

SPECIAL NASD NOTICE TO MEMBERS 94-1

SEC Approves New Small Order Execution System Rules

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Executive Summary

On December 23, 1993, the Securities and Exchange Commission (SEC) issued an order approving amendments to the Rules of Practice and Procedure for the Small Order Execution System (SOESSM). The new rules prohibit short sales in SOES; reduce the largest eligible SOES order from 1,000 shares to 500 shares; reduce market makers' exposure limits in SOES to two times the tier size; and establish an automated quote update capability that market makers may use to have Nasdaq refresh their quotations. The amendments will become effective Monday, January 10, 1994. The text of the amendments follows the discussion below.

Background And Description Of Amendments

The SEC has approved the following operational modifications to SOES and amendments to SOES rules for a pilot period of one year, beginning on January 10, 1994. The changes:

- Decrease the maximum size order in SOES from 1,000 shares to 500 shares.
- Reduce the required exposure limits from five to two times the tier level and decrease SOES exposure limits using unpreferred order flow only.
- Enhance the system to include the ability to automatically refresh a quote when the market maker's exposure limit has been exhausted and permit this update feature to be employed by market makers after each execution.

- Prohibit short sales in SOES.¹

SOES is designed to improve the

efficiency of executing small-sized retail investor orders in Nasdaq securities by offering an alternative to traditional telephone contact and negotiation between retail firms and market makers. SOES provides efficient mechanisms for the automated execution of small-investor orders with Nasdaq market makers at the best available market price. Since the exclusive purpose of the system is directed toward the small investor, the NASD has taken steps in the past to maximize market maker presence in the system and prohibit any misuse of the system that would detract from the broadest participation of market makers or adversely impact the quality of the Nasdaq market.

In the past, in recognition that SOES was developed to accommodate small-sized retail investor orders in Nasdaq securities, the NASD took measures to curb specific misuses of the SOES system by adopting rules prohibiting certain trading patterns deemed to be professional trading techniques, rather than investor-oriented activity. The NASD adopted procedures to allow participants in the system to reflect more accurately actual trading practices by allowing market makers to update their quotes in between executions and to designate specific order-entry firms from which they would accept preferred orders. In light of the limited effects of these rules, the NASD withdrew the professional trading account rules from SOES in December 1993² and urged the SEC to approve the interim modifications to SOES. These broad-based,

¹ At NASD request, the SEC deferred consideration of a fifth proposal to use the 15-second interval for quote updates during locked and crossed markets.

² Release No. 34-33307 (December 9, 1993).

fundamental modifications to the operations and rules governing SOES apply across-the-board to all participants without regard to their status as professional traders and are being made for the benefit of all investors in Nasdaq securities.

New SOES Rules

1. The largest order size now acceptable for SOES is 500 shares.

- No retail order greater than 500 shares may be entered into SOES. Retail orders larger than 500 shares may be entered into the SelectNetSM service or negotiated over the telephone.
- No order larger than 500 shares may be broken into smaller-sized orders to fit under the maximum size limit of 500 shares.
- Any orders based on a single investment decision that are entered by a SOES order-entry firm for accounts under the control of an associated person or public customer will be deemed to constitute a single order and will be aggregated for determining compliance with the SOES order-size limits. Trades entered within any five-minute period in accounts controlled by an associated person or a public customer will be presumed to be based on a single investment decision. An associated person or customer will be deemed to control an account if: the account is a personal account; the person exercises discretion over the account; the person has been granted a power of attorney to execute transactions in the account; or the account is the account of a member of the immediate family of the person as that term is defined in the NASD Free-Riding Interpretation.³

Even though the SOES maximum

order size is now 500 shares, the criteria established in the SOES rules and cross-referenced in Schedule D for a 1,000 share display of size for certain Nasdaq National Market issues remains unchanged. Market makers will continue to be required to display size of 1,000 shares in their quotations for those securities, and market makers must fulfill their firm quote obligations for their published quotations for orders up to 1,000 shares for any negotiated transaction.

In its order approving the new SOES rules, the SEC stated it expects rigorous enforcement of market makers' firm-quote obligations. The NASD takes backing-away complaints seriously, and fully expects market makers to comply with their firm-quote obligations.

2. No short sales are permitted to be entered into SOES.

Execution of short sales in an automated environment such as SOES is inappropriate and may substantially contribute to the increased volatility in the market. Accordingly, the NASD has prohibited entry of short sales into SOES. Short sales may, of course, be executed by firms through SelectNet or over the telephone. Members are currently required to ask customers whether sale orders are long or short, and short-sale orders may not be entered into SOES. There are no exceptions available to this rule and the customer must be long the security for the member to effect a sale in SOES.

3. Mandatory exposure limits have been reduced to two times the maximum order size.

Reduction of the mandatory exposure limits in SOES will provide

market makers with a better opportunity to react to market movements. Additionally, eliminating exposure limits for preferred orders will reduce the potential for market makers to deplete their exposure limits and enhance the opportunity for customers to receive expeditious executions of their orders in SOES.

Members must manually change their exposure limits any time after the close on Friday, January 7, 1994, to implement the new minimums — the Market Operations Department will not reset member exposure limits.

4. An automated quotation update capability is now available for market makers.

The system will now be available to generate a quote update (in a fractional interval established by the member) when a market maker's exposure has been exhausted. The automated quote update will guarantee continuity in quotations and continuous accessibility to market prices by small investors. Currently, when a market maker depletes its exposure limit in SOES, its quote is closed and the market maker is granted a five-minute period to refresh its quote. If the dealer does not act within those five minutes, it is withdrawn from the issue on

³ The Interpretation of the Board of Governors — Free-Riding and Withholding under Article III, Section 1 of the NASD Rules of Fair Practice, *NASD Manual*, ¶2151.06, defines "immediate family" to include "parents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, and children. In addition, the term shall include any other person who is supported, directly or indirectly, to a material extent by the member [or] person associated with the member. . . ."

an unexcused basis and must wait 20 business days before it can re-register. To prevent inadvertent unexcused withdrawal of quotations and mitigate the potential for a five-minute interruption in pricing that could occur, Nasdaq will now offer a service to automatically refresh a market maker's quote when its exposure has been depleted. The NASD also has the ability to shut down the automated update capability for a member firm or for the entire network if emergency market conditions warrant such action.

- The automated system to refresh a dealer's quote will be voluntary for market makers and will be available on an issue-by-issue basis. The system will refresh a dealer's quote when the exposure limit has been exhausted and reestablish the original quote size and the minimum exposure limit of two executions.

- To use this feature, member firms must notify the Market Operations Department in Trumbull, Connecticut to request firm-wide authorization and establish the default quote interval for the firm (i.e., 1/8 point quotation changes). To contact Market Operations, the telephone number is (203) 378-0284 and fax number is (203) 385-6380. Once authorized to use the function, the firm may adjust the operation of the quote refresh security by security, and may turn the system on or off for each individual issue or change the quote interval for certain stocks. The system-wide default is set at 1/8 point. Members should watch their Nasdaq Workstation News frame for updates on how to implement these system changes.

* * * * *

The NASD has modified the operations and rules surrounding SOES for the benefit of public customers and the marketplace. The NASD

will enforce compliance with all of the SOES requirements and cautions member firms that the NASD will consider any attempt to circumvent these rules or to do indirectly what is prohibited directly by the rules as conduct inconsistent with just and equitable principles of trade, in violation of Article III, Section 1 of the NASD Rules of Fair Practice.

