

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

January 3, 1968

To: All NASD Members

The notice sent to members dated December 27 regarding the return to a five-day week with shortened trading hours for the OTC markets has raised a number of questions pertaining to transactions in mutual fund shares, both in the period from January 2 to January 10, 1969, and also in the period commencing January 13 when the new forward pricing rule of the SEC goes into effect.

The hours at which prices of mutual fund shares become effective and the hours during which they remain effective are governed by the prospectus of each mutual fund.

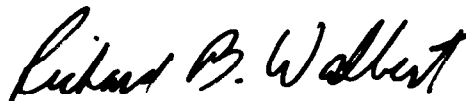
Under present pricing practices the price calculated as of the close of the New York Stock Exchange does not become effective until one hour after such close. In most cases, orders received by a mutual fund underwriter from a dealer during the one-hour period after the close of the New York Stock Exchange are confirmed to the dealer at the price last determined before the close of the Exchange. The new business hours effective January 2, 1969, do not change this, except that the hour as of which the closing price is computed and the hour at which it becomes effective have been advanced by ninety minutes. From January 2 through January 10, 1969, a retail dealer may continue to place orders with a mutual fund underwriter during the hour following the close of the New York Stock Exchange, and the underwriter may confirm sales to the dealer during that hour, in accordance with the provisions of the prospectus of the particular mutual fund.

Effective January 13, 1969, mutual fund orders will be confirmed on a forward-pricing basis, pursuant to Rule 22c-1 recently adopted by the Securities and Exchange Commission. Mutual fund prospectuses, or amendments to such prospectuses, may provide that during a specified period following the close of the New York Stock Exchange, a mutual fund underwriter may confirm sales to a dealer at a price calculated at the close of the New York Stock Exchange, provided the customers' orders were received by the dealer prior to such close. Thus, a retail dealer may place orders with a mutual fund underwriter during the period following the close of the New York Stock Exchange and the underwriter may confirm to the dealer in accordance with the prospectus of the fund.

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Of course, orders for repurchase or redemption may be placed and executed in accordance with the then current terms of the prospectus.

Sincerely,

A handwritten signature in black ink that reads "Richard B. Walbert". The signature is written in a cursive style with a large, prominent initial 'R'.

Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

January 25, 1968 #1

NOTICE

To Members of the National Association of Securities Dealers, Inc.
Your attention is directed to the following actions:

Jenckes & Company, Inc.
Reading, Pennsylvania

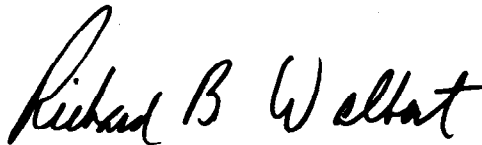
On January 18, 1968, the Securities and Exchange Commission suspended the broker-dealer registration of Jenckes & Company, Inc., for fifteen (15) days and barred Peter H. Jenckes, president, from association with any broker or dealer for fifteen (15) days (see Securities Exchange Act Release #8233). The penalties were based on findings that the firm and Jenckes failed to disclose that for a time it was controlled by an individual associated with another member; and arranged for the filing by another member of a false and misleading financial report. The suspensions of fifteen (15) days commenced January 19, 1968.

Laird, Bissell and Meeds, Inc.
Wilmington, Delaware

On January 17, 1968, the Securities and Exchange Commission suspended Laird, Bissell and Meeds, Inc., from membership in the Association for forty (40) days and barred Louis J. Sneed from association with any broker or dealer for fifteen (15) months for violations of Sections 5(a) and 17(a) of the Securities Act of 1933; Sections 10(b) and 15(c)(1) of the Securities Exchange Act of 1934 and Rules 10b-5 and 15c1-2 thereunder (see Securities Exchange Act Release #8231). The firm and Sneed consented to the sanctions imposed and to the Commission's findings upon which they were based, but without admitting or denying the securities violations alleged in the order for proceedings. The penalties were based on findings that the firm's predecessor and Sneed offered and sold a security, which was speculative and unseasoned, without appropriate inquiry concerning its nature and value, and made false and misleading representations concerning, among other things, the debt,

financial statements, earnings and profit potential of the security, an increase in the price of its stock, as well as the status of the predecessor as an underwriter; and in the offer and sale of another security made false and misleading representations in a market letter and directly to customers concerning, among other things, the issuer's past and anticipated sales and earnings, promotional programs, employment of managerial personnel, and plant and facilities, the results of the relocation of subsidiary companies, the future market price of the security, purchases of such stock by persons associated with the predecessor, the value of the security in relation to the value of other securities and the safety of an investment in the issuer's bonds. The suspension of Laird, Bissell and Meeds, Inc., for forty (40) days and the suspension of Louis J. Sneed for fifteen (15) months will commence with the opening of business January 29, 1968.

The attention of members is directed to Section 25 of Article III of the Rules of Fair Practice and to an interpretive memorandum beginning on Page 2099 of the Association's Manual relating to the manner in which the Rules of Fair Practice apply to transactions between members and a member who has been suspended or expelled.



Richard B. Walbert
President

NOTE: This notice is being sent to all registered branch offices of members.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 2, 1968

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

Re: Five-Day Settlement of Regular Way Contracts

The Board of Governors has approved amendments of several NASD Uniform Practice Code sections to permit a five-day settlement period for all regular way contracts executed under the Code.

The Code changes become effective with transactions executed on February 9, 1968. The Board of Governors of the Association is of the opinion that the extended settlement time will be helpful to members in the area of operational problems.

The amended sections of the Code follow:

Sec. 4 (b) In connection with a transaction "regular way," delivery shall be made at the office of the purchaser on, but not before, the ~~fourth~~ fifth full business day following the date of the transaction; except that if the seller tenders delivery before the ~~fourth~~ fifth full business day, acceptance shall be at the option of the purchaser, and rejection of such delivery by the purchaser shall be without prejudice to his rights.

Sec. 4 (c) Present wording of this section will be eliminated.

Sec. 4 (d), as amended, now becomes Sec. 4 (c).

In connection with a transaction "seller's option," delivery shall be made at the office of the purchaser on the date on which the option expires; except that delivery may be made by the seller on any full business day after the ~~fourth~~ fifth full business day following the date of transaction and prior to the expiration of the option, provided the seller delivers at the office of the purchaser, on a full business day preceding the day of delivery, written notice of intention to deliver. Contracts maturing on a Saturday, half-holiday, or holiday shall carry over to the next full business day.

Sec. 4 (e) becomes Sec. 4 (d).

Sec. 4 (f) becomes Sec. 4 (e).

Sec. 4 (g) becomes Sec. 4 (f).

Sec. 5. "Normal ex-dividend dates".

If definitive information is received sufficiently in advance, the date designated shall be the ~~third~~ fourth full business day preceding the record date if the record date falls on a full business day, or the ~~fourth~~ fifth full business day preceding the record date if the record date falls on a day designated by the Uniform Practice Committee as a non-clearance date.

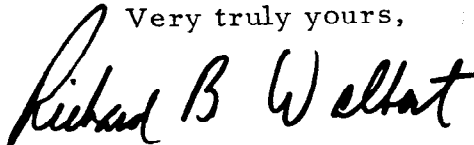
Sec. 6. "Transactions except for cash".

(a) All transactions, except "cash" transactions, in bonds or similar evidences of indebtedness which are traded "flat" shall be "ex-interest" as prescribed by the following provisions:

- (1) On the ~~third~~ fourth full business day preceding the record date if the record date falls on a full business day.
- (2) On the ~~fourth~~ fifth full business day preceding the record date if the record date falls on a day other than a full business day.
- (3) On the ~~fourth~~ fifth full business day preceding the date on which an interest payment is to be made if no record date has been fixed.

Sec. 46 (a) In the settlement of contracts in interest-paying securities other than for "cash," there shall be added to the dollar price interest at the rate specified in the bond, which shall be computed up to but not including the ~~fourth~~ fifth full business day following the date of transaction. In transactions for "cash," interest shall be added to the dollar price at the rate specified in the bond up to but not including the date of transaction.

Very truly yours,



Richard B. Walbert
President

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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 9, 1968

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

We understand that the Securities and Exchange Commission has mailed to all registered broker-dealers its Release No. 8242 under the Securities and Exchange Act of 1934, dated February 1, 1968, containing a proposed new rule, and reporting forms, providing that all registered broker-dealers who carry public customer accounts shall file annual income and expense reports with the Commission or with a registered self-regulatory organization which will transmit the reports to the Commission. We assume that you have received your copy of this 86-page document.

As you perhaps know, this proposed rule and the contents of the reporting forms have been under discussion between members of the staff of the Securities and Exchange Commission and representatives of the securities industry for more than two years. Members of the NASD's Committee to Consider Financial Reporting to the SEC, and NASD staff members, have worked diligently toward simplification of the reporting requirements and forms in an effort to reduce the burden of compliance for member firms. Compromises were made on both sides without sacrificing availability of necessary data.

Briefly, the reports will consist of an annual profit and loss statement and balance sheet covering a calendar year period. According to present plans, these reports will be filed with the NASD either directly by firms that are not members of any exchange, or indirectly through such exchange by members belonging to an exchange. The reports will not need to be audited. The information contained in these statements will be forwarded by either the NASD or exchange to the SEC without identification.

To ease the burden as much as possible, three types of forms have been designed. The shortest one has been designed for firms deriving 80 per cent or more of their gross income from mutual fund retailing and will be completed by approximately 1,000 NASD members. Another, the so-called "short form" is to be completed by about 2,200 NASD members whose gross income is less than \$500,000 and who are not members of the NYSE. The third form will be completed by approximately 400 NASD members who are also members of the NYSE, and by those whose gross income is \$500,000 or more. We understand that members of the NYSE will continue to file only the statements required by that exchange (as modified by the new SEC rule). We have been informed that the SEC intends later to issue special forms for investment company underwriters and advisers, and for specialists and floor traders.

It is important to note that certain specific items in the required reporting forms may make it necessary to change certain of your accounting procedures in order to conform. Because a portion of the calendar year 1968 has already passed, and because it is considerably easier to obtain the necessary information from business records as they are generated, it would appear

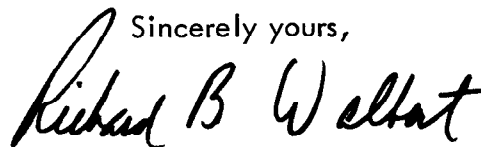
desirable for all firms immediately to review the reporting requirements applying to them and to compare these with present accounting procedures, under the assumption that the first report must cover the full calendar year 1968, as is apparently now contemplated by the SEC.

You may also wish to examine the new reporting requirements to ascertain whether certain of the new information required may be of some assistance for your own internal management purposes. As a possible additional management tool we are planning to tabulate certain major items of interest from the report forms and, on an aggregate basis, to feedback these data to members in a manner that will enable firms to compare their own operations with averages for groups of firms that are similar in size and product mix. We shall welcome suggestions from members as to information of this nature that might be useful to them. We are also exploring the possibilities for integrating the new financial reports with other routine reporting requirements of NASD in order to eliminate or to simplify such other reports, thereby reducing the burden on our members.

You will note that the SEC has requested comments on the proposed rule and accompanying forms on or before March 1, 1968. We hope that you will submit your comments. These should be addressed to Mr. Irving Pollack, Director, Division of Trading and Markets, Securities and Exchange Commission, Room 414, 500 North Capitol Street, N. W., Washington, D. C. 20549, and it would be appreciated if you would send a copy of your comments to NASD to the attention of Mr. Ralph E. Burgess, Chief Economist. In making your comments, you may wish to give special attention to any problems involved in adjusting certain of your accounting records retroactively to January 1, 1968, in case the reports are required to cover the full calendar year 1968. Your estimate of the annual cost of compliance also might be of interest to the SEC (and to us).

We have been rather closely involved, as have other industry representatives, in the evolution of these forms, and we are well aware that the new SEC reporting requirements will impose rather severe burdens on many firms. We are confident that certain of the information produced will be helpful to NASD in formulating legislative and other policy and we hope that as a by-product some useful management information will be produced for NASD member firms. We are prepared to offer assistance to firms in gaining a clear understanding of these new requirements and should be glad to have you call upon us should you need help. (You may telephone Ralph E. Burgess, NASD Chief Economist, at 202-298-7610).

Sincerely yours,

A handwritten signature in black ink that reads "Richard B. Walbert". The signature is written in a cursive, slightly slanted style.

Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 21, 1968

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

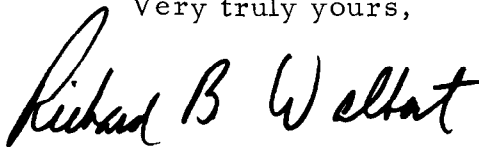
Re: Uniform Practice Code -- Section 58 (Marking to the Market) and Section 59 (Buying-in).

The National Uniform Practice Committee of the National Association of Securities Dealers, Inc. stresses the importance of members availing themselves of the provisions of the above-mentioned sections of the Uniform Practice Code. The provisions of Section 58 (Marking to the Market) were designed for the protection of members and the procedures permitted by Section 59 (Buying-in) are directed to the completion of over-the-counter transactions.

Due to the seriousness of the present "fail" situation the Committee urges members to use the present voluntary methods available to protect or close out contracts. If these methods are not utilized the Association may find it necessary to consider the implementation of mandatory rules in this area.

At present the Committee is of the opinion that cooperative effort and the use of rules already in the Uniform Practice Code will help alleviate the current "fails" problem. The Committee also suggests a cooperative "pair-off" of fail items between members. Tests have shown "pair-offs" clear up 5% or better of a firm's fails.

