

NASD

NOTICE TO MEMBERS: 77-44
Notices to Members should be
retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

RECEIVED

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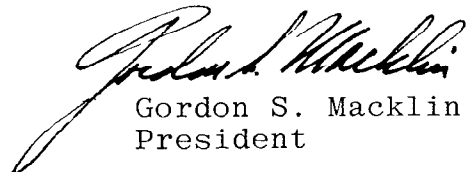
December 2, 1977

TO: All NASD Members
RE: 1978 Schedule of Holidays

Listed below is the NASD 1978 Schedule of Holidays.

January 2, Monday	New Year's
February 20, Monday	Washington's Birthday
March 24, Friday	Good Friday
May 29, Monday	Memorial Day
July 4, Tuesday	Independence Day
September 4, Monday	Labor Day
November 23, Thursday	Thanksgiving
December 25, Monday	Christmas

Sincerely,


Gordon S. Macklin
President

NASD

NOTICE TO MEMBERS: 77-45
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retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

December 9, 1977

IMPORTANT

MAIL VOTE

Officers * Partners * Proprietors

TO: All NASD Members

RE: Mail Vote on Proposed Amendments to Article XVII, Sections 1, 2 and 3 of the By-Laws Concerning Comparison, Clearance and Settlement of Securities Transactions

Last Voting Date is January 9, 1978

Enclosed herein are proposed amendments to Article XVII, Sections 1, 2 and 3 of the Association's By-Laws concerning the comparison, clearance and settlement of securities transactions. The proposed amendments must be approved by the membership and must be submitted to and approved by the Securities and Exchange Commission ("Commission") prior to becoming effective.

By letter dated September 27, 1977, the Commission requested that the Association take steps to amend certain of its rules which relate to the comparison, clearance and settlement of securities transactions to conform these rules to the requirements of the Securities Acts Amendments of 1975 ("1975 Amendments"). In general, the Commission believes that the subject rules discriminate in favor of the National Securities Clearing Corporation ("NSCC") and thereby hinder the development of the national clearing system mandated by the 1975 Amendments. Specifically, Section 11A(c)(5) of the Act stipulates that no "registered securities association may limit or condition the participation of any member in any registered clearing agency". Section 15A(b)(6) of the Act requires that the rules of a national securities association be designed "to foster cooperation and coordination with persons engaged in regulating, clearing, settling...and facilitating transactions in securities....," and Section 15A(b)(9) of the Act prohibits the rules of a national securities association from imposing any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. These sections


complement Section 17A(a)(2) of the Act, which directs the Commission "to use its authority under [the Act] to facilitate the establishment of a national system for the prompt and accurate clearance and settlement of transactions in securities..." having due regard for, among other things, the maintenance of fair competition among brokers and dealers, clearing agencies and transfer agents. Section 31(b) of the 1975 Amendments requires that the rules of self-regulatory organizations must conform to the requirements of the Act.

In accordance with the Commission's request, the Board of Governors at its meeting on November 18, 1977, voted to amend certain rules which relate to the comparison, clearance and settlement of securities transactions included in the By-Laws, Code of Arbitration Procedure and the Uniform Practice Code of the Association. All proposals considered by the Board must be submitted to and approved by the Commission prior to becoming effective but only the proposed amendments to Article XVII, Sections 1, 2 and 3 must, pursuant to the provisions of Article IX of the Association's By-Laws, be voted upon and approved by the membership. Therefore, the present mail vote pertains solely to the proposed amendments to Article XVII, Sections 1, 2 and 3 of the By-Laws.

These proposed By-Law amendments are important and merit 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 January 9, 1978.

The Board of Governors believes these proposed amendments are necessary and appropriate in the public interest and recommends that members vote their approval.

Sincerely,



Gordon S. Macklin
President

Explanation of Proposed Amendments to Article XVII,
Sections 1, 2 and 3 of the By-Laws

Section 1 - Transactions to Be Cleared Through Facilities of
Registered Clearing Agencies

The proposed amendment to Section 1 eliminates any reference to the NSCC and thereby makes it clear that over-the-counter transactions in securities between members may be cleared and settled through the facilities of any registered clearing agency. The proposed amendment to Section 1 includes a new paragraph (d) which allows members involved in a transaction to mutually agree to clear and settle outside the facilities of a registered clearing agency.

Section 2 - Transactions Subject to Rules of National Securities
Clearing Corporation

This proposed amendment will rescind Section 2 which currently requires all transactions cleared through the NSCC to be subject to the rules of the NSCC. This section is proposed to be deleted in view of the fact that it is directly within the purview of the NSCC and not the Association at this time.