The amendments are effective Monday, January 10, 1994. Questions regarding these changes may be directed to Glen Shipway, Senior Vice President, Market Operations at (212) 858-4448; James M. Cangiano, Senior Vice President, Market Surveillance, at (301) 590-6424; or Beth E. Weimer, Associate General Counsel, Office of General Counsel, at (202) 728-6998.

Text Of Amendments To The Rules Of Practice And Procedures For The Small Order Execution System

(Note: New language is underlined; deletions are in brackets.)

a) Definitions

* * * * *

1.-6. No change.

7. The term "maximum order size" shall mean the maximum size of individual orders for a security that may be entered into or executed through SOES. The maximum order size for each security shall be published from time to time by the Association.¹ In establishing the maximum order size for each NASDAQ/NMS security, the Association will give consideration to the average daily non-block volume, bid price, and number of market makers for each security. Maximum order sizes for

NASDAQ/NMS securities shall be 200 or 500 shares depending upon trading characteristics of the securities. Maximum order size for NASDAQ securities shall be 500 shares. These sizes may be adjusted on an issue by issue basis, depending upon unique characteristics of the issue as determined by the Association.

8. The term "exposure limit" means the number of shares of a security on either side of the market specified by a Market Maker that it is

¹ [In *Notice to Members 88-43* (June 22, 1988) the NASD announced that the maximum order size for NASDAQ/NMS securities traded on SOES shall be 1,000, 500, or 200 shares and that the applicable maximum order size for each NASDAQ/NMS security would be determined generally by the following criteria: (i) a 1,000-share maximum order size shall apply to NASDAQ/NMS securities on SOES with an average daily non-block volume of 3,000 shares or more a day, a bid price less than or equal to \$100, and three or more market makers; (ii) a 500-share maximum order size shall apply to NASDAQ/NMS securities on SOES with an average daily non-block volume of 1,000 shares or more a day, a bid price of less than or equal to \$150, and two or more market makers and (iii) a 200-share maximum order size shall apply to NASDAQ/NMS securities with an average daily non-block volume of less than 1,000 shares a day, a bid price of less than or equal to \$250, and that have [less than] two or more market makers. The maximum order size for all Nasdaq SmallCap securities shall be 500 shares. [The NASD announced the maximum order size for each security in NASDAQ/NMS and noted that i] Individual securities may be reclassified from time to time depending upon unique circumstances as determined by the Association. [The NASD also announced that the maximum order size for all NASDAQ securities not in NASDAQ/NMS shall be 500 shares.]

willing to have executed for its account by unpreferred orders entered into SOES.

9. The term "minimum exposure limit" for a security means the aggregate number of shares of the security equal to two [five] times the maximum order size for that security.

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c) PARTICIPANT OBLIGATIONS IN SOES

1.-2.(B) No change.

(C) For each security in which the Market Maker is registered, the Market Maker may elect to have the Nasdaq System refresh its quotation automatically by an interval designated by the Market Maker, once its exposure limit in the security has been exhausted. The Nasdaq System will refresh the Market Maker's quotation on the bid and offer side of the market by the interval designated, and will reestablish the Market Maker's displayed size and selected exposure limit. If the Market Maker elects to utilize the Nasdaq System automated update feature, it may establish an exposure limit equal to the maximum order size for the security regardless of the minimum exposure limit set forth in section (a)(9) of this part.

Subsections (C) through (I) relettered (D) through (J)

3. SOES Order Entry Firms —
(A)-(C) No changes.

(D) No short sales shall be entered in SOES.

Schedule D

Part V

Requirements Applicable to Nasdaq Market Makers

Sec. 1 No change.

Sec. 2 Character of Quotations

(a) Two-Sided Quotations. For each security in which a member is registered as a market maker, the member shall be willing to buy and sell such security for its own account on a continuous basis and shall enter and maintain two-sided quotations in the NASDAQ System, subject to the procedures for excused withdrawal set forth in Section 8 below. Each member registered as a NASDAQ market maker in National Market System equity securities shall display size in its quotations of 1,000, 500, or 200 shares and the following guidelines shall apply to determine the applicable size requirement: (i) a 1,000 share requirement shall apply to Nasdaq/NMS securities with an average daily non-block volume of 3,000 shares or more a day, a bid price of less than or equal to \$100, and three or more market makers; (ii) a 500 share requirement shall apply to Nasdaq/NMS securities with an average daily non-block volume of 1,000 shares or more a day, a bid price of less than or equal to \$150, and two or more market makers; and (iii) a 200 share requirement shall apply to Nasdaq/NMS securities with an average daily non-block volume of less than 1,000 shares a day, a bid price of less than or equal to \$250, and that have two or more market makers.

Each member registered as a Nasdaq market maker in Nasdaq SmallCap equity securities shall display size in its quotations of 500 or 100 shares and the following guidelines shall apply to determine the applicable size requirement: (i) a 500 share requirement shall apply

to Nasdaq SmallCap securities with an average daily non-block volume of 1,000 shares or more a day or a bid price of less than \$10.00 per share; and (ii) a 100 share requirement shall apply to Nasdaq SmallCap securities with an average daily non-block volume of less than 1,000 shares a day and a bid price equal to or greater than \$10.00 a share.

Share size display requirements in individual securities may be changed depending upon unique circumstances as determined by the Association, and a list of the size requirements for all Nasdaq equity securities shall be published from time to time by the Association. [shall display the size for each quotation, which size shall be published from time to time by the Association pursuant to paragraph (a)(7) of the Rules of Practice and Procedure for the Small Order Execution System. Maximum order sizes for NASDAQ/NMS securities shall be 200, 500 or 1,000 shares depending on trading characteristics of the securities. Maximum order size for NASDAQ Small-Cap securities shall be 100 or 500 shares depending on trading characteristics of the securities. A 500 share display size for NASDAQ Small-Cap securities shall apply to securities with an average daily non-block volume of 1,000 shares or more a day or a bid price of less than \$10.00 per share. A 100 share display size for NASDAQ Small-Cap securities shall apply to securities with an average daily non-block volume of less than 1,000 shares a day and a bid price equal to or greater than \$10.00 a share. Individual securities may be reclassified from time to time depending on unique circumstances as determined by the Association. These sizes shall not be applicable to convertible debt securities listed in NASDAQ.]

NASD NOTICE TO MEMBERS 94-2

1993-94 Renewal Rosters and Final Adjusted Invoices

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Executive Summary

The 1993-94 NASD broker/dealer and agent registration renewal cycle begins its second phase this month. The NASD is publishing information in this Notice to assist members in reviewing, reconciling, and responding to the Final Adjusted Invoice packages that are being mailed to all member firms in mid-January.

Final Adjusted Invoice Packages

On or about January 17, 1994, the NASD will mail final adjusted invoices and renewal rosters to all NASD member firms. The invoice will reflect the year-end 1993 total fees for NASD personnel assessments, NASD branch-office assessments, New York Stock Exchange (NYSE), American Stock Exchange (ASE), Chicago Board Options Exchange (CBOE), Pacific Stock Exchange (PSE), and Philadelphia Stock Exchange (PHLX) maintenance fees, state agent renewal fees, and state broker/dealer renewal fees. It will also reflect member payment of the initial renewal invoice mailed in November 1993.

The final invoice will include a renewal roster that lists each firm's NASD and, if applicable, NYSE-, ASE-, CBOE-, PSE-, and PHLX-registered personnel as of year-end 1993. In addition, the roster will list alphabetically all firm agents whose state registrations were renewed. Firms with registered branch offices that were active as of December 31, 1993, will receive a branch-office roster and the agent roster.