Very truly yours,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 21, 1968

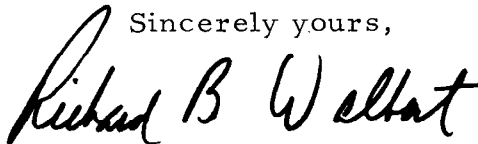
To: Members of the National Association of Securities Dealers, Inc.

The Board of Governors of the Federal Reserve System recently announced the adoption of a new regulation identified as Regulation G. It would serve to regulate the extension of credit by lenders who are not banks or broker/dealers. In general, the new regulation extends to other lenders the margin requirements which have applied to banks and broker/dealers on loans made to purchase or carry stocks. "Other lenders" include, but are not limited to, factors, tax-exempt foundations, credit unions, savings banks and savings and loan associations.

In an effort to encompass all entities which will be subject to the new regulation the Federal Reserve Board is seeking from various sources, including the NASD, information as to the identity of persons or organizations who fall within this group. The sole purpose of obtaining this information would be to give the Federal Reserve Board the opportunity to furnish to such persons the text of the regulation including notice of a requirement contained in the regulation that "other lenders" must register with the Federal Reserve Board and file reports periodically.

In the interest of cooperation, this letter is addressed to all NASD members with the request that they advise the Association of the names of persons or organizations of their knowledge who would be termed "other lenders", which information would be referred to the Board of Governors of the Federal Reserve System. Replies should be addressed to National Association of Securities Dealers, Inc., 888 Seventeenth Street, N. W., Washington, D. C. 20006, Attention: Mr. Edward R. Gilleran. Thank you for your cooperation.

Sincerely yours,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 21, 1968 #2

NOTICE

To Members of the National Association of Securities Dealers, Inc.
Your attention is directed to the following actions:

Amalgamated Investment, Inc.
Honolulu, Hawaii

On February 9, 1968, the Securities and Exchange Commission revoked the broker-dealer registration of Amalgamated Investment, Inc., and barred Thomas K. Suzuki, president, from being associated with any broker or dealer (see Securities Exchange Act Release #8253). The findings and penalties in this matter were based upon offers of settlement submitted by the respondents in which, without admitting or denying the allegations in the order for proceedings, they consented to findings that the firm and Suzuki willfully violated and willfully aided and abetted violations of Section 17(a) of the Securities Act of 1933; Sections 10(b) and 15(c) of the Securities Exchange Act of 1934 and Rules 10(b)(5), 15c1-2 and 15c1-5 thereunder; and they also consented to the sanctions imposed. In accordance with the settlement offers, the Commission found, as alleged in the order for proceedings, that the firm and Suzuki, among other things, induced inexperienced and unsophisticated customers without regard to their financial needs and objectives, to sell investment company shares and reinvest the proceeds in unseasoned and speculative debentures for which there was no available market; failed to disclose to customers that Suzuki owned or controlled the issuers of the debentures and that the issuers had incurred substantial operating losses and were in poor financial condition; made untrue, deceptive and misleading statements to sellers of certain investment company shares and to purchasers of the debentures concerning, among other things, the relative safety, stability and return of the debentures.

Louisville Bond and Share Corporation
Louisville, Kentucky

The following order has been stayed by reason of appeal to the Securities and Exchange Commission.

On February 11, 1968, the Board of Governors expelled Louisville Bond and Share Corporation from membership in the Association and revoked the registration of Thomas L. Marshall, president, for violations of Section 1 of Article III of the Rules of Fair Practice. The penalties were based on findings that the firm and Marshall violated the SEC Net Capital Rule.

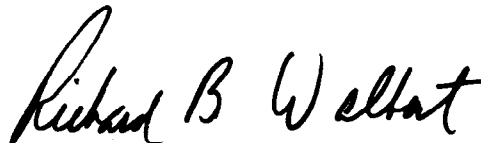
Michelson, Henry L.
Kansas City, Missouri

On February 9, 1968, the Board of Governors revoked the registration of Henry L. Michelson for violations of Sections 1, 18 and 19(a) of Article III of the Rules of Fair Practice. The penalty was based on findings that Michelson induced a customer to deposit money in an account which was to be used for trading with all profits or losses shared equally. Instead, Michelson converted the funds to his own use.

Shapiro, Harris
Philadelphia, Pennsylvania

On February 11, 1968, the Board of Governors suspended the registration of Harris Shapiro for one (1) year for violations of Sections 1 and 18 of Article III of the Rules of Fair Practice. The penalty was based on findings that Shapiro engaged in a course of conduct in which he misrepresented the financial worth of customers to his employer and permitted these customers to engage in transactions in excess of their financial abilities to pay for the purchases, thereby causing the customers and the firm to sustain losses, and in order to conceal from his employer the above losses, Shapiro "parked" securities with another dealer under an agreement to repurchase later. He also purchased securities in his own account in excess of his financial ability to pay for the purchases, thereby causing himself and his employer to sustain further losses. The suspension of one (1) year commenced at the opening of business February 19, 1968, and will conclude at the close of business February 18, 1969.

The attention of members is directed to Section 25 of Article III of the Rules of Fair Practice and to an interpretive memorandum beginning on Page 2099 of the Association's Manual relating to the manner in which the Rules of Fair Practice apply to transactions between members and a member who has been suspended or expelled.



Richard B. Walbert
President

NOTE: This notice is being sent to all registered branch offices of members and with the exception of Amalgamated Investment, Inc., to newspaper financial editors (in accordance with the resolution appearing on Pages 2114 and 2115 of the Association's Manual).

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

May 28, 1968 #3

NOTICE

To Members of the National Association of Securities Dealers, Inc.
Your attention is directed to the following action:

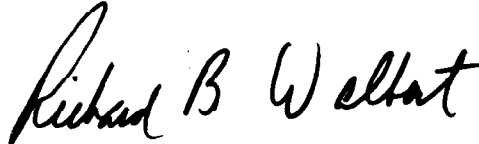
Lowry Investments, Inc.
Colorado Springs, Colorado

On May 17, 1968, Lowry Investments, Inc. and Wendel E. Lowry withdrew their appeals to the Securities and Exchange Commission; therefore, Lowry Investments, Inc. is expelled from membership in the Association; the registration of Wendel E. Lowry is revoked and they are fined \$3,000, jointly and severally for violations of Sections 1 and 18 of Article III of the Rules of Fair Practice. The penalties were based on findings that the firm and Lowry induced the purchase and/or sale of a security by the use of sales literature which was misleading; and sold securities to customers at prices which were unfair and not reasonably related to the current market.

Thomson & McKinnon
New York, New York

On May 8, 1968, the Securities and Exchange Commission suspended the over-the-counter stock department of Thomson & McKinnon for seven (7) business days; and suspended Walter T. O'Hara, general partner, from being associated with any broker or dealer for thirty-five (35) calendar days for violations of Sections 10(b) and 15(c)(1) of the Securities Exchange Act of 1934 and Rules 10b-5 and 15c1-2 thereunder (see Securities Exchange Act Release #8310). The penalties were based on findings that the member and O'Hara in the execution of customers' transactions, interposed broker-dealers between the member and the best available market to the detriment of the customers; and failed to exercise reasonable supervision to prevent such violations. The suspensions of Thomson & McKinnon for seven (7) business days and Walter T. O'Hara for thirty-five (35) calendar days will commence with the opening of business June 6, 1968.

The attention of members is directed to Section 25 of Article III of the Rules of Fair Practice and to an interpretive memorandum beginning on Page 2099 of the Association's Manual relating to the manner in which the Rules of Fair Practice apply to transactions between members and a member who has been suspended or expelled.

A handwritten signature in black ink that reads "Richard B. Walbert". The signature is written in a cursive style with a large initial 'R'.

Richard B. Walbert
President

NOTE: This notice is being sent to all registered branch offices of members and with the exception of Thomson & McKinnon to newspaper financial editors (in accordance with the resolution appearing on Pages 2114 and 2115 of the Association's Manual).

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

June 7, 1968

To: All NASD Members

The Board of Governors approved on June 6 the institution of a new emergency rule which makes it mandatory that all NASD members close their securities business completely on June 12, 19 and 26, as well as on Friday, July 5, 1968. In addition, the rule will be accompanied by a Uniform Practice Code amendment requiring that all members, starting Thursday, June 13, close their offices each day at 3:30 p. m. local time until further notice.

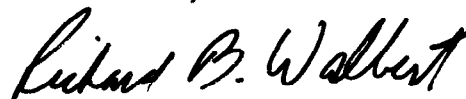
Most important, the new regulations require that all NASD members maintain fully staffed offices, including sales, operational and trading room personnel, during the specified closed periods so that diligent efforts can be initiated to reduce outstanding fails to receive and deliver and all employees of member firms can perform any other related functions to help clear up the glut of back office paper work created by the unprecedented volume during the past several months in both the unlisted and listed markets.

The closing dates and hours noted in this announcement are mandatory and apply "across the board" to all NASD members including the sales of mutual fund shares, professional and retail trading of all OTC securities, the offering of new and secondary issues and all third market activities.

The NASD requirement that members close at 3:30 p. m. local time every day until further notice is an effort to insure uniformity across the country among exchange markets, over-the-counter markets and other securities trading. Previously, a few OTC securities houses stayed open until 4:00 or 5:00 local time after the New York and regional stock exchanges had closed for the day and this just added to the back office paper work problem.

Copies of the NASD Board Resolution declaring an emergency because of the fails situation, as well as the Emergency Rule No. 68-1 and the amendment to the Uniform Practice Code, will be sent to each member of the Association in a few days.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

June 11, 1968

To: All NASD Members

As noted in our bulletin of June 7 concerning the closing of member offices on certain dates and after certain hours, we are enclosing copies of the Board of Governor's Rule 68-1 and an amendment to the Uniform Practice Code authorizing the closing actions.

Transactions in government obligations and municipal bonds are exempt from the ordered closing of securities business on June 12, 19 and 26 as well as July 5, 1968. These specific exemptions also apply to the 3:30 p.m. local time closing which is required by the regulations.

The 3:30 p.m. local time closing of offices beginning on June 13 applies to OTC retail executions and professional trading of OTC securities, new offerings and third market activities.

In accordance with the authority granted the President and the Executive Committee under the rule, it has been determined that the sale and redemption of mutual fund shares and the distribution of secondaries shall be exempt from the 3:30 p.m. local time closing order. However, these exemptions apply only to the early close of business. On June 12, 19 and 26 and July 5, transactions in these and all other OTC securities will be stopped. The acceptance of unsolicited orders is included in the type of business which is banned during the closed periods.

All members of the Association are further advised that the office staffing obligation previously detailed in the June 7 notice should in no way be effected by the minor exemptions from the closing order which are called for in this release. It is sincerely hoped that the critical fails to deliver and receive problem currently facing the securities industry can be successfully lessened by the emergency steps taken in our mandatory closing order.

Sincerely,



Richard B. Walbert
President

Enclosures

EMERGENCY RULE OF FAIR PRACTICE NO. 68-1

(a) No member, or person associated with a member, shall effect any transaction, or do any act designed to induce or effect a transaction, in any security on any Wednesday of any week during the effective period of this rule (except the week commencing June 30, 1968, during which week the restrictions shall apply to Friday), or at any time after the hour of 3:30 p.m. local time on any other day of any week during the effective period of this rule, provided, however, that this rule shall not prohibit the receipt or delivery of securities or the payment or receipt of payment for securities, purchased or sold on a previous day, or the taking of any action by a member, or person associated with a member, necessary to the settling of balances created by transactions in securities effected on a previous day, or the taking of any other action necessary to the proper settlement or completion of transactions previously executed.

(b) During the effective period of this rule the President of the Corporation, with the consent of the Executive Committee thereof, shall have the authority to modify the provisions of Section (a) hereof by changing the day on which the restrictions of that section apply from Wednesday to any other day or by adjusting the permissible trading hours specified in Section (a) or by taking any other action deemed necessary to properly meet, and to assist in alleviating the exigencies of, the emergency condition which necessitated this rule as noted in Section (d) hereof.

(c) During the effective period of this rule all members shall be required to have their offices fully staffed with all personnel necessary to reduce its outstanding fails to receive and/or fails to deliver or to perform any and all functions related thereto or to any other aspect of its business created by the excessive market volume in the past several months. Such full staffing would require specifically that all "back office", and trading room personnel, and all other personnel necessary, would be on duty.

(d) This rule has been promulgated as an emergency rule of fair practice pursuant to the provisions of Article VII of the

By-Laws of the Corporation, an emergency having been found to exist by resolution of the Board of Governors of the Corporation because of the excessively high "fails to deliver" and "fails to receive" balances carried on the books of members and because of the great difficulty which members have been experiencing in maintaining current books and records pursuant to the provisions of Rule 17a-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, 17 C.F.R. 240.17a-3 as a result of the high volume of securities transactions, and it shall be effective for the period from June 12, 1968, to August 9, 1968, (both dates inclusive) or until the expiration of the emergency is declared by resolution of the Board of Governors if prior to August 9, 1968.

(e) It shall be deemed contrary to high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Rules of Fair Practice for any member to engage in conduct inconsistent with this rule.

AMENDMENT TO UNIFORM PRACTICE CODE ADDING NEW SECTION 62

PROHIBITION ON EXECUTION OF TRANSACTIONS

Sec. 62

(a) No member, or person associated with a member, shall effect any transaction, or do any act designed to induce or effect a transaction, in any security on any Wednesday of any week during the effective period of this section (except the week commencing June 30, 1968, during which week the restrictions shall apply to Friday), or at any time after the hour of 3:30 p.m. local time on any other day of any week during the effective period of this section, provided, however, that this section shall not prohibit the receipt or delivery of securities or the payment or receipt of payment for securities, purchased or sold on a previous day, or the taking of any action by a member, or person associated with a member, necessary to the settling of balances created by transactions in securities effected on a previous day, or the taking of any other action necessary to the proper settlement or completion of transactions previously executed.