Section 3 - Aggrievement Procedures

This proposed amendment will rescind Section 3 which currently provides procedures for handling complaints related to the NSCC. This section is proposed to be deleted in view of the fact that it is directly within the purview of the NSCC and not the Association at this time.

Text of Proposed Amendments

The following is the full text of the proposed amendments to rules which relate to the comparison, clearance and settlement of securities transactions included in the By-Laws of the Association. New language is underlined and deleted language is stricken or indicated by the phrase "rescinded" where the whole rule is being repealed:

BY-LAWS

ARTICLE XVII

Clearing and Settling of Transactions of Members

Transactions to Be Cleared Through Facilities of
Registered Clearing Agencies

Sec. 1. All over-the-counter transactions in securities between members shall be cleared and settled through the facilities of ~~the NCC Division of the National Securities Clearing Corporation~~ ~~or such other~~ a clearing agency registered with the Commission pursuant to the Securities Exchange Act of 1934, which clears and settles such over-the-counter transactions in securities unless,

- (a) the securities involved in the transaction shall not have been qualified for clearance by the Board of Directors of the registered clearing agency under the standards established by the Rrules of the registered clearing agency,
- (b) one or more of the members involved in the transaction shall not have been qualified as a Cclearing Mmember by the Board of Directors of the registered clearing agency pursuant to standards established by the Rrules of the registered clearing agency, ~~or~~
- (c) the rules of the registered clearing agency provide that the transaction shall not be cleared through the facilities of the registered clearing agency, or
- (d) the members involved in the transaction otherwise mutually agree.

Transactions Subject to Rules of
National Securities Clearing Corporation

Sec. 2. ~~[rescinded]~~

Aggrievement Procedures

Sec. 3. ~~[rescinded]~~

Notices to Members should be retained for future reference.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

December 8, 1977

TO: All NASD Members
Attention: All Operations Personnel

RE: Holiday Trade Date - Settlement Date Schedule

Securities markets and the NASDAQ System will be closed on Monday, December 26, 1977, and Monday, January 2, 1978, in observance of the Christmas and New Year's Holidays. "Regular-Way" transactions made on the business days immediately preceding these days will be subject to the schedule below.

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

<u>Trade Date</u>	<u>Settlement Date</u>
December 19, 1977	December 27, 1977
20	28
21	29
22	30
23	January 3, 1978
December 26, 1977	Securities Markets Closed
27	January 4, 1978
28	5
29	6
30	9
January 2, 1978	Securities Markets Closed
3	January 10, 1978

The above settlement dates should be used by brokers, dealers and municipal securities dealers for purposes of clearing and settling transactions pursuant to the Association's Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on uniform practice. Questions concerning the application of these settlement dates to a particular situation should be directed to the Uniform Practice Division of the NASD at (212) 422-8841.

* * * *

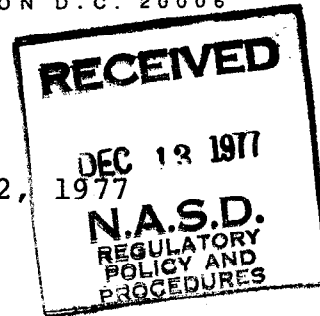
NASD

Notice to Members: 77-47
Notices to Members should be retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

December 12, 1977



TO: All NASD Members

Attn: Corporate Finance Departments and Counsel

RE: Required Filing of Private Offerings of Direct Participation Programs for Special Study

Rule 146 under the Securities Act of 1933 became effective June 10, 1974. Since that time there has been considerably increased use of the Rule and the existing provisions of Section 4(2) of that Act by issuers of securities and members of the Association to obtain company financing. These offerings which on the whole are sold to limited numbers of sophisticated investors are exempt from registration under the Securities Act and generally enjoy a more expeditious organization and offering procedure at substantial savings of time and money. A number of recent direct participation programs offered on a private basis have resulted in inquiries to the Association concerning potentially questionable forms of conduct. The lack of available data regarding member participation in these programs has handicapped the Association in responding to these inquiries.

The Association has, for a number of years, maintained a special Committee on Direct Participation Programs which is responsible for the promulgation of rules and general oversight of activity in this highly technical segment of the securities industry. That Committee has recommended an investigative study program, which has been approved by the Board of Governors, designed to monitor members' past operations in this area. The Committee is reluctant to conclude that a regulatory program is necessary until it thoroughly investigates and studies the matter. The Board of Governors agrees with the Committee and believes this investigative program is necessary to determine whether problems do in fact exist and what, if any, action is appropriate.

Therefore, the Board, pursuant to the provisions of Article IV, Section 5 of the Rules of Fair Practice, hereby directs all members and persons associated therewith to file with the Association one copy of the final private placement memorandum, underwriting agreement, and any other selling material used in connection with the offering or sale of any privately offered direct participation program in which the member, or person associated therewith, participated or acted in a management or advisory capacity in the past year. The required materials on all offerings made during the period of December 1, 1976 through November 30, 1977 must be filed.

