

NASD

NOTICE TO MEMBERS: 77-6
Notices to Members should be
retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 3, 1977

TO: All NASD Members

RE: A. H. Speer Co.
150 Page Ct.
220 W. Douglas
Wichita, Kansas 67202

ATTN: Operations Officer, Cashier, Fail-Control Dept.

On Tuesday, February 1, 1977, a SIPC Trustee was appointed for the above captioned firm. Previously, a temporary receiver had been appointed for the firm on January 25, 1977. Members may use the "immediate close-out procedures" as provided in Section 59(i) of the NASD's Uniform Practice Code to close-out open OTC contracts.

Questions regarding the firm should be directed to:

SIPC Trustee

Mr. Thomas R. Brunner
530 R. H. Garvey Building
300 West Douglas Avenue
Wichita, Kansas 67202

Telephone: (316) 263-8991

* * *

NOTICE TO MEMBERS: 77-7
Notices to Members should be
retained for future reference.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 8, 1977

IMPORTANT NOTICE and Survey Questionnaire

TO: ALL NASD MEMBERS
RE: NASDAQ OPTIONS PROGRAM

The NASD's Board of Governors has developed a program for the quotation display of standardized call options on the NASDAQ System. Development of the NASDAQ options program was preceded by and based upon a favorable expression of interest received in connection with a survey conducted of certain members in November, 1975. At this juncture, the program is close to being implemented. Before giving its final approval, however, the Board wants to have a true reading of anticipated membership participation in the program on the basis of recently-refined cost estimates. Accordingly, the Board asks for your cooperation in carefully reviewing this Notice and completing the attached questionnaire.

The NASDAQ Options Program

In connection with the development of the NASDAQ options program, a regulatory scheme consisting of rules, regulations and procedures for the governance of options trading by members was developed by the Board. The options rules package was circulated to the membership for comment in Notice to Members No. 76-8, dated February 10, 1976; Notice to Members No. 76-31, dated September 28, 1976; and, Notice to Members No. 77-5, dated January 28, 1977. Additionally, by mail vote under Notice to Members No. 76-24, dated July 22, 1976, new Section 33 to Article III of the Rules of Fair Practice was approved by the Association's membership. Section 33, which grants the Board authority to adopt a package of options rules and regulations was approved by the Securities and Exchange Commission on January 13, 1977. The complete options rules package was filed with the SEC for approval pursuant to SEC Rule 19b-4 on January 14,

1977 (File No. SR-NASD-77-2). In July, 1977, subject to SEC approval, the trading of NASDAQ call options in certain underlying over-the-counter securities will commence. ^{1/}

Generally, the regulatory package developed for the NASDAQ options program, and as described in Notices to Members, is comparable in design to that which has been developed by the various exchanges upon which options are traded. Members should refer to the above-referenced notices for details regarding the rules and regulations which will govern a member's participation in the NASDAQ options marketplace.

For most members, the decision to participate in the NASDAQ options program will be based upon a cost/benefit analysis of the program. That is, an evaluation of the cost of the program, in terms of both direct and indirect costs, against the potential benefits to be derived in the context of increased services for clients and new revenue opportunities for fulfilling firm objectives. The following specific aspects of the program are set forth in order to assist the membership in making that decision and in completing the attached questionnaire.

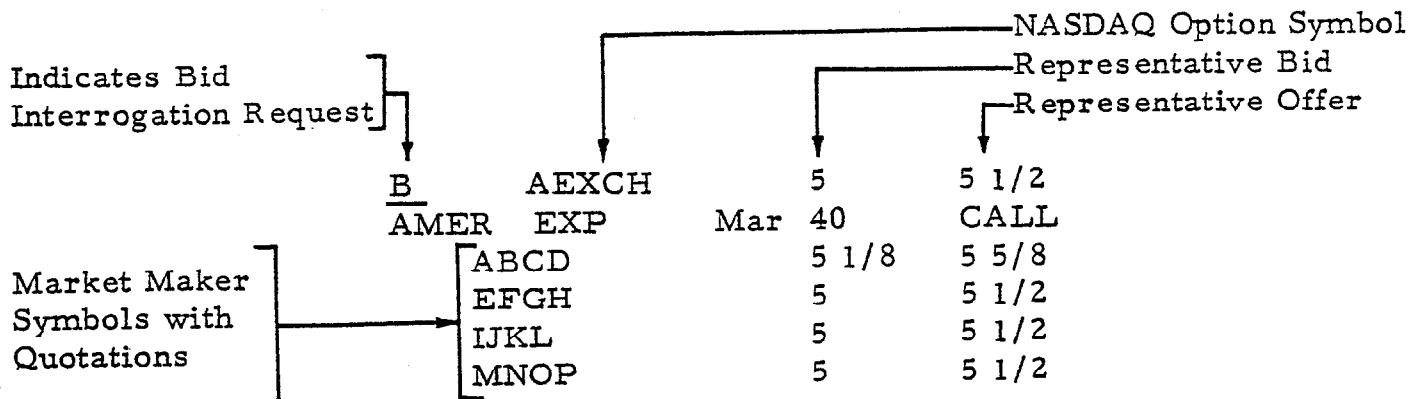
NASDAQ Options

Comparable to exchange-listed options, NASDAQ options will be standardized as to exercise price, expiration date and unit of trading. The Options Clearing Corporation (OCC) will be the issuer, obligor and clearing house for all NASDAQ call options.

Secondary markets for NASDAQ options will be maintained in a manner comparable to those maintained for NASDAQ securities. Continuous markets in NASDAQ options will be created and maintained by qualified NASDAQ options market makers. An important feature of the Association's NASDAQ options program will be the ability of market makers to simultaneously make markets in both NASDAQ options and their underlying securities.