(b) During the effective period of this section the President of the Corporation, with the consent of the Executive Committee thereof, shall have the authority to modify the provisions of Subsection (a) hereof by changing the day on which the restrictions of that section apply from Wednesday to any other day or by adjusting the permissible trading hours specified in Subsection (a) or by taking any other action deemed necessary to properly meet, and to assist in alleviating the exigencies of, the emergency condition which necessitated this section as noted in Subsection (d) hereof.

(c) During the effective period of this section all members shall be required to have their offices fully staffed with all personnel necessary to reduce its outstanding fails to receive and/or fails to deliver or to perform any and all functions related thereto or to any other aspect of its business created by the excessive market volume in the past several months. Such full staffing would require specifically that all "back office", and trading room personnel, and all other personnel necessary, would be on duty.

(d) This section has been promulgated pursuant to the provisions of Article XIV of the By-Laws of the Corporation because of the large "fails to receive" and "fails to deliver" balances carried on the books of members and because of the difficulty which members are experiencing in maintaining current books and records pursuant to the provisions of Rule 17a-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, 17 C.F.R. 240.17a-3 as a result of the high volume of securities transactions, and it shall be effective for the period from June 12, 1968, to August 9, 1968, (both dates inclusive) unless previously rescinded by resolution of the Board of Governors.

(e) It shall be deemed contrary to high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Rules of Fair Practice for any member to engage in conduct inconsistent with this section.

(f) To the extent that this section is inconsistent with other provisions of the Uniform Practice Code, this section shall take precedence and prevail.

(g) Notwithstanding the provisions of Section 1 of the Uniform Practice Code, the provisions of this section are mandatory and cannot be waived.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

June 25, 1968

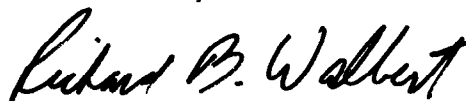
To: All NASD Members

The previous announcement that all NASD members must close their OTC securities operations completely on July 5, but be fully staffed to work on back office and fails to deliver problems, has been modified by the Board of Governors. Members will have the option of giving their employees a holiday, July 4 through July 7, when all securities markets are closed, maintaining special back office skeleton crews or continuing to be fully staffed for the purpose of further attacking the fails and book-keeping backlog. In addition, it has been determined that Wednesday OTC market closings will be continued on the dates of July 10, 17, 24 and 31, and that the 3:30 p.m. limitation on OTC trading will also be continued.

However, all NASD firms are reminded that no OTC business, including acceptance of solicited or unsolicited orders, is to take place on either June 26 or July 5. Firms that ignore this order will be subject to disciplinary action under the Board's Emergency Rule 68-1.

In addition, there has been some confusion as to municipal bond transactions on the closed days. Previously it was pointed out that municipal bond transactions were not to be included in the trading ban since these were exempt securities outside of the jurisdiction of the NASD. However, in a subsequent joint announcement from the New York and American Stock Exchanges and the NASD it was requested that firms close their municipal bond markets on the days when the rest of the securities market were shut down. While it is requested that municipal activity be limited in order to assist in clearing up operating backlogs, it should be emphasized that compliance with this request is voluntary for those dealing in municipal bonds.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

June 28, 1968 #4

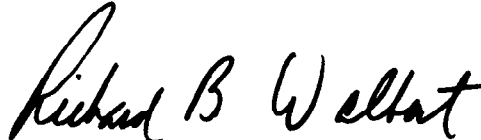
NOTICE

To Members of the National Association of Securities Dealers, Inc.
Your attention is directed to the following action:

Bateman Eichler, Hill Richards, Incorporated
Los Angeles, California

On June 18, 1968, the Securities and Exchange Commission suspended the Beverly Hills, California office of Bateman Eichler, Hill Richards, Incorporated, from trading in over-the-counter securities for thirty (30) days (see Securities Exchange Act Release #8333). Without admitting or denying the allegations the firm consented to findings that the firm and other persons offered and sold shares of North American Research and Development Corporation stock in violation of the registration and anti-fraud provisions of the federal securities laws. The suspension of thirty (30) days commenced with the opening of business June 24, 1968.

The attention of members is directed to Section 25 of Article III of the Rules of Fair Practice and to an interpretive memorandum beginning on Page 2099 of the Association's Manual relating to the manner in which the Rules of Fair Practice apply to transactions between members and a member who has been suspended or expelled.



Richard B. Walbert
President

NOTE: This notice is being sent to all registered branch offices of members.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

July 3, 1968

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

Re: Review of Underwriting Arrangements

The Board of Governors of the Association at its meeting on May 7, 1968, took a number of actions in connection with its Interpretation concerning the "Review of Underwriting Arrangements" which presently appears in the Manual at page 2021. Those actions are reviewed below and a copy of the new Interpretation is attached hereto. All members should take particular note of this, and call same to the attention of their respective counsel, since the changes made are substantive in nature.

Since January 11, 1962, shortly after the Committee on Underwriting Arrangements was first appointed, all members acting as managing underwriters of new issues and registered secondaries to be offered interstate, have been required to file certain documents in connection therewith with the Association's Executive Office in Washington, D. C. Since April 1, 1963, all members acting as managing underwriters of new issues to be offered intrastate have also been required to file such documents. From the outset, the Interpretation has specified that review for the purpose of determining whether the arrangements entered into were fair and reasonable would be performed only in connection with issues of securities of unseasoned companies. As a practical matter, however, filings of nearly all new issues, whether of seasoned or unseasoned companies have been reviewed. Also, the Board has recognized that problems have in the past arisen in connection with the underwriting arrangements of issues of seasoned companies as well as unseasoned companies. The Board has determined, therefore, that its Interpretation shall be changed to delete the language referring to a review by the Committee of only unseasoned companies. The effect, therefore, is to clarify the existing practice of the Committee of reviewing the underwriting arrangements of all issues of securities which are required to be filed with the Association.

In connection with the review of filings which have been made over the past several months, the Board has noticed that the underwriting arrangements of issues have included with an increasing degree of frequency the granting of options, warrants, and/or stock to an underwriter or other persons connected with the underwriting. In many cases the options and warrants have been immediately exercisable with the underlying shares, or the stock acquired directly, being eligible for sale pursuant to a post-effective amendment. These situations give rise to possible violations of

the "Free-Riding" Policy since the aggregate number of shares offered, that is, the total number of shares in the initial offering plus the shares underlying the options or warrants, and/or the stock received directly, are considered to be a single offering. The usual "free-riding" standards applicable to persons in the restricted categories of that Policy of prior investment history and the requirement "that the aggregate of the securities so withheld /by/ and sold /to persons in the restricted categories/ is insubstantial and not disproportionate in amount as compared to sales to members of the public" are, therefore, applicable. Also, there always exists the possibility that a marginal minority of members could be motivated to stimulate the price of the issue where options, warrants, and/or shares are granted to him or other persons connected with the underwriting as part of the underwriting compensation in view of the potential profit which such persons could realize by immediately exercising the options or warrants and selling the underlying stock or the shares received directly. The Board believes that underwritings which contain such arrangements are unfair and unreasonable per se unless there is a seasoning or cooling off period written into the terms of the underwriting. It has determined, therefore, effective immediately, that the underwriting arrangements of any issue of securities granting options, warrants, and/or stock to an underwriter, associated person, finder, underwriter's counsel, anyone for services as a financial advisor in connection with the proposed offering, or to other related persons whether such was acquired prior to, at the time of, or after, but in connection with the offering, shall be considered unreasonable per se and in violation of Article III, Section 1 of the Rules of Fair Practice, except in exceptional or unusual cases upon good cause shown, unless the exercise, assignment or transfer of the options or warrants, or the resale, transfer or assignment of the shares underlying the options or warrants, and/or the stock received directly, is prohibited for a period of at least one year from the effective date of the registration statement or definitive offering circular. In exceptional or unusual cases the Committee may consider a shorter period appropriate. It is the intent of the Board, also, that a one year prohibition on resale would take such shares out of the provisions of the "Free-Riding" Policy since they would then not be considered part of the initial issue.

Recently, also, the terms of certain underwritings, most commonly in connection with best efforts undertakings, have not specified a managing underwriter but have named a member firm as being associated with the underwriting in an advisory capacity for the purpose of facilitating the offering and receiving certain compensation therefor. The Interpretation has been clarified to reflect the policy that for the purposes thereof members acting in such capacities shall be considered managing underwriters. They would, therefore, be required to adhere to the filing requirements of the Interpretation,

notwithstanding that they are not designated managing underwriters, and the compensation received by them, as well as the entire underwriting arrangements, would be subject to the scrutiny of the Committee.

Presently, it is the practice of the Association to review filings within a short period of time after they are filed with the Securities and Exchange Commission. Many times such review and evaluation of the underwriting arrangements take place many weeks and sometimes months before the issue becomes effective because of delays attendant to the registration process. In issues where there are already outstanding securities being traded, an increase in the market value thereof between the time of the Committee's initial review and the effective date of the issue would have the effect of increasing the amount of compensation where options, warrants, and/or stock are granted. The Policy of the Association henceforth will be to reserve the right to reexamine the underwriting arrangements, in appropriate cases, at a time immediately prior to the effective date of the issue. Thus, managing underwriters, in cases where the referred to factors are present, should exercise caution that the increase in price of outstanding shares has not caused the underwriting arrangements to become unfair or unreasonable because of the increased compensation which would result from the higher market value of the shares. In cases where circumstances do lend themselves to such conditions, it shall be the responsibility of the underwriter to call such changes to the Committee's attention for reconsideration.

The Committee has also noticed with considerable concern an increase in the number of times filings of the required documents by members are not timely thereby giving the Committee insufficient time to review the offering prior to the effective date. All members are cautioned that they are required to file such documents at the same time they file them with the Commission and in the case of intrastate offerings at least 15 days prior to the anticipated offering date. In the future, the Committee intends to take a more vigorous attitude toward late filings and will recommend that some action be instituted in all such cases. Members are further reminded that penalties up to suspension or expulsion from membership in the Association can be imposed where the underwriting arrangements are deemed unfair and/or unreasonable. Penalties are also imposed in connection with late filings and all members should be mindful of the Association's concern in these areas and its intent to vigorously enforce the Interpretation.

As noted above, a copy of the new Interpretation is attached hereto. In addition to the substantive changes reviewed above, there are certain style changes of a non-substantive nature.

Sincerely,

A handwritten signature in black ink that reads "Richard B. Walbert". The signature is written in a cursive style with a large initial 'R' and a distinct 'B'.

Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

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

Re: Interpretation of the Board of Governors with respect to Review of Underwriting Arrangements.

INTRODUCTION

In accordance with Article VII, Section 3(a) of the Association's By-Laws, the following Interpretation of Article III, Section 1 of the Rules of Fair Practice has been adopted by the Board of Governors and will be applicable to all issues of securities underwritten by members of the Association.

Members who are engaged in underwriting issues of securities have an obligation in accordance with high standards of commercial honor and just and equitable principles of trade not to participate as an underwriter of an issue of securities in which the underwriting arrangements as a whole are unfair or unreasonable. To assist in reaching determinations in connection with the fairness or reasonableness of underwriting arrangements the Board of Governors has appointed a committee known as the Committee on Underwriting Arrangements. As in the case of any other interpretation of the Board of Governors, however, ultimate responsibility for the enforcement thereof is that of the District Business Conduct Committees and the Board of Governors. Thus, the Interpretation is applied to given factual situations by individuals in the business who are serving on these committees of the Board of Governors. The Committee on Underwriting Arrangements, composed of individuals with long experience in the underwriting of securities, will, however, assist the District Committees and the Board of Governors by reviewing all filings made pursuant to the filing requirements hereof and by making initial determinations as to fairness and/or reasonableness based upon their experience in the underwriting segment of the investment banking and securities business. In those cases where it believes the underwriting arrangements to be unfair and/or unreasonable, it shall forward all necessary data and the results of its review and conclusions to the appropriate District Committee for whatever action it deems necessary. Ultimate determinations upon which penalties can be based are, therefore, pursuant to the By-Laws and the Code of Procedure for Handling Trade Practice Complaints, made by those bodies subject to review by or appeal to the Board. Prior to forwarding the data to the District Committee, however, the Committee aims to give the member one opportunity to revise the underwriting arrangements so as to make them comply with standards of fairness and/or reasonableness.

The Committee on Underwriting Arrangements will review the offerings of all companies filed with the Association pursuant to the filing requirements stated hereinafter. The sole test to be applied is whether, taking into account all elements of compensation and all of the surrounding circumstances, the arrangements as a whole appear unfair and/or unreasonable in each case. The Committee does not pass upon the merits of any securities and therefore any determination made by the Committee shall not be construed to have any reflection upon the quality of the securities being offered. In reaching its determination, the following Interpretation shall be followed.

INTERPRETATION

Article III, Section 1 of the Rules of Fair Practice states as follows:

A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

It shall be deemed a violation of Article III, Section 1 of the Rules of Fair Practice for a member to participate as an underwriter in an issue of securities in which the underwriting arrangements as a whole, taking into account all elements of compensation and all of the surrounding circumstances, are unfair and/or unreasonable.

A. GENERAL GUIDELINES

In reaching a determination of fairness and/or reasonableness the following factors shall be considered: the size of the underwriting; whether the issue is being sold on a firm commitment, best efforts, or best efforts all or none basis; the type of securities offered, the nature and the amount of compensation to be received by the underwriter, and other relevant factors.

