

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

January 2, 1973

I M P O R T A N T !

PLEASE DIRECT THIS NOTICE

TO ALL

FINANCIAL AND OPERATIONAL OFFICERS AND PARTNERS

TO: All NASD Members

RE: Proposed Amendments to SEC Net Capital Rule

Recently the Securities and Exchange Commission announced a proposal to substantially revise Rule 15c3-1 ("the net capital rule") under the Securities Exchange Act of 1934. As stated by the Commission in Securities Exchange Act Release No. 9891, dated December 5, 1972, "The revised capital rule would establish a uniform and comprehensive net capital regulation for the entire brokerage industry applicable to all brokers and dealers whether or not they are members of registered national securities exchanges, and contains standards tailored to meet the varying needs of brokers and dealers engaged in different segments of the securities business."

In view of the importance of this proposal, the Association strongly recommends that each member conduct a thorough review of the requirements as proposed in the above referenced release and take advantage of the opportunity of responding to the Commission with substantive comments and constructive suggestions. These comments should be submitted in writing to Lee A. Pickard, Associate Director, Division of Market Regulation, Securities and Exchange Commission, 500 North Capitol Street, Washington, D. C. 20549, on or before March 6, 1973.

Additionally, to assist the Association in presenting informed comments to the Commission with respect to the impact of these new

requirements on members, it would be extremely helpful if copies of such comment letters are simultaneously forwarded to the National Association of Securities Dealers, Inc., c/o Regulation Department, 1735 "K" Street, N. W., Washington, D. C. 20006.

Very truly yours,

A handwritten signature in cursive script that reads "Frank J. Wilson". The signature is fluid and elegant, with a large initial "F" and "W".

Frank J. Wilson
Senior Vice President
Regulation

FJW:msb

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

MAIL VOTE

IMPORTANT!

OFFICERS * PARTNERS * PROPRIETORS

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

Date: January 2, 1973

Re: Mail Vote on Proposed Article III, Section 34 of Rules
of Fair Practice and Appendix C to Proposed Article III,
Section 34 (Mandatory Bonding Rule)

LAST VOTING DATE IS FEBRUARY 1, 1973.

Enclosed herewith is proposed new Section 34 and related Appendix C of the Association's Rules of Fair Practice concerning mandatory bonding. This new rule must be approved by the membership and submitted to and not disapproved by the Securities and Exchange Commission before it can become effective. It was previously sent to the membership on July 27, 1972, for comment. Subsequently, the matter was presented to the Board of Governors and insubstantial changes were made.

Explanation of Proposed Rule

The proposed rule was explained in detail in a notice to all members and interested persons dated July 27, 1972. As most members are aware, the recent operational stresses upon the financial community resulted in the formation by Congress of the Securities Investor Protection Corporation (SIPC). SIPC was designed to protect the customers of broker-dealers against certain losses in the event liquidation became necessary. It was within this framework that the Board of Governors (Board) of the Association formed a Committee

on Bonding Coverage to conduct a study of the present bonding practices of the industry and to make recommendations responsive to a request by SIPC that steps be taken to insure that misappropriation of assets be excluded from the risks that may subject that Corporation to liability. The attached new Section 34 of Article III of the Association's Rules of Fair Practice, and Appendix C thereto, have therefore been proposed by the Board.

Subsection (a) of proposed Section 34 would require every member, as specified by Appendix C, to carry a blanket fidelity bond in such form and amount as prescribed in Appendix C. Subsection (b) would authorize the Board to change Appendix C without a vote of the membership, although established procedures would require that any such change be sent to the membership for a thirty day comment period prior to adoption by the Board.

Proposed Appendix C to new Section 34 contains the requirements in respect to the mandatory bonding authorized by that Section. Proposed Appendix C contains four major provisions dealing with mandatory fidelity bonding for certain members.

First, the bond would be required to include provisions which would cover Fidelity, on Premises, in Transit, Forgery or Alteration, Securities Losses, and Notification Requirements. (See paragraph (a) of Appendix C).

Second, it would require that the minimum monetary coverage for all insuring agreements be \$25,000 or 120% of required net capital, as defined in SEC Rule 15c3-1 (net capital rule), whichever is higher. (See paragraph (b) of Appendix C). The Association has determined that, should such become necessary, it will consider alternative possibilities in the event a firm is unable to obtain the mandatory coverage.

Third, it would allow for self-insurance up to \$5,000 or 5% of the minimum insurance coverage required, whichever is greater, to be assumed by the member itself. Self-insurance in an amount exceeding the above maximum may be permitted upon prior approval by the Association if the member adequately demonstrates that it is unable to obtain a lower deductible. In such a situation, however, a member must agree to reduce its deductible so as to comply with the minimum requirements as soon as possible. (See paragraph (c) of Appendix C).

Fourth, it would be required that a firm report to the Association within ten (10) business days in the event that its coverage became insufficient. (See paragraph (d) of Appendix C).

With respect to compliance with the proposed bonding rule, it is contemplated that affected members would be required to conform to the provisions within three months of the effective date of the rule.

This proposed Rule of Fair Practice is considered important by the Board of Governors and merits your immediate attention. Please mark your ballot according to your convictions and return it in the enclosed, stamped envelope to "The Corporation Trust Company." Ballots must be postmarked no later than February 1, 1973.

The Board of Governors believes this proposed Rule of Fair Practice is necessary and appropriate and recommends members vote their approval.

Very truly yours,

A handwritten signature in cursive script that reads "Frank J. Wilson". The signature is fluid and elegant, with a large initial "F" and "W".

Frank J. Wilson
Senior Vice President
Regulation

Proposed Article III, Section 34 of Rules of Fair Practice

- (a) Every member shall be required to carry a blanket fidelity bond meeting requirements as to form amount and type of coverage as the Board of Governors may prescribe pursuant to the authorization granted by paragraph (b) hereof.
- (b) The Board of Governors is hereby authorized to adopt rules, regulations and procedures for blanket fidelity bonds concerning the form, amount and type of coverage thereof. The rules, regulations and procedures authorized hereby shall be incorporated into Appendix C to be attached to and made part of this rule. The Board of Governors shall have the power to alter, amend, supplement or modify the provisions of Appendix C from time to time without recourse to the membership for approval, as would otherwise be required by Article VII of the By-Laws. All contemplated changes will, however, be submitted to the membership for comment prior to effectiveness. Appendix C shall become effective as the Board of Governors may prescribe unless disapproved by the Securities and Exchange Commission.

Proposed Appendix C to Article III, Section 34

Every member required to join the Securities Investor Protection Corporation who is subject to Rule 15c3-1 under the Securities Exchange Act of 1934, and has employees, shall:

- (a) Maintain blanket fidelity bond coverage which shall include agreements covering at least the following:
 - 1. Fidelity (including Fraudulent Trading);
 - 2. On Premises (including Misplacement);
 - 3. In Transit (including Misplacement);
 - 4. Forgery or Alteration;
 - 5. Securities (including Securities Forgery) losses; and
 - 6. A requirement that the insurance carrier immediately

notify the National Association of Securities Dealers, Inc. in the event the bond is cancelled, terminated or substantially modified.

- (b) Have the minimum monetary coverage for all insuring agreements covered by paragraph (a) hereof of \$25,000 or 120% of required net capital as defined in SEC Rule 15c3-1, whichever is higher;
- (c) Be permitted to assume on a self-insurance basis up to \$5,000 or 5% of the minimum insurance requirement established by the Board, whichever is greater. Self-insurance in an amount exceeding these levels may be permitted upon prior written approval by the Association provided the member adequately demonstrates that it is unable to obtain a lower deductible, and agrees in writing to reduce its deductible so as to comply with the above-stated limits as promptly as possible; and
- (d) Report to the Association within ten (10) business days, in the event the minimum monetary coverage decreases below the levels established by paragraph (b) hereof.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

January 4, 1973

TO: All NASD Members

RE: Serialization of Notices to Members

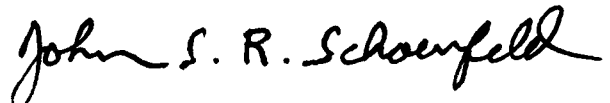
Commencing with this notice, all Notices to Members will be sent out from the Association with a sequential number and the year of issue. This system will provide ready identification, referencing, and distribution control and is offered as a service to members.

Members should maintain a file of these notices, many of which have information of lasting value. A summary of all notices issued during the quarter will be sent on the last day of each quarter giving serial number, subject, and to whom addressed.

Where the content of a notice makes further internal distribution desirable, Members may reproduce additional copies as needed. At the close of the calendar year, the Association will distribute a list of those notices issued during the year which, because of content, will remain in effect during the coming year; the remainder can be destroyed.

Requests for copies of missing notices or questions regarding the serialization should be addressed to the Office Services Administrator, Sally Howe, at the Executive Office (202) 833-7332.

Sincerely,



John S. R. Schoenfeld
Executive Vice President

JSRS:akd

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

January 8, 1973

RECEIVED

JAN 9 1973

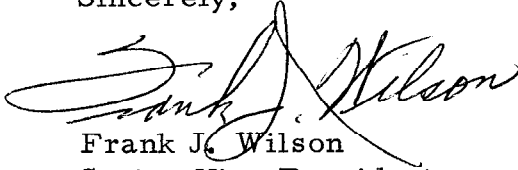
TO: All NASD Members

NASD
REGULATION

Attached is a copy of SEC Release No. 9922 setting forth certain interpretations of Rule 15c3-3, which becomes effective on January 15, 1973.

You are urged to review this material thoroughly. As noted in the release, additional interpretations may be promulgated as needed, and all such interpretations will be included in the NASD Manual.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation

Attachment

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Securities Exchange Act of 1934
Release No. 9922

DIVISION OF MARKET REGULATION'S
INTERPRETATIONS OF RULE 15c3-3
UNDER THE SECURITIES EXCHANGE
ACT of 1934

Since Rule 15c3-3 was adopted on November 10, 1972, the Commission's Division of Market Regulation has received a number of requests for interpretations of various provisions of the Rule. Rule 15c3-3 requires, in accordance with its terms, a reserve with respect to customer funds and obligates a broker or dealer to promptly obtain and thereafter maintain the physical possession or control of fully paid and excess margin securities of customers. Accordingly, the Commission is releasing today certain of the Division's interpretations of the Rule in the interest of assisting brokers and dealers in complying with the Rule's provisions. The interpretations herein are deemed controlling at this time.