The display format for quotations on the NASDAQ System by NASDAQ options market makers will be similar to that currently used for NASDAQ securities. Utilizing symbol identifications which conform to present industry standards, an American Express call option expiring in March with a striking price of \$40 would appear as follows when a Level 2 or Level 3 terminal device is interrogated for bid price information:

^{1/} Initial list of underlying securities eligible to be subject to NASDAQ options: American Express Company, Anheuser-Busch, Inc., Combined Insurance Company of America, Connecticut General Insurance Corporation, First Bank System, Inc., Franklin Life Insurance Company, Hoover, Inc., Liberty National Life Insurance, Pennzoil Offshore Gas Operators, Security Pacific Corporation and Tampax, Inc.



Under the NASDAQ options program, two new reporting dimensions for NASDAQ options and their underlying securities will be added to the NASDAQ System. With respect to completed NASDAQ option transactions, every member will be required to report to the NASDAQ System, within 90 seconds, last sale trade price information. Subject to certain exceptions, every member, including those not dealing in options, will be required to report to the NASDAQ System by 6:30 p.m. of the trade day, and on an individual basis, all sale transactions in securities which underlie NASDAQ options.

Trade Comparison Procedures

An important aspect of the NASDAQ options program is the trade comparison of completed NASDAQ option contracts. NASDAQ option contracts will be required to be compared on an overnight basis.

The Association will be responsible for the trade comparison function of NASDAQ options trading. Comparison of completed NASDAQ option contracts will be accomplished by the Association through an agreement with the American Stock Exchange (AMEX), allowing the Association to utilize AMEX's trade comparison package which employs the Securities Industry Automation Corporation (SIAC) as processor. Clearance, settlement and contract issuance will be performed by OCC. Because of these arrangements, it will be necessary for members participating in the NASDAQ options program to report their NASDAQ options trade data directly to the SIAC center located at 55 Water Street in New York City. In order to satisfy OCC and SIAC requirements for data submission, a reporting firm must either be a member of OCC and have a New York City office or must establish a clearing arrangement with a member of OCC located in New York City.

Utilizing the trade data supplied by clearing firms, SIAC will produce trade comparison reports on a daily basis. Reports will be made available through data distribution boxes located at the SIAC center and will include both a preliminary and a final list of rejected (uncompared) and advisory trades for each clearing member.

Uncompared items appearing on the preliminary report may be resolved by submitting corrected trade data to SIAC before the final report is prepared. In order to resolve uncompared items appearing on the final rejected trade list prior to the opening of trading on the following business day, a morning session will be held at facilities provided by the AMEX. Attendance at this morning session will be mandatory for any clearing firm having an uncompared or advisory item.

Costs

Development costs for the NASDAQ options program are approximately \$960,000. First year operating costs are estimated to be approximately \$920,000. Over a five-year period, total operating costs are estimated to be \$4.34 million. The rates outlined hereafter are based upon those estimated costs and amortization of development costs over a five-year period based upon an assumption of 200 terminal subscribers.

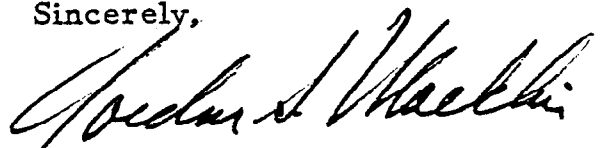
It is the Board's intent that the costs of the NASDAQ options program be borne by users of the various facilities necessary to operate a NASDAQ options market and the participants in that market. Thus, costs related to the development and operation of the NASDAQ options system will be recovered through fees charged to Level 2 and Level 3 subscribers who elect to receive NASDAQ options services. The proposed rate structure for Level 2 and Level 3 subscribers to the NASDAQ options service appears on pages 5, 6, 7 and 8 hereof.

The remainder of costs, including the cost of participant ownership in OCC and the cost of regulatory personnel assigned to monitor the program, will be recovered through an annual assessment of members' gross income attributable to transacting a business in NASDAQ options.

The Survey

Your careful consideration and discussion of the NASDAQ options program with appropriate personnel in your organization and your cooperation in completing the attached questionnaire will assist the Board of Governors in determining the extent of probable participation by the industry in the program. Please return your completed questionnaire by March 1, 1977, to the NASD using the return envelope provided.

Sincerely,


Gordon S. Macklin
President

NASDAQ Options Service Schedule of Proposed Rates

1. Addition of Options to Existing NASDAQ Terminals

Present NASDAQ subscribers can add Options to any or all of their existing NASDAQ terminals.

One-Time Charges

The one-time charge for adding Options to installed NASDAQ terminals is \$70 per location, irrespective of the number of terminals involved. The charge for removal of Options is \$70 per location.

Additional Monthly Charges for Options Level 2 and Level 3 Service Based on Basic NASDAQ Usage Plans

Basic Charges for Options on Terminals <u>1/</u>				Free Combined Options/ NASDAQ Quote Requests Per Terminal Per Day <u>3/</u>
NASDAQ Usage Plan <u>2/</u>	1st	2nd	3rd and subsequent	
Standard	\$250	230	210	100
High <u>4/</u>	250	230	210	650
Unlimited <u>5/</u>	250	230	210	Unlimited

1/ In addition to the basic charges, there will be a charge of 10¢ for each option trade reported either through the subscriber's terminal or through the NASDAQ supervisory office in New York City via Telex, TWX, or telephone or other accepted method of communication. There is no charge for reporting transactions in underlying securities.

The basic charges for Options Level 2 and Level 3 Service are the same. The basic charge for Level 3 Service includes five (5) stock or option listings without payment of further charges. The stock or option listing charge shall be \$5 per month for each stock or option as to which the market maker is authorized to enter quotations in excess of the five (5) stock or option listings allowed under the basic charge of each terminal. The registration of a correspondent firm shall be counted as a stock or option listing of the market maker for billing purposes.

2/ All terminals, both Options and NASDAQ, located on the same premises must be under the same usage plan.

3/ Quote requests for options will be included in the same count made for quote requests for NASDAQ/OTC securities. The combined count will be measured against the number of free quote requests provided in the basic charge and excess quote requests will be billed at the rate of 10¢ each. There are no charges for entering or changing quotations for NASDAQ or options securities in the System.

