member:

- Directly or indirectly contributes a substantial portion of the operating expenses of such place of business; and/or
- Authorizes the listing in any publication or other media of such place of business as an office of the member or designates it as such with any organization.

The proposed amendments would define a "branch office" as a place of business at which persons registered with the member engage in the investment banking or securities business where either:

- Four or more registered individuals are located, in which case at least one individual located at the office must be qualified to function in a principal capacity with respect to all activities occurring therein; or
- Three or fewer registered individuals are located and the office is advertised in the media, listed in any publication or directory, or designated with any securities regulatory body by the individuals or by the member as an office of the member, in which case either:
 - One of the registered individuals located at the office must be qualified to act in a principal capacity with respect to all of the activities occurring therein; or
 - The office must be examined at least once every six months by a registered principal from the main office or an OSJ responsible for the branch.

In addition, a branch office with a resident principal would be required to be examined annually by a principal from the firm's main office or an OSJ designated as responsible for the branch.

^{1/} On May 11, 1987, the NASD Board of Governors adopted an amendment to this definition that eliminates the language "located in the United States." This amendment has been submitted to the membership for a vote. (See NASD Notice to Members 87-37, dated June 16, 1987.)

Thus, as summarized above, the proposed amendments would significantly change the designation and operation of branch offices, including the establishment of a quantitative standard by which branch offices are defined and the institution of requirements for on-site registered principals and regular branch office examinations.

Offices at which three or fewer registered persons engage in the investment banking or securities business and that are not advertised or designated as offices of the member would be designated as "non-branch business locations." Advertising in any form, including a listing in a telephone directory, would make this category unavailable. Non-branch business locations would not be required to have a registered principal on the premises, but the firm would be required to conduct an annual personal compliance interview with each registered person operating at the non-branch business location. The interview may take place at the non-branch business location or elsewhere, but it must be conducted by a registered principal, who may be associated with the firm's main office, an OSJ, or a branch office.

At this time, the Board of Governors has not endorsed amendments that would require a particular ratio of registered principals to registered representatives or limit the number of branch offices for which a given OSJ may be responsible. The Board does, however, invite comments on such proposals.

* * * *

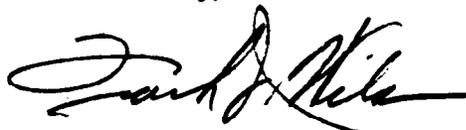
The NASD encourages all members and other interested persons to comment on the proposed amendments. Comments should be directed to:

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 August 14, 1987. Comments received by this date will be considered by the NASD Qualifications Committee. Any changes to the NASD By-Laws and Rules of Fair Practice approved by the Board must be submitted to the membership for a vote. Thereafter the proposed amendments must be filed with and approved by the Securities and Exchange Commission before becoming effective.

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

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel

Attachments

PROPOSED AMENDMENTS TO NASD BY-LAWS*

ARTICLE I

Definitions

When used in these By-Laws, and any rules of the Corporation, unless the context otherwise requires, the term:

.
.
.

(c) "branch office" means [an office located in the United States which is owned or controlled by a member, and which is engaged in the investment banking or securities business;] any location at which activities for which membership in the Corporation is required are conducted on behalf of a member and at which either four or more registered persons are located or at which three or fewer registered persons are located and such location is advertised in any media, listed in any publication or directory, or designated with any regulatory organization, by the member or by such individuals, as a business location of the member;

.
.
.

(m) "non-branch business location" means any location at which activities for which membership in the Corporation is required are conducted on behalf of a member and at which three or fewer registered persons are located and which is neither advertised in any media, listed in any publication or directory, nor designated with any regulatory organization, by the member or by such individuals, as a business location of the member.

(n) "office of supervisory jurisdiction" means any location of the member at which any one or more of the following functions take place:

- (i) order execution and/or market making;
- (ii) origination of underwritings or private placements;
- (iii) maintaining custody of firm or customers' funds and/or securities;

* New text is underlined; deleted text is bracketed.

- (iv) acceptance (approval) of new accounts on behalf of the member;
- (v) review and approval of customer orders;
- (vi) origination of advertising or sales literature, including the authorization of such material developed by an organization or person other than the member;
- (vii) review and endorsement of correspondence of associated persons pertaining to the solicitation or execution of any securities transaction; or
- (viii) responsibility for supervising the activities of persons associated with the member at one or more other offices (as defined in Sections (c) and (m) above) of the member.

Note: Current Sections (m), (n), and (o) would be redesignated as Sections (o), (p), and (q).