Rule 15c3-3 represents the first comprehensive program undertaken by the Commission to provide regulatory safeguards over customers' funds and securities held by brokers and dealers. The Commission intends to monitor the Rule's operation for the protection of investors and the public interest, and as a result of this monitoring may issue additional interpretations from time to time.

Set forth below are interpretations of the Division of specific paragraphs of the Rule including certain of the definitions contained therein.

15c3-3(a)(1) - Definition - "Customer"

For the purpose of defining a "Customer" the following interpretations apply:

1. A general partner is not a customer of the broker or dealer in which he is a general partner.
2. A special or limited partner is a customer of the broker or dealer in which he is a special or limited partner with respect to any

account containing cash or securities other than those accounts which are part of the capital of the broker or dealer or are subordinated to the claims of creditors of the broker or dealer.

3. A director or principal officer is not a customer of the broker or dealer in which he is a director or principal officer. A principal officer means the president, executive vice president, treasurer, secretary or any other person performing a similar function with such broker or dealer. Any other officer of the broker or dealer is a customer of such broker or dealer.

4. Except as stated above, a subordinated lender or other capital contributor is a customer with respect to cash or securities held by the broker or dealer which are not subordinated or otherwise part of the capital of the broker or dealer.

5. A joint account, custodian account, participation in a hedge fund or limited partnership, or similar type accounts or arrangements by a person who would be excluded from the definition of customer with persons includable in the definition of customer, is a customer's account; provided, however, any of the foregoing accounts or arrangements which are by contract, agreement or understanding or by operation of law, part of the capital of the broker or dealer or subordinated to the claims of creditors of the broker or dealer shall not be customer accounts.

15c3-3(a)(5) - Definition - "Excess Margin Securities"

The term "excess margin securities" as defined in the rule is interpreted to mean those securities carried in a customer's security accounts having a market value in excess of 140% of the customer's net debit balance in such accounts. The net debit balance is determined by combining both debit and credit balances in all of a customer's security accounts exclusive of the credit balance in any bona fide short accounts after marking the short positions contained therein to the market. For the purposes of this paragraph only, when-issued transactions and unsettled security transactions in cash accounts will be ignored. The term "unsettled security transactions" is defined as unpaid for security purchases and as security sales where securities sold have not been received by the broker-dealer.

15c3-3(b) and (c) - Physical Possession or Control of Securities

The rule requires a broker or dealer to take timely steps in good faith to establish physical possession or control of customers' fully-paid and excess margin securities.

The rule permits same day receipt and redelivery (turnaround) of a security which is received as a result of the settlement of a transaction (same day receipt and redelivery does not include securities received as a recall from bank or stock loan, from safekeeping or from any control location), even if such security of such class and issuer are required for possession or control, provided that such turnaround does not create or increase a deficiency. It should be noted, however, that a broker-dealer must exercise due diligence to promptly obtain possession or control of fully paid and excess margin securities, including the taking of other steps prescribed by the rule for reducing or eliminating any deficiency. Further, the rule is interpreted to prohibit any delivery or removal of securities that would create or increase a deficiency in the quantity of securities by class and issuer required to be in possession or control of a broker or dealer. It is further interpreted that securities which are in-transit to or from depositories, correspondent brokers, banks, custodians, transfer agents and clearing corporations which are otherwise good control locations pursuant to the terms of the rule shall be deemed to be under the control of the broker-dealer to the extent that such items shall have been in transit from or to the broker-dealer for not more than 5 business days. The books and records of the broker-dealer shall clearly account for such items. An "in-transit" account may be used for this purpose.

15c3-3(d) - Requirement to Reduce Securities to Possession or Control

The time at which instructions must be issued to the cashiering section to acquire possession or control or the time at which such instructions may be released to the cashiering section are as follows:

(1) In the case of purchases of securities by customers; on or before the business day following settlement date or the business day following actual date of receipt of payment whichever is later.

(2) In the case of sales of securities by customers; not earlier than the close of business on the third business day before settlement date, which is deemed to allow adequate time for processing securities for pending deliveries.

A broker or dealer shall be required to determine the deficiency or excess of securities required for possession or control on a daily basis as of the close of business on the preceding day. A broker or dealer shall take action, if any is required by the rule, no later than the business day following the day on which such determination is made.

A broker or dealer shall be required to print or include in a separate record or listing, the status of those securities which have either an

excess or a deficit, and shall have available to determine the status of those securities which are neither in excess or deficit such books and records as may be necessary for verification.

The rule is interpreted to allow a broker or dealer to borrow securities needed for possession or control from another broker or dealer or from others rather than recall a security loaned, withdraw bank loan collateral or buy-in a dividend receivable. A broker or dealer may not borrow securities in lieu of other buy-in requirements in the rule such as fails to receive in excess of 30 days, short security differences and short in customer accounts in excess of 10 business days (paragraph (m)). Further, if instructions shall have been issued for the recall of a security loaned or for the withdrawal of collateral securities in a bank loan, a broker or dealer shall be permitted to make deliveries of that security to the extent that completion of such recall would create an excess, provided such security recalled is returned to the broker or dealer within two business days following the date of issuance of the instructions in the case of collateral securities in a bank loan and within five business days following the date of issuance of the instructions in the case of securities loaned.

It should be noted that the borrowing of securities for the purpose of their hypothecation in bank loan is prohibited under Sec. 220.6H of Regulation T of the Board of Governors of the Federal Reserve System.

A broker or dealer may eliminate a deficiency in a given security required for possession or control by revising the selection of securities in margin accounts (market value not in excess of 140% of the total of the debit balance in the customer's account or accounts) representing collateral for customers' indebtedness. In every instance where a broker or dealer has made a determination as to which securities within the permissible limits constitute margin securities and which securities constitute excess margin securities of customers or has made a revision thereof, the determination shall be clearly reflected in the records of the broker-dealer.

15c3-3(e) - Special Reserve Bank Account
for the Exclusive Benefit of Customers

Those brokers or dealers which make a weekly determination under the reserve formula will be permitted to net free credit and other credit balances in customers' security accounts (Formula - Item - 1), with the debit balance in customers' cash and margin accounts, excluding unsecured debits and accounts doubtful of collection (Formula - Item - 10), for the computations other than that as of the month end. If the normal month-ending day is other than that as of which a weekly computation would be made, only one computation will be required during that week, as of the

month-ending day. The month-end computation shall reflect customers' credit and debit balances separately, permitting, however, the combining of the balances in the several accounts of any one customer. Where customers' credit and debit balances are developed separately on a monthly basis, the amount of customers' unsecured debits and accounts doubtful of collection computed at that time may be used until the next monthly determination.

If customer balances are netted in weekly computations of the formula, to comply with the 1% reduction in debits requirement outlined in Note B(2) of the formula, a broker or dealer shall use in its weekly computations the amount of reduction to such debits which was applied at the previous month-end. In the event that netting of customer's balances on a weekly basis results in a credit, such credit will be increased by the amount of the 1% reduction computed as of the previous month-end.

The credit balance used in Item - 1 of the formula is interpreted to include the net balance due to customers in non-regulated commodity accounts reduced by any deposits of cash or securities with any clearing organization or clearing broker in connection with the open contracts in such accounts.

The market value of securities lodged in firm bank loan for which the broker or dealer does not have a corresponding proprietary long position shall be included as a credit in Item - 2 of the formula.

The Formula - Exhibit A - Allocation for Certain Firms

Items 3, 4, 11 and 12 of the Formula, concerning fails to receive, fails to deliver, stock loans and stock borrowings, are applicable to customer transactions. If it is impractical or unduly burdensome to determine which fail to receive contracts and fail to deliver contracts relate to proprietary accounts versus customer accounts and which securities loaned and securities borrowed are for proprietary accounts or customer accounts, an appropriate allocation may be made on a conservative basis to accomplish maximum protection for customers. If an allocation is used with regard to the foregoing items, the broker or dealer should be able to demonstrate that the results so obtained regarding designations of customer versus proprietary positions would be comparable to those which would be obtained if the respective positions had been developed without the use of an allocation. If an allocation is required to determine proprietary versus customer positions, the broker or dealer should make and maintain a record of each such allocation and preserve it in accordance with Rule 17a-4.

Debit Balances and Drafts Receivable in the Formula

The debit balance in Item - 10 of the formula shall include the debit in a related draft receivable when immediate credit has not been received on draft shipments of securities purchased by customers, provided that the debit in the customer's account for the purchase of the securities so drafted has been eliminated.

The debit balance in Item - 12 of the formula shall also include the debit balance in a related draft receivable when immediate credit has not been received on shipments to other brokers with draft attached, provided that the debit in the broker's fail to deliver account has been eliminated.

15c3-3(m) - Completion of Sell Orders on Behalf of Customers

If a customer sells a security "short against the box" such order to execute shall be deemed to be a sale of a security which the seller does not own.

By the Commission.

Ronald F. Hunt
Secretary

1/24/73

IMPORTANT!
NASD SPECIAL FORM Q SUPPLEMENT
FOR DETERMINING THE
RESERVE REQUIREMENTS OF MEMBERS UNDER RULE 15c3-3

For Period Ended _____
(Month/Day/Year)

Name and telephone number of person to contact with respect to this report:

(Name) (Phone Number)

* * *

On November 10, 1972, the Securities and Exchange Commission adopted Rule 15c3-3 to become effective January 15, 1973. This rule was developed in response to the Congressional mandate that rules and regulations be established to require the maintenance of reserves with respect to customers' deposits or credit balances.

In an effort to assist members in their understanding of the rule, the Association has conducted 44 seminars across the country at which over 3,000 representatives of member firms were present. The purpose of these seminars was to acquaint as many NASD members as possible with the provisions of the rule and the mechanics for determining compliance.

In a continuing effort to aid the broker-dealer community and provide the Association with a vehicle for determining the reserve requirements of members under Rule 15c3-3, a supplement to Form Q is enclosed for completion by all firms who are not members of the New York or the American Stock Exchanges. The form should reflect January, 1973 end-of-month balances and should be filed with the Association no later than February 20, 1973.

This supplement will be included in all subsequent Quarterly Financial Reports.