4/ The total monthly basic and excess quote charges under the High Usage Plan for offices with five (5) or fewer NASDAQ terminals located on the same premises shall not exceed \$2,655 plus the monthly basic charges for receiving NASDAQ options. Also, the total charges do not include the \$5 monthly fee for each stock or option listing provided under the basic charge for each terminal or the charge for reporting each option transaction of 10¢ per transaction.

5/ Unlimited service is restricted to offices with six (6) or more terminals of the same level of NASDAQ Service.

2. Options without NASDAQ on Additional Terminals at Existing NASDAQ Locations

Present NASDAQ subscribers may receive Options without NASDAQ Service on additional terminals at existing NASDAQ locations.

One-Time Charges

The new installation or complete removal charge is \$175/terminal for one to five additional terminals, with reduced charges for higher numbers of terminals.

Additional Monthly Charges for Options Based on Basic NASDAQ Usage Plans

Basic Charges for Options on Terminals <u>1/</u>				Free Options Quote Requests Per Terminal Per Day <u>3/</u>
NASDAQ Usage Plan <u>2/</u>	1st	2nd	3rd and subsequent	
Standard	\$325	305	285	100
High <u>4/</u>	325	305	285	650
Unlimited <u>5/</u>	325	305	285	Unlimited

1/ In addition to the basic charges, there will be a charge of 10¢ for each option trade reported either through the subscriber's terminal or through the NASDAQ supervisory office in New York City via Telex, TWX, or telephone or other accepted method of communication. There is no charge for reporting transactions in underlying securities.

The basic charges for Options Level 2 and Level 3 Service are the same. The basic charge for Level 3 Service includes five (5) stock or option listings without payment of further charges. The stock or option listing charge shall be \$5 per month for each stock or option as to which the market maker is authorized to enter quotations in excess of the five (5) stock or option listings allowed under the basic charge for each terminal. The registration of a correspondent firm shall be counted as a stock or option listing of the market maker for billing purposes.

2/ All terminals, both Options and NASDAQ, located on the same premises must be under the same usage plan.

3/ Quote requests for options will be included in the same count made for quote requests for NASDAQ/OTC securities. The combined count will be measured against the number of free quote requests provided in the basic charge and excess quote requests will be billed at the rate of 10¢ each. There are no charges for entering or changing quotations for NASDAQ or options securities in the System.

4/ The total monthly basic and excess quote charges under the High Usage Plan for offices with five (5) or fewer NASDAQ terminals located on the same premises shall not exceed \$2,655 plus the monthly basic charges for receiving NASDAQ options. Also, the total charges do not include the \$5 monthly fee for each stock or option in excess of the five (5) stock or option listings provided under the basic charge for each terminal or the charge for reporting each option transaction of 10¢ per transaction.

5/ Unlimited service is restricted to offices with six (6) or more terminals of the same level of NASDAQ Service.

3. Options without NASDAQ at New Locations

Organizations not now subscribing to NASDAQ may have a terminal or terminals with Options installed, without subscribing to NASDAQ Service.

One-Time Charges

The charge for new installation or complete removal is \$250 for a control unit plus \$175/terminal for 1-5 terminals, with reduced charges for higher numbers of terminals.

Monthly Charges

The following table of rates applies to locations with Options only.

Usage Plan	Basic Charges for Terminals <u>1/</u>			Free Quote Requests Per Terminal Per Day	Quote Requests in Excess of Free Requests
	1st	2nd	3rd and subsequent		
Standard	\$500	305	285	100	10¢
High <u>2/</u>	700	305	285	650	10¢
Unlimited <u>3/</u>	900	305	285	Unlimited	N/A

1/ In addition to the basic charges, there will be a charge of 10¢ for each option trade reported either through the subscriber's terminal or through the NASDAQ supervisory office in New York City via Telex, TWX, or telephone or other accepted method of communication. There is no charge for reporting transactions in underlying securities.

The basic charges for Options Level 2 and Level 3 Service are the same. The basic charge for Level 3 Service includes five (5) option listings without payment of further charges. The option listing charge shall be \$5 per month for each option as to which the market maker is authorized to enter quotations in excess of the five (5) option listings allowed under the basic charge of each terminal. The registration of a correspondent firm shall be counted as a stock or option listing of the market maker for billing purposes.

2/ The total monthly basic and excess quote charges under the High Usage Plan for offices with five (5) or fewer option terminals located on the same premises shall not exceed \$2345. The total charges do not include the \$5 monthly fee for each option in excess of the five (5) option listings provided under the basic charge for each terminal or the charge for reporting each option transaction of 10¢ per transaction.

3/ Unlimited service is restricted to offices with six (6) or more terminals.

4. Options and NASDAQ Service at New Locations

Organizations not now subscribing to NASDAQ may subscribe to both Options and NASDAQ Level 2 or Level 3 Service. Level 3 Service is restricted to NASD members.

One-Time Charges

The charge for new installation or complete removal is \$250 for a control unit plus \$175/terminal for 1-5 terminals, with reduced charges for higher numbers of terminals.

If Options and NASDAQ services are ordered at the same time, there is no additional charge for providing the Options capability on terminals. There is a charge of \$70 per location for removal of Options.

Options and NASDAQ Level 2 or Level 3 Monthly Charges

Basic Charges for Terminals <u>1/</u>				Free Combined Options/ NASDAQ Quote Requests Per Terminal Per Day <u>3/</u>
Options/NASDAQ Usage Plan <u>2/</u>	1st	2nd	3rd and subsequent	
Standard	\$ 725	610	560	100
High <u>4/</u>	925	610	560	650
Unlimited <u>5/</u>	1125	610	560	Unlimited

1/ In addition to the basic charges, there will be a charge of 10¢ for each option trade reported either through the subscriber's terminal or through the NASDAQ supervisory office in New York City via Telex, TWX, or telephone or other accepted method of communication. There is no charge for reporting transactions in underlying securities.