PROPOSED AMENDMENTS TO SCHEDULE C TO THE NASD BY-LAWS*

● ● ● **Explanation of Board of Governors** _____

[Distinction Between Branch Office and Office of Supervisory Jurisdiction] Appointment of Executive Representative; [Standards for Determining Branch Offices]

Identification and Registration of Offices

[The term "office of supervisory jurisdiction" defined in Section 27 of Article III of the Rules of Fair Practice means any office designated by the member in its memorandum of supervisory procedures, established pursuant to Article III, Section 27 of the Rules. Such office shall be directly responsible for the review of the activities of Registered Representatives and persons associated with the member in that office and/or in other offices of the member.]

The term "executive representative" as found in Section 3 of Article III of the By-Laws means that person designated by the member to represent, vote and act for the member in all the affairs of the Corporation. Pursuant to the provisions of Section 8 of Article III of the By-Laws, every member who maintains a registered branch office in a district of the Corporation other than the one in which its main office is located, is entitled to one vote on all matters pertaining solely to the district in which such registered branch office is located, including the election of members of the Board of Governors from such district. Should a member maintain more than one branch office in a district, it is entitled to only one vote in that district. Therefore, each member shall designate one executive representative and shall designate one "district executive representative" for each district other than the one in which the main office is located in which the member maintains a registered branch office.

[The term "branch office" defined in Article I of the By-Laws means any office, including a corporate subsidiary of a member located in the United States and other than the main office which is owned or controlled by a member and engaged in the investment banking or securities business.]

Each member is under a duty to insure that its membership application with the Corporation is kept current at all times by supplementary amendments to its original application and that any offices other than the main office are properly [designated] identified and registered, if required, with the Corporation. Each member must also determine in light of the requirements of Article III, Section 27 of the Rules of Fair Practice the form of its own written supervisory procedures, and, accordingly, which offices are to be [designated as office of supervisory jurisdiction] responsible for carrying out the written procedures.

* New text is underlined; deleted text is bracketed.

Each member must [designate] identify to the [Association] Corporation those offices of supervisory jurisdiction, including the main office, and must register those offices which are deemed to be branch offices in accordance with the standards set forth in Article I of the By-Laws. [found hereafter. A branch office would be considered an office of supervisory jurisdiction only if designated as such and only if specified supervisory activities are assigned to it under the member's written procedures. Members should note that the term "branch office" of itself does not carry any implication that branch office personnel are required to perform any supervisory function. The term "branch office" is merely to designate and identify for registration purposes the various offices of a member other than the main office and as such are required to be registered and as to which a registration fee should be paid.] If an office falls within the definition of both an office of supervisory jurisdiction and a branch office, it must be designated to the Corporation in each category and it must be registered as a branch office and the applicable registration fee for a branch office must be paid.

[In determining whether an office or the activities of a person associated with a member in an area constitutes a branch office of a member, the following standards shall be used:

1. It shall be considered a branch office if the member directly or indirectly contributes a substantial portion of the operating expenses of any place used by a person associated with a member who is engaged in the investment banking or securities business, whether it be commercial office space or a residence. Operating expenses, for purposes of this standard, shall include items normally associated with the cost of operating the business such as rent and taxes.

2. It shall be considered a branch office if the member authorizes a listing in any publication or any other media, including a professional dealer's digest or a telephone directory, which listing designates a place as an office or if the member designates any such place with an organization as an office.]

PROPOSED AMENDMENTS TO NASD RULES OF FAIR PRACTICE*

Supervision

Sec. 27

•
•
•

Registered Principals; review of activities and annual inspection

(d) Each member shall review the activities of each office, which shall include the [periodic] examination of customer accounts to detect and prevent irregularities or abuses [and at least an annual inspection of each office of supervisory jurisdiction]. At least one registered principal qualified to act in a principal capacity with respect to all of the activities occurring at such office shall be located at each office of supervisory jurisdiction and each branch office; provided, however, that a member may elect, in the case of a branch office at which three or fewer registered persons are located, to examine the office at six-month intervals in lieu of employing a resident registered principal. Each office of supervisory jurisdiction and each branch office at which a registered principal is located shall be examined annually by the member. Each member annually shall conduct a personal compliance interview with each registered person employed at a non-branch business location. Each member shall maintain a record of its examination of each branch office and of its interview with each registered person in each non-branch business location.

•
•
•

["Office of supervisory jurisdiction"]

(f) "Office of supervisory jurisdiction" means any office designated as directly responsible for the review of the activities of registered representatives or associated persons in such office and/or in other offices of the member.]

* New text is underlined; deleted text is bracketed.