This filing requirement applies to private offerings of direct participation programs only. The terms, "direct participation program" and "private placement," are defined as follows:

DIRECT PARTICIPATION PROGRAM - a program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural programs, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company, including separate accounts, registered pursuant to the Investment Company Act of 1940.

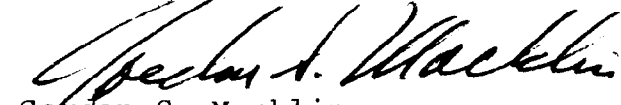
PRIVATE PLACEMENT - an offering that is exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) or Rule 146 thereunder.

All materials are to be directed to the Director, Corporate Financing Department, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006. Materials are to be filed with the Association by January 15, 1978.

At the close of the study the Committee on Direct Participation Programs will issue a report of the findings of its undertaking to the Association's Board of Governors and any recommendations it may have as a result thereof.

Inquiries regarding this notice should be directed to George E. Warner or Harry E. Tutwiler of the Association's Corporate Financing Department at (202)833-7240.

Sincerely,



Gordon S. Macklin
President

NOTICE TO MEMBERS: ~~77-48~~
Notices to Members should be
retained for future reference.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

December 21, 1977

MEMORANDUM

TO: All NASD Members

RE: SEC Rule 17f-1; Lost and Stolen Securities Program

Notice to Members No. 77-26, dated August 24, 1977, outlined the details of the Securities and Exchange Commission's (SEC) Lost and Stolen Securities Program (Program) under SEC Rule 17f-1. The first two phases of this Program are now in effect. That is, the various categories of reporting institutions have now registered as such and since October 3, 1977, they have been filing reports of lost, stolen, missing or counterfeit securities. The third phase, which will require inquiry of the system whenever securities are received, will become effective on January 2, 1978. The purpose of this notice is to remind members of their responsibilities under the Program and to highlight some of the important details in connection with the manner in which reports and inquiries must be made.

Background

The Commission's Lost and Stolen Securities Program requires certain financial institutions including, among others, brokers, dealers and municipal securities dealers, to register as a reporting institution and to file reports and inquiries with respect to missing, lost, stolen and counterfeit securities with one of two "appropriate instrumentalities." In the case of U. S. Government and Agency securities, any Federal Reserve Bank is an appropriate instrumentality. For all other securities, the SEC is the appropriate instrumentality. The SEC has designated the Securities Information Center, Inc. (SIC), P. O. Box 421, Wellesley Hills, Massachusetts 02181, to operate the Lost and Stolen Securities Program on its behalf and to receive reports and inquiries from reporting institutions. At the present time, there are no exemptions to the registration requirements under Rule 17f-1 and all member firms, regardless of their type of

business activity or method of operation, are required to register with SIC. Any firm which has not as yet submitted a registration form should do so immediately. Members may obtain additional copies of the registration form as well as SEC Form X-17F-1A, discussed below, by contacting Therese Haberle, Division of Market Regulation, SEC, Washington, D. C. 20549.

Reporting Requirements

Since October 3, 1977, all reporting institutions have been required to submit written reports of lost, stolen, missing or counterfeit securities on SEC Form X-17F-1A to the appropriate instrumentality. Copies of all reports must also be sent to a registered transfer agent for the issue. Where there is a substantial belief that criminal activity is involved, an additional report must be made to the appropriate law enforcement agency. Form X-17F-1A may be reproduced in quantity so long as the graphics and format are not altered and 8 1/2" x 11" paper is used. The Commission's Program requires the filing of reports of losses within specified time periods as more fully discussed under Rule 17f-1(b). Members are advised to thoroughly review and become familiar with this particular section of the rule.

Reporting institutions can make immediate "preliminary" reports of lost, stolen, missing or counterfeit securities to SIC's Lost, Stolen, Missing and Counterfeit Information System (the "System") by telephone or telex [telephone number (617) 235-4570, telex number 922530]. A preliminary report must include the reporting institution's FINS number*, an indication of the type of report being made (i. e., loss, recovery, update, etc.), the CUSIP number of the issue, certificate numbers and whether criminal activity is suspected. A preliminary report made by telephone or telex must be followed up by a written report on Form X-17F-1A within seven business days; otherwise, the information previously submitted will be eliminated from the System's computer data base. SIC will send weekly report confirmations to each reporting institution which has submitted a report to the system.