The basic charges for Options Level 2 and Level 3 Service are the same. The basic charge for Level 3 Service includes five (5) stock or option listings without payment of further charges. The stock or option listing charge shall be \$5 per month for each stock or option as to which the market maker is authorized to enter quotations in excess of the five (5) stock or option listings allowed under the basic charge of each terminal. The registration of a correspondent firm shall be counted as a stock or option listing of the market maker for billing purposes.

2/ All terminals, both Options and NASDAQ, located on the same premises must be under the same usage plan.

3/ Quote requests for options will be included in the same count made for quote requests for NASDAQ/OTC securities. The combined count will be measured against the number of free quote requests provided in the basic charge and excess quote requests will be billed at the rate of 10¢ each. There are no charges for entering or changing quotations for NASDAQ or options securities in the System.

4/ The total monthly basic and excess quote charges under the High Usage Plan for offices with five (5) or fewer NASDAQ terminals located on the same premises shall not exceed \$2,655 plus the monthly basic charges for receiving NASDAQ options. Also, the total charges do not include the \$5 monthly fee for each stock or option in excess of the five (5) stock or option listings provided under the basic charge for each terminal or the charge for reporting each option transaction of 10¢ per transaction.

5/ Unlimited service is restricted to offices with six (6) or more terminals of the same level of NASDAQ Service.

NASD

NOTICE TO MEMBERS: 77-8 /
Notices to Members should be
retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

February 17, 1977

To: ALL NASD MEMBERS
Re: 1977 Settlement Date Schedule

Several members have inquired about the effect of the 1977 Schedule of Holidays on Trade date - Settlement date schedules and customers payments under Regulation T of the Federal Reserve Board.

In Notice to Members 77-2, members were advised of the Schedule of Holidays as follows:

February 21, Monday	Washington's Birthday
April 8, Friday	Good Friday
May 30, Monday	Memorial Day
July 4, Monday	Independence Day
September 5, Monday	Labor Day
November 24, Thursday	Thanksgiving Day
December 26, Monday	Christmas

These days are considered non-business days and should be disregarded in calculating the days between trade date and settlement date and in counting days when Regulation T payments are due.

In October and November of this year there will be several days not on the above schedule for which the settlement date and Regulation T schedule will be changed and a notice will be forthcoming at that time i.e., Columbus Day, Veterans Day, etc.

Questions regarding this notice may be directed to the Uniform Practice Division (212) 952-4018.

NOTICE TO MEMBERS: 77-9
Notices to Members should be
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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 17, 1977

TO: All NASD Members

RE: Swift, Henke & Co., Inc.
175 W. Jackson Boulevard
Chicago, Illinois 60604

ATTN: Operations Officer, Cashier, Fail-Control Department

On Tuesday, March 15, 1977, a SIPC Trustee was appointed the above captioned firm. Previously, a temporary receiver had been appointed for the firm on March 14, 1977. Members may use the "immediate close-out" procedures as provided in Section 59(i) of the NASD's Uniform Practice Code to close-out open OTC contracts.

Accordingly, questions regarding the firm should be directed to:

SIPC Trustee
J. William Holland, Esquire
Trustee for the Liquidation of
Swift, Henke & Co., Inc.
Holland & Holland (Associated)
208 South La Salle Street
Suite 2000
Chicago, Illinois 60604
(312) 332-5292

NASD

NOTICE TO MEMBERS: 77-10
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retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

March 31, 1977

TO: All NASD Members

RE: Filing Requirements Re Member Advertising

Effective February 11, 1977, the New York and American Stock Exchanges revised their rules to eliminate requirements that members file advertising with the appropriate exchange prior to publication, except for options advertising, for which prior approval is still required by the American Stock Exchange.

The Association's Board of Governors has reviewed the action taken by the exchanges and has decided to retain the Association's after-the-fact filing requirements for at least a six-month period, during which time the impact of the filing requirement will be studied by a special ad hoc committee of the Board. Members should understand, however, that during this six-month period, and until further notice, members will continue to be required to file all advertising (as defined in the Board's Advertising Interpretation, Paragraph 2151.01 NASD Manual) with the Association's Advertising Department in Washington within five business days after first use or publication. While not required, filings prior to use will continue to be accepted and are encouraged.

Association members who are also members of the aforementioned exchanges should be particularly cognizant of these filing requirements since such dual members may now be required to file material with the Association which has not previously been filed. The Association's filing requirements exclude advertisements which have ". . . received clearance from a registered stock exchange . . . designated by the Board of Governors as having substantially the same standards . . ." as the Association. No change is being made to this exemption, so members who voluntarily pre-clear advertising with the NYSE or ASE, or who comply with the pre-publication filing requirements of the ASE or CBOE with respect to options advertising, will not be required to file advertising with the NASD, unless the material is related to investment company securities. If pre-approval by an exchange is not obtained, however, members must now file with the Association within five business days.

The special Advertising Committee of the Board, which will monitor the impact of retaining our requirements, will also review all comments submitted by members on this subject and members are encouraged to make their views known to the Committee. Specifically, comments are solicited on:

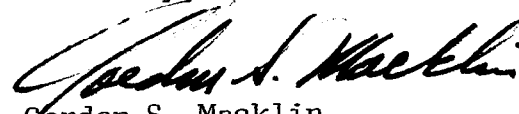
1. Whether there is any reason for the Association to consider an advance approval requirement.
2. Whether the current after-the-fact requirement is an effective enforcement-compliance tool and whether it should be retained.
3. If the current after-the-fact requirement were eliminated, what would be the most efficient enforcement mechanism to put in its place.

On the third point, the NYSE will be using a system of reviewing a one month sample of member advertising and sales literature once a year. Member comments are requested on whether this type of system would be appropriate for the Association or whether, considering the number and types of firms comprising the Association's membership, there are equally efficient alternative methods of enforcement available.