In determining the amount of underwriter's compensation, the Committee includes the gross amount of the underwriter's discount. Total expenses payable by the issuer to or in behalf of the underwriter which normally would be paid by the underwriter are also included. In addition, underwriter's counsel fees and expenses, finder's fees, and financial advisory fees in connection with the proposed offering, when paid by the issuer or persons in control of or in common control with the issuer are included as are payments of any kind to persons associated with an underwriter. The Committee, however, excludes offsetting

expenses normally borne by the issuer, such as printing costs, registration fees and accountant's fees, even if, in fact, paid by the underwriter.

Stock acquired or to be acquired by the underwriter, a person associated with an underwriter, underwriter's counsel, finder, financial advisor, or related parties in connection with the offering is considered part of the underwriter's compensation and is valued for such purposes on a formula basis taking in account the difference between the cost of such stock and the public offering price and other factors. However, the fact that stock has been held, or that there is an obligation to hold it for a substantial period of time, and the method of payment therefor, may alter the valuation placed thereon.

Options or warrants to the underwriter, a person associated with the underwriter, underwriter's counsel, finder, financial advisor or related parties are also considered part of the underwriter's compensation. In arriving at a valuation of such, the Committee takes into account the number and terms of the warrants, the cost of acquiring such, their exercise price or prices, the date at which they become exercisable, assignable and/or transferable, and other pertinent factors.

In determining fairness or reasonableness of the underwriting arrangements as a whole, the Committee shall determine that the underwriting arrangements of any issue of securities are unreasonable and unfair per se if there are options, warrants, and/or stock to an underwriter, a person associated with an underwriter, finder, underwriter's counsel, or to anyone for services as a financial advisor, or related parties, whether such was acquired prior to, at the time of, or after, but in connection with, the offering, except in exceptional or unusual cases upon good cause shown, unless the transfer, assignment or exercise of the options or warrants or the resale, transfer or assignment of the shares underlying the warrants or options, and/or the stock received directly, is prohibited for a period of at least one year from the effective date of the registration statement or definitive offering circular. In exceptional or unusual cases, the Committee may consider a shorter period appropriate.

B. FILING REQUIREMENTS

I. INTERSTATE OFFERINGS

All members acting as managing underwriters of new issues and registered secondaries to be offered interstate shall file the following documents at the Executive Office in Washington:

- (1) 1933 Act filings: One (1) copy of the registration statement (without exhibits) and six (6) copies of the preliminary prospectus, as initially filed with the Commission.
- (2) Regulation "A" offerings: Seven (7) copies of the initial offering circular, as initially filed with the Commission and one (1) copy of notification of filing.
- (3) Pre- and post-effective amendments: Seven (7) copies of any prospectus or offering circular which changes the size of the offering or terms of the underwriting arrangements.
- (4) One (1) copy of the final prospectus or definitive offering circular.

Documents relating to interstate offerings must be filed at the time of filing with the Securities and Exchange Commission. It is not necessary to file copies of underwriting agreements. The Committee will not review debt issues rated "B" or better by at least one of the recognized rating services, and documents relating to such offerings need not be filed with the Executive Office.

II. INTRASTATE OFFERINGS

All members acting as managing underwriters of new issues of securities which are to be offered intrastate shall file the following documents at the Executive Office in Washington:

- (1) Seven (7) copies of the preliminary prospectus, offering circular, notice of intention, or other document which describes the underwriting arrangements;
- (2) Seven (7) copies of any amendment which changes the size of the offering or terms of the underwriting arrangements;
- (3) One (1) copy of the final prospectus, offering circular, or other definitive document.

Documents relating to intrastate offerings listed in paragraphs (1) and (2) above must be filed at least fifteen (15) business days prior to the anticipated offering date.

For purposes of this Interpretation, the term "managing underwriter" whenever used herein shall include any person named in the offering circular, registration statement and/or prospectus as being associated with the offering in an advisory capacity for the purpose of facilitating such and receiving compensation therefor even though not specifically designated as "managing underwriter". Such person is required to adhere to the filing requirements of this Interpretation and the underwriting arrangements of such underwritings are subject to the scrutiny of the Committee.

III. SUPPLEMENTARY INFORMATION

In order to facilitate the Committee's review of underwriting arrangements, managing underwriters are required to furnish by covering letter, when such is not stated in the documents themselves, the following information at the time of filing initial and amended documents with respect to both interstate and intrastate offerings:

- (1) Exact or estimated maximum and minimum public offering price per share.
- (2) Exact or estimated maximum underwriting discount.
- (3) Exact or estimated maximum reimbursement for underwriter's expense.
- (4) Purchase price and dates of purchase of and payment for warrants, options, and any other securities acquired or to be acquired by the underwriter, related parties, and finders.
- (5) Any other information not stated in the original registration statement or initial offering circular which pertains to underwriting compensation and arrangements.
- (6) Managing underwriters shall also notify this office of filing dates and anticipated date of clearance, where not otherwise indicated.

All such information will be held strictly confidential and used solely for the purpose of review by the Committee on Underwriting Arrangements.

Failure to file documents, as requested above in respect to both interstate and intrastate offerings, may constitute grounds for suspension of membership pursuant to Article IV, Section 4 of the Association's Rules of Fair Practice and a resolution of the Board of Governors appearing in the Manual at page 2112.

Failure to file such documents timely is a violation of Article III, Section 1 of the Rules of Fair Practice and penalties can be imposed for such pursuant to the provisions of Article IV, Section 3 of the Rules of Fair Practice.

If all appropriate and timely filings are made and provided the offering does not clear registration in less than the normal period of time, members may assume that unless notified to the contrary by the Executive Office the Committee on Underwriting Arrangements has raised no question as to the fairness and/or reasonableness of the arrangements.

All documents and communications required to be filed by this Interpretation shall be directed to the Secretary of the Committee on Underwriting Arrangements at the Executive Office of the Association in Washington.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

July 3, 1968

To: All NASD Members and Branch Offices

The Board of Governors, at its May meeting, upon the recommendation of the Uniform Practice Committee, adopted certain amendments to the Uniform Practice Code relating to units of delivery in securities transactions.

Section 16 of the Code was amended to allow sellers to consummate trades by delivery of stock certificates in denominations which are multiples of 100 shares, for example, in settlement of a 1,000 share trade by delivery of a single certificate for 1,000 shares, or by delivery of a 200 share certificate and an 800 share certificate, or by delivery of a 900 share certificate and two 50 share certificates. In addition, the changes permit, for example, settlement of a 525 share trade by delivery of a 500 share certificate and a separate 25 share certificate, or by delivery of a 200 share certificate and a 300 share certificate plus a 5 share certificate and a 20 share certificate.

Section 17(b) of the Code was also amended to provide that contracts in bonds issued in either coupon or registered form, and interchangeable without charge, or issued in registered form only, may be settled by delivery of bonds in denominations of up to \$25,000. Previously, a certificate for more than 100 shares was not a good delivery under the Code and bonds could not be delivered in denominations of over \$10,000.

The changes in Sections 16 and 17 shall apply to open contracts in existence at the opening of business on Monday, July 8, 1968 and to trades entered into thereafter, except that if the transfer books of the issuer are closed, the changes shall apply only to trades entered into after July 8, 1968. The changes are another step in the Association's efforts to alleviate the "fails" problem.

Copies of the amendments are attached.

Sincerely,



Richard B. Walbert
President

Enclosure

The following changes in the Uniform Practice Code have been approved by the Board of Governors.

Section 2

Eliminate present Section 2(a). Present Section 2(b) will be designated as Section 2.

* * * *

Section 16

Eliminate present wording in Section 16. The new wording is as follows:

Stock certificates delivered in settlement of contracts:

- (1) in which the transaction is for 100 shares may be in one certificate for the exact number of shares or certificates totaling 100 shares.
- (2) in which the transaction is greater than 100 shares and a multiple of 100 shall be in the exact amount of the contract, or in multiples of 100 shares, or in amounts from which units of 100 shares can be made, or a combination thereof equaling the amount of the contract.
- (3) in which the transaction is for more than 100 shares but not in a multiple of 100 shall be in multiples of 100 shares, or in amounts from which units of 100 shares can be made, or a combination thereof, plus either the exact amount for the odd lot or smaller amounts equaling the odd lot.
- (4) in which the transaction is for less than 100 shares shall be in the exact amount of the contract or for smaller units aggregating the amount of the contract.

* * * *

Section 17

Amend Section 17(b) by substituting the figure \$25,000 in place of the figure \$10,000.

* * * *

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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

M E M O

FROM: Qualification Examination Department of the NASD
TO: All Member Firms
DATE: July 19, 1968
SUBJECT: Procedural changes in examination program

Dating of Admission Certificates to Exam Centers for the NASD Registered Representative and Chicago Board of Trade Commodity Solicitors Examinations

Henceforth the NASD will not date admission certificates. The sentence on the admission certificate stating that it is valid only for "thirty days following the date stamped below" is to be ignored. Consequently it will not be necessary to request extensions of time for any admission certificate.

There will be a date stamped on re-examination certificates, but this is only to insure that a test is not taken before that date. Thereafter it is valid for an unlimited period of time.

The above procedure will also hold true for the Chicago Board of Trade Commodity Solicitor's Examination. In the case of the Principal's Examination, however, it will still be necessary to request extensions if a candidate has not taken the test within the prescribed time period.

Time Necessary for the Processing of Applications

Due to the excessively large volume of applications in recent months, it is necessary to require that applications be submitted two weeks before an individual wishes to be tested in order that we have sufficient time in which to return to him an admission certificate. In addition, firms should allow seven to ten business days before expecting to receive a notification of registration or failure after an individual has been tested.

In no cases will telegrams be sent admitting individuals to testing centers or grades be given over the telephone during the time periods mentioned above.

Reinstatement of Withdrawn Applications

If, after his application has been withdrawn, an individual again becomes associated with the same firm and proceeds to take our test with his original admission certificate, the NASD must be notified of this so that we will be able to process properly his

July 19, 1968

application within a minimum period of time.

Admission Procedure at NASD Testing Centers

Under no circumstances will proctors allow individuals to sit for an examination unless they present certificates of admission. In certain situations, explicit instructions from the Qualification Examination Department to the proctor will allow individuals to be tested without certificates of admission, but such exemptions from the general rule will be rare and must be justified by good cause.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

August 1, 1968

IMPORTANT

IMPORTANT

IMPORTANT

To: NASD Members and Branch Offices

Despite the major steps that have been taken by the Association encouraging members to cut down paper work backlogs and failures to deliver securities, the situation today is still extremely critical for a large number of firms in our business. Shortened hours, one-day a week closings and changes in rules affecting the mechanics of delivering securities have all been helpful but these measures have not offered a significant breakthrough or resulted in a final solution to the fail problem. More stringent and, in some cases, punitive steps must be taken.

Accordingly, members are warned that the Association intends to institute immediate business conduct proceedings under Article III, Section 1 of the Rules of Fair Practice against any member that has an unreasonable fail position, cannot promptly deliver securities to customers and/or cannot maintain the firm's books and records in strict compliance with the SEC books and records rule. The Association takes the position that it is inherently improper and a violation of Section 1 for a member to sell securities to a customer when he has reason to believe he will not be able to deliver them to the customer promptly, or to have inadequate personnel or facilities to properly process, execute and consummate all of his securities transactions. Even minor deviations from the books and records requirements will not be tolerated.

The concept that "a member in the conduct of his business shall observe high standards of commercial honor and just and equitable principles of trade" will be vigorously applied to any NASD firm that engages in business at the same time it has any one or a combination of the following internal problems:

1. a significant number of outstanding fails on its books,
2. a high fail position in one or more specific securities,
3. a preponderance of fails in excess of 30 days old, or
4. books and records that are not completely up to date; or any other situation which has the effect of violating the obligations which all broker/dealers have of being able to conduct their business properly.

It is also anticipated that within the next several days two new rules will

Notice to Members
Page 2
August 1, 1968

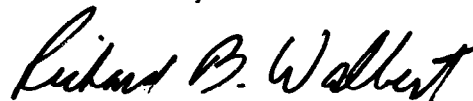
be enacted. One will prohibit a member from trading or executing transactions in any security in which it has fails in excess of 45 days old. The other will prohibit the execution of a sell order for a customer unless the member has possession of the security, has reasonable assurance that the customer can deliver promptly, or the customer is long in his account with the broker.

In order to ascertain compliance with these requirements, the NASD has launched a vigorous special examination program in all districts, which has already resulted in formal disciplinary cases being filed against a number of member firms. In certain other situations, restrictions on advertising, trading, underwriting and hiring new salesmen have been imposed on members.

In a related area, it has come to the attention of the Association that some members have ignored the requirement to have their offices adequately staffed during the Wednesday closings. As part of the special examination program, District Committees are being asked to spot-check and file complaints where it appears members are not meeting their responsibilities and obligations in this regard.

Members should know that the Wednesday closings will be continued through August 7, with the strong possibility that the one-day a week closing policy will be further extended for the entire month of August. The staffing requirements outlined in previous bulletins should be followed closely.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

August 19, 1968

To: All NASD Members

The Board of Governors of the Association has ruled that the Wednesday closings and the early curtailment of trading hours will continue through August. Therefore, all member firms must close their offices completely on the remaining two Wednesdays this month, August 21 and 28, and discontinue all business activity at 3:30 p. m. local time, with the exception, of course, of that activity directed toward back office, clearance, fails or other such problems.

All members are reminded that no OTC business, including acceptance of solicited or unsolicited orders is to take place on August 21 and 28 or after 3:30 p. m. local time. Furthermore, members are reminded that they must remain fully staffed and devote their attention to back office and fails to receive and fails to deliver problems. The 3:30 p. m. closing, however, does not prevent the sale of investment company shares or the shares of secondary offerings which are usually made after the close. These exceptions do not apply to the Wednesday closings when all business must be curtailed.