A member's final invoice will reflect an "amount due," a "credit due," or a "zero balance due." If a firm's year-end 1993 total of NASD, NYSE, ASE, CBOE, PSE, PHLX, and state renewal fees

exceeded the firm's payment submitted in response to the initial renewal invoice, the NASD paid the balance due at year-end for the member and will mail an "amount due" invoice to collect that sum.

If your invoice reflects an amount due, please submit payment in the form of a check payable to the National Association of Securities Dealers, Inc. The check should be drawn on the member firm's bank account, with the firm's Central Registration Depository (CRD) number included on the check. Submit the check along with the top portion of the invoice and mail it in the return envelope provided. **Payments must be received by the NASD no later than March 11, 1994.**

If the firm's payment submitted in response to the initial renewal invoice exceeded its year-end 1993 total of NASD, NYSE, ASE, CBOE, PSE, PHLX, and state renewal fees, your firm's invoice will reflect a "credit due." If your firm's credit due is \$100 or more and you would like it paid to your firm, please detach and sign the top portion of the invoice and send it to: Wendy L. Cook, Special Services, NASD, Inc., 9513 Key West Avenue, Rockville, MD 20850. This invoice stub must be signed by an officer or principal of your firm and should include the name and address of the firm's contact to whom the check should be sent. Refund checks will be mailed to members within three weeks of the date the NASD receives the signed invoice stub. Credit due amounts of less than \$100 will be automatically placed in the firm's CRD account during the week of March 14, 1994. If the NASD does not receive a request for a refund check by March 11, 1993, it will apply the credit amount to your firm's CRD account as well.

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

Reviewing the Renewal Roster

Member renewal rosters include all agent registrations renewed for 1994. **Since registrations that were pending approval or were deficient at year-end 1993 were not assessed renewal fees, those**

registrations will not be reported on the renewal roster. Members should examine their roster carefully to ensure that all registration approvals and terminations are reflected properly.

If discrepancies exist, report them **in writing** along with supporting documentation, such as Notices of Approval/Termination, Forms U-4 or U-5, or Schedule E amendments. Report the discrepancy directly to

the NASD, NYSE, ASE, CBOE, PSE, PHLX, or the applicable state. **All renewal roster discrepancies must be reported by March 18, 1994.**

The inside cover of the renewal roster lists detailed instructions to assist members in completing the renewal process. Questions regarding this Notice may be directed to the NASD Member Services Phone Center at (301) 590-6500.

NASD NOTICE TO MEMBERS 94-3

Annual Check List of NASD *Notices to Members*

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The NASD® published the following *Notices to Members* during 1993. Duplicate copies are available at \$25 per monthly or special issue. A bound-volume, indexed reprint of the entire year's Notices is also available at \$150. Requests, accompanied by a self-addressed mailing label and a check payable to the National Association of Securities Dealers, Inc., or credit card information, should be sent to NASD MediaSource, SM P.O. Box 9403, Gaithersburg, MD 20898-9403. Credit card telephone orders for bound volumes can be made by telephoning (301) 590-6578, Monday to Friday, 9 a.m. to 5 p.m., Eastern Time.

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93-85	12/93	SEC Approves Amendments to CMO Advertising Guidelines: Effective Immediately	513	93-89	12/93	NASD 1994 Holiday Schedule	535
93-86	12/93	SEC Approves Amendment to Section 65(f)(1) of the Uniform Practice Code Relating to Resolution of Fails Resulting From Account Transfers; Effective February 1, 1994	515	93-90	12/93	Trade Date-Settlement Date Schedule for 1994	537
93-87	12/93	NASD Provides Guidance for Reinvestment of Maturing Certificates of Deposit in Mutual Funds	517	93-91	12/93	Nasdaq National Market® Additions, Changes, and Deletions as of November 26, 1993	543

NASD NOTICE TO MEMBERS 94-4

Presidents' Day: Trade Date-Settlement Date Schedule

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Presidents' Day: Trade Date-Settlement Date Schedule

The Nasdaq Stock MarketSM and the securities exchanges will be closed on Monday, February 21, 1994, in observance of Presidents' Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
Feb. 11	18	23
	14	24
	15	25
	16	28
	17	Mar. 1
	18	2
	21	Markets Closed
	22	Mar. 1

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

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

Questions regarding the application of these settlement dates to a particular situation may be directed to the NASD Uniform Practice Department at (203) 375-9609.

NASD NOTICE TO MEMBERS 94-5

As of December 27, 1993, the following 90 issues joined the Nasdaq National Market®, bringing the total number of issues to 3,472:

Symbol	Company	Entry Date	SOES SM Execution Level
INSL	Insilco Corporation	11/29/93	1000
WVFC	WVS Financial Corp.	11/29/93	1000
ASII	Airport Systems International, Inc.	11/30/93	1000
ALSC	Alliance Semiconductor Corporation	12/1/93	500
CLXG	Celex Group, Inc.	12/1/93	1000
FBCG	First Banking Company of Southeast Georgia	12/1/93	200
HOAM	HealthWise of America, Inc.	12/1/93	500
ISEAF	International Semi-Tech Microelectronics, Inc. (Cl A Sub-Vtg Shrs)	12/1/93	1000
PRKR	ParkerVision, Inc.	12/1/93	1000
SPEQ	Speciality Equipment Cos., Inc.	12/1/93	1000
HGSI	Human Genome Sciences, Inc.	12/2/93	1000
ICOCZ	ICO, Inc. (Dep Shrs)	12/2/93	500
POSI	Position Corporation	12/3/93	1000
POSIW	Position Corporation (Wts Exp 12/2/98)	12/3/93	1000
RSFCP	Republic Security Financial Corporation (Ser A Pfd) 7.5% Cum Conv	12/3/93	500
USWDA	U.S. Wireless Data, Inc. (Cl A)	12/3/93	500
STTZF	Sutton Resources, Ltd.	12/6/93	1000
ASTAL	AST Research, Inc. (LYON due 12/14/2013)	12/7/93	N/A
FLYAF	CHC Helicopter Corporation (Cl A Sub Vtg Shr)	12/7/93	200
CARD	Cardinal Bancshares, Inc.	12/7/93	200
CLST	CellStar Corporation	12/7/93	500
FMXI	Foamex International, Inc.	12/7/93	500
PSTA	Monterey Pasta Company	12/7/93	500
IMGX	Network Imaging Corporation	12/7/93	500
IMGXP	Network Imaging Corporation (Pfd)	12/7/93	1000
IMGXW	Network Imaging Corporation (Wts Exp 5/7/97)	12/7/93	500
PIFI	Piemonte Foods, Inc.	12/7/93	200
GATE	Gateway 2000, Inc.	12/8/93	1000
BEAN	Brothers Gourmet Coffees, Inc.	12/9/93	500
CMCI	CMC Industries, Inc.	12/9/93	1000
SLVN	Sylvan Learning Systems, Inc.	12/9/93	1000
SHAW	The Shaw Group, Inc.	12/9/93	1000
VRTS	VERITAS Software Corporation	12/9/93	1000
ATEL	American Telecasting, Inc.	12/10/93	500
ASNT	Asante Technologies, Inc.	12/10/93	1000
DGDN	Digidesign, Inc.	12/10/93	200
FMCT	Farmers & Mechanics Bank	12/10/93	500
SBUFV	Stacey's Buffet, Inc. (Wts Exp 11/12/98)	12/10/93	1000
OXFD	Oxford Resources Corp. (Cl A)	12/10/93	1000

Nasdaq National Market®
Additions, Changes,
And Deletions as of
December 27, 1993