Members should also be aware that the Board is making no changes to the separate and distinct filing requirements applicable to members' advertising and sales literature concerning investment company securities (mutual funds and variable contracts.) Thus all members must continue to file such material with the Association's Advertising Department within three days after first use, regardless of whether such material has been submitted to another regulatory organization. (See Paragraph 5002 NASD Manual.)

Comments on any matter covered by this release, or questions concerning the specific application of the Association's filing requirements, should be addressed to Robert L. Butler, 1735 K Street, N.W., Washington, D. C. 20006 (202-833-7270). All comments received will be available for public inspection.

Sincerely,


Gordon S. Macklin
President

NOTICE TO MEMBERS: 77-11
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NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 8, 1977

TO: All NASD Members

RE: Quarterly Check List of Notices to Members
(First Quarter, 1977)

Topically indexed below are the Notices to Members which were issued during the first quarter of 1977.

For a recapitulation of Notices to Members during all of 1976, please refer to No. 77-1.

<u>Topic</u>	<u>Serial No. and Summary Description</u>	<u>Date</u>
Advertising	77-10 Filing Requirements	3/31/77
Check List of Notices	77-1 Quarterly Check List (Fourth Quarter, 1976)	1/14/77
Direct Participation Programs	77-3 Mail Vote on Proposed new Section and Appendix of Rules of Fair Practice	1/21/77
Holiday Schedule	77-2	1/14/77
Options	77-5 Rule Proposals for Comment 77-7 Survey Questionnaire	1/20/77 2/8/77
Receivers & Trustees, Appoint- ment of	77-4 A.H. Speer Co. 77-6 A.H. Speer Co. 77-9 Swift, Henke & Co.	1/27/77 2/3/77 3/17/77
Settlement Dates	77-8	2/17/77

NOTICE TO MEMBERS: 77-12
Notices to Members should be
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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

IMPORTANT INFORMATION

PLEASE DUPLICATE THIS NOTICE
AND FORWARD COPIES TO TRADERS AND
OTHER INTERESTED PERSONNEL

TO: ALL NASD MEMBERS
FROM: JOHN H. HODGES, JR.
SENIOR VICE PRESIDENT/MEMBER SERVICES
RE: STABILIZING BIDS IN NASDAQ
DATE: April 8, 1977

The Board of Governors has adopted an amendment to Schedule D under Article XVI of the By-Laws to permit the inclusion in the NASDAQ System of stabilizing bids which contain penalty provisions. Effective immediately, penalty stabilizing bids may be entered into the NASDAQ System provided that the penalty applies only to selling concessions and that no delivery stipulations or other restrictions exist. Penalty stabilizing bids will be identified as such by the symbol PBID appearing to the right of the bid quotation.

The amended paragraph reads as follows:

Part I C3(b)

- ii) CHARACTER - The stabilizing bid may not be qualified by legend or delivery restrictions. A penalty stipulation may be attached to the stabilizing bid provided the penalty stipulation is applicable to selling concessions only.

Registered market makers are reminded that the stabilizing rules and procedures should be carefully reviewed and considered in connection with applicable securities laws, particularly to ensure that stabilizing activity is in compliance with SEC Rule 10b-7.

* * * * *

NASD

NOTICE TO MEMBERS: 77-13⁹
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be retained for future
reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 20, 1977

NOTICE

TO: All NASD Members And Interested Persons

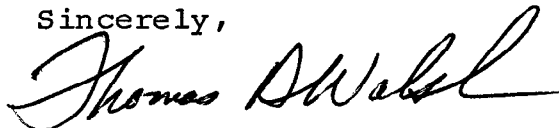
RE: Amendments To Schedule E Of Article IV,
Section 2(c) Of The Association's By-Laws

Enclosed herewith are proposed amendments to Schedule E of Article IV, Section 2(c) of the Association's By-Laws. Schedule E deals with the public distribution of issues of members' securities and affiliates thereof. These amendments have been proposed by the Board of Governors of the Association as a result of experience gained in the implementation of Schedule E.

The proposed changes are being published at this time to enable all members and other interested parties an opportunity to comment thereon. Such comments must be in writing and received by the Association by May 23, 1977 in order to receive consideration. After the comment period has expired, the proposals must again be reviewed by the Board and approved by it and then submitted to and approved by the Securities and Exchange Commission prior to becoming effective.

All comments should be addressed to Mr. Thomas D. Walsh, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006. All comments will be available for inspection. Questions should be addressed to the Corporate Financing Department of the Association (202-833-7240).

Sincerely,



Thomas D. Walsh
Secretary

INTRODUCTION

The proposed amendments to Sections 1 and 4 of Schedule E of the Association's By-Laws set forth herein represent refinement, expansion or liberalization of existing policies, as follows:

- (1) expansion of the definition of "affiliate" to include debt offerings and/or exchange offers of direct participation programs and real estate investment trusts;
- (2) clarification and refinement of the provisions of Section 4(a) with respect to the requirements that qualified independent underwriters establish the offering price in offerings where a member is participating in the distribution of an affiliate's securities and that those underwriters be represented by legal counsel independent of the issuer and the member-affiliate;
- (3) addition of a new paragraph under Section 4 prohibiting stockholders of a parent of a member who are actively engaged in the member's investment banking business from selling their securities in an offering of the parent's securities in which the member firm is participating unless a bona fide independent market exists for the securities and certain provisions regarding stability of the member and the requirement of independent underwriters are met; and
- (4) liberalization of the provisions of Section 4(b) to allow a member-affiliate to participate in offerings of securities to be exchanged or tendered notwithstanding the fact that the offering may not be offered on a firm commitment basis, as is presently required; provided the provisions regarding stability of the member are met and a bona fide independent market exists for the securities.