As stated in previous notices, municipal bond transactions are not included in the trading ban, since these are exempt securities outside of NASD jurisdiction. However, in a joint announcement with the New York and American Stock Exchange, the NASD has requested that firms close their municipal bond markets on days when the rest of the markets are shut down. It should be emphasized that compliance with this request is voluntary for those dealing in municipal bonds.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

September 4, 1968

To: All NASD Members

Attached to this bulletin is a new Interpretation of the Association's Rules of Fair Practice which has been approved by the Board of Governors and which will become effective September 9, 1968. The Interpretation applies to all purchases and sales by members and is designed to help alleviate the fail problem caused by a high volume of transactions.

The first part of the Interpretation has to do with purchases and states that no member may accept a customer's purchase order for any security unless it has first ascertained that the customer or its agent agrees to receive securities against payment in an amount equal to any execution even though such an execution may represent only a part of the larger original order.

The second section of the Interpretation has to do with sell orders and states that no member shall execute a sell order for any customer unless one or more of the following conditions are met:

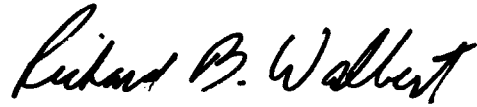
- (1) The member has possession of the security.
- (2) The customer is long in his account with a member.
- (3) Reasonable assurance has been received by the member from the customer stating that the security will be delivered in good deliverable form within five business days after the execution of the order.
- (4) The security is on deposit in good deliverable form with a member of the Association, a member of a national securities exchange, a broker/dealer registered with the SEC or any organization subject to state or federal banking regulations, and that instructions have been forwarded to the depositor to deliver the securities against payment.

In a related area, the Board of Governors under its emergency rule-making power has declared that the remaining Wednesdays in September, the 11, 18 and 25,

will be days on which the securities business is closed to the public, as has been the custom for the last several months.

Members are reminded that all previous requirements regarding staffing on the closed Wednesdays and the ban on acceptance of solicited or unsolicited orders on these days will remain in effect. In addition, all firms are reminded that offices will continue to close each day at 3:30 p. m. local time.

Sincerely,

A handwritten signature in black ink that reads "Richard B. Walbert". The signature is written in a cursive style with a large, prominent initial "R".

Richard B. Walbert
President

INTERPRETATION CONCERNING EXECUTION
OF CUSTOMERS' ORDERS

INTRODUCTION

Article III, Section 1 of the Rules of Fair Practice states:

A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

Members have an obligation to deal fairly with customers and other broker/dealers in all aspects of a securities transaction including receipts and deliveries of securities. Such obligation is not satisfied when a member executes a customer's sell order without first ascertaining whether the transaction is capable of being promptly consummated by the customer's prompt delivery of the securities. The obligation also is not satisfied when the member executes a customer's purchase order without ascertaining whether the customer is willing to accept partial delivery of securities in situations where more than one execution is necessary to fill the order.

In order to make clear members' obligations particularly in times of high volume, the Board of Governors, pursuant to Article VII, Section 3(a) of the By-Laws, has adopted the following interpretation of Article III, Section 1 of the Rules of Fair Practice.

INTERPRETATION

It shall be deemed a violation of Article III, Section 1 of the Rules of Fair Practice of the Association for a member to violate the provisions of the following interpretation thereof:

(a) Purchases: No member may accept a customer's purchase order for any security unless it has first ascertained that the customer placing the order or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent the purchase of only a part of a larger order.

(b) Sales: No member or persons associated with a member shall execute a sell order for any customer in any security unless:

- (1) The member has possession of the security;
- (2) The customer is long in his account with the member;

- (3) Reasonable assurance is received by the member, or person associated with a member, from the customer that the security will be delivered to it in good deliverable form within five (5) business days of the execution of the order; or
- (4) The security is on deposit in good deliverable form with a member of the Association, a member of a national securities exchange, a broker/dealer registered with the Securities and Exchange Commission, or any organization subject to state or federal banking regulations and that instructions have been forwarded to that depository to deliver the securities against payment.

To satisfy the requirements of "reasonable assurance" contained in (3) above, the member or person associated with a member must make a notation on the order ticket at the time he takes the order which reflects his conversation with the customer as to the present location of the securities in question, whether they are in good deliverable form and his ability to deliver them to the member within five (5) business days.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

September 20, 1968

To: NASD Members

Since the September 4th distribution of the Association's new Interpretation concerning acceptance of customer purchase and sell orders, which became effective September 9, we have received a number of inquiries from members asking for clarification as to its application to particular types of transactions and particular types of securities.

The Interpretation states that no member may accept a customer's purchase order for any security unless it has first ascertained that the customer or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent only a part of the original order.

The above requirement is directed primarily at situations where institutional customers often require delivery, for example, of a full 10,000 share order, even though there may have been numerous transactions involving smaller segments of the entire block. While the Interpretation does not stipulate that there be a written record of a member's efforts to ascertain the customers' willingness to accept partial delivery, a statement on the confirmation to this effect or a notation on the order ticket is certainly appropriate. Refusal of a customer to agree to accept partial delivery would, of course, prevent the execution of the order.

The new Interpretation also states that no member shall execute a sell order for any customer unless the member has possession of the security and/or the customer is long in his account with the member, reasonable assurance has been received from the customer stating that the security will be presented in good deliverable form within five business days after the order's execution or the security is on deposit in good deliverable form with an NASD member, a member of a national securities exchange, a registered broker/dealer or any organization subject to state or federal banking regulations, and instructions have been forwarded to the depositor to deliver the securities against payment.


Relating the above to "legal items", the Interpretation contemplates prompt delivery of the securities certificates with "proper papers" attached.

It does not require that the securities be transferred into good delivery form prior to the execution of the sell order. However, the determination as to whether or not there are "proper papers" attached is the responsibility of the selling member, and indiscriminate acceptance of a "legal item" sell order without a reasonable basis for determining that all proper papers are attached is not consistent with the purposes of the Interpretation.

The Interpretation applies to mutual fund shares, corporate bonds, foreign securities, new issues, third-market transactions and all other types of OTC securities. The Interpretation does not apply to exempt securities such as municipal bond issues.

In a related area, the NASD Board of Governors through its Executive Committee has decided to continue the Wednesday closings of the securities markets during the first two weeks in October, the 2nd and the 9th. All other requirements concerning staffing of offices during these closed periods and the ban on soliciting orders or accepting unsolicited orders will remain in effect.

Sincerely,

A handwritten signature in cursive script that reads "Richard B. Walbert".

Richard B. Walbert
President

LIST OF LOST, STOLEN OR MISPLACED SECURITIES

<u>Quantity</u>	<u>Description</u>	<u>Registered Name</u>
10,800 shares	International Business Machines - Common Stock 100 share certificates	E. F. Hutton & Company, Inc.

<u>CERT. #</u>	<u>SHS</u>	<u>CERT. #</u>	<u>SHS</u>	<u>CERT. #</u>	<u>SHS</u>	<u>CERT. #</u>	<u>SHS</u>
006613	100	349797	100	663020	100	663047	100
012647	100	349798	100	663021	100	663048	100
012648	100	349799	100	663022	100	727625	100
012649	100	349800	100	663023	100	727626	100
012650	100	349801	100	663024	100	727627	100
012651	100	349802	100	663025	100	766762	100
039215	100	349803	100	663026	100	766765	100
235726	100	378760	100	663027	100	766766	100
235727	100	378784	100	663028	100	769004	100
345468	100	397405	100	663029	100	769032	100
345469	100	397410	100	663030	100	769033	100
345470	100	414338	100	663031	100	769034	100
345477	100	439333	100	663032	100	769035	100
345478	100	439334	100	663033	100	769078	100
345479	100	439335	100	663034	100	769079	100
345480	100	556643	100	663035	100	769080	100
345481	100	560698	100	663036	100	769081	100
345482	100	562835	100	663037	100	769082	100
345483	100	564368	100	663038	100	782723	100
345484	100	577761	100	663039	100	782725	100
345485	100	577762	100	663040	100	787311	100
345486	100	577763	100	663041	100	787312	100
345487	100	587274	100	663042	100	787313	100
345488	100	613961	100	663043	100	787314	100
345489	100	613962	100	663044	100	787315	100
349795	100	613963	100	663045	100	787316	100
349796	100	663018	100	663046	100	787317	100

112 shares

International Business
Machines - Common Stock
112 share certificate

E. F. Hutton
& Company, Inc.

397491

IMPORTANT NOTICE TO BROKERS AND BANKERS LOST, STOLEN OR MISPLACED SECURITIES

**E. F. HUTTON & COMPANY, INC.
61 BROADWAY
NEW YORK, NEW YORK 10006**

September 23, 1968

Dear Sir:

Please take notice that the securities listed on the reverse side hereof were recently lost, stolen or misplaced.

The issuing company has been notified and requested to put "stops" on transferring any of these securities.

We are advising you of this fact so that you may alert your staff against purchasing any of these securities or accepting them as collateral for loans.

Should any of these certificates be presented to you, please notify Messrs. Thomas P. Lynch or Lucian F. Martino of this Firm.

E. F. Hutton & Company, Inc.
Telephone:
Area Code 212 - WH 4-2100

EEG
amp

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

October 7, 1968

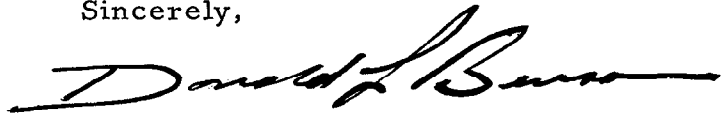
To: All NASD Members

In an effort to expand the knowledge and understanding of NASD members about the attitudes and opinions of the public and the press on many of the major issues facing the securities business today, we are pleased to enclose a new informational literature project which has been developed on an experimental basis for distribution to broker/dealers.

Titled, "What They're Saying About the Securities Business," it is a compilation of the more significant news articles published in recent editions of newspapers and magazines throughout the country.

We would appreciate any comments members might have on the usefulness of this service so that we can plan the frequency of its publication to most effectively meet member needs.

Sincerely,



Donald L. Benson
Director, Information Department

Enclosure

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

October 10, 1968

To: All NASD Members

Re: New Emergency Rule Restricting Trading in High Fail Securities

The purpose of this notice is to advise all NASD members that the Board of Governors now has under consideration and is expected to approve at its October 14th meeting a new emergency rule which will restrict a sale of securities for a member's account or a purchase of a security for a customer if the firm has a fail to deliver in that particular security 60 days old or older, and any one of the following conditions exist:

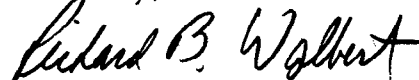
- (1) The firm's total dollar volume of fails to deliver over 30 days are 30 percent or more of its total dollar volume of fails to deliver; or
- (2) The firm's total dollar volume of fails to deliver over 30 days in that security are 7 percent or more of its total dollar volume of fails to deliver over thirty days; or
- (3) The firm has any fail to deliver in that security 120 days old or older.

It is expected that this new emergency rule will be made effective November 15 through January 14, 1969, and members are being advised now so that bookkeeping and operational procedures can be adjusted accordingly.

The rule will also require reporting of details to District Offices of any transactions involving fails of 120 days or older. In the case of foreign securities, excepting American Depository Receipts and Canadian securities, the periods of time will be extended from 60 to 90 days and the requirement in (3) above will be extended from 120 to 180 days. The rule will also provide for requests for exemptions which must be made to the District Offices of the Association. However, such exemptions will be granted only in exceptional circumstances.

A copy of this new emergency rule will be sent to each member as soon as possible after the Board has given its approval.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

October 14, 1968

To: All NASD Members

The operational problems caused by failure to deliver securities and continuing paper work backlogs are still extremely serious for a great many firms in the business. Therefore, the Board of Governors has again declared that an emergency situation still exists and will continue to close down the over-the-counter securities markets on October 16, 23 and 30. On November 5, the markets will, of course, be closed for Election Day, thus continuing four-day trading during this week.

NASD members are also to continue closing their operations at 3:30 p.m. local time each day, other than on the specified Wednesdays when the markets are closed completely. In addition, the previous requirements will be continued concerning the staffing of offices during the closed periods.