* * *

Date Supplement Filed: _____, 19____

(Manual Signature of a Principal Officer, Managing Partner or Sole Proprietor)

Return to:

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
c/o Regulation Department
1735 "K" Street, N. W.
Washington, D. C. 20006

SUPPLEMENT

Instructions for Special Form Q Supplement

FORMULA FOR DETERMINATION of RESERVE REQUIREMENT FOR BROKERS AND DEALERS UNDER RULE 15c3-3

NOTE: If your firm is subject to SEC Rule 15c3-3, complete Part I only. If, however, your firm is entitled to an exemption from this rule, disregard Part I and complete Part II only.

For your information, the requirements of Rule 15c3-3 are contained in Securities Exchange Act Release No. 34-9856, dated November 10, 1972. In addition, a recent SEC release concerning the effective date of the provisions of Rule 15c3-3 is reprinted on the back page of this supplement in response to the many questions on this subject which have been asked by members.

Item 64(a): Free credit balances and other credit balances in customers' security accounts.

Includes all outstanding drafts payable to customers which have been applied against free credit balances or other credit balances as well as checks drawn in excess of bank balances per the firm's records.

Item 65(a): Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection.

Debit balances in margin accounts are reduced by the amount by which a specific security (other than an exempted security) which is collateral for margin accounts exceeds in aggregate value 15% of the aggregate value of all securities which collateralize all margin accounts receivable; provided, that the required reduction is not in excess of the amount of the debit balance required to be excluded because of this concentration rule. A specified security is deemed to be collateral for a margin account only to the extent it represents in value not more than 140% of the customer debit balance in a margin account.

Debit balances in customers' cash and margin accounts included in the formula under item 65(a) are to be reduced by an amount equal to 1% of their aggregate value.

Item 67: Amount(s) held on deposit in "Reserve Bank Account".

If an amount is recorded in item 66(b) (i.e. total credits exceed total debits) item 67 must be completed. This entry should reflect the balance of cash and/or qualified securities held in the "Special Reserve Bank Account for the Exclusive Benefit of Customers" as of one hour after the opening of banking business on the second business day following the computation date. Such account(s) must be maintained whenever customer funds are required to be deposited in a reserve bank account.

Item 68(d): Exempted by order of the Commission.

If exempted by the Commission, a copy of the letter exempting the firm should be included with this supplement.

FOR RELEASE January 12, 1973

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Securities Exchange Act of 1934
Release No. 9946

EFFECTIVE DATE OF PROVISIONS OF RULE 15c3-3

The Commission has received numerous questions with regard to the effective date of Rule 15c3-3 under the Securities Exchange Act of 1934. These inquiries have been both by mail and telephone. Because of the impending effectiveness of the rule it is impossible to respond individually to all such inquiries in a timely fashion and the Commission is issuing this release to clarify the questions raised.

Rule 15c3-3, which requires broker-dealers to reduce fully paid and excess margin securities of customers to their possession and control, is effective as stated in Securities Exchange Act Release No. 9856 on Monday, January 15, 1973. The first computation of the reserve formula under the Rule for broker-dealers who have a responsibility to make a computation of the formula weekly shall be as of the close of business on Friday, January 19, 1973. For those broker-dealers who are required to compute the reserve formula monthly, the first computation shall be made as of the close of business on the last business day of January.

With regard to specific questions as to the retroactive effect of the rule it should be noted that the rule is not intended to operate retroactively. Specifically, paragraph (m) of the rule which requires the completion of certain sell orders on behalf of customers shall be effective for all transactions executed on or after January 15, 1973.

By the Commission.

Ronald F. Hunt
Secretary

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

January 8, 1973

RECEIVED

TO: All NASD Members

RE: Job Performance Data for Mutual Funds/Variable Annuity Registered Representatives

NASD REGULATION

The NASD has available for the membership Job Performance Data for Mutual Funds/Variable Annuity Registered Representatives. This analysis is the first step in the establishment of a new qualification program for the Association. Pursuant to incorporation of membership comment, the performance data will serve as: (1) the basis for establishing levels of Registered Representative competency within the Mutual Fund/Variable Annuities area, and (2) the criteria that could be used to measure the adequacy of training programs employed by members.

The Association is also well under way in making available for comment job performance data for three additional areas within the industry: General Securities Registered Representatives, Operations Principals, and OTC Traders. In short, the Association is in the midst of developing qualifications levels and training criteria for four initial categories of registration.

The above developments are the result of the work of an intra-industry task force of some 50 individuals representing a wide range of member firms -- the NYSE, AMEX, PBW, MWSE, and the NASD staff and the services of an outside consultant. Basically, these "subject matter experts" created a series of job performances which describe the capabilities of a highly qualified Registered Representative.

The data for Mutual Funds/Variable Annuities Registered Representatives does not represent entry level skills, but rather the subject matter of what may eventually be a multi-level qualification program for the Association.

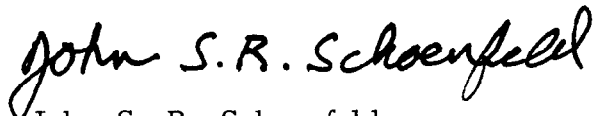
The implementation of such a program is dependent upon the consideration of many factors affecting training in the industry. Primary among these are the following:

January 8, 1973

1. The impact of new and higher standards on the industry, particularly on the smaller member firms, and the identification of steps which the NASD can take to ease the burden of transition.
2. The identification of various stages in which a new program can be implemented.
3. The need for the NASD to develop or otherwise to promote the development of training materials to meet the new requirements, particularly if such a step on the part of the Association will result in significant cost savings to the membership.

The NASD's Committee on Qualifications earnestly believes that each member, if he desires to do so, should carefully examine and validate the performance data. Copies of the Job Performance Data for Mutual Funds/ Variable Annuity Registered Representatives can be obtained by contacting the NASD, Department of Standards for Training and Qualification, 1735 K Street, N. W., Washington, D. C. 20006. If you wish to comment, please request your copy of the Job Performance Data promptly, as we anticipate the comment period to expire February 15, 1973.

Sincerely,



John S. R. Schoenfeld
Executive Vice President

JSRS: akd

Parullo

NOTICE TO MEMBERS: 73-4

NASD

RECEIVED

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

JAN 12 1973

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

NASD
REGULATION

January 12, 1972

TO: All NASD Members and Interested Persons

RE: Proposed New Regulations and Amendments to Existing Regulations

1. Proposed Amendments to By-Laws Governing Election of Members of District Committees and the Board of Governors (Sections 6 and 12 of Article IV)
2. Proposed Amendments to By-Laws Governing Nominating Committees (New Sections 20, 21, 22, 23, 24 and 25 of Article IV)
3. Proposed Article III, Section 35 of Rules of Fair Practice

The Board of Governors of the Association has proposed certain new regulations and amendments to existing regulations, as referenced above, which are being published by the Board at this time to enable all interested persons an opportunity to comment thereon. Such comments must be in writing and be received by February 11, 1973, in order to receive consideration. After the comment period has closed, the proposals must again be reviewed by the Board. Thereafter, the proposed new rules or rules changes must be submitted to the membership for vote. If approved, the proposals must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Explanation of Proposed Amendments

1. Proposed Amendments to By-Laws Governing Election of Members of District Committees and the Board of Governors (Sections 6 and 12 of Article IV)

The amendments to these sections of the By-Laws would extend from twenty (20) days to thirty (30) days the time within which members may nominate

an additional candidate or candidates for positions on District Committees and the Board of Governors. The amendments would also conform these sections to the new election procedure for Nominating Committees described below.

2. Proposed Amendments to By-Laws Governing Nominating Committees (New Sections 20, 21, 22, 23, 24 and 25 of Article IV)

The proposed new sections to Article IV of the By-Laws would establish a new procedure for the election of Association Nominating Committees and more clearly prescribe the duties and responsibilities of such Committees and the members thereof as well as the manner in which they must operate. Each of the Association's thirteen Districts has a Nominating Committee which has responsibility for nominating candidates to serve on the District Committee and the Board of Governors.

The election of Nominating Committees would be governed by proposed new Section 22 to Article IV of the By-Laws. At the present time, pursuant to the provisions of Section 12 of Article IV, Nominating Committees are appointed each year by the Chairman of the District Committee with the approval of a majority of the members of the District Committee. The persons appointed must be members having a place of business in the particular District and cannot be members of the District Committee. Under proposed subsection (a) of new Section 22, each year the nomination of candidates to the Nominating Committee to fill offices which are about to expire would be made by the existing Nominating Committee. Subsection (b) of proposed Section 22 provides that, upon action by ten percent or more of the members having places of business within the District, an additional candidate or candidates to the Nominating Committee may be nominated within thirty (30) days from notice to the membership of the Nominating Committee's candidates. Where additional candidates to the Nominating Committee are nominated, subsection (c) establishes a procedure for obtaining a vote of members having places of business in the District.

Proposed Section 20(a) makes clear that every District must have a Nominating Committee of five members and restates the existing requirement of present Section 12 of Article IV that the members of Nominating Committees must be members having places of business within the District and cannot be members of the District Committee. Proposed Section 20(b) establishes a new procedure for removal from office of a member of a Nominating Committee for refusal, failure, neglect or inability to discharge his duties. Proposed Section 21 specifies the term of office of members of Nominating Committees and proposed Section 23 establishes the procedure for filling vacancies on Nominating Committees. Under this procedure the

candidate to fill the vancancy must be elected as nearly as practicable in conformity with the election procedures of proposed Section 22 unless the unexpired term is less than six months, in which case the candidate is appointed by the remaining members of the Nominating Committee.

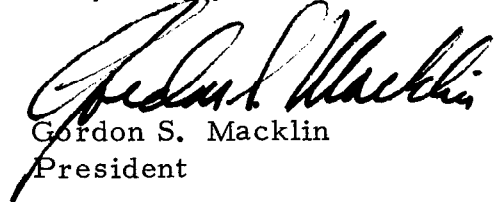
Proposed Section 24 provides that at meetings of Nominating Committees a quorum shall constitute a majority and authorizes such Committees to vote either in person, by mail, telegraph or telephone. Under proposed Section 25, every Nominating Committee would be required to designate one member to act as Chairman.