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Symbol	Company	Entry Date	SOES Execution Level
RACO	Racotek, Inc.	12/10/93	500
SRCG	Search Capital Group, Inc.	12/10/93	500
MACR	Macromedia, Inc.	12/13/93	500
SASZ	Sage Technologies, Inc.	12/13/93	1000
ABCR	ABC Rail Products Corporation	12/14/93	500
ACVC	Active Voice Corporation	12/14/93	1000
SKYC	American Mobile Satellite Corporation	12/14/93	500
CBHI	C. Brewer Homes, Inc. (Cl A)	12/14/93	500
SANG	SangStat Medical Corporation	12/14/93	1000
TQNT	TriQuint Semiconductor, Inc.	12/14/93	1000
CNSO	Conso Products Company	12/15/93	1000
FBCI	Fidelity Bancorp, Inc.	12/15/93	200
MKAU	MK Gold Company	12/15/93	200
QKTN	Quickturn Design Systems, Inc.	12/15/93	1000
OTCM	Royce OTC Micro-Cap Fund, Inc.	12/15/93	500
STIM	Stimsonite Corporation	12/15/93	200
AFCX	AFC Cable Systems, Inc.	12/16/93	1000
CCIX	Communications Central Inc.	12/16/93	1000
ENCD	ENCAD, Inc.	12/16/93	1000
FLAR	Flair Corporation	12/16/93	1000
JSMN	Jasmine Ltd.	12/16/93	200
KEBI	Kentucky Enterprise Bancorp, Inc.	12/16/93	500
NAVR	Navarre Corporation	12/16/93	1000
PLNR	Planar Systems, Inc.	12/16/93	1000
PROX	Proxim, Inc.	12/16/93	1000
VIGN	Viagene, Inc.	12/16/93	500
WANGV	Wang Laboratories, Inc. (New WI)	12/16/93	500
WANWV	Wang Laboratories, Inc. (New Wts WI Exp 7/2/2000)	12/16/93	500
AMRE	American Recreation Company Holdings, Inc.	12/17/93	200
CNEBF	Call-Net Enterprises Inc. (Cl B) Non-Vtg Shrs	12/17/93	200
GBTVP	Granite Broadcasting Corporation (Cum Conv Exch Pfd)	12/17/93	200
PMCTS	PMC Commercial Trust (Shrs of Ben Interest)	12/17/93	200
OKSB	Southwest Bancorp, Inc.	12/17/93	1000
CRLN	CareLine, Inc.	12/20/93	1000
MGPR	M.G. Products, Inc.	12/20/93	500
GRYP	Gryphon Holdings Inc.	12/21/93	1000
BONZ	Interpore International	12/21/93	1000
NADX	National Dentex Corporation	12/21/93	500
NBSI	North Bancshares, Inc.	12/21/93	200
PTCCZ	PerSeptive Technologies II Corporation (Uts Exp 12/31/95)	12/21/93	200
SUBM	SubMicron Systems Corporation	12/21/93	200
BKUNO	BankUnited Financial Corporation (Pfd)	12/22/93	200
FBSI	First Bankshares, Inc.	12/22/93	1000
LVSF	Lakeview Savings Bank	12/22/93	500
SUIN	Summa Industries, Inc.	12/22/93	500
NWSLF	Nowasco Well Service Ltd.	12/22/93	500
PSBX	PSB Holdings Corporation	12/22/93	200
PPGE	Premiere Page, Inc.	12/22/93	200
PCCI	Pacific Crest Capital, Inc.	12/23/93	200
WHRC	White River Corporation	12/23/93	1000
FCBK	First Charter Bank, N.A.	12/27/93	200

Nasdaq National Market Symbol and/or Name Changes

The following changes to the list of Nasdaq National Market securities occurred since November 27, 1993:

New/Old Symbol	New/Old Security	Date of Change
BOTX/GBFH	Georgia Bonded Fibers, Inc./Georgia Bonded Fibers, Inc.	12/1/93
MVIS/MVIS	Media Vision Technology, Inc./Media Vision Inc.	12/6/93
FTTRV/FTTR	Fretter, Inc. (WI)/Fretter, Inc.	12/8/93
MAIN/MAIN	Main Street and Main Inc./Main St. and Main, Inc.	12/9/93
SBUF/HBUF	Stacey's Buffet, Inc./Homestyle Buffet, Inc.	12/10/93
WPSN/VALFA	Westpoint Stevens Inc./Valley Fashions Corp.	12/13/93
SFBM/SFBM	Security Bancorp/Security Federal Savings Bank	12/20/93
SMTSZ/SMTSZ	Somanetics Corporation (Wts B Exp 5/4/95)/Somanetics Corporation (Wts B Exp 12/29/93)	12/27/93

Nasdaq National Market Deletions

Symbol	Security	Date
STTG	The Statesman Group, Inc.	11/29/93
FAMA	First America Bancorp	12/1/93
MECA	Meca Software, Inc.	12/1/93
VNBP	Valley National Bancorp	12/1/93
AMOS	Amoskeag Company	12/2/93
DICN	Diceon Electronics, Inc.	12/2/93
FAMR	First American Financial Corporation	12/3/93
PBSFR	Pacific Bank, N.A. (Rts Exp 12/2/93)	12/3/93
HEBC	Heritage Bankcorp, Inc.	12/6/93
JFFN	State Bancshares, Inc.	12/6/93
SCAN	Alliance Imaging, Inc.	12/7/93
UNTH	United Thermal Corporation	12/8/93
SYRA	Syratech Corporation	12/10/93
CRBI	Cal Rep Bancorp, Inc.	12/13/93
CSFT	Chipsoft, Inc.	12/13/93
MRCS	Marcus Corporation (The)	12/14/93
MSSB	MidState Federal Savings Bank	12/14/93
BMRG	BMR Financial Group, Inc.	12/15/93
PHCC	Preferred Health Care Ltd.	12/15/93
WISE	Wiser Oil Company (The)	12/15/93
INFB	InterFirst Bankcorp Inc.	12/20/93
OILC	Oil-Dri Corporation of America	12/20/93
ARIT	Aritech Corp.	12/21/93
DNFCR	D & N Financial Corporation (Rts)	12/21/93
MONFW	Monaco Finance, Inc. (Wts A)	12/21/93
NEOZ	Neozyme Corporation	12/22/93
WHIN	Washington Homes, Inc.	12/22/93
TMAX	Telematics International, Inc.	12/23/93
TRIB	TriState Bancorp (The)	12/23/93
RRMN	Railroadmen's Federal Savings & Loan Association of Indianapolis	12/27/93

Questions regarding this Notice should be directed to Mark A. Esposito, Supervisor, Market Listing Qualifications, at (202) 728-8002. Questions pertaining to trade reporting rules should be directed to Bernard Thompson, Assistant Director, NASD Market Surveillance, at (301) 590-6436.

NASD DISCIPLINARY ACTIONS

Disciplinary Actions Reported for January

The NASD® has taken disciplinary actions against the following firms and individuals for violations of the NASD Rules of Fair Practice; securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions will begin with the opening of business on Monday, January 17, 1994. The information relating to matters contained in this Notice is current as of the fifth of this month. Information received subsequent to the fifth is not reflected in this edition.

Firms Expelled

Texas American Securities Corporation (Dallas, Texas) was expelled from NASD membership. The sanction was based on findings that the firm effected securities transactions while failing to maintain its required minimum net capital. The firm also failed to meet the requirements stated in an offering memorandum by depositing a check received from an affiliate into an escrow account to make it appear that the required number of securities had been sold, and then instructed the bank holding the escrow account to disburse the balance of such account into an operating account for the benefit of the affiliate.