Sincerely,



Richard B. Walbert
President

RESOLUTION DECLARING EMERGENCY AND ADOPTING EMERGENCY
RULE OF FAIR PRACTICE NO. 68-3

WHEREAS, the Board of Governors on June 10, 1968, enacted Emergency Rule of Fair Practice No. 68-1 to be effective during the period June 12, 1968 to August 9, 1968; and

WHEREAS, the Board of Governors on August 5, 1968, enacted Emergency Rule of Fair Practice No. 68-2 to be effective during the period August 14, 1968 to October 12, 1968, or until the termination of the emergency declared by the resolution adopting such; and

WHEREAS, the emergency conditions which gave rise to the adoption of the said Emergency Rules of Fair Practice No. 68-1 and 68-2 have not abated; and

WHEREAS, the Ad Hoc Committee on Office Operations composed of representatives of the New York Stock Exchange, the American Stock Exchange, the Association of Stock Exchange Firms, the National Association of Securities Dealers, Inc. and other representatives of broker/dealer members of those organizations at its meeting on October 9, 1968, recognized that there still exists a serious situation in respect to the large number and dollar amount of "fails to deliver" securities to a buyer and/or "fails to receive" securities from a seller and recommended the continued closing of all listed and over-the-counter markets on Wednesdays through October, 1968; and

WHEREAS, the Board of Governors of the Corporation has been informed of and/or has knowledge, and/or is aware of information which is indicative of the continuation of the previously declared emergency situation; and

WHEREAS, the Board of Governors believes that the said emergency condition continues to exist; and

WHEREAS, the National Association of Securities Dealers, Inc. is charged with the responsibility and function of carrying out the purposes of the Maloney Act, codified as Section 15A of the Securities Exchange Act of 1934, as amended, 15 U.S.C. 78o-3, et seq; and

WHEREAS, the aforesaid Act authorizes and requires rules of the Corporation to be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest and to remove impediments to and perfect the mechanism of a free and open market and that they are not designed to permit unfair discrimination between customers, or issuers, or brokers or dealers; and

WHEREAS, pursuant to the provisions of Article VII of the By-Laws of the Corporation the Board of Governors is authorized to adopt for submission to the members of the Corporation such rules of fair practice for the members and persons associated with members as it may from time to time deem necessary or appropriate; and

WHEREAS, pursuant to the provisions of the said Article VII, notwithstanding the requirement that proposed rules of fair practice must be submitted to the membership for a vote, the Board has the authority, when it finds an emergency to exist, to enact by a two-thirds vote of the Board necessary rules of fair practice to meet the emergency without submission of such emergency rules to the membership for vote, and to declare them to become effective for a period of not in excess of 60 days, if not disapproved by the Securities and Exchange Commission, upon a date fixed by it; and

WHEREAS, the Board believes that an emergency rule of fair practice is essential and should be enacted by it, pursuant to the authority granted by Article VII of the By-Laws, and within the scope of authority granted by the said Section 15A of the Securities Exchange Act of 1934, as an interim measure, to assist in alleviating the emergency condition which it believes to exist; and

WHEREAS, the Board is aware that action by the New York Stock Exchange and the American Stock Exchange, and the various regional exchanges has been taken which will continue to close offices of their members for at least one day per week through October, 1968.

NOW, THEREFORE, BE IT RESOLVED, that based upon information which has been supplied to and is before the Board, an emergency condition is hereby found to continue to exist; that the said emergency condition is caused by the excessively high "fails to receive" and "fails to deliver" balances carried on the books and records of members; that such has resulted, at least in part, from the high volume of transactions in the market in recent months which has resulted in members having great difficulty in maintaining current books and records as required by Rule 17a-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, 17 C.F.R. 240.17a-3; that the said emergency exists within the scope of the provisions of Article VII

of the By-Laws of the Association and that to assist in alleviating this emergency condition an emergency rule of fair practice should be adopted pursuant to the provisions of Article VII of the By-Laws; and

BE IT FURTHER RESOLVED, that the following "Emergency Rule of Fair Practice No. 68-3" is hereby adopted, pursuant to authority established by Section 15A of the Securities Exchange Act of 1934, as amended, and granted by Article VII of the By-Laws of the Corporation, to take effect on the date specified therein and to be continued in effect for a period of 60 days, unless the Board, by resolution, determines prior to the expiration thereof that the emergency condition has ceased to exist:

EMERGENCY RULE OF FAIR PRACTICE NO. 68-3

- (a) No member, or person associated with a member, shall effect any transaction, or do any act designed to induce or effect a transaction, in any security on any Wednesday of any week during the effective period of this rule, or at any time after the hour of 3:30 p.m. local time on any other day of any week during the effective period of this rule, provided, however, that this rule shall not prohibit the receipt or delivery of securities or the payment or receipt of payment for securities, purchased or sold on a previous day, or the taking of any action by a member, or person associated with a member, necessary to the settling of balances created by transactions in securities effected on a previous day, or the taking of any other action necessary to the proper settlement or completion of transactions previously executed.
- (b) During the effective period of this rule the President of the Corporation, with the consent of the Executive Committee thereof, shall have the authority to modify the provisions of Section (a) hereof by changing the day on which the restrictions of that section apply from Wednesday to any other day or by adjusting the permissible trading hours specified in Section (a) or by taking any other action deemed necessary to properly meet, and to assist in alleviating the exigencies of, the emergency condition which necessitated this rule as noted in Section (d) hereof.
- (c) During the effective period of this rule all members shall be required to have their offices fully staffed with all personnel necessary to reduce its outstanding fails to receive and/or

fails to deliver or to perform any and all functions related thereto or to any other aspect of its business created by the excessive market volume in the past several months. Such full staffing would require specifically that all "back office", and trading room personnel, and all other personnel necessary, would be on duty.

(d) This rule has been promulgated as an emergency rule of fair practice pursuant to the provisions of Article VII of the By-Laws of the Corporation, an emergency having been found to exist by resolution of the Board of Governors of the Corporation because of the excessively high "fails to deliver" and "fails to receive" balances carried on the books of members and because of the great difficulty which members have been experiencing in maintaining current books and records pursuant to the provisions of Rule 17a-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, 17 C.F.R. 240.17a-3 as a result of the high volume of securities transactions, and it shall be effective for the period from October 14, 1968 to December 13, 1968, (both dates inclusive) or until the termination of the emergency is declared by resolution of the Board of Governors if prior to December 13, 1968.

(e) It shall be deemed contrary to high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Rules of Fair Practice for any member to engage in conduct inconsistent with this rule.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

November 2, 1968

To: All NASD Members

The Board of Governors, through its Executive Committee, has determined to continue closing the OTC markets in November on the following schedule:

Tuesday, November 5 (Election Day) The previous staffing requirements will not be mandatory on Election Day although members who still have bookkeeping problems are urged to have operational personnel present to continue to work on the paper work backlog and fail to deliver situation. Of course, orders should not be solicited.

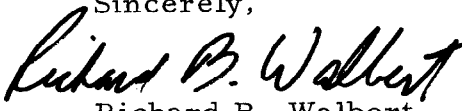
Monday, November 11 (Veterans Day) It is mandatory that offices be adequately staffed on this day and that there be no solicitation of orders by sales personnel so that they may devote all of their efforts toward clearing up customer fail situations.

Wednesday, November 20. Previous requirements concerning staffing and the ban on soliciting orders are mandatory on this day.

Thursday, November 28 (Thanksgiving Day) No personnel are required to be present on this regularly scheduled holiday.

Members are reminded that in accordance with the enclosed Emergency Rule 68-3, all over-the-counter operations should continue to be terminated each day in November at 3:30 p. m. local time, except those activities which have been exempted under previous notices, such as municipal bond transactions, secondary distributions and mutual fund sales.

Sincerely,


Richard B. Walbert
President

Enclosure

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

November 2, 1968

Notice of Missing or Stolen Certificates

Yankee Plastics, Inc., 42-11 Ninth Street, Long Island City, New York, New York, has requested the NASD to advise members that on or about September 30, 1968, 305 blank 100 share certificates of Yankee Plastics, Inc. were discovered missing from the offices of the company which serves as its own transfer agent. In addition, it was alleged that the transfer books of Yankee Plastics had been tampered with to reflect ownership in these 30,500 shares.

The description of the alleged missing certificates is as follows:

Eighty (80) certificates of 100 shares each, Numbers NC8515 through 8594, total 8,000 shares, issued in the name of Robert Edward Dell.

Two hundred twenty-five (225) certificates of 100 shares each, Numbers NC8595 through 8820, a total of 22,500 shares, issued in the name of Edward Lisky.

This matter has been reported by Yankee Plastics to the appropriate Police Department and the FBI, as well as the regulatory agencies. Members should use caution in accepting sell orders in these particular securities and any information concerning the certificates in question should be reported immediately to Yankee Plastics, the FBI, the SEC or the NASD.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

November 11, 1968

To: All NASD Members

On October 10th members were advised that the Board of Governors contemplated a new Emergency Rule which was expected to be made effective November 15 through January 14, 1969. The rule would restrict a sale of securities for a member's account, or a purchase of a security for a customer, if the firm has a fail to deliver in that particular security which is 60 days old or older, and any one of the following conditions exists:

- (1) The firm's total dollar volume of fails to deliver over 30 days are 30 percent or more of its total dollar volume of fails to deliver; or
- (2) The firm's total dollar volume of fails to deliver over 30 days in that security are 7 percent or more of its total dollar volume of fails to deliver over 30 days; or
- (3) The firm has any fail to deliver in that security 120 days old or older.

Instead of the previously announced effective dates, the Board of Governors has adopted this rule to be effective December 2 through January 30, 1969. A copy of the Board's resolution and the actual text of the Emergency Rule is attached.

The rule also requires the reporting of details to District Offices of any transactions involving fails of 120 days or older. In the case of foreign securities, excepting American Depository Receipts and Canadian securities, the periods of time will be extended from 60 to 90 days and the requirement in (3) above will be extended from 120 to 180 days.

Exemptions will be considered for good cause and in exceptional circumstances where through no fault or delay on the part of the member

it is demonstrated that an exception is warranted. Examples of the type of circumstances which will be given consideration in granting exceptions are delays in delivery caused by:

- (1) New or secondary offerings
- (2) Legal items in transfer
- (3) Foreign issues with unusual foreign transfer problems
- (4) Arbitrage transactions
- (5) Situations in which stock is not available for "Buy-Ins"

In addition it is contemplated that District Committees will give due consideration to the overall fail position of the firm as well as the need to maintain bona fide markets in granting any and all exceptions.

Sincerely,

A handwritten signature in cursive script that reads "Richard B. Walbert".

Richard B. Walbert
President

120
Nov

EMERGENCY RULE OF FAIR PRACTICE NO. 68-4

I. No member, or person associated with a member, shall:

- (a) Sell a security for his own account, or
- (b) Buy a security as broker for a customer,

if he has a fail to deliver in that security 60 days old or older, and, any one of the following conditions exists:

- (1) his total dollar volume of fails to deliver over 30 days are 30% or more of his total dollar volume of fails to deliver; or
- (2) his total dollar volume of fails to deliver over 30 days in that security are 7% or more of his total dollar volume of fails to deliver over 30 days; or
- (3) he has any fail to deliver in that security 120 days old or

II. Members will be expected to review their fail positions once a month at the time they prepare their monthly trial balances pursuant to Commission Rule 17a-11 in order to determine compliance with the above provisions, unless the circumstances indicate that a more frequent review is appropriate. These circumstances would include prior reviews of fail positions. Each member, or person associated with a member, who at the end of any month, had any fail to receive or deliver 120 days old or older, shall file, with the District Secretary of the District in which his principal office is located, within 10 days after the end of such month, a list of such securities. Such list shall include the name of the security, trade date, number of shares, unit price, dollar amount and from whom bought or to whom sold, reason for non-delivery, including location of the security, if known, and actions taken to effect delivery.

III. In the case of foreign securities, excepting American Depository Receipts and Canadian securities, the periods of time applicable in Sections I (a) and (b) is extended from 60 to 90 days and the periods of time applicable in Sections I (3) and II is extended from 120 to 180 days.

IV. For good cause shown and in exceptional circumstances, in situations where it can be demonstrated that the member has taken all necessary and reasonable steps to process the clearance of transactions and delay had not been occasioned on his account, and where application of the rule would work hardship upon public customers and/or the member, and/or where it would interfere with ordinary and necessary market making or trading activity, and where the failure to meet the standards set for the above results from occasional transaction and its peculiar nature such as a dispute arising from legal transfer, a member may request exemption from the provisions

of Section I hereof by written request to the District Secretary of his District in which his principal office is located.

- V. (a) This rule has been promulgated as an emergency rule of fair practice pursuant to the provisions of Article VII of the By-Laws of the Corporation, an emergency having been found to exist by resolution of the Board of Governors of the Corporation because of the excessively high "fails to deliver" and "fails to receive" balances carried on the books of members and because of the great difficulty which members have been experiencing in maintaining current books and records pursuant to the provisions of Rule 17a-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, 17 C.F.R. 240. 17a-3 as a result of the high volume of securities transactions, and it shall be effective for the period from December 2, 1968, to January 30, 1969 (both dates inclusive), or until the expiration of the emergency is declared by resolution of the Board of Governors if prior to January 30, 1969.
- (b) It shall be deemed contrary to high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Rules of Fair Practice for any member to engage in conduct inconsistent with this rule.

M E M O R A N D U M

TO: District Secretaries

FROM: Edward R. Gilleran

DATE: November 18, 1968

RE: Emergency Rule No. 68-4

The subject rule, which becomes effective December 2nd, is a modification of the originally suggested version which would have restricted transactions, without qualification, in any security in which the member had a fail to deliver of 45 days or more.

The trading community raised serious objections to such a requirement, and the version adopted attempts to recognize that a firm can have an old fail without having a "fail problem." It does this first through the arithmetic which triggers the restriction as covered in paragraphs (1) and (2), and also by permitting exemptions where extenuating circumstances exist. The ceiling of 120 days in paragraph (3) triggers the rule without regard to the percentage of 30-day items, unless an exemption is granted.

The involvement of the Districts in the implementation of the rule covers three areas:

1. The general enforcement of the rule;
2. The determination of whether exemptions are granted; and
3. The receipt of 120-day fail lists.

Regarding general enforcement, it is essential that each District gives prompt attention to any member whose fail position may be close to the point which would require the restrictions. To assist in this project, Dick Peters is reviewing the monthly fail reports for September and October received from over 100 members, to determine the percentage of 30-day fails to total fails. We will be sending you the names of members in your District which appear to warrant examination for purposes of this rule. You should also review reports of the special exams conducted as part of our fails surveillance program, as well as regular exam reports, to ascertain which firms should have an early examination.

We will also be examining NYSE members for this purpose, and in this regard we expect to have current fails information about these firms, which we will screen in the same manner as non-NYSE members and advise you accordingly. When examining for the trading restriction rule, you are requested also to ascertain compliance with the Board's interpretation as to Prompt Receipt and Delivery of Securities, with particular attention to the internal procedures adopted by the examined firm.