3. Proposed Article III, Section 35 of the Rules of Fair Practice

The proposed new Section 35 of Article III of the Rules of Fair Practice would incorporate the Association's Emergency Rules, dealing with restrictions on aged fails to deliver and fails to receive, into the Association's permanent rules. The proposed rule would codify existing Emergency Rules 70-1 and 70-2 which are located on pages 2005 and 2006 of the Association's manual. The Emergency Rules have been in existence since December, 1968, and are self-explanatory.

Any comments should be addressed to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N. W., Washington, D. C. 20006, on or before February 11, 1973. All communications will be considered available for inspection.

Very truly yours,



Gordon S. Macklin
President

Text of Proposals

New Material indicated by underlining
Deleted Material indicated by striking out

1. Proposed Amendments to Article IV, Sections 6 and 12 of the Association's By-Laws

Election of Board Member

Section 6 - The elected members of the Board of Governors shall be chosen as follows:

Procedure for Nominations by Nominating Committees

- (a) Before June 1 of each year, the Secretary of the Corporation shall cause notice to be given to the Chairmen of the respective District Committees of the expiration of the term of office of any member of the Board of Governors elected under Section 3(a) through ~~(d)~~ (e) of this Article which will expire during the next year. The said Chairman shall thereupon notify the Nominating Committee ~~appointed~~ elected for such District pursuant to the provisions of Section ~~12 (a)~~ 22 of this Article and such Nominating Committee shall proceed to nominate a candidate from such District for the office of each such member of the Board of Governors whose term is to expire. Nominating Committees in nominating candidates for the office of member of the Board of Governors shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the Board of Governors of all classes and types of firms engaged in the investment banking and securities business; no Nominating Committee shall nominate an incumbent member of the Board of Governors to succeed himself unless it first takes appropriate action (by a written ballot sent to the entire membership within the District) to ascertain that such nomination is acceptable to a majority of the members voting on such ballot in the District. Each candidate nominated by the Nominating Committee shall be certified to the District Committee by September 1 and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation having a place of business in the District. Such candidate shall be designated the "regular candidate."

Nomination of additional candidates

- (b) Ten percent or more of the members of the Corporation having places of business in the District may nominate an additional candidate or candidates for the office or any member elected under Section 3(a) through ~~(d)~~ (e) of this Article, and whose

term is to expire, if notice thereof in writing, signed by the required number of members, is filed with the District Committee within ~~twenty~~ thirty days from the date of the notice to members of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such ~~twenty~~ thirty-day period, the candidate or candidates nominated by the Nominating Committee shall be considered duly elected, and the District Committee shall certify the election to the Board of Governors.

Election of District Committeemen

Section 12 - Members of the District Committees shall be elected as follows:

Procedures for Nominations by Nominating Committee

- (a) Before June 1 of each year, the Secretary of the Corporation shall cause notice to be given to the Chairmen of the respective District Committees of the expiration of the term of office of any member of that District Committee which shall expire during the next year. The said Chairman, ~~with the approval of a majority of the members of such District Committee,~~ shall thereafter, but not later than July 1, ~~appoint a~~ advise the Nominating Committee ~~of five members (who shall be members of the Corporation having places of business in the District but not members of the District Committee),~~ which shall proceed to nominate a candidate from their District for the office of each member of the District Committee whose term is to expire. Nominating Committees in nominating candidates for the office of member of the District Committee shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the District Committee of the various sections of the District and of all classes and types of firms engaged in the investment banking or securities business within such District; and no Nominating Committee shall nominate an incumbent member of the District Committee to succeed himself unless it first takes appropriate action (by a written ballot of the entire membership within the District) to ascertain that such nomination is acceptable to a majority of the members in the District. Each candidate nominated by the Nominating Committee shall be certified to the District Committee by September 1, and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation having a place of business in the District. Such candidate shall be designated the "regular candidate."

Nomination of additional candidates

- (b) Ten percent or more of the members of the Corporation having places of business in the District may nominate an additional candidate for the office of any member whose term is to expire or for any new office created by the District Committee pursuant to Section 10 of this Article, if notice thereof in writing, signed by the required number of members, is filed with the District Committee within ~~twenty~~ thirty days from the date of the notice to members of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such ~~twenty~~ thirty-day period, then the candidate or candidates nominated by the Nominating Committee shall be considered duly elected and the District Committee shall certify the election to the Board of Governors.

2. Proposed Amendments to Association By-Laws Concerning Nominating Committees

Nominating Committee

Section 20

- (a) Each of the Districts created under Section 1 of this Article shall elect a Nominating Committee, as provided in Section 22 hereafter. Each such Nominating Committee shall consist of five members; provided, however, that the Board of Governors by resolution may increase any such Nominating Committee to a larger number. Members of the Nominating Committee in each District shall be members of the Corporation having places of business in the respective District, but shall not be members of the District Committee.
- (b) In the event of the refusal, failure, neglect or inability of any member of any Nominating Committee to discharge his duties, or for any cause effecting the best interest of the Corporation, the sufficiency of which shall be decided by the Nominating Committee, the Nominating Committee shall have the power by the affirmative vote of 3/5 of the members of the Nominating Committee then in office, to remove such member and declare his position vacant and that it shall be filled in accordance with the provisions of Section 22 of this Article; provided, however, that any member of any Nominating Committee who has had his position declared vacant in the manner provided herein shall have the right to appeal the determination of the Nominating Committee to the Board of Governors within 30 days after the date he is notified of the action of the Nominating Committee. The Board of Governors shall thereafter have the authority to affirm, reverse or modify the determination of the Nominating Committee.

Any such action by the Board shall be by the affirmative vote of at least 2/3 of the Governors then in office.

Term of Office of Nominating Committeemen

Section 21

Each regularly elected member of a Nominating Committee shall hold office for a term of one (1) year, and until his successor is elected and qualified, or until his death, resignation or removal.

Election of Nominating Committees

Section 22 - Members of the Nominating Committee shall be elected as follows:

Procedures for Nominations by Nominating Committees

- (a) Before June 1 of each year the Secretary of the Corporation shall cause notice to be given to the Chairmen of the respective District Committees as to those members of the District Nominating Committee who were elected for the present year and as to the offices of that Committee that are to be filled by the next election. The said Chairman shall thereupon notify the Nominating Committee elected for such District and the Nominating Committee shall proceed to nominate a candidate from such District for the offices of that Committee which are to be filled by the next election. The Nominating Committee in nominating candidates for the office of member of the Nominating Committee shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the Nominating Committee of the various sections of the District and of all classes and types of firms engaged in the investment banking or securities business within such District; and no Nominating Committee shall nominate more than two incumbent members of the Nominating Committee to succeed themselves. No member of any Nominating Committee may serve more than two consecutive terms. Each candidate nominated by the Nominating Committee shall be certified to the District Committee, by September 1, and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation having a place of business in the District. Such candidate shall be designated the "regular candidate."

Nomination of Additional Candidates

- (b) Ten percent or more of the members of the Corporation having places of business in the District may nominate an additional candidate for the office of any member whose term is to expire or for any new office created by the Board of Governors pursuant to Section 20 (a) of this Article, if notice thereof in writing, signed by the required number of members, is filed with the District Committee within thirty (30) days from the date of the notice to the members of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such thirty-day period, then the candidate or candidates nominated by the Nominating Committee shall be considered duly elected and the District Committee shall certify the election to the Board of Governors.

Contested Elections

- (c) If any additional candidate or candidates are nominated, as provided in paragraph (b) of this section, the District Committee shall forthwith cause the names of the regular candidate for any contested office and of all other candidates for such to be placed upon a ballot, which shall be sent to all members of the Corporation having places of business in the District. Each member of the Corporation having its principal place of business in the District shall be entitled to one vote, and each member having one or more registered branch offices in the District shall be entitled to vote as provided in Section 10 of Article I. The District Committee shall fix the date before which ballots must be returned to be counted. All ballots shall be opened by such officer or employee of the District Committee as its Chairman may designate, and in the presence of a representative of each of the candidates, if such representation is requested in writing by any candidate voted upon. The candidate for each office to be filled receiving the largest number of votes cast shall be declared elected to membership on the Nominating Committee and certification thereof shall be made forthwith to the Board of Governors. In the event of a tie, there shall be a run-off election. In all elections held under this Section, voting shall be by secret mail ballot, the procedure for which shall be prescribed by the Board of Governors.

Filling of Vacancies for Nominating Committees

Section 23 - All vacancies in any Nominating Committee other than those caused by the expiration of a member's term of office shall be filled as follows;

- (a) If the unexpired term of the member causing the vacancy is for less than six months, such vacancy shall be filled by appointment by the remaining members of the Nominating Committee

of some member of the Corporation having a place of business in the same District.

- (b) If the unexpired term of the member causing the vacancy is for six months or more, such vacancy shall be filled by election, which shall be conducted as nearly as practicable in accordance with the provisions of Section 22 of this Article.

Meetings of Nominating Committees

Section 24

Meetings of each Nominating Committee shall be held at such times and places, upon such notice, and in accordance with such procedure as each Nominating Committee in its discretion may determine. A quorum of a Nominating Committee shall consist of a majority of its members, and any action taken by a majority at any meeting at which a quorum is present, except as otherwise provided in the By-Laws, shall constitute the action of the Committee. Action by a Nominating Committee may be taken by mail, telephonic or telegraphic vote, in which case any action taken by a majority of the Committee shall constitute the action of the Committee. Any action taken by telephonic vote shall be confirmed in writing.

Election of Chairmen and Other Nominating Committee Officers

Section 25

Following the annual election of members of the Nominating Committees pursuant to Section 22 of this Article, each Nominating Committee shall elect from its members a Chairman and such other officers as it deems necessary for the proper performance of its duties under these By-Laws.

3. Proposed Article III Section 35 of the Rules of Fair Practice

- (a) No member, or person associated with a member, shall

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

(A) in respect to domestic securities, he

(i) has a fail to deliver in that security 60 days old or older and more than 10% of his total dollar volume of fails to deliver are 60 days old or older, or

(ii) has a fail to deliver in that security 90 days old or older; or

(B) in respect to foreign securities (except American Depository Receipts and Canadian securities), he

(i) has a fail to deliver in that security 120 days old or older and more than 10% of his total dollar volume of fails to deliver are 120 days old or older, or

(ii) has a fail to deliver in that security 150 days old or older.