Firms Suspended, Individuals Sanctioned

Dallas/Park Cities Securities, Inc. (Dallas, Texas), Charles Royce Goodbread (Registered Principal, Dallas, Texas), Jeremy Steven Cohen (Registered Principal, Dallas, Texas), and Eddie Harold Landers (Registered Principal, Fort Worth, Texas) submitted an Offer of Settlement pursuant to which the firm and Goodbread were

fined \$10,000, jointly and severally and agreed to refrain from the sale, on a principal basis, of securities at prices below \$10 per share for one year. The firm was also suspended from NASD membership for seven days and required to pay \$5,110 in restitution to public customers. Goodbread was suspended from association with any NASD member in any capacity for 15 days and required to requalify by examination as a principal.

Cohen was fined \$5,000, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by examination as a principal. In addition, Cohen was required to pay \$12,345 in restitution to public customers. Landers was fined \$10,000 and suspended from association with any NASD member in any principal capacity for five business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Goodbread and Cohen, effected corporate securities transactions as principal with retail customers at prices that were not fair and reasonable, in violation of the NASD's Mark-Up Policy. The NASD also found that Goodbread and Cohen failed to supervise adequately and properly the activities of registered representatives of the firm concerning markups.

Furthermore, the NASD determined that the firm and Landers, acting by and through Goodbread and Cohen, operated a branch office of another member firm without registering said branch office with the NASD and without listing it upon the membership roll of the NASD. In addition, the findings stated that the firm, acting through Goodbread, maintained the registrations of three individuals who were inactive in

the securities business at the firm for more than one year.

Starboard Capital Corp. (Williamsville, New York) and Casimer J. Jaszewski (Registered Principal, Ontario, Canada) were fined \$10,000, jointly and severally, and suspended from engaging in the securities business until they honor an NASD arbitration award or for at least five business days. The sanctions were based on findings that the firm, acting through Jaszewski, failed to pay a \$10,969.43 NASD arbitration award.

Firms Fined, Individuals Sanctioned

R. H. Damon & Co., Inc. (New York, New York), Damon D. Testaverde (Registered Principal, Staten Island, New York), and Ronald I. Heller (Registered Principal, Orangeburg, New York) submitted an Offer of Settlement pursuant to which the firm was fined \$30,000 and required to pay \$57,671.30 in restitution and interest to public customers. Testaverde and Heller were each fined \$20,000, suspended from association with any NASD member in any capacity for two weeks, and suspended from association with any NASD member in any principal capacity for two months.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Testaverde, and Heller, failed to remove itself from the market in a common stock during a distribution and, in fact, actively bid for and purchased the stock causing the price of the security to rise. In addition, the findings stated that the firm failed to establish, maintain, and enforce adequate

procedures to ensure compliance with Securities and Exchange Commission (SEC) Rule 10b-6. Furthermore, the NASD found that the firm and Heller violated Schedule C of the NASD By-Laws in that Heller failed to register properly as a principal while he was acting in that capacity.

Network 1 Financial Securities, Inc. (Red Bank, New Jersey), Richard D. O'Reilly (Registered Principal, Ocean, New Jersey), William R. Hunt, Jr. (Registered Principal, Robbinsville, New Jersey), Bruce C. Rothenberg (Registered Representative, Lancaster, New York), and Shahen Bedrosian (Registered Representative, Niagara Falls, New York) submitted an Offer of Settlement pursuant to which the firm was fined \$17,500, jointly and severally with O'Reilly, and fined \$17,500, jointly and severally with Hunt. Hunt was also suspended from association with any NASD member in any capacity for 21 days and required to requalify by examination as a general securities principal. O'Reilly was suspended from association with any NASD member in any capacity for 45 days and required to requalify by examination as a general securities principal. Rothenberg was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. In addition, Bedrosian was fined \$2,500 and suspended from association with any NASD member in any capacity for 20 days.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, O'Reilly, Hunt, Rothenberg, and Bedrosian distributed shares of common stock to members of the public when they knew, or reasonably should have known, that no

registration statement had been filed with the SEC for the distribution of such securities, and that no exemption from registration for such transactions was available. The NASD also found that the firm, Rothenberg, and Bedrosian committed fraud in the offer and sale of these securities by making untrue statements of material facts, omitting to state material facts, and engaged in courses of conduct that operated as a fraud or deceit upon the persons who purchased the securities.

The findings also stated that the firm, O'Reilly, Hunt, Rothenberg, and Bedrosian, failed to disclose to customers who purchased the same securities sold by an individual at the firm either orally or in writing at or before the completion of the transactions that this individual was a control person of the issuer of the stock, and at the same time controlled the firm's branch office. Moreover, the NASD found that the firm, O'Reilly, and Hunt failed to register this individual as a principal or a general securities representative but allowed him to associate with the firm when he was statutorily disqualified and made payments of commission-related compensation to the individual, even though he was not registered at the time of compensation. Furthermore, the findings stated that the firm, O'Reilly, and Hunt failed to supervise adequately by not establishing, maintaining, or enforcing procedures.

In addition, the NASD found that Rothenberg failed to respond to NASD requests for information.

Westonka Investments, Inc. (Minnetonka, Minnesota) and Timothy Joel Friederichs (Registered Principal, Minnetonka, Minnesota) submitted an Offer of Settlement pursuant to which they

were fined \$50,000, jointly and severally. Friederichs was also suspended from association with any NASD member in any capacity for seven days and required to requalify by examination as a general securities principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Friederichs, sold shares of a common stock that were not registered with the SEC pursuant to Section 5 of the Securities Act of 1933, or exempt from registration. Furthermore, the NASD found that the firm, acting through Friederichs, failed to meet the exemptive requirements of SEC Rule 144 in the aforementioned sales transactions.

Individuals Barred or Suspended

Robert William Cox (Registered Representative, Medford, Oregon) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Cox consented to the described sanctions and to the entry of findings that he received compensation from a mortgage broker representing customer referral fees while failing to provide prompt written notice of this activity to his member firm.

Anthony M. DeGrazier (Registered Representative, Ada, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$13,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, DeGrazier consented to the described sanctions and to the

entry of findings that he participated in private securities transactions and outside business activities while failing to give written notice or prompt written notice of his intention to engage in such activities to his member firm.

John Kevin Dennee (Registered Representative, Fairport, New York), Bernard Raymond Schmitt (Registered Representative, Smyrna, Georgia), Stanley James Siciliano (Registered Representative, Rochester, New York), Jeffrey David Brown (Registered Representative, Aurora, Colorado), Joel Edward Snow (Registered Principal, Littleton, Colorado), David John Eckert (Registered Representative, Rochester, New York), and Jeffrey Harold Supinsky (Registered Principal, Massapequa, New York) submitted an Offer of Settlement pursuant to which Dennee was fined \$15,000, suspended from association with any NASD member in any capacity for 30 days, and barred from association with any NASD member in a principal capacity. Schmitt, Siciliano, and Supinsky were each fined \$10,000 and suspended from association with any NASD member in any capacity for 15 days.

Brown was fined \$15,000 and suspended from association with any NASD member in any capacity for 30 days, and Snow was fined \$10,000 and barred from association with any NASD member in any capacity. Eckert was fined \$5,000, suspended from association with any NASD member in any capacity for 90 days, and required to requalify by examination as a general securities representative. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Dennee, Schmitt, Siciliano, Brown,

Snow, Eckert, and Supinsky engaged in abusive and coercive sales practices that misled and defrauded the investing public by disseminating sales scripts to registered representatives of their member firm and encouraging, directing, or requiring the representatives to use the scripts, or language substantially similar to that in the scripts.