The above instructions contemplate special examinations for purposes of the two rules mentioned, but regular examinations should also include coverage of these rules with appropriate reference on Form EX-100A.

In reviewing compliance with the trading restriction rule, it is important to consider two factors as to which there could be differences of opinion. The first concerns the frequency with which members should review their fail positions. While the rule suggests that the regular month-end statements could be sufficient, it also points out that more frequent review may be necessary.

In this connection, it should be borne in mind that the earlier notices to members in August and October put them on notice that such a rule would likely be forthcoming. Hence the members should have been reviewing their positions, at least on a month-end basis, for the past few months and should realize whether their situation was one which was close to being affected by the rule. Therefore, a particular firm's need for current information on their positions should be viewed in the light of its condition prior to effectiveness of the rule.

The second factor is the relation of 30-day fails to total fails. The coverage of the rule permits all fails, including listed, to be included in the base figure used for purposes of computing the 30% in paragraph (1). This should benefit, in effect, firms with large listed fails, particularly NYSE members. Therefore, in examinations, an attempt should be made to ascertain whether the rule would be operative if the base figure excluded listed securities. NYSE firms are reporting such data to the Exchange separately, and hence this information should be readily available.

This factor should be less significant with respect to the effect of paragraph (2), since the NYSE has had a 50-day mandatory buy-in, and will have a 30-day buy-in rule effective December 1st.

The matter of exemptions is one of the most sensitive which Districts have had to deal with for some time, and it is essential that we attain a uniform approach in handling requests. To begin with it is important to remember that exemptions should be granted only in exceptional circumstances and are not meant to dilute the overall effectiveness of the rule. Therefore exemptions should not be related solely to whether the requesting firm is the only, or even the primary, cause of the situation prompting the request. For example, if the only reason for requesting an exemption is that the requesting member has not received the securities from another firm, permission to continue activity in the security could operate to further aggravate an already serious situation.

It must be remembered also that the details in the rule already take into account at least some relevant facts pertaining to the overall fail position of the firm, as opposed to a flat prohibition of transactions based only on one old fail. Therefore a firm which has permitted its condition, for whatever reason, to reach a point where its old fails are high enough to make the

rule operative, has the responsibility to demonstrate that it is complying with its basic responsibility to consummate all transactions promptly.

Some additional items to consider in reaching a judgment on these requests are:

1. The total dollar fail position of the firm -- the smaller the total the more significant one item may be. And if the item placing the member in a restrictive situation is clearly out of the member's control, i.e., a legal transfer promptly delivered to the transfer agent, the exemption may be warranted.
2. The nature of the item or items placing the member under possible restriction. In this connection, the public interest in the maintenance of markets is important, as for example in a security in which there is limited broker-dealer interest. However, this alone is not an automatically acceptable reason for an exemption. Also, merely because the item is a new issue it does not follow that an exemption should be granted, particularly where there appears to be broad broker-dealer interest in the security.
3. The fail situation in only OTC securities. As mentioned above, this may have particular significance with NYSE members.
4. Other restrictions placed on the member, either because of the operations of this rule, or by actions of any regulatory body resulting from the general fail positions, capital or back office problems of the firm. In this connection the number of securities with fails over 60 days may be significant.

The formal requests for exemptions must be in writing, and a written response as to the disposition of such requests should be transmitted to the member and to this office. We will be available for discussion concerning any such requests should you deem it necessary.

The filing of 120-day fail lists with District Offices was viewed primarily as therapeutic, in that the compilation and transmission of such data would place the member in the position of first having to know, and then to explain, the reasons therefore. There was some discussions about the possibility of using such information as a basis for a type of "fails clearance", but the technical problems and practical limitations involved in such a project are considerable.

At this point suffice it to say that, in addition to the therapeutic aspects, the main benefit will be for regulatory purposes, directing our attention to those firms having considerable amounts of such old fails, many of which could be actually DK items where the dimensions of potential liabilities involved may be substantial.

There has been a recommendation regarding a possible rule requiring reconfirmation of 120-day items, involving either repurchase and resale by mutual agreement between the firms or buy-ins of such items, within 30 days, but this recommendation has not been acted upon as yet.

There may be some uncertainty as to the first filing date for the 120-day fail lists. It would appear that filing of November figures, as of December 10th, would be more appropriate as a starting date, considering the intent of the rule and its emergency nature with a limited effective period. But the rule could be read either way, i.e., reporting effective as of either December 10 or January 10. However, you may advise members to file as of November 30th since a District Committee has the right to request such figures from members.

In closing, I want to reiterate the importance of District offices' role in the administration of this rule, which is considered to be very significant in dealing with the general fails problem. We hope that the above guidelines will help you deal with the majority of problems, but please call upon us if you have further questions.

cc: District Committee Chairmen and Co-Chairmen
Incoming District Committee Chairmen and Co-Chairmen

~~FC6~~

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

November 18, 1968

TO: All NASD Members

SUBJECT: SEC Proposal Concerning Mutual Fund Quantity Discounts

On October 7, 1968, in Investment Company Act Release No. 5507, the Securities and Exchange Commission announced its proposal to amend Rule 22d-1 under the Investment Company Act in a manner that could seriously affect the business of NASD members in mutual fund shares. Because this potential effect is so dramatic, I believe that it is appropriate to make each of you aware of the proposal itself and some of the factors that we believe must be considered in judging its merit.

Rule 22d-1 now provides, in part, that quantity discounts on purchases of mutual fund shares may be allowed in accordance with a scale of reducing sales charges varying with the quantity of shares purchased by "any person". The rule defines "any person" and it is that definition which determines to whom quantity discounts may be allowed. It is that definition that the Commission proposes to amend. The present definition is as follows:

"As used in this paragraph (a) the term "any person" shall include (i) an individual, or an individual, his spouse and their children under the age of twenty-one, purchasing securities for his or their own account, and (ii) a trustee or other fiduciary purchasing securities for a single trust estate or single fiduciary account (including a pension, profit-sharing, or other employee benefit trust created pursuant to a plan qualified under Section 401 of the Internal Revenue Code) although more than one beneficiary is involved; provided, however, that the term "any person" shall not include a group of individuals whose funds are combined, directly or

indirectly, for the purchase of redeemable securities of a registered investment company jointly or through a trustee, agent, custodian, or other representative, nor shall it include a trustee, agent, custodian, or other representative of such a group of individuals."

The proposed amendment would bring within the definition of "any person" entitled to a quantity discount any natural person and a corporation, a partnership, an association, a joint-stock company, a trust, a fund, or any organized group of persons whether incorporated or not. (emphasis supplied)

It appears that such a broad definition would eliminate any meaningful restriction on groups that exist or may be formed to obtain discounts, raising a number of serious questions for NASD members and their registered representatives.

First, consideration must be given to the fact that so long as investment companies continue to issue redeemable securities, a healthy, orderly system must be maintained to see that new capital is raised through the sale of shares to offset redemptions and prevent the unwinding of the investment companies themselves and the consequent impairment of the valuable and important investment vehicle that they offer to the American public. This need was recognized by Congress when the public offering price provision of Section 22(d) was made a part of the Investment Company Act and its merit was reaffirmed when the present restrictions on grouping were adopted in Rule 22d-1 in 1959. While we recognize that the size of the industry has changed dramatically since 1959, its basic structure has not changed. We believe for that reason the importance of the redemption feature must still be recognized, and the provision of the Act for orderly distribution must be honored.

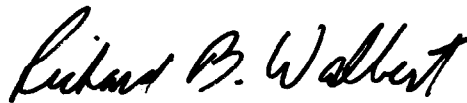
Second, we commend for your consideration the suitability aspects of the proposed amendment. Unless one accepts the idea that the product that is cheapest is necessarily the product that is best, one must be concerned about the diminution in consideration for the investment aspects of a recommendation to a customer that is bound to result if securities salesmen and customers are to be led into such an exaggerated degree of cost-consciousness as would result from the amended rule. We are concerned lest investors indiscriminately become part of loose-knit groups in order to obtain discount prices, rather than concentrating their attention and that of the registered representative that serves them, on their own individual investment objectives and selection of the securities that offer the best opportunity of achieving those objectives.

A securities salesman would take a substantial risk indeed under the new grouping concept if he chose to recommend to an individual customer that he purchase as an individual. This is so especially if the customer is a member of a group that happens to be purchasing at quantity discount prices shares of an investment company that the registered representative believes is less than the best-suited to that customer's needs.

The purpose of this memorandum is to keep you informed about changes that may be imminent in your industry, and to urge that in forming your own opinion about the proposals that would bring about those changes you look beyond what you may see as immediate potential benefits to you by virtue of your being able to make comparatively easy sales to "groups" that would presently be disallowed under the rule, and consider what may be the longer term effects of the proposed change upon your business and upon the industry.

We solicit your views and we urge that you give this memorandum the broadest possible circulation among your registered representatives and other personnel. Interested persons may submit written comments to the Commission up to November 29, 1968. The NASD will submit a statement of its views by that date.

Sincerely,

A handwritten signature in cursive script that reads "Richard B. Walbert".

Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

December 4, 1968

To: All NASD Members

The Board of Governors has determined that an emergency situation still exists due to the paper work backlog and fail to deliver problem in the securities business and, therefore, will reinstitute another 60-day Emergency Rule, 68-5, to become effective December 16 through February 14, 1969.

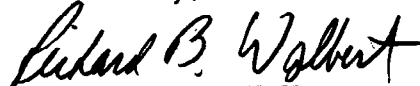
In accordance with this new rule, and the previously adopted Emergency Rule, the over-the-counter markets will be closed in December on the following dates: December 4, 11 and 18. In addition, the OTC markets will also be closed on December 25 and January 1.

The previous requirements concerning staffing of offices on these closed Wednesdays will be continued only for December 11 and 18. Of course, on these days there should be no solicitation of orders by sales personnel, and such employees along with other operations personnel, should devote their full efforts toward clearing up customer fail situations.

In addition, members are reminded that all over-the-counter operations should continue to be terminated each day in December at 3:30 p.m. local time, except those activities which have been exempted under previous notices such as municipal bond transactions, secondary distributions and mutual fund sales.

Members will be sent a copy of Emergency Rule 68-5 at a later date, and you will be informed as to the Association's future position regarding continuing one day a week closings or shortening trading hours in January and February.

Sincerely,



Richard B. Walbert
President

RESOLUTION DECLARING EMERGENCY AND ADOPTING EMERGENCY
RULE OF FAIR PRACTICE NO. 68-5

WHEREAS, the Board of Governors on June 10, 1968, enacted Emergency Rule of Fair Practice No. 68-1 to be effective during the period June 12, 1968 to August 9, 1968; and

WHEREAS, the Board of Governors on August 5, 1968, enacted Emergency Rule of Fair Practice No. 68-2 to be effective during the period August 14, 1968 to October 12, 1968; and

WHEREAS, the Board of Governors on October 14, 1968, enacted Emergency Rule of Fair Practice No. 68-3 to be effective during the period October 14, 1968 to December 13, 1968; and

WHEREAS, the emergency conditions which gave rise to the adoption of the said Emergency Rules of Fair Practice No. 68-1, 68-2 and 68-3 have not abated; and

WHEREAS, the Ad Hoc Committee on Office Operations composed of representatives of the New York Stock Exchange, the American Stock Exchange, the Association of Stock Exchange Firms, the National Association of Securities Dealers, Inc. and other representatives of broker/dealer members of those organizations at its meeting on November 21, 1968, recognized that there still exists a serious situation in respect to the large number and dollar amount of "fails to deliver" securities to a buyer and/or "fails to receive" securities from a seller and recommended the continued closing of all listed and over-the-counter markets on one day per week at least through the first week of January, 1969; and

WHEREAS, the Board of Governors of the Corporation has been informed of and/or has knowledge, and/or is aware of information which is indicative of the continuation of the previously declared emergency situation; and

WHEREAS, the Board of Governors believes that the said emergency condition continues to exist; and

WHEREAS, the National Association of Securities Dealers, Inc. is charged with the responsibility and function of carrying out the purposes of the Maloney Act, codified as Section 15A of the Securities Exchange Act of 1934, as amended, 15 U.S.C. 78o-3, et seq; and

WHEREAS, the aforesaid Act authorizes and requires rules of the Corporation to be designed to prevent fraudulent and manipulative acts and

practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest and to remove impediments to and perfect the mechanism of a free and open market and that they are not designed to permit unfair discrimination between customers, or issuers, or brokers or dealers; and

WHEREAS, pursuant to the provisions of Article VII of the By-Laws of the Corporation the Board of Governors is authorized to adopt for submission to the members of the Corporation such rules of fair practice for the members and persons associated with members as it may from time to time deem necessary or appropriate; and

WHEREAS, pursuant to the provisions of the said Article VII, notwithstanding the requirement that proposed rules of fair practice must be submitted to the membership for a vote, the Board has the authority, when it finds an emergency to exist, to enact by a two-thirds vote of the Board necessary rules of fair practice to meet the emergency without submission of such emergency rules to the membership for vote, and to declare them to become effective for a period of not in excess of 60 days, if not disapproved by the Securities and Exchange Commission, upon a date fixed by it; and

WHEREAS, the Board believes that an emergency rule of fair practice is essential and should be enacted by it, pursuant to the authority granted by Article VII of the By-Laws, and within the scope of authority granted by the said Section 15A of the Securities Exchange Act of 1934, as an interim measure, to assist in alleviating the emergency condition which it believes to exist; and

WHEREAS, the Board is aware that action by the New York Stock Exchange and the American Stock Exchange, and the various regional exchanges has been taken which will continue to close offices of their members for one day per week at least through the first week of January, 1969.