(b) Each member who, at the end of any month, has any fail to receive or deliver in domestic securities 60 days old or older, or in the case of foreign securities (except American Depository Receipts and Canadian Securities) 120 days old or older shall file, with the District Director of the District in which its principal office is located, within 10 days after the end of such month, a list of such securities together with a statement as to the total dollar volume of his fails to deliver at month-end. 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.

(c) No member shall have a "fail to deliver" or a "fail to receive" on its books which is not cleared by it within thirty days after it reaches 60 days in age (120 days in the case of foreign securities except American Depository Receipts and Canadian Securities).

(d) For good cause shown and in exceptional circumstances, in situations where it can be demonstrated that

(1) the member has taken all necessary and reasonable steps to process the clearance of transactions and delay has not been occasioned on his account, where application of the rule would work hardship upon public customers and/or the member, and

(2) where the failure to meet the standards set forth above results from an occasional transaction and its peculiar nature such as a dispute arising from a legal transfer, a member may request exemption from the provisions of this rule hereof by written request to the District Director of the District in which his principal office is located who shall have the authority to grant exceptions when the above criteria have been met. There shall be no exceptions to the filing requirement of this rule.

PART III
OF
SCHEDULE D OF THE NASD BY-LAWS

Effective February 1, 1973

SCHEDULE OF CHARGES

A. Level 1 Service

The charge to be paid by the subscriber for each terminal capable of receiving this service is \$20 per month. Where more than one terminal serves a single subscriber and where all of the terminals are on the same premises, the charge for the second and each additional terminal shall be \$10 per terminal per month. In the event a terminal is connected for the first time during or disconnected prior to the end of the month, the full charge shall be paid as to each such terminal unless it was connected less than ten business days, in which event the charge shall be reduced by fifty per cent for such terminal for that month.

B. Level 2 Service

1. *Standard Service*

For each terminal utilizing this service, the subscriber shall pay to the operator of the NASDAQ System a monthly charge made up of a basic charge, a use charge and optional charges. The basic charge shall be \$475 per month for the first terminal, \$380 per month for the second terminal, and \$350 per month for each additional terminal where all of the terminals are on the same premises. The basic charge shall entitle the subscriber to utilize each terminal for purposes of making 100 quotations requests per day without payment of further charges for that terminal. The use charge shall be 10 cents per quotations request made through the terminal during the day in excess of 100.

In the event a terminal is connected for the first time during or disconnected prior to the end of the month, the full charge shall be paid as to each such terminal unless it was connected less than ten business days, in which event the charge shall be reduced by fifty per cent for such terminal for that month.

Upon installation, removal and relocation of Level 2 CRT (Cathode-Ray Tube) terminals and control units, the subscriber shall pay to the operator of the NASDAQ System the following charges:

Control Unit	New Installation		\$250/unit
	or		
	Complete Removal		
	Relocation to		\$325/unit
	New Address (Interoffice)		
	Relocation within		\$200/unit
	Same Address (Intraoffice)		
CRT Terminal	New Installation	Units 1-5	\$175/terminal
	or	Units 6-10	\$150/terminal
	Complete Removal	Units 11 & above	\$125/terminal
	Relocation to	Units 1-5	\$200/terminal
	New Address (Interoffice)	Units 6-10	\$175/terminal
		Units 11 & above	\$150/terminal
	Relocation within	Units 1-5	\$125/terminal
	Same Address (Intraoffice)	Units 6-10	\$115/terminal
		Units 11 & above	\$105/terminal
	Conversion from Level 2 to Level 3 Service		
	or		
	Level 3 to Level 2 Service		\$55/terminal

2. *Low Usage CRT Service* (Available only to those subscribers ordering the service prior to March 17, 1972, and to continue with those subscribers only until expiration of their present contractual term with operator of the NASDAQ System.)

Basic charge for Level 2 low usage CRT service		\$175.00/month
Free quote requests		None
Daily quote request charges	1-20	\$.15/each
	21 and up	\$.50/each

Installation, relocation and removal charges for the low usage CRT Service are to be the same as those for the standard NASDAQ service. Low usage service will not be made available for, nor retained in, any office which has, or subsequently contracts for, the standard NASDAQ Level 2 or Level 3 service. The low usage CRT Service is a specially designed pricing arrangement intended for firms that have minimum activity in the OTC market. This service provides the subscriber with the same CRT display and keyboard as the standard price service. The low usage service will not be available to an office which is also subscribing for a terminal with standard service nor will a subscriber be able to obtain more than one terminal in the same location under the low usage service.

3. *High Usage CRT Service*

Under this service, the basic charge for the first terminal in any office shall be \$675 per month. The basic charge for additional terminals in the same office and the charges for installation, relocation and removal of terminals shall be the same as those for the standard Level 2 NASDAQ service. This service will entitle the subscriber to utilize each terminal in the office for the purpose of making 650 quotations requests per day without payment of further charges for that terminal. The use charge shall be 10 cents per quotations request made in excess of 650 quotations requests multiplied by the number of terminals in the office on each and every business day. The total monthly basic and usage charges for this service for offices with five or fewer terminals located on the same premises shall not exceed \$2,680.

4. *Unlimited Usage CRT Service* (restricted to offices with 6 or more Level 2 terminals)

A subscriber office with six or more Level 2 terminals may elect to pay a basic charge for the first terminal of \$875 per month which will entitle the subscriber to unlimited quotations requests on all terminals in the office. All other charges shall be the same as those for the standard Level 2 NASDAQ service except that there shall be no usage charges.

5. *R. O. (Receive Only) Printer Option*

Teletype Model 35 R. O. Printer—Sprocket feed—with control module (for 1-RO35)	\$175.00/month
--	----------------

6. *Spare Terminal Equipment (uninstalled)*

CRT/Keyboard—uninstalled (no cabling provided)—usable only as a spare replacement for an already installed terminal for Level 2 or Level 3 service.	
Keyboard	\$ 20.00/month
CRT Display	\$ 60.00/month

A subscriber may change from one charge plan to another by giving at least thirty days advance written notice to the operator of the NASDAQ System. This schedule of charges shall apply only to members receiving service in the 48 contiguous states.

7. *Non-Member Charge*

Notwithstanding items 1 through 6 above, a non-member who utilizes NASDAQ Level 2 service shall pay to the operator of the NASDAQ System an additional charge of \$50 per month for each location or office utilizing such service, and shall, in addition to all other charges prescribed in this section III. B. be assessed \$75 monthly for each Level 2 terminal which shall be forwarded directly to the Corporation by the non-member subscriber.

C. **Level 3 Service**

1. *Standard Service*

For each terminal utilizing this service, the member shall pay to the operator of the NASDAQ System a monthly charge made up of a basic charge, a use charge, a listing charge and optional charges. The basic charge shall be \$475 per month for the first terminal, \$380 per month for the second termi-

nal, and \$350 per month for each additional terminal where all of the terminals are on the same premises. The basic charge shall entitle the registered market maker for each terminal to unlimited use for purposes of entering and changing quotes, to 100 quotations requests per day without payment of further charges, and to five stock listings without payment of further charges. The use charge shall be 10 cents per quotations request made through the terminal during the day in excess of 100. The stock listing charge shall be \$5 per month for each security as to which the market maker is authorized to enter quotations in excess of the five stock listings allowed under the basic charge of each terminal. The registration of a correspondent firm shall be counted as a stock listing of the market maker for billing purposes.

In the event a terminal is connected for the first time during or disconnected prior to the end of the month, the full charge shall be paid as to each such terminal unless it was connected less than ten business days, in which event the charge shall be reduced by fifty per cent for such terminal for that month.

Upon installation, removal and relocation of Level 3 CRT terminals and control units, the subscriber shall pay to the operator of the NASDAQ System the same charges as are set out in subparagraph B(1) of this paragraph III for Level 2 terminals and control units.

2. *Low Usage CRT Service* (Available only to those subscribers ordering the service prior to March 17, 1972, and to continue with those subscribers only until expiration of their present contractual term with operator of the NASDAQ System.)

Basic charge for Level 3 low usage CRT service	\$225.00/month
Free quote requests	None
Daily quote request charges	
1-20	\$.15/each
21 and up	\$.50/each
Free security listings	5/month
Excess listing charge	\$5.00/security per month for those securities not covered by the Level 3 terminal charge, but not to exceed an amount measured by the greatest number registered on any one day during the month, less free listings.

Installation, relocation and removal charges for the low usage CRT service are to be the same as those for the standard NASDAQ service. Low usage service will not be made available for, nor retained in, any office which has, or subsequently contracts for, the standard NASDAQ Level 2 or Level 3 service. The low usage CRT service is a specially designed pricing arrangement intended for firms that have minimum activity in the OTC market. This service provides the subscriber with the same CRT display and keyboard as the standard price service. The low usage service will not be available to an office which is also subscribing for a terminal with standard service nor will a subscriber be able to obtain more than one terminal in the same location under the low usage service.

3. *High Usage CRT Service*

Under this service, the basic charge for the first terminal in any office shall be \$675 per month. The basic charge for additional terminals in the same office, the listing charges and the charges for installation, relocation and removal of terminals shall be the same as those for the standard Level 3 NASDAQ service. This service will entitle the subscriber to utilize each terminal in the office for the purpose of making 650 quotations requests per day without payment of further charges for that terminal. The use charge shall be 10 cents per quotations request made in excess of 650 quotations requests multiplied by the number of terminals in the office on each and every business day. This service will also entitle the subscriber to unlimited use of each terminal for purposes of entering and changing quotes. The total monthly basic and usage charges for this service for offices with five or fewer terminals located on the same premises shall not exceed \$2,680. Such total charge shall not however include the \$5 charge for each security as to which the market maker is authorized to enter quotations in excess of five stock listings provided under the basic charge for each terminal.

4. *Unlimited Usage CRT Service* (restricted to offices with 6 or more Level 3 terminals)

A subscriber office with six or more Level 3 terminals may elect to pay a basic charge for the first terminal of \$875 per month which will entitle the subscriber to unlimited quotations requests on all terminals in the office as well as unlimited use of each terminal for purposes of entering and changing

quotes. All other charges shall be the same as those for the standard Level 3 NASDAQ service except that there shall be no usage charges.