EXPLANATION OF PROPOSED AMENDMENTS

SECTION BY SECTION ANALYSIS OF PROPOSED AMENDMENTS

Section 1 -- Definitions

This Section would be amended to expand the definition of "affiliate" to include debt offerings and exchange offers of direct participation programs and real estate investment trusts. Up until this point, offerings of direct participation programs and real estate investment trusts have been excluded from compliance with the provisions of Schedule E primarily because of the unique structure of these types of offerings. Unlike conventional securities offerings, initial offerings of direct participation programs and real estate investment trusts are characterized by little or no pricing considerations. The initial public offering price of these offerings is normally established by determining the total capital necessary for a program to meet its objectives and dividing that amount by the number of units to be issued. Also, since virtually no after-market trading occurs in the majority of the direct participation program offerings, there is less concern about the relationship between initial offering prices and after-market prices. For these reasons it was believed that requiring independent underwriters to establish the price of these offerings was unwarranted.

Recently, however, real estate investment trusts and direct participation programs have been the subject of a number of exchange offers. In other words, the sponsor of a series of public limited partnership programs may offer to exchange units of a newly established program having an undeterminable value for all the outstanding units of prior programs, the value of which can be determined, for purposes of consolidating its operations. In these instances the Board feels that the terms of the exchange offer should be evaluated by two independent underwriters to assure that investors are treated fairly in the exchange of their program interests. Thus, the Board believes the expansion of the definition of "affiliate" to encompass exchange offers of direct participation programs and real estate investment trusts in which a member-affiliate desires to participate, as well as debt offerings thereof, is necessary and in keeping with the objectives of Schedule E.

Section 4(a)(1) and (2)

Existing Section 4(a)(1) requires compliance with the provisions of Section 3(a)(1) and (2), which basically

state that a member underwriting an issue of securities of an affiliate must: (1) secure the participation of two qualified independent underwriters, and (2) that those two qualified independent underwriters be represented by legal counsel independent of the issuer-member. The two new paragraphs (1) and (2) under Section 4 proposed herein serve to restate and clarify these provisions in Section 4 itself, thereby eliminating the need to refer back to the provisions in Section 3.

In the past some uncertainty has arisen as to whether a third counsel is required to represent the underwriting or participating member-affiliate where both the issuer and the independent underwriters are represented by separate counsel. The new language is intended to clarify this point as it applies to offerings by a member of its affiliate's securities, i.e., a third counsel is not required to be employed by the member where the issuer and independent underwriters are represented by separate counsel. It would require only that independent underwriters be represented by counsel which is independent of the issuer or member-affiliate.

In light of the above changes, the remaining paragraphs under Section 4(a) would be renumbered.

Section 4(a) (7)

This is a new paragraph under Section 4 but is reflective of the existing provisions of Section 2(b)(1)d. of the Schedule. It would apply to the sale of securities of a parent of a member by a stockholder who is actively engaged in the business of the member firm. (The term "parent" is defined under Section 1 of Schedule E.) The provisions of Section 2(b)(1)d. presently prohibit a stockholder of a member firm who is actively engaged in the conduct of the member's investment banking business, a member of his immediate family or an affiliate of the member, from selling any portion of his ownership interest in the issuer-member in a public offering in which the member participates except where a bona fide independent market exists for the securities. New paragraph (7) of Section 4(a) mirrors that provision in that it would prevent stockholders of a member who are actively engaged in the member's business, a member of their immediate family or an affiliate of that member from being permitted to sell any portion of their ownership interest in the issuing parent in any offering where a bona fide independent market does not exist for the securities.

Thus, where a stockholder of a member going public is currently prohibited from selling his securities in a self-underwritten offering where there is no public market for the securities of the member, i.e., an initial public offering, under the new provision, stockholders of the member's parent would now also be prohibited from selling any securities of the parent in an offering underwritten by a member-affiliate. It is the Board's opinion that such selling practices are not in the public interest and, in fact, would be contrary to the primary purpose of initially going public, i.e., the seeking of public funds for capitalization purposes.

Section 4(b)

This amendment to subsection (b) of Section 4 represents a liberalization of existing policy. Participation by a member in the underwriting or selling group of an issue of an affiliate's securities is presently limited to those offerings which are the subject of a firm commitment underwriting. Further, participation may not exceed ten percent (10%) of the total dollar amount of the offering and the financial stability requirements of Section 3(a)(3) must be satisfied by the member. The new provision would allow member-affiliates to participate in certain tender and exchange offers without employing independent underwriters to price the securities. Since tender and exchange offers are not normally made on firm commitment terms, under the existing provision a member was automatically precluded from participating in a best-efforts tender or exchange offer of an affiliate even though the member was able to meet all the other basic requirements. The new provision would allow qualified member-affiliates to participate in such offerings, but all other types of offerings which are not underwritten on a firm commitment basis would still be subject to the prohibition. The new provision provides some relief in that it recognizes that due to the nature of these types of offerings, a qualified member which is affiliated with an issuer should be allowed to participate; however, the participating member-affiliate would still be required to limit its participation to no more than 10% of the securities actually tendered or exchanged and meet the financial and stability requirements of Section 3(a)(3), and a bona fide independent market must exist for the securities.

PROPOSED AMENDMENTS TO SCHEDULE E TO ARTICLE IV,
SECTION 2(c) OF THE ASSOCIATION'S BY-LAWS

It is proposed that the following sections of Schedule E be amended by deleting the language which has

been lined out and by adding the language which is underlined. Schedule E in its entirety appears in the manual commencing on page 1101-3.

Section 1 -- Definitions

(a) Affiliate:

- (1) [Unchanged]
- (2) [Unchanged]
- (3) [Unchanged]
- (4) [Unchanged]
- (5) [Unchanged]

provided, however, that the term "affiliate" shall not be deemed to include an investment company registered as such with the Securities and Exchange Commission pursuant to the provisions of the Investment Company Act of 1940, as amended; a separate account as defined in Section 2(a)(37) of the Investment Company Act of 1940, as amended; a real estate investment trust as defined in Section 856 of the Internal Revenue Code or a ~~non-debt-offering-of~~ a direct participation program; except that the term shall be deemed to include a debt and/or exchange offer of a direct participation program or real estate investment trust.