NOW, THEREFORE; BE IT RESOLVED, that based upon information which has been supplied to and is before the Board, an emergency condition is hereby found to continue to exist; that the said emergency condition is caused by the excessively high "fails to receive" and "fails to deliver" balances carried on the books and records of members; that such has resulted, at least in part, from the high volume of transactions in the market in recent months which has resulted in members having great difficulty in maintaining current books and records as required by Rule 17a-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, 17 C.F.R. 240.17a-3; that the said emergency exists within the scope of the provisions of Article VII

of the By-Laws of the Association and that to assist in alleviating this emergency condition an emergency rule of fair practice should be adopted pursuant to the provisions of Article VII of the By-Laws; and

BE IT FURTHER RESOLVED, that the following "Emergency Rule of Fair Practice No. 68-5" is hereby adopted, pursuant to authority established by Section 15A of the Securities Exchange Act of 1934, as amended, and granted by Article VII of the By-Laws of the Corporation, to take effect on the date specified therein and to be continued in effect for a period of 60 days, unless the Board, by resolution, determines prior to the expiration thereof that the emergency condition has ceased to exist:

EMERGENCY RULE OF FAIR PRACTICE NO. 68-5

(a) No member, or person associated with a member, shall effect any transaction, or do any act designed to induce or effect a transaction, in any security on any Wednesday of any week during the effective period of this rule, or at any time after the hour of 3:30 p.m. local time on any other day of any week during the effective period of this rule, provided, however, that this rule shall not prohibit the receipt or delivery of securities or the payment or receipt of payment for securities, purchased or sold on a previous day, or the taking of any action by a member, or person associated with a member, necessary to the settling of balances created by transactions in securities effected on a previous day, or the taking of any other action necessary to the proper settlement or completion of transactions previously executed.

(b) During the effective period of this rule the President of the Corporation, with the consent of the Executive Committee thereof, shall have the authority to modify the provisions of Section (a) hereof by changing the day on which the restrictions of that section apply from Wednesday to any other day or by adjusting the permissible trading hours specified in Section (a) or by taking any other action deemed necessary to properly meet, and to assist in alleviating the exigencies of, the emergency condition which necessitated this rule as noted in Section (d) hereof.

(c) During the effective period of this rule all members shall be required to have their offices fully staffed with all personnel necessary to reduce its outstanding fails to receive and/or

fails to deliver or to perform any and all functions related thereto or to any other aspect of its business created by the excessive market volume in the past several months. Such full staffing would require specifically that all "back office", and trading room personnel, and all other personnel necessary, would be on duty.

(d) This rule has been promulgated as an emergency rule of fair practice pursuant to the provisions of Article VII of the By-Laws of the Corporation, an emergency having been found to exist by resolution of the Board of Governors of the Corporation because of the excessively high "fails to deliver" and "fails to receive" balances carried on the books of members and because of the great difficulty which members have been experiencing in maintaining current books and records pursuant to the provisions of Rule 17a-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, 17 C.F.R. 240.17a-3 as a result of the high volume of securities transactions, and it shall be effective for the period from December 16, 1968 to February 13, 1969, (both dates inclusive) or until the termination of the emergency is declared by resolution of the Board of Governors if prior to February 13, 1969.

(e) It shall be deemed contrary to high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Rules of Fair Practice for any member to engage in conduct inconsistent with this rule.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

December 26, 1968

To All NASD Members:

The NASD Board of Governors has adopted an important change to Section 9 of the Uniform Practice Code, to become effective December 30, 1968. This section has been amended to provide for a new DK procedure whereby a confirming broker may obtain from a non-confirming broker either a confirmation of the trade or a binding cancellation. It is expected that this new procedure, which is attached as an amendment to Section 9 of the UPC and is included in the last supplement to the Manual, will be of immediate benefit to all members in obtaining definite disposition of doubtful trades and thus help immeasurably with the current fails problem.

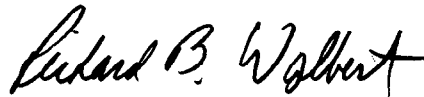
A new "Don't Know Notice" (form No. 101) has been prepared by the NASD in accordance with the amendment and is available in limited quantities from the various district offices of the Association. Each member may obtain twenty to thirty copies of the new prescribed form from the district offices immediately. Quantity copies of the new DK form may be ordered from the Uniform Practice Department, 67 Broad Street, Room 2104, New York, New York, 10004, in accordance with the following schedule:

500 forms minimum order	\$ 12.00
1000 forms	24.00
1500 forms	36.00
2000 forms	48.00

Full payment must accompany each order.

Of course, members may also prepare and use their own forms, but these must conform in all respects to the official DK form developed by the NASD.

Sincerely,



Richard B. Walbert
President

New Section 9 of the Uniform Practice Code

Sec. 9

(a)

- (1) Each party to a transaction, other than a cash transaction, shall send written confirmation or comparison of same on or before the first business day following the date of the transaction.
- (2) Confirmations or comparisons of cash transactions shall be exchanged on the day of the trade.
- (3) Confirmations or comparisons shall be compared upon receipt to ascertain whether any discrepancies exist. If discrepancies do exist, a corrected confirmation or comparison shall be sent by the party in error.
- (4) This section shall not be applicable to transactions which clear through the National OTC Clearing Corporation or other clearing organizations operating under the supervision of a national securities exchange.

(b) When a party to a transaction sends a confirmation or comparison of a trade, but does not receive a confirmation or comparison, or a signed DK, from the contra-broker by the close of four business days following the trade date of the transaction, the following procedure may be utilized:

- (1) Not later than the fifteenth calendar day following the trade date the confirming member shall send by certified mail, return receipt requested, or messenger, a "Don't Know Notice" on the form prescribed by the Association to the contra-broker in accordance with the directions contained thereon. If the notice is sent by certified mail the returned, signed receipt therefor must be retained by the confirming member and attached to the fourth copy of the "Don't Know Notice". If delivered by messenger, the fourth copy must be dated and manually receipted by the contra-broker immediately pursuant to the provisions of subsection (4) hereof, returned to the messenger and thereafter be retained by the confirming member.
- (2) (a) After receipt of the "Don't Know Notice" as specified in section (1) hereof, the contra-broker shall have four business days after the notice is received to

either confirm or DK the transaction by mail or messenger in accordance with the provisions of subparagraphs (b) or (c) and subsection (4) hereof.

- (b) If the contra-broker desires to respond by mail, the second copy of the "Don't Know Notice" previously received shall be executed in accordance with the provisions of subsection (4) hereof and sent to the confirming broker by certified mail, return receipt requested. The notice so returned shall indicate clearly whether the contra-broker desires to confirm or DK the transaction. The returned, signed receipt must thereafter be retained by the contra-broker.
- (c) If the contra-broker desires to respond by messenger, he shall return to the confirming broker the second and third copies of the notice which shall indicate clearly whether the contra-broker desires to confirm or DK the transaction. The third copy shall be dated and manually receipted by the confirming broker pursuant to the provisions of subsection (4) hereof and immediately be returned to the messenger and thereafter be retained by the contra-broker.
- (3) If the confirming member does not receive a response from the contra-broker by the close of four business days after receipt by the confirming member of either the fourth copy of the "Don't Know Notice" as specified in subsection (1) if delivered by messenger, or the post office receipt if delivered by mail, such shall constitute a DK and the confirming member shall have no further liability.
- (4) All "Don't Know Notices" sent by any party pursuant to the provisions of this section 9(b) must be manually signed by a person authorized to pursue further discussions in respect to the transaction on behalf of the signing member. Facsimile signatures or firm name stamps are unacceptable.
- (5) The "Don't Know Notice" form to be used for purposes of complying with this section, may be ordered through any office of the Association. If the official form is not used, the form which is used must conform in every respect to the official form.

06781

OFFICIAL NASD DON'T KNOW NOTICE FORM 101
 OUR RECORDS INDICATE THE FOLLOWING TRANSACTION WITH YOU THAT WE HAVE CONFIRMED AS REQUIRED BY SECTION 9(b) OF THE UNIFORM PRACTICE CODE. WE HAVE NO RECORD OF HAVING RECEIVED FROM YOU A CONFIRMATION OR A COMPARISON OF THE TRADE OR A SIGNED DK. WE HEREBY NOTIFY YOU THAT UNLESS WE RECEIVE SIGNED COPIES 2 AND 3 OF THIS "DON'T KNOW NOTICE" WITHIN THE TIME PRESCRIBED BY SUBSECTIONS (2) AND (3) OF SECTION 9(b) MANUALLY EXECUTED PURSUANT TO THE PROVISIONS OF SUBSECTION (4) THEREOF WE WILL ASSUME NO FURTHER LIABILITY FOR THIS TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF THE REFERENCED SUBSECTION (3)

YOU	QUANTITY	PRICE	PRINCIPAL	INTEREST	NET AMOUNT	TRADE DATE	SETTLEMENT DATE	DATE OF THIS NOTICE
						MO.	DAY	YR.
						MO.	DAY	YR.
						MO.	DAY	YR.
						MO.	DAY	YR.

PREPARED BY: _____ AUTHORIZED MANUAL SIGNATURE

SECURITY NO. _____ SECURITY DESCRIPTION: _____

SYMBOL (IF ANY) _____

NAME AND ADDRESS OF CONTRA-BROKER _____

NAME AND ADDRESS OF CONFIRMING BROKER _____

CONTRA-BROKER NO. _____

TO MAIL MESSENGER

CONFIRMING BROKER-NO. _____

FROM

REFER TO DK PROCEDURE ON REVERSE OF PARTS 3 & 5.

DK PROCEDURE

Please note that all dates must be exact and signatures must be in accordance with Section 9(b)(4) of the Uniform Practice Code.

- I. Confirming broker completes and signs the official Don't Know Notice, detaches Part 5 (Green) and retains it for his records.
- II. If delivered by messenger the contra-broker detaches, dates and receipts Part 4 (Salmon) and immediately returns it to the confirming broker's messenger.
If mailed Part 4 is detached prior to mailing by the confirming broker and is later attached with the returning post office receipt on certified mail items.
- III. Contra-broker detaches, completes and signs Parts 2 and 3 (Goldentrod, Canary) and within the prescribed time returns them to the confirming broker. The confirming broker will immediately receipt Part 3 and return it to the contra-broker's messenger.

On mailed items the contra-broker returns only Part 2 to the confirming broker via certified mail with return receipt. The return post office receipt is to be attached with Part 3 which has been retained by the contra-broker.

- IV. Contra-broker retains Part 1 (Pink) for his records.
- V. Section 9 of the Uniform Practice Code appears on the reverse of Parts 1 and 4.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

December 27, 1968

To All NASD Members:

After weighing the factors contributing to the securities industry's various operational problems in 1968 which have caused the continuing failure to promptly deliver securities to customers, and after evaluating the effects of rule changes, emergency restrictions and other measures taken by the Association and the Exchanges to help cure this problem, the NASD Board has decided to return the OTC markets to a five-day work week starting January 2, 1969, however, with shortened trading hours each day.

Recognizing that the New York and American Stock Exchanges have already taken action to return to a five-day week with shortened trading hours and in an effort to maintain some unanimity within all segments of the securities markets, the NASD Board has decided to pursue a similar course, but with some important modifications that, hopefully, will accommodate the special needs of the over-the-counter markets.

Beginning January 2, 1969, all NASD members in the Eastern Time Zone will be required to close their OTC operations each day at 2:00 p.m. EST. Those Association members in the Central Time Zone will also follow this schedule and close their OTC operation each day at 1:00 p.m. CST, thus conforming their hours of business to those of the eastern firms and the Midwest Stock Exchange.

Association firms in the Pacific Coast Time Zone will follow a one o'clock local time procedure and close their OTC activities at 1:00 p.m. PST, which parallels the new schedule recently announced by the Pacific Coast Stock Exchange. All NASD firms in the Rocky Mountain Time Zone will be required to conform to the Pacific Coast business hours and shut down their OTC operations at 2:00 p.m. RMST. It is expected that this new schedule will allow for a reasonable trading day for the OTC markets in all sections of the country as well as provide ample time for firms to continue to work on their operational and paper work problems in the afternoon.

Under the NASD's new business hours schedule, which has been approved by the Board of Governors in accordance with the attached Emergency Rule No. 68-5, activities in municipal bond transactions and secondary distributions will be exempted. No transactions in mutual fund shares, new issue underwriting or other over-the-counter securities should be executed outside of the new

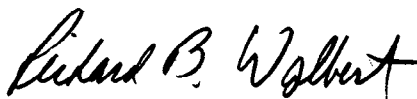
business hours schedule unless otherwise specified in this notice.

As a practical consideration, under the new schedule a retailing firm may accumulate mutual fund orders up to the particular prescribed closing hour in its time zone, and submit such orders as a group to the mutual fund underwriter. The underwriter may then execute these orders in accordance with the new forward pricing procedure which will become effective January 13, 1969.

In addition, the Board has determined that market makers may execute orders received from retail firms after the prescribed closing hour if such a customer order is in the hands of the retailing firm and time stamped prior to the closing hour. Market makers may not execute trades with other market makers or trades for a firm's own account after the prescribed closing hour. For example, the Association would not view it as improper if an eastern market maker had some transactions with retailers that were time stamped by the market maker within a reasonable time after two o'clock; but in no case should the market maker execute transactions after 2:15 p. m.

It is emphasized that members must strictly observe the above regulations. It should be clearly understood that the return to a five-day week with shortened hours is an attempt to better serve the public and to develop smoother operations and in no way implies that there has been significant improvement in the fails problem. On the contrary, the situation remains very serious and it is the responsibility of every member to intensify his efforts to improve his operations or risk a return to a four-day week or possibly even more stringent restrictions.

Sincerely,



Richard B. Walbert
President

Attachment