The findings also stated that Dennee, Schmitt, Siciliano, Brown, Snow, Eckert, and Supinsky failed to maintain and enforce supervisory procedures designed to enable them to supervise properly the activities of the associated persons working in branch offices of their member firm to assure compliance with applicable securities laws, rules, and regulations, and with the rules of the NASD relating to the appropriate solicitation of customers.

Brown's suspension commenced December 1, 1993, and concluded December 30, 1993.

Ronald J. Dimura (Registered Representative, Middlesex, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dimura consented to the described sanctions and to the entry of findings that he submitted a forged amended application form and loan request form to his member firm on a customer's insurance policy. In addition, the NASD found that Dimura forged the same policyholder's signature and requested a \$1,326.87 loan against his existing traditional life insurance policy to pay the originating premium on a new life insurance application without the knowledge or consent of the customer.

David Paul Durko, Jr. (Registered Representative, Brick, New Jersey) was suspended from association with any NASD member in any capacity for five business days. The sanction was based on findings that Durko failed to pay a \$5,000 NASD arbitration award.

Jason Dru Dvorin (Registered Principal, Plano, Texas) was suspended from association with any NASD member as a general securities principal until he qualifies as an introducing broker/dealer financial and operations principal or a financial and operations principal. The sanction was based on findings that Dvorin, acting for a member firm, failed to keep current books and records and failed to file its annual audited report. In addition, the firm, acting through Dvorin, failed to file its FOCUS Part IIA report on time.

Adam Burton Fox (Registered Representative, Parlin, New Jersey) was barred from association with any NASD member in any capacity. The sanction was based on findings that Fox induced a public customer to purchase warrants by misrepresenting the trade and exercise prices, and by stating that the customer could make an immediate profit from the purchase. In addition, Fox failed to respond to NASD requests for information.

Christopher Gedney (Registered Representative, Mahopac Falls, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay \$11,231.52 in restitution to a member firm. Without admitting or denying the allegations, Gedney consented to the described sanctions and to the entry of findings that he forged the signatures of

insurance customers on cash surrender checks totaling \$11,231.52, endorsed the checks, and deposited the funds into his family checking account.

Thomas E. Graves, III (Registered Representative, Nashville, Tennessee) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Graves consented to the described sanctions and to the entry of findings that he initiated an excessive amount of trading activity often referred to as "churning" or "overtrading" in the account of a public customer without having reasonable grounds for believing that such trading activity was suitable based on the customer's financial situation, investment objectives, and needs. In addition, the NASD found that Graves executed 10 unauthorized securities transactions in the same customer's account.

John G. Harmann (Registered Principal, Aurora, Colorado), Shirley A. Garrity (Registered Representative, Denver, Colorado), David C. Green (Registered Representative, Denver, Colorado), Gene A. Hochevar (Registered Representative, Boulder, Colorado), and Guy R. LaBone (Registered Representative, Lakewood, Colorado). Harmann was suspended from association with any NASD member in any capacity for 90 days and required to requalify by examination as a principal. Garrity, Green, Hochevar, and LaBone were each fined \$5,000, suspended from association with any NASD member in any capacity for five days, and required to requalify by examination as a registered representative. The SEC affirmed the sanctions

following appeal of a January 1992 National Business Conduct Committee (NBCC) decision.

The sanctions were based on findings that, with the knowledge and substantial assistance of Harmann, a former member firm dominated and controlled the aftermarket in two blind pools underwritten by the firm with excessive markups ranging from 10 to 266 percent above the firm's contemporaneous cost, totaling nearly \$100,000. Garrity, Green, Hochevar, and LaBone were found to have charged unfair prices to certain of their customers who purchased the securities. These respondents determined the gross commission on trades and were paid portions of these gross commissions. In all of these trades, Garrity, Green, Hochevar, and LaBone received in excess of 10 percent of the total amount of the trade, and in a number of instances, 30 percent or more of the total price paid by the retail customer to purchase the security was shared between the firm and the registered representative. Furthermore, Harmann failed to provide firm personnel with adequate supervision in connection with this activity.

Charles Gregory Heins (Registered Representative, Bloomington, Illinois) was fined \$35,000, barred from association with any NASD member in any capacity, and required to pay \$14,385.68 in restitution less any amounts he has already paid to a member firm. The sanctions were based on findings that Heins signed the name of a public customer and the names of two non-existent individuals purported to be the children of the customer to dividend surrender forms. He then submitted the dividend surrender forms to his member firm for the purpose of obtaining \$61,900 and applied the

dividends to purchase a variable annuity life insurance policy for the customer without the customer's knowledge or consent.

Paul Eugene Hendricks (Registered Representative, Monroe, Louisiana) was fined \$5,000, suspended from association with any NASD member in any capacity for three years, and required to pay \$1,300 in restitution to his member firm. The sanctions were based on findings that Hendricks effected transactions in and induced securities transactions by means of manipulative, deceptive, or other fraudulent devices or contrivances by forging purported customer applications to purchase annuities in order to obtain commissions of approximately \$1,298 from his member firm.

James Earl Jacoby (Registered Representative, Elk Grove, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Jacoby consented to the described sanctions and to the entry of findings that he effected sales of securities in the accounts of 35 public customers without the customers' prior knowledge and consent.

Andre D. Johnson (Registered Representative, Chicago, Illinois) was fined \$10,000, suspended from association with any NASD member in any capacity for five business days, and required to requalify by examination as a representative within 90 days or cease to function in such a capacity until he requalifies. The sanctions were based on findings that Johnson executed unauthorized transactions in the accounts of public customers in the

absence of written or oral authorization to exercise discretion in the accounts. In addition, Johnson failed to execute promptly a customer's order to sell stock.

Brett John Kacura (Registered Representative, San Francisco, California) was fined \$52,920 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kacura effected the purchase of securities in the accounts of public customers without their prior knowledge and consent. Kacura also failed to respond to NASD requests for information.

Young S. Lee (Registered Representative, Mineola, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Lee consented to the described sanctions and to the entry of findings that, in contravention of Article IV, Section 5 of the Rules of Fair Practice, he refused to appear before the NASD for an on-the-record interview concerning the circumstances surrounding his employment by, and termination from, a member firm.

Robert Keith Malkin (Registered Principal, Castaic, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any NASD member in any capacity for 30 days and required to requalify by examination. Without admitting or denying the allegations, Malkin consented to the described sanctions and to the entry of findings that he recommended to a public customer the purchase of securities without having reasonable grounds for believ-

ing such recommendations were suitable for the customer in view of the size of the transactions and the customer's financial situation and needs.

Debra Cain McAllister (Associated Person, Quitman, Texas) was fined \$23,675 and barred from association with any NASD member in any capacity. The sanctions were based on findings that McAllister obtained from four public customers \$735 in payment of automobile insurance premiums. Contrary to the instructions of the customers, the findings stated that McAllister deposited the funds in a bank account in which she had an interest or controlled or otherwise retained the funds for her own use and benefit without the knowledge or consent of the customers. In addition, McAllister failed to respond to NASD requests for information.