5. *R. O. Printer Option*

Teletype Model 35 R. O. Printer—Sprocket feed—with control module (for 1-RO35) \$175.00/month

6. *Spare Terminal Equipment (uninstalled)*

CRT/Keyboard—uninstalled (no cabling provided)—usable only as a spare replacement for an already installed terminal for Level 2 or Level 3 service.

Keyboard \$ 20.00/month
CRT Display \$ 60.00/month

7. *Card Reader Option*

Mark Sense/Punch Card Reader and control for "Volume Entry Only" \$320.00/month

Installation, relocation and removal charges for items 4 and 6 above are to be the same as those for the standard NASDAQ service. These options are not applicable to the Low Usage Service.

8. *Local Posting System Option*

This option covers a modification to the Level 3 keyboard and control unit enabling a subscriber to use the Level 3 keyboard to enter quotes into an internal system of the subscriber, such as a display board, as well as into the NASDAQ system. Under this option, a subscriber may transmit to its internal system quotes on securities not authorized under paragraph II of Schedule D as well as those so authorized. \$ 60.00/month

The installation charge for the Local Posting System Option shall be \$150.00.

A subscriber may change from one charge plan to another by giving at least thirty days advance written notice to the operator of the NASDAQ system. This schedule of charges shall apply only to members receiving service in the 48 contiguous states.

D. Other Services

1. *Daily reports to the newspapers.* Reports required for regular public release, such as market summary information for newspaper publication, shall be produced in a format acceptable to most publishers without charge. Should such information be transmitted to another location at the request of any firm, or special analyses of such data be requested, a charge may be negotiated for such services by the operator of the NASDAQ System in conjunction with representatives of the Corporation and subject to the approval of the Corporation.

2. *Other requests for data.* The Corporation, or the operator of the NASDAQ System with the approval of the Corporation, may impose and collect compensatory charges for data from the System, supplied upon request, where there is no provision elsewhere in this paragraph III for charges for such service or sale.

E. Changes in Charges

Any changes in charges resulting from amendment to this Section III of Schedule D shall become effective no earlier than the first day of the month following 60 days after the announcement of any such amendment by the NASD. Any subscriber or subscriber location requesting a change in charge plan as provided in Section B. and C. above, 30 days or more prior to the effective date of such amendment shall, after such effective date, incur charges no greater than those charges which would result from the requested change in charge plan regardless of whether the requested change in charge plan has actually been accomplished or not.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

January 15, 1973

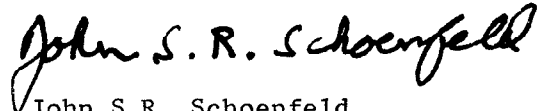
TO: All NASD Members and Branches

ATTN: Training Directors and Registration Departments

Enclosed is a new Schedule of Examination Centers which will be effective January 15, 1973. These new schedules are being mailed with all admission certificates sent out after January 15, 1973, but we are requesting you to notify all applicants now holding admission certificates that there is a new examination schedule in effect.

If there are any questions with regard to these changes, please contact Mr. Robert L. Lewis, Manager, Examination Department, (202) 833-7188.

Sincerely,



John S.R. Schoenfeld
Executive Vice President

JSRS:mvg

*As suggested in Notice to Members No. 73-1, please maintain a file of these serialized notices.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

January 23, 1973

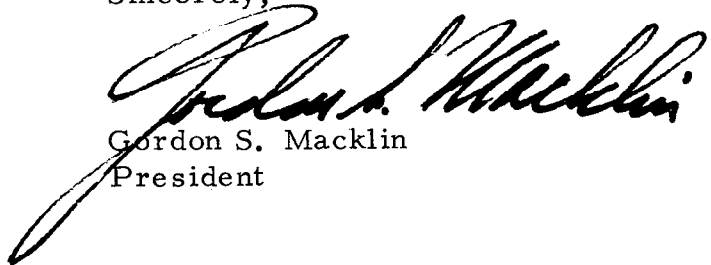
Important Emergency Notice

To: All NASD Members

The NASD respectfully requests all members to close their business operations on Thursday, January 25, in memoriam to Lyndon B. Johnson, the 36th President of the United States, who died on January 22, 1973.

The NASDAQ System, the Exchanges and the National Clearing Corporation will be closed on Thursday, January 25, 1973.

Sincerely,



Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

January 19, 1973

TO: All NASD Members
RE: 1973 Schedule of Holidays

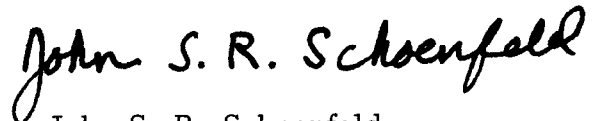
Listed below is the NASD 1973 Schedule of Holidays. Members will be notified subsequently as to whether NASDAQ and the Exchanges will be open on Good Friday, April 20.

Although October 8, Columbus Day, and October 22, Veterans' Day, are legal holidays, the markets will be open and all NASD offices will be staffed sufficiently to handle service calls and inquiries.

February 19
May 28
July 4
September 3
November 22
December 25

Washington's Birthday
Memorial Day
Independence Day
Labor Day
Thanksgiving Day
Christmas Day

Sincerely,



John S. R. Schoenfeld
Executive Vice President

JSRS: akd

* As suggested in Notice to Members No. 73-1, please maintain a file of these serialized notices.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION*

Attention Operations Officers

To: All NASD Members

January 19, 1973

Re: Uniform Practice Code Amendments

The Board of Governors of the National Association of Securities Dealers has recently adopted amendments to Sections 1(a), 15 and 17 of the Uniform Practice Code. A text of the new Sections is attached.

The amendment to Section 1(a) exempts from the Uniform Practice Code transactions which are compared, cleared or settled through the National Clearing Corporation and subject to the rules of the National Clearing Corporation. The amendment also deletes the provision which allows members by mutual agreement to make inapplicable certain or all sections of the Code. The NASD Board feels that all transactions between members should be covered by the Uniform Practice Code or the rules of the National Clearing Corporation.

The amendment to Section 15 is intended to relieve a purchaser from having to accept a partial delivery of securities if such delivery would leave the purchaser with an odd amount of securities undelivered.

The amendment to Section 17 changes the minimum denomination of delivery of bonds from multiples of \$500 to multiples of \$100. This is due to the increase in issues of bonds in denominations of less than \$1,000. Section 17 has also been rearranged into new subsections. The new section also states that, unless specified at the time of the trade, either coupon or registered bonds may be delivered, notwithstanding that there may be a charge for inter-changing one form with the other.

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, New York, 10004, (212) 269-6393.

Attachment
UPD#1

*The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provision of the Uniform Practice Code pending full application of NCC's national clearing system.

Section 1 (a)

All over-the-counter transactions in securities between members, except transactions in securities between members which are compared, cleared or settled through the facilities of the National Clearing Corporation and which shall be subject to the rules of the National Clearing Corporation and except transactions in securities exempted under Section 3 (a) (12) of the Securities Exchange Act of 1934, shall be subject to the provisions of this Code. ~~unless the parties agree that certain or all sections of the Code shall not pertain.~~

Section 15 - Part Delivery

The purchaser shall be required to accept a part delivery on any contract due ~~if tendered in lots of one trading unit or multiples thereof~~ provided the portion remaining undelivered ~~can be bought in under the procedures outlined in Section 59~~ is not an amount which includes an odd-lot which was not a part of the original transaction.

Section 17 - Units of Delivery - Bonds

(a) Each delivery of bonds or similar evidences of indebtedness in coupon bearer form shall be made in denominations of \$1000 or in denominations of \$100 or multiples thereof aggregating \$1000.

(b) Each delivery of bonds or similar evidences of indebtedness in fully registered

bond issues shall be made in denominations of \$1000 or multiples thereof or in amounts of \$100 or multiples aggregating \$1000 but in no event in denominations larger than \$100,000.

(c) Unless otherwise specified at the time of execution, contracts in bonds that are issuable in either coupon or registered form, shall be settled by delivery of bonds in either form pursuant to the denominations in sub-sections a) and b) above, notwithstanding that there may be a charge for inter-changing one form with the other.

(d) When a contract relating to a), b) and c) above is for a principal amount which is not a multiple of \$100, the parties shall agree, at the time of entering into the contract, as to the proper units of delivery.

Section 17 — Units of Delivery — Bonds

Coupon Bonds

~~(a) - Each delivery of bonds or similar evidences of indebtedness in coupon bearer form shall be made in denominations of \$500 or \$1000, - except that when a contract is for a principal amount which is not a multiple of \$500, - the parties shall agree, - at the time of entering into the contract, - as to the proper units for delivery.~~

Registered Bonds

~~(b) - Unless otherwise specified at the time of execution, - contracts in bonds that are issuable in either coupon or registered form, - may be settled by delivery of bonds in either form, - provided they are interchangeable without charge and are in denominations no smaller than \$1000 or larger than \$100,000. - If only registered bonds are issued and outstanding the same denominations will be considered a good delivery.~~

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 6, 1973

To: All NASD Members

Re: Notices Regarding Uniform Practice Code

The Board of Directors of the National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full application of NCC's national clearing system.

In the future, all notices to NASD members regarding the Uniform Practice Code will be distributed to the membership on NCC letterhead. However, because they are to be distributed to and apply to the entire NASD membership, they will be assigned a serialization number along with other NASD notices to members.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

TO: All NASD Members

February 6, 1973

Transactions made on Lincoln's Birthday, Monday, February 12, 1973 and on the business days immediately preceding that day, will be subject to the schedule of settlement dates below (for "regular-way" transactions). No settlements will be made on Monday, February 12, since most banking institutions will be closed. Securities markets and the NASDAQ system, however, will be in operation for trading.

The schedule takes into account that securities markets will be closed on Monday, February 19, 1973 in observance of Washington's Birthday.

February 12 shall not be considered as a business day in determining the day for settlement of a transaction, the day on which stock shall be quoted ex-dividend, or in computing interest in bonds.

Transactions made on February 12 will be combined with transactions made on the previous business day, February 9, for settlement on February 20.