* * * * *

Section 4 -- Member Underwriting or Participating in the Distribution of Issue of Securities of an Affiliate

(a) Any member may underwrite or participate as a member of the underwriting syndicate or selling group in the distribution of an issue of securities of an affiliate only if:

~~(1) the offering price is established pursuant to the provisions of Section 3(a)(1) and the provisions of Section 3(a)(2) are complied with;~~

(1) the price at which the issue is to be distributed to the public is established by the member-affiliate at a price no

higher than that recommended by two qualified independent underwriters who shall also participate in the preparation of the registration statement and the prospectus, offering circular, or other comparable document, and each of whom shall exercise the usual standards of due diligence in respect thereto;

(2) the referred to two qualified independent underwriters are represented by legal counsel independent of the issuer and its member-affiliate who shall review the information contained in the registration statement and the prospectus, offering circular, and other comparable document, and issue an opinion as to whether they conform to all requirements of the federal securities laws and, in case of an intrastate offering, whether they conform to all of the requirements of the state with jurisdiction.

~~(2)~~ (3) [Unchanged]

~~(3)~~ (4) [Unchanged]

~~(4)~~ (5) [Unchanged]

~~(5)~~ (6) [Unchanged]

(7) A stockholder of a parent of a member who is actively engaged in the conduct of the the member's investment banking or securities business, a member of his immediate family, or an affiliate of that member, is not permitted to sell any portion of his ownership interest in the issuing parent in any offering unless a bona fide independent market exists for the securities and the provisions of Section 4(a)(1), (2) and (3) hereof are complied with.

(b) Notwithstanding the provisions of subsection (a) hereof, a member may participate as a member of the underwriting or selling group in the distribution of an issue of an affiliate-issuer's securities which is the subject of a firm commitment underwriting managed by an underwriter who is a qualified independent underwriter in an amount not exceeding 10% of the total

dollar amount thereof, provided the requirements of Section 3 4(a)(3) have been fully satisfied by the member; except that in the case of tender or exchange offers the member-affiliate may participate up to 10% of the securities tendered or exchanged notwithstanding the fact that it may be offered on a best efforts basis, provided the offering is managed by a qualified independent underwriter, the member-affiliate satisfies the requirements of Section 4(a)(3), and there is a bona fide independent market for the securities to be tendered.

* * * * *

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 22, 1977

TO: All NASD Members

RE: Qualification of Registered Options Principals

On September 28, 1976, the Association forwarded Notice to Members: 76-31 containing a number of rule proposals regarding the NASDAQ options program. Following member comment, these rules, as amended, were approved and adopted by the Board of Governors and filed with the Securities and Exchange Commission for approval pursuant to SEC Rule 19b-4. Subject to SEC approval it is anticipated that NASDAQ options trading will commence in July, 1977. One of the rules filed with the Commission is an amendment to Schedule "C" of Article I, Section 2(d) of the Association's By-Laws concerning the registration and qualification of Registered Options Principals (ROPS). The text of this rule is included at the end of this notice.

The proposed new Schedule "C" of the By-Laws would be amended by adding two parts pertaining to options principals. Section 4 of Part I would require any member engaged in any put or call options activities, whether for the account of a public customer or for the account of the firm, to have a person associated with such member registered with the Association as a "Registered Options Principal." Section 4 would also require all persons who are actively engaged in the management, direction or supervision of the day-to-day options activities of any member to be registered with the Association as Registered Options Principals. This provision is designed to embrace firms and persons not only engaging in the contemplated NASDAQ options program but also those engaging in conventional or traditional over-the-counter option transactions and non-exchange firms (access firms) engaging in exchange listed option transactions through exchange members. This is a new provision and will apply notwithstanding that your firm has previously, or is presently, engaged in options transactions of these types.

Section 2(f) of Part II would require that as a condition to becoming a Registered Options Principal, a person associated with a member must pass an appropriate qualification examination for Registered Options Principals, or an equivalent acceptable to the Association. Section 2(f) would also specify that a person shall not qualify as a Registered Options Principal for both put and call options unless he has passed an examination testing him with respect to both put and call options.

The Association is mindful that the qualification of options principals has been an important facet of the regulatory structure of the existing options exchanges. It is not the intent of the Association, therefore, to add a level of duplicative requirements in the qualifications of options principals where such a requirement would add little to the protection of public investors and the maintenance of orderly securities markets. The Association believes that these interests can be served by coordinating its qualification requirements with the existing requirements of the options exchanges. In order to meet this objective, the Association will implement its Registered Option Principal qualification requirements in the following manner:

1. Grandfathering of Exchange Registered Options Principals

The Association intends to grandfather those persons associated with its members who have qualified as Registered Options Principals with one or more of the options exchanges. The Association believes that no regulatory purpose would be served by requiring exchange qualified ROP's to sit for an additional qualification examination. The specific procedures to be followed in effecting the registrations of exchange qualified ROP's with the Association will be the subject of another Notice to Members following SEC approval of the amendments to Schedule "C".

2. Pre-qualification of NASD Registered Options Principals

The proposed amendments to Schedule "C" do not provide for a grace period following the effective date during which a member firm can engage in options activities without first having qualified at least one person as a Registered Options Principal. Accordingly, it is in the interest of the member and strongly advised by the Association that persons who will assume the responsibilities of Registered Options Principals take steps prior to the currently

anticipated effectiveness of the new Registered Options Principal provisions, which could be sometime in early July, to meet the requirement to pass a written qualification examination. This requirement will be satisfied as to call option contracts by passing the existing Registered Options Principal Examination of the options exchanges which is administered by the Association. Inasmuch as this test deals only with call option contracts, persons who pass it will be subject to additional testing on put option contracts in order to qualify as ROP's with the Association unless otherwise qualified as to puts by one or more of the options exchanges. It is expected that a new ROP examination will be implemented in June, 1977. Since this new examination will cover both put and call option contracts, persons who pass it will not be subject to additional testing. The requirement of additional testing with respect to put option contracts will therefore apply to those persons who:

- a. have not qualified for the ROP requirements for puts of one or more of the options exchanges; and
- b. qualify with the Association as to call option contracts, only, by passing the ROP examination in effect up to the time the new ROP examination covering both puts and calls is implemented.