Philip Everett Merchant (Registered Principal, Redlands, California) was suspended from association with any NASD member in any capacity for seven days, barred from association with any NASD member as a general securities principal, and required to requalify by examination as a registered representative. The sanctions were based on findings that Merchant secured at least \$233,000 in loans from 16 individuals and issued short-term unsecured promissory notes in connection with such loans to finance the operation of a broker/dealer branch office. However, Merchant failed to provide prompt written notification to his member firms of his participation in these private securities transactions.

Carlos Montanez Murillo (Registered Principal, Bakersfield, California) submitted a Letter of Acceptance, Waiver and Consent

pursuant to which he was fined \$41,240 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Murillo consented to the described sanctions and to the entry of findings that he accepted \$8,248 in customer funds intended for the purchase of securities and failed to apply the funds to the customer's account for that purpose. Instead, the findings stated that Murillo deposited the funds into his personal bank account for his own use and benefit.

John L. Pitts (Registered Representative, North Babylon, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay \$4,663.26 in restitution to a member firm. Without admitting or denying the allegations, Pitts consented to the described sanctions and to the entry of findings that he secured loans totaling \$5,084.07 from a customer's life insurance policy without the customer's knowledge and retained the funds for his own use and benefit. The NASD also found that Pitts forged a customer's signature on a \$1,000 policy loan check which he converted to his own use and benefit.

In addition, the findings stated that Pitts deposited a \$3,185 check payable to and endorsed by a public customer into his personal bank account without the customer's consent or knowledge. Furthermore, the NASD determined that Pitts converted a customer's life insurance policy surrender check in the amount of \$1,308.76 to his own use and benefit.

Michael John Polansky, Sr. (Registered Representative, Hickory Hills, Illinois) was fined

\$50,000, barred from association with any NASD member in any capacity, and required to pay \$3,813.66 in restitution to a member firm. The sanctions were based on findings that Polansky obtained checks totaling \$3,331.50 from the insurance policies of a customer by signing her name to disbursement request forms that he submitted to his member firm without the customer's knowledge or consent. Thereafter, Polansky received and retained the funds for his own use and benefit.

In addition, Polansky obtained \$2,332.34 from the same customer in the form of cash withdrawals from her insurance policies by signing the customer's name to disbursement request forms and submitting them without her knowledge or consent. Polansky then caused the funds obtained with the forms to be used to purchase insurance policies for the customer and to pay premiums on her other policies without her knowledge or consent. Furthermore, Polansky obtained cash totaling \$482.16 from the same customer as payment of insurance premiums, failed to deposit the payments with his member firm or to follow the customer's instructions and, instead, retained the funds for his own use and benefit. Polansky also failed to respond to NASD requests for information.

Carolyn Paula Powers (Registered Representative, Pasadena, California) submitted an Offer of Settlement pursuant to which she was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Powers consented to the described sanctions, and to the entry of findings that she used a customer's name and social security number to obtain a credit card account in the customer's name. According to the

findings, the customer was unaware that her name and social security number had been used by Powers to obtain credit until a \$5,759.40 debit balance was placed with a collection agency as a result of Powers' failure to pay the balance on the account.

Lynn Marie Rach (Registered Representative, Lake Forest, California) submitted an Offer of Settlement pursuant to which she was fined \$5,000 and suspended from association with any NASD member in all capacities for five business days. In addition, she must requalify by examination. Without admitting or denying the allegations, Rach consented to the described sanctions and to the entry of findings that she executed unauthorized transactions in customer accounts.

Carlos Reconco (Registered Representative, Elizabeth, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Reconco consented to the described sanctions and to the entry of findings that he used \$1,972.08 from cash surrender checks of two insurance customers to pay the monthly premiums on unrelated policyholders' accounts without the knowledge or consent of the customers.

Edward A. Rizzo (Registered Representative, McGraw, New York) was fined \$8,500 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Rizzo forged two customer signatures, co-endorsed two cash surrender checks totaling \$3,478.65, and converted the proceeds to his own use and benefit without the knowl-

edge or consent of his member firm and customers. In addition, Rizzo failed to respond to NASD requests for information.

James M. Russen, Jr. (Registered Representative, Middle Island, New York) was fined \$50,000 and suspended from association with any NASD member in any capacity for 30 business days. The SEC affirmed the sanctions following appeal of an October 1992 NBCC decision. The sanctions were based on findings that Russen executed unauthorized transactions in the accounts of four public customers at four different member firms.

Donna I. Schmehl (Registered Representative, Antioch, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay \$9,732.76 in restitution to customers. Without admitting or denying the allegations, Schmehl consented to the described sanctions and to the entry of findings that she signed the names of public customers on disbursement request forms resulting in disbursements from their insurance policies totaling \$9,732.76 without the customers' knowledge or consent. According to the findings, Schmehl then deposited the funds, or caused them to be deposited, in an account in which she had a beneficial interest.

John Robert Schwenger (Registered Representative, Denver, Colorado) was ordered to pay \$65,000 in restitution to a member firm, fined \$10,000 with the proviso that the fine can be reduced by any amount paid to a firm in restitution, suspended from association with any NASD member firm in any capacity for 15 business days, and ordered to requalify by examination

before becoming associated with any NASD member in any capacity.

The NBCC imposed the sanctions following review of a Seattle District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Schwenger exercised discretion in the account of a public customer without obtaining prior written discretionary trading authority. In addition, Schwenger recommended securities and options transactions in the same customer's account without having reasonable grounds for believing that such recommendations were suitable for the customer in view of the size, frequency, and nature of the recommended transactions, and the customer's financial situation, circumstances, and needs.

Mark P. Shain (Registered Representative, North Collins, New York) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Shain consented to the described sanction and to the entry of findings that he withdrew \$34,900 of the cash value of a public customer's insurance policy without the knowledge or consent of the customer and converted the funds to his own use. In addition, the findings stated that Shain failed to respond to NASD requests for information.

Gene Wilbur Williams, Jr. (Registered Principal, Rocklin, California) was fined \$5,000, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by examination as a general securities principal following his suspension. The sanctions were based on findings that Williams participated in private securities

transactions while failing to give prompt written notification to his member firm.

Charles E. Yenglin (Associated Person, Lake City, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$45,000, barred from association with any NASD member in any capacity, and required to pay \$5,498.91 in restitution to customers. Without admitting or denying the allegations, Yenglin consented to the described sanctions and to the entry of findings that he obtained checks totaling \$4,348.91 from his member firm made payable to customers but failed to forward the checks to the customers. Instead, the NASD found that he used the funds for purposes other than to benefit the customers. Furthermore, the findings stated that he submitted disbursement request forms for two public customers without their knowledge or consent. This resulted in a disbursement of a total of \$1,150 from said customers' insurance policies. Yenglin obtained the checks made payable to the customers, but failed to forward the checks to the customers and used the funds for some purpose other than to benefit the customers. Yenglin also failed to respond to NASD requests for information.

Robert Douglas Ziller (Registered Representative, Rochester, Minnesota) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Ziller consented to the described sanctions and to the entry of findings that he signed six customer names to change-of-dealer forms to facilitate the transfer of the customers' accounts from one brokerage firm to another

without express permission, although the customers had agreed to the transfer.

Individuals Fined

Stephen Russell Boadt (Registered Principal, Marina del Rey, California) was fined \$10,000 and required to take a financial and operations principal examination within 120 days. However, if he fails to pass the examination during that period, he may not act in any principal capacity until he passes the examination. The SEC modified the sanctions following appeal of a January 1993 NBCC decision. The sanctions were based on findings that Boadt continued to act as a financial and operations principal for his member firm after he had been ordered by the NASD not to act in that capacity until he had been requalified by examination.