Settlement dates for "regular-way" transactions

February 2	February 9
February 5	February 13
6	14
7	15
8	16
9 and 12	20
February 13	February 21
14	22
15	23
16	26
February 20	February 27

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N. Y., 10004, (212) 269-6393.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provision of the Uniform Practice Code pending full application of NCC's national clearing system.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

February 9, 1973

TO: All NASD Members

RE: Provident Securities, Inc.
32 Broadway
New York, N.Y. 10004

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of a SIPC Trustee for Provident Securities Inc., a New York located firm. Members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code.

Please refer to Section 59(h) for the detailed procedures.

All money differences and other matters of business should be taken up with the trustee.

SIPC Trustee: Mr. Scligson
Wiel, Gotshal & Manges
General Motors Building
57th Street and 5th Avenue
New York, N.Y. 10022
Telephone (212) 758-7800

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y. 10004, (212) 269-6393.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full application of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 9, 1973

NOTICE

TO: All NASD Members

RE: Mark-Ups in Transactions Involving
Low Priced Securities

The Board of Governors has accepted a recommendation of the Association's Committee to Review Mark-Up Policy that the Association advise the membership with respect to situations where a member charges a mark-up, mark-down or commission which is comparable to the minimum commission schedule of a registered national securities exchange. In some cases involving low priced securities, the mark-up or mark-down may exceed the 5% guideline in the Mark-Up Policy, but still be comparable to or less than the minimum commission schedule of a registered national securities exchange in transactions involving the same amounts of money. In these instances, the Board of Governors wishes to advise the membership that it does not believe that such transactions are in contravention of the Association's Mark-Up Policy. However, members should be aware that the Association will continue to vigorously enforce the guidelines of the Mark-Up Policy in appropriate situations.

Very truly yours,



Frank J. Wilson
Senior Vice President
Regulation

FJW:msb

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 13, 1973

I M P O R T A N T !

PLEASE DIRECT THIS NOTICE

TO ALL

FINANCIAL AND OPERATIONAL OFFICERS AND PARTNERS

TO: All NASD Members

RE: Buy-In Requirements Under SEC Rule 15c3-3

SEC Rule 15c3-3, "Customer Protection - Reserves and Custody of Securities", which became effective January 15, 1973, while providing a formula for the maintenance of basic reserves and setting standards concerning the physical possession or control of fully paid and excess margin securities of customers, also requires that a broker-dealer in certain instances reduce securities to his possession or control through a buy-in procedure.

The requirements that securities be obtained through a buy-in procedure are contained in subparagraphs (d)(2) and (d)(3) and paragraphs (h) and (m) of the Rule.

1. Subparagraph (d)(2) requires a broker-dealer who is carrying securities as fail to receive on his books and records more than 30 calendar days and customers' fully paid and/or excess margin securities of the same issue and class have not been reduced to his possession or control to take prompt steps to obtain physical possession or control of the securities in fail to receive through a buy-in procedure or otherwise;
2. Subparagraph (d)(3) also requires a broker-dealer who has securities receivable as a security dividend, stock split or similar distribution for more than 45 calendar days and customers' fully paid and/or excess margin securities of

the same issue and class have not been reduced to his possession or control to take prompt steps to obtain physical possession or control of securities so receivable through a buy-in procedure or otherwise;

3. Paragraph (h) requires that a broker-dealer buy in all short security differences which are not resolved within 45 calendar days after the date such difference was determined; and,
4. Paragraph (m) requires that a broker-dealer close out customer sale transactions by purchasing securities of like kind and quantity when the securities sold by the customer have not been physically obtained by the broker-dealer within ten business days past settlement date.

It should be noted that these requirements are not retroactive and apply only to those trades effected on or after January 15, 1973. (The applicable provisions of the Rule are enclosed herewith.)

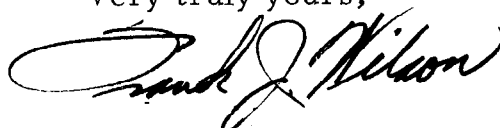
In light of the above buy-in requirements, the Rule provides that the Association or a registered national securities exchange may, upon application by a broker-dealer, extend any of the time periods specified in subparagraphs (d)(2) and (d)(3) and paragraphs (h) and (m) of the Rule.

In order to assist its members, the Association has developed the enclosed form which is to be used when applying to the Association for an extension of time under Rule 15c3-3. Such application should be directed to the District Office in which the member is located. Extension request forms may be obtained from any of the Association's District Offices.

It is extremely important to note that such extensions will be granted only if the Association is satisfied that the application is made in good faith and that exceptional circumstances warrant such action.

Please be advised that the staff of the Association's District Offices are available if they can be of further assistance in your understanding and compliance with the provisions of Rule 15c3-3.

Very truly yours,



Frank J. Wilson
Senior Vice President
Regulation

The following are the applicable provisions of Rule 15c3-3:

(d) Requirement to Reduce Securities to Possession or Control

Not later than the next business day, a broker or dealer, as of the close of the preceding business day, shall determine from his books or records the quantity of fully-paid securities and excess margin securities in his possession or control and the quantity of fully-paid securities and excess margin securities not in his possession or control. In making this daily determination inactive margin accounts (accounts having no activity by reason of purchase or sale of securities, receipt or delivery of cash or securities or similar type events) may be computed not less than once weekly. If such books or records indicate, as of such close of the business day, that such broker or dealer has not obtained physical possession or control of all fully-paid and excess margin securities as required by this rule and there are securities of the same issue and class in any of the following non-control locations:

(2) Securities included on his books and records as failed to receive more than 30 calendar days, then the broker or dealer shall, not later than the business day following the day on which such determination is made, take prompt steps to obtain physical possession or control of securities so failed to receive through a buy-in procedure or otherwise; or

(3) Securities receivable by the broker or dealer as a security dividend receivable, stock split or similar distribution for more than 45 calendar days, then the broker or dealer shall, not later than the business day following the day on which such determination is made, take prompt steps to obtain physical possession or control of securities so receivable through a buy-in procedure or otherwise.

* * * * *

(h) Buy-In of Short Security Differences

A broker or dealer shall within 45 calendar days after the date of the examination, count, verification and comparison of securities pursuant to Rule 17a-13 or otherwise or to the annual report of financial condition in accordance with Rule 17a-5, buy-in all short security differences which are not resolved during the 45 day period.

* * * * *

(m) Completion of Sell Orders on Behalf of Customers

If a broker or dealer executes a sell order of a customer (other than an order to execute a sale of securities which the seller does not own) and if for any reason whatever the broker or dealer has not obtained possession of the securities from the customer within ten business days after the settlement date, the broker or dealer shall immediately thereafter close the transaction with the customer by purchasing securities of like kind and quantity: Provided, however, the term "customer" for the purpose of this paragraph (m) shall not include a broker or dealer who maintains a special omnibus account with another broker or dealer in compliance with Section 4(b) of Regulation T.

(n) Extensions of Time

If a registered national securities exchange or a registered national securities association is satisfied that a broker or dealer is acting in good faith in making the application and that exceptional circumstances warrant such action, such exchange or association, on application of the broker or dealer, may extend any period specified in sub-paragraphs (2) and (3) of paragraph (d), paragraph (h) and paragraph (m), relating to the requirement that such broker or dealer take action within a designated period of time to buy-in a security, for one or more limited periods commensurate with the circumstances. Each such exchange or association shall make and preserve for a period of not less than three years a record of each extension granted pursuant to paragraph (n) which shall contain a summary of the justification for the granting of the extension.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
REQUEST FOR EXTENSION OF TIME PURSUANT TO SEC RULE 15c3-3

(The provisions of SEC Rule 15c3-3 are contained in the NASD Manual on pages 4099 through 4110. Complete and return both copies to your District Office.)

FIRM: _____ DISTRICT NO. _____

ADDRESS: _____ DATE: _____

PLEASE INDICATE REQUEST BY FILLING IN APPROPRIATE SPACES BELOW:

1. An extension of _____ days of the time period specified in subparagraph (d)(2).

Settlement Date	No. Shares	Security	Unit Price	Contra Broker-Dealer

2. An extension of _____ days of the time period specified in subparagraph (d)(3).

Payable Date	No. Shares	Security	Current Unit Price	Receivable From

3. An extension of _____ days of the time period specified in paragraph (h).

Date Determined	No. Shares	Security	Current Unit Price

4. An extension of _____ days of the time period specified in paragraph (m).

Settlement Date	No. Shares	Security	Unit Price	Customer Account Number or Name

INDICATE ACTION TAKEN AND DESCRIBE CIRCUMSTANCES WHICH MADE THIS REQUEST NECESSARY:

IS THIS THE FIRST EXTENSION REQUEST? Yes No

 AUTHORIZED SIGNATURE

FOR NASD USE ONLY

Previous Requests:		Extension of _____ calendar days. This extension expires on _____ Date
Request Modified:		
Request Granted:		Remarks:
Request Denied:		

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 13, 1973

NOTICE

TO: All NASD Members

RE: Recent Securities Exchange Act Releases
Concerning Rule 15c3-3

For your information, reprinted below are two important Commission releases pertaining to: (1) the application of certain provisions of Rule 15c3-3 to control locations for foreign securities and (2) the temporary suspension of the requirements of paragraph (m) of such rule with regard to transactions in exempted securities. You are urged to review this material thoroughly.

RELEASE NO. 9969

January 30, 1973

Securities Exchange Act of 1934

Control Locations for Foreign Securities Under Subparagraphs (c)(4) and (c)(7) of Rule 15c3-3 Under the Securities Exchange Act of 1934.

Introduction

Rule 15c3-3 under the Securities Exchange Act of 1934 requires a broker-dealer to promptly obtain possession or control of all fully paid securities and excess margin securities carried for the account of his customers and to act within designated time frames where possession or control has not been established. Subparagraphs (c)(4) and (c)(7) of Rule 15c3-3 deem control of customer securities to have been established if such securities are in the custody of a foreign depository, foreign clearing agency, foreign custodian bank or such other location which the Commission upon application shall designate as a satisfactory control location for securities.

Control Location for Foreign Securities

The Commission has recently received numerous written requests to designate certain entities as control locations for customers' foreign securities in order that broker-dealers may comply with the requirements to reduce such customer securities to their control. The applications are for the designation of foreign banks, foreign depositories and clearing agencies, foreign broker-dealers, domestic registered broker-dealers carrying foreign securities abroad for the customers of other broker-dealers and other entities as satisfactory control locations for such foreign securities.