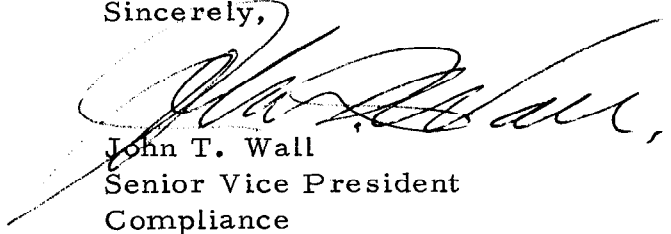
Request forms for the ROP examination can be obtained from the Qualifications and Examinations Department at the Association's Executive office or any one of its fourteen District offices.

3. Uniform Registered Options Principal Examination

The Association will work with the existing options exchanges to develop a uniform ROP Examination which will meet the requirements of all self-regulatory organizations with an interest in this area. Association staff personnel and appropriate committees will be working in the next few months to develop a body of questions relating to NASDAQ options and option strategies. These test questions will be combined with the questions developed by the options exchanges to form a single, uniform ROP Examination. It is expected that this uniform examination will be implemented shortly after the initiation of the NASDAQ options trading.

Questions regarding this notice and the availability of study materials may be directed to Frank J. McAuliffe, Director of the Qualifications and Examinations Department, (202) 833-7394.

Sincerely,



John T. Wall
Senior Vice President
Compliance

PROPOSED AMENDMENTS TO SCHEDULE C OF
ARTICLE I, SECTION 2(d) OF THE BY-LAWS

Part I,
Section 4

Every member of the Corporation which is engaged in, or which intends to engage in transactions in put or call options with the public, or for its own account, shall have at least one Registered Options Principal who shall have satisfied the requirements of Part II, Section 2(f) hereof. A member which has a Registered Options Principal qualified in either put or call options shall not engage in both put and call option transactions until such time as it has a Registered Options Principal qualified in both such options. Every person actively engaged in the management, direction or supervision of the day-to-day options activities of a member shall also be registered as a Registered Options Principal.

Part II,
Section 2

(f)(1) Each person required by Part I, Section 4 hereof to be a Registered Options Principal shall pass the appropriate qualification examination for Registered Options Principal, or an equivalent acceptable to the Corporation, and be registered as such before engaging in the duties or accepting the responsibilities of a Registered Options Principal.

(f)(2) A person shall not qualify as a Registered Options Principal for both put and call options unless he has passed an examination testing him with respect to both put and call options.

NOTICE TO MEMBERS: 77-15
Notices to members should
be retained for future
reference.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 26, 1977

TO: All NASD Members

RE: Request for Information on Participation
in Intrastate Offerings of Securities

It has come to the attention of the Association that some intrastate registered offerings of securities in which members have participated have not been submitted to the Association's Corporate Financing Department for review as required.

The Interpretation of the Board of Governors With Respect to Review of Corporate Financing (NASD Manual pages 2020-2034) specifically states that all intrastate public offerings of securities in which a member or its associated persons participates shall be filed for review notwithstanding the fact that intrastate offerings are exempt from filing with the Securities and Exchange Commission pursuant to Section 3(a)(11) of the Securities Act of 1933 and/or Rule 147 thereof. The designation of the persons responsible for filing the appropriate documents is set forth in that Interpretation. Offerings which specifically claim an exemption under Rule 146 and/or Section 4(2) of the Act but which are nonetheless required to be registered with a particular state securities commission, either in part or in their entirety, are not required to be filed under the Interpretation.

Information on the participation in intrastate offerings by members or persons associated therewith was previously recorded on broker/dealer Form Q. However, in December 1975 that form was replaced by the FOCUS Report which currently makes no provision for the reporting of this information. The Association believes this request for information is necessary to and consistent with its regulatory program.

Therefore, all members of the Association or persons associated therewith that have participated in an intrastate offering of securities since January 1, 1976 are requested to complete the accompanying form and forward it, along with a copy of the offering circular pertaining to each offering listed, to the Association's Corporate Financing Department for review. Members or their associated persons which have not participated in any intrastate offerings, either as managing underwriter, selling group member, selling agent, or in some other capacity deemed in connection with the distribution thereof, do not need to complete the form.

The enclosed questionnaire and related materials, as well as any inquiries regarding this notice, should be directed to the Association's Corporate Financing Department to the attention of George E. Warner or John D. McCoy (202-833-7240)

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank J. Wilson".

Frank J. Wilson
Senior Vice President
Regulatory Policy
and General Counsel

Enclosure

1976-77 NASD Intrastate Public Offering Questionnaire
(List all offerings for the period of January 1, 1976 through April 30, 1977)

FIRM NAME: _____

ADDRESS: _____

TELEPHONE (include area code and Representative to contact): _____

Complete the following for each intrastate public offering in which your firm or associated persons has participated since January 1, 1976. If extra space is required, use reverse side of the page.

	Name of Offering	State in which Registered	Effective Date	Managing Underwriter (if any)	No. of Units, Shares, Etc. Sold by Your Firm	Gross Dollar Amount of Commissions and Expense Reimbursements to Your Firm
1.	_____	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____	_____
4.	_____	_____	_____	_____	_____	_____
5.	_____	_____	_____	_____	_____	_____
6.	_____	_____	_____	_____	_____	_____
7.	_____	_____	_____	_____	_____	_____
8.	_____	_____	_____	_____	_____	_____

Please attach one copy of each offering circular for the above listed intrastate public offerings. All inquiries and materials regarding the above should be directed to the Corporate Financing Department, c/o NASD, 1735 K Street, N.W., Washington, D.C. 20006 (202-833-7240).