Firm Expelled for Failure to Pay Fines, Costs, and/or Provide Proof Of Restitution in Connection With Violations

Wasatch Stock Trading, Incorporated, Salt Lake City, Utah

Firms Suspended

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The actions were based on the provisions of Article IV, Section 5 of the NASD Rules of Fair Practice and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after each entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Covey & Co., Inc., Salt Lake City, Utah (December 8, 1993)

Gibraltar Securities, Inc., Dallas, Texas (December 8, 1993)

McCarley and Associates, Inc., Greenville, South Carolina (December 8, 1993)

Joseph H. O'Brien, II, New York, New York (December 8, 1993)

Individuals Whose Registrations Were Revoked for Failure to Pay Fines, Costs, and/or Provide Proof Of Restitution in Connection With Violations

Larry E. Brewer, Germantown, Tennessee

Ronald W. Madsen, Salt Lake City, Utah

Roger H. Neslen, Sandy, Utah

Cabin W. Parker, Los Angeles, California

Joel G. Shorey, Engelwood, Colorado

NASD Imposes Fines and Restitution of More Than \$2.4 Million Against Chatfield Dean & Co., Inc., Its President, Six Others

The NASD has imposed fines and ordered restitution of \$2,475,000 against Chatfield Dean & Co., Inc. (Chatfield), its President and owner Sanford D. Greenberg, and other current and former Chatfield officers.

The NASD's action suspends Greenberg and Robert L. Lemon, Chatfield's Executive Vice-President for Sales, from associating in any capacity with an NASD member firm for four months. The

NASD also imposed sanctions against several other individuals: Kenneth S. Bernstein, Compliance Director; William R. MacCallum, Jr., Head Trader; John K. Watton, Anthony DeCamillis and Kevin Grom, former Branch Office Managers; and Steven Carolus, a trader. The NASD disciplinary action is based on settlements reached with the NASD's Market Surveillance Committee in which Chatfield and the named individuals consented to findings without admitting or denying the allegations.

The focus of the NASD's disciplinary action concerns Chatfield's pricing and sales-practice policies involving several securities during specified time periods between 1989 and 1993. In this disciplinary action, the NASD alleged violations of several of its Rules of Fair Practice (RFP), including Section 18, which prohibits the use of any manipulative, deceptive, or other fraudulent device in the purchase or sale of any security.

Pursuant to the settlement, Chatfield is required to pay more than \$1.75 million in restitution to customers within six months of this settlement. Further, disciplinary fines totaling \$685,000 have been imposed against Chatfield and the named individuals. Moreover, in addition to the four-month suspensions of Greenberg and Lemon, former Branch Office Managers Watton, DeCamillis, and Grom are also suspended from associating with any member firm in any capacity for four months. The firm's Head Trader, MacCallum, is suspended from associating with member firms for six months in all capacities and the firm's Compliance Director, Bernstein, is suspended from associating with member firms for two years in cer-

tain supervisory capacities.

Manipulative Behavior

Chatfield, Greenberg, Lemon, MacCallum, Watton, DeCamillis, and Grom consented to findings of violations of using manipulative, deceptive, or other fraudulent devices or contrivances from May 13 through May 15, 1991, with respect to securities transactions that the NASD alleged, when taken as a whole, constituted a violation of Section 18 of the NASD's RFP. Specifically, the NASD alleged that Chatfield and these named individuals dominated and controlled the securities involved, and at the same time maintained the inside bid, despite having had significant long inventory positions for two of those days. Further, Chatfield, through these individuals, delayed, and instructed registered representatives to delay, the prompt execution of customer purchase and sale orders by encouraging registered representatives to match purchase and sale transactions from different customers. Under this scheme, Chatfield Paid its brokers increased commissions for matched sales, while the firm benefitted by effecting such transactions as essentially riskless principal transactions. Chatfield, through these agents, also recorded inaccurate quotes on order tickets and charged customers based on such inaccurate quotes. As a consequence of this manipulative behavior, Chatfield and its owner Greenberg profited by approximately \$350,000.

Excessive and Unfair Pricing

The NASD requires that broker/dealers sell securities to customers at fair prices that are reasonably related to the current market price of the security. Chatfield, Greenberg, Lemon, MacCallum, and Carolus consented to findings that between 1989 and 1993, they charged excessive markups in more than 2,300 customer purchases of six different issues such that the prices were not fair to customers, thereby violating NASD rules. For all but one of these securities, Chatfield dominated and controlled the market during the time periods that they were charging these excessive prices. As a consequence of this violative conduct, Chatfield, through these agents, overcharged customers more than \$1.3 million by selling at prices that were marked up as much as 180 percent above the prevailing market price. The vast majority of the transactions charged were marked up more than 10 percent, constituting fraud under Section 18 of the NASD's RFP.

Additional Sanctions and Undertakings

The settlement also calls for Chatfield to engage in numerous undertakings. Among others, these include: a limitation on Chatfield's participation in underwritings; a limitation not to exceed a specified percentage of the post-distribution float; a limitation on the maximum compensation that can be received

by brokers from customers in principal transactions; testing and training programs to be administered by Chatfield for its registered representatives; and the hiring of a new Head Trader and Chief Compliance Officer. Chatfield has also agreed to retain an outside consultant for two years to review the firm's compliance policies and recommend changes where appropriate. Chatfield has agreed to implement all recommendations made by the consultant. The consultant will provide periodic reports regarding the recommendations and the implementation of those recommendations by the firm.

In addition, as a result of findings that they failed to properly supervise the conduct by Chatfield thereby violating Section 27 of the NASD's RFP, Greenberg, Lemon, and Bernstein will be required to retake and pass a written examination in order to be allowed to again function in a supervisory or principal capacity. MacCallum, Watton, DeCamillis, and Grom will be retested in the same manner before being allowed to function in any registered capacity.

The settlement in this disciplinary matter stems from investigations that were conducted on a coordinated basis by the NASD's Denver, Colorado, District Office, the Enforcement Department, and the Market Surveillance Department. The NASD also acknowledges the assistance of the SEC's Denver Regional Office.

FOR YOUR INFORMATION

Member Assessments

The NASD amended Section 1, Schedule A to the NASD By-Laws to increase the credit against a member's annual gross income assessment from 62 to 67 percent for calendar year 1993. The credit will be reduced to 59 percent for 1994.

Because members have already paid their 1993 assessments with the 62 percent credit in effect, the increase to 67 percent will create a credit balance in their accounts for 1993 that the NASD will carry forward and apply to 1994 assessments. The first assessment invoices for 1994 will be based on 1992 gross income reported in 1993 with the 59 percent credit applied. After 1993 gross income reports are received in the spring of 1994, the NASD will, as has been the practice, adjust the mid-year assessment invoices to reflect 1993 actual gross income, less payments already made.

American Stock Exchange Increases Registration, Re- Registration, and Renewal Fees

Effective January 1, 1994, the American Stock Exchange (ASE) increased its agent registration fee to \$45 and agent re-registration fee to \$30. In addition, effective with the 1993-94 renewal program, the ASE's agent renewal fee increased to \$25.

If you have any questions regarding these changes, please call the NASD's Member Services Phone Center at (301) 590-6500.

NASD Fingerprint Fee Increases

The Federal Bureau of Investigation is increasing its fee for processing fingerprint cards submitted to it for noncriminal licensing and employment purposes. Effective January 3, 1994, the fingerprint fee for processing initial submissions and the third submission will increase by \$1.00 per card to \$24.50 per card. The second submission will remain \$2.50, provided that the illegible card is attached. If the illegible card is not attached, the fee per card will be \$24.50.