As these requests were generally received within the two week period immediately preceding the effective date of Rule 15c3-3 and as the requested locations aggregated in excess of 100, the Commission staff is still in the process of reviewing them. Additionally, many broker-dealers through inadvertence may not have filed requests for designating entities as control locations for customers' foreign securities. Such broker-dealers should promptly file applications containing the name and a general description of the entity sought to be designated as a control location for foreign securities with Harry Melamed, Special Counsel, Division of Market Regulation, Securities and Exchange Commission, Washington, D. C. 20549.

Irrespective of whether a broker or dealer has filed a request, the Commission has determined that to the extent a broker-dealer has utilized a foreign entity (e. g., a foreign custodian bank) for holding customers' foreign securities in a foreign location, or a domestic entity which holds such broker or dealer's customers' foreign securities in a foreign location, as of January 15, 1973 or at any time within two years immediately preceding such date, such broker-dealer shall be permitted to utilize such entity as a satisfactory control location for such foreign securities under Rule 15c3-3 until May 31, 1973. However, the Commission may deem a specific entity as a non-control location at a date earlier than May 31 if the Commission determines that it would not be in the public interest or for the protection of investors to permit such entity to continue to be a control location for customers' foreign securities. Any such determination would be made publicly known to the brokerage community so it could take appropriate steps.

After reviewing these requests as well as obtaining such other information as may be necessary, the Commission anticipates that, on or about April 30, 1973, it will publish guidelines for control locations for foreign securities.

* * *

RELEASE NO. 9974

January 30, 1973

Securities Exchange Act of 1934

Temporary Suspension of Paragraph (m)
of Rule 15c3-3 to Exempted Securities

In the days immediately preceding the effective date of Rule 15c3-3 under the Securities Exchange Act of 1934 (January 15, 1973), the Commission was informed that certain banking and other financial institutions were unaware that the Rule, specifically paragraph (m), applied to exempted securities (e. g., U. S. government and municipal obligations) or that these institutions were to be considered customers of a broker-dealer and thus subject to the buy-in provisions of paragraph (m) of the Rule. It has been represented to the Commission that the application of paragraph (m) to exempted securities may create operational hardships with respect to the delivery of exempted securities, and, in this connection, the Commission has been requested to reconsider the applicability of the Rule with respect to exempted securities, particularly with regard to paragraph (m).

Paragraph (m) of Rule 15c3-3 requires that if a broker-dealer executes a sell order for a customer and if for any reason the broker-dealer has not obtained possession of the securities from the customer within 10 business days after settlement date, the broker-dealer shall immediately thereafter close the transaction by purchasing securities of like kind and quantity. The purpose of this provision is to insure that a broker-dealer promptly obtains possession of securities sold by customers. Prompt possession is necessary in order for the broker-dealer to be able to comply with other provisions of the Rule to reduce customers' fully paid and excess margin securities to his possession or control and for the broker-dealer to be able to promptly redeliver to other broker-dealers to whom deliveries are owed. A further objective of this provision is to improve the securities processing mechanisms employed by the securities industry by increasing the availability of securities to make deliveries and to accomplish timely settlements and thereby reduce fails in the settlement process.

The Commission does not intend that a provision designed to improve the financial responsibility and related practices of broker-dealers cause operational hardships. The Commission therefore suspends the operation of paragraph (m) as to sell orders for exempted securities (e. g., U. S. government and municipal obligations) until March 1, 1973.

The Commission is soliciting the comments of interested persons regarding the operational problems encountered by customers in making deliveries of exempted securities within the designated time frame of paragraph (m). After reviewing these comments, the Commission will set forth its views on these matters. Comments on the above Commission action should be addressed to Lee A. Pickard, Associate Director of the Division of Market Regulation, Securities and Exchange Commission, 500 North Capitol Street, N. W., Washington, D. C. 20549 and should be received no later than February 20, 1973.

Broker-dealers are reminded that paragraph (m) remains in effect as to sale transactions by all customers, including such financial institutions, with regard to all securities other than exempted securities.

The suspension of paragraph (m) with regard to exempted securities relieves a restriction within the meaning of 5 U.S.C. 553(d) and is effective immediately.

* * *

Any questions regarding the above releases should be directed to Robert L. Smith at (202) 833-7356.

Very truly yours,



Frank J. Wilson
Senior Vice President
Department of Regulation

FJW:msb

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 15, 1973

TO: All NASD Members

SUBJECT: Functional Directory - Membership Division

In order to assist you in locating - the first time - the proper person in the Membership Division to answer your questions regarding membership and registration the brief directory on the back of the page has been developed.

From time to time the individual assigned to a particular task will change, but the telephone number will nevertheless put you in contact with an individual who can assist you on the designated subject.

In the event you have a question of the Membership Division for which there is no listing in the directory, contact one of the following individuals:

Department of Member Firms:

Raymond A. Heffron, Director (202) 833-7195

Isabelle L. Hatton, Assistant Director (202) 833-7194

Registration/Examination Department:

Joseph C. Hill, Director (202) 833-7184

Janet G. Hale, Assistant Director (202) 833-7174

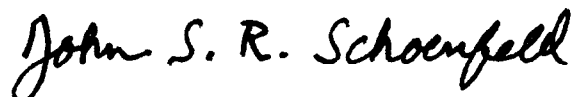
Special Registration Review Department:

Ralph T. Goetz, Director (202) 833-7297

The Executive Director of the Membership Division is
Joseph F. Thompson: (202) 833-7395.

(See Directory on the other side)

Sincerely,



John S. R. Schoenfeld

Executive Vice President

MEMBERSHIP DIVISION DIRECTOR Y

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

APPLICATIONS PENDING

Registered Representatives	(202)833-7176	Helen Bailey
Principals	(202)833-7178	Chris Limperos
Member Firms	(202)833-7199	Nellie Lee, Ann Sharp
SECO, Non-Member, and NCFE*	(202)833-7189	Joanne Hobson
State Law	(202)833-7176	Roberta Rimmer

BARS - Mandatory or Permissive	(202)833-7398	Catherine Strasburg
--------------------------------	---------------	---------------------

BRANCH OFFICE STATUS

Office of Supervisory Jurisdiction	(202)833-7190	Mary Hughes
Registered Branch Office	(202)833-7190	" "

DISTRICT DISCIPLINARY ACTIONS (Individuals)	(202)833-7393	Barbara Polonsky
---	---------------	------------------

EXAM CENTERS

Location - Time	(202)833-7188	Robert Lewis
Proctor Information	(202)833-7188	" "

GRADES (See TEST SCORES)

MEMBER FIRMS

Effective Date	(202)833-7199	Nellie Lee, Ann Sharp
Applications Pending	(202)833-7199	" " " "
Amendments	(202)833-7199	" " " "
Mergers, Acquisitions, Consolidations	(202)833-7199	" " " "

REGISTRATION

Registered Representatives	(202)833-7293	Barbara Jordan
Principals	(202)833-7293	" "
History of Individuals	(202)833-7293	" "
SECO or Non-Member	(202)833-7189	Joanne Hobson

TEST SCORES (over 30 days old)	(202)833-7293	Barbara Jordan
--------------------------------	---------------	----------------

TEST SCORES (less than 30 days old)

Registered Representatives	(202)833-7176	Helen Bailey
Principals	(202)833-7178	Chris Limperos
SECO, Non-Member, or NCFE*	(202)833-7189	Joanne Hobson
State Law	(202)833-7176	Roberta Rimmer

* - National Commodities Future Exam
(2/8/73)

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 27, 1973

I M P O R T A N T !

PLEASE DIRECT THIS NOTICE

TO ALL

FINANCIAL AND OPERATIONAL OFFICERS AND PARTNERS

TO: All NASD Members

RE: Requirement to Compute and Maintain
Reserves Per SEC Rule 15c3-3

In order to insure that members fully understand and are in compliance with the provisions and mechanics of SEC Rule 15c3-3, the Association is presently conducting a nationwide special examination program.

The preliminary findings of this program indicate that certain members, who have not claimed or are eligible for an exemption from the provisions of this Rule, have failed to compute the reserve formula and/or have not deposited the specified amount in their Reserve Bank Account or Special Account. In most instances, these same members have failed to notify the Commission, the Securities Investor Protection Corporation (SIPC) or the Association of their non-compliance with the requirements of this Rule.

It should be noted that paragraph (i) of the Rule requires every subject broker-dealer to immediately notify by telegram the Commission, SIPC, the Association and any national securities exchange of which it is a member in the event of failure to make the required deposit in its Reserve Bank Account. Such telegraphic notification must be promptly confirmed thereafter in writing.

In view of the importance of this matter, the Association wishes to advise members that failure to make the required calculation, deposit,

or notification to the appropriate regulatory authorities will be considered a serious infraction of the provisions of this Rule as well as Article III, Section 1, of the Association's Rules of Fair Practice and appropriate disciplinary action can be expected in all cases where such is warranted. Compliance with all aspects of this Rule is essential.

Very truly yours,

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

Frank J. Wilson
Senior Vice President
Regulation

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 28, 1973

TO: All NASD Members

SUBJECT: Identification at Examination Centers

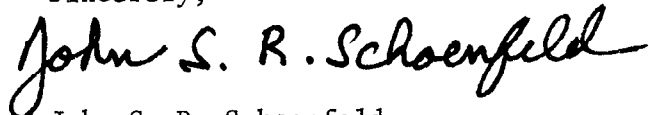
Beginning March 1, 1973, all candidates appearing at NASD examination centers will be required to provide positive identification. Preferably, candidates should present a valid driver's license with photo. If a driver's license is not available an identification card with the individual's signature will be required.

At various times we have noticed that several firms have sent large groups of candidates to regularly scheduled examination sessions, which in some instances has caused accommodation problems. Therefore, unless adequate space is available or prior arrangements have been made, the NASD proctors have been authorized to admit no more than ten (10) candidates from any one firm to any regularly scheduled sessions.

Note: There has been a printing error in the latest schedule of examination centers (January, 1973). The correct listing should read as follows:

Los Angeles - Every Monday, 1 P.M. - all exams. 2nd and 4th Thursday, 7 P.M. - all exams. California Teachers Association, 1125 W. 6th Street, Banquet Room, 1st Floor.

Sincerely,



John S. R. Schoenfeld
Executive Vice President

JSRS:sg