It should be noted that the provisions of Rule 17f-1 and the functioning of the SIC system have direct application only to certain financial organizations designated by the SEC as reporting institutions. Financial institutions such as foreign banks and insurance companies are non-reporting institutions for purposes of the Commission's Program and are not subject to the reporting and inquiry requirements thereof. In addition, customers and public investors which use the facilities of brokers, dealers and municipal securities dealers, among others, are not subject to the

* Any member which does not know its FINS number should contact its nearest NASD District Office for assistance.

requirements of Rule 17f-1. Recently, questions have been raised concerning whether public investors which experience missing or lost securities may, themselves, directly file reports with SIC having obtained a Form X-17F-1A from a reporting institution. Please note that the System will not accept for processing a written report that is submitted by a party other than a registered reporting institution and signed by an authorized person whose signature is on file with SIC.

Members should at all times be aware that a "recovery" of a loss may only be reported by the institution which initially reported the loss. Therefore, should any reporting institution elect to make a voluntary report on behalf of a non-reporting entity -- for example, a customer of a broker-dealer -- a subsequent recovery by such customer would have to be promptly reported into the system by the broker-dealer which reported the loss. A customer's failure to notify the reporting broker-dealer of such a recovery, may hinder his ability to sell those securities at some later date.

Inquiry Requirements

All members are reminded that the third phase of the Commission's Lost and Stolen Securities Program will become effective on January 2, 1978. At that time, all reporting institutions will be required to make an inquiry of the system whenever securities come into their possession unless they are received from (1) the issuer on original issue, (2) another reporting institution, or (3) a customer and are registered in the name of such customer or its nominee.

At the time of registration, each reporting institution was required to elect whether it would be a Direct or Indirect Inquirer for purposes of making inquiries into the system. Please note, however, that while a reporting institution has this option for purposes of making inquiries, every reporting institution is required to file its own reports of losses directly with the appropriate instrumentalities.

Direct inquirers have direct access to the System and are assigned a code number to facilitate such access. The code number is a nine digit number comprised of the firm's FINS number and a three digit SIC assigned suffix. An Indirect Inquirer has access to the System only through a Direct Inquirer with which it has entered into an agreement to provide this service. Only Direct Inquirers can inquire of the System and will receive monthly confirmations of their inquiries. The three digit suffix of the Access Code assigned by SIC will be changed periodically. A reporting institution will be advised by SIC of its new code number at the time an inquiry is made. Thereafter, the attempted use of an improper or outdated Access Code will prevent access to the system.

As with preliminary reports, inquiries may be facilitated by telephone or telex using the same numbers mentioned earlier. In order to make an inquiry whether by telephone, telex or mail, the reporting institution must supply, in the following sequence, its FINS number and Access Code, the CUSIP number of the issue and the certificate numbers. Telephone and telex inquiries will be promptly given a validation number by the SIC telephone operator (to be used as proof of inquiry) and immediately notified if the securities in question are listed as having been reported as lost, missing, stolen or counterfeit (a match). If there is a matching report, the inquirer will be given instructions for contacting the reporting institution which reported the loss and notified if criminal activity was suspected at the time of the initial report. Neither Rule 17f-1 nor the SIC System mandate any procedures or additional requirements to be followed where an inquiry reveals that the security in question has been reported as stolen or counterfeit. Financial institutions in such cases are to follow their current business practices and existing internal operating procedures.

Persons making an inquiry by telex or mail will be notified promptly by telephone if a match occurs. Otherwise, if an inquiry does not result in a match, SIC will send a report monthly confirming all inquiries with corresponding validation numbers and the time and date every inquiry was received.

Pilot Program

The Lost and Stolen Securities Program is being operated on a pilot basis by the SEC for the period from October 3, 1977, to December 31, 1978. During the pilot period, certain exemptions to the reporting and inquiry requirements of the Program will be in effect. These exceptions are:

1. Corporate and municipal securities not assigned CUSIP numbers will be exempt from required reporting and inquiry. A certificate will not be exempt merely because it does not have a CUSIP number on it. In order to be exempt, the issue of which the certificate is a part must not have been assigned a CUSIP number;
2. Transactions involving securities of \$10,000 or less face value for bonds or \$10,000 or less market value for stocks will be exempt from inquiry only. (All losses, including those of less than \$10,000, must be reported). Further, however,

if a single transaction involving different stocks and/or bonds in the aggregate is in excess of \$10,000, inquiry would be required even though the individual securities are valued at less than \$10,000. This would occur, for example, in situations where a broker-dealer accepts as collateral a number of different securities for purposes of a secured demand note and in the case of a bank which may execute a loan agreement where a number of different securities are used as collateral for such loan; and,

3. Registered transfer agents are exempt from inquiry during the pilot program.

Recordkeeping Requirements and Written Supervisory Procedures

Under SEC Rule 17f-1(f), all reporting institutions including brokers, dealers and municipal securities dealers are required to maintain and preserve in an easily accessible place for three years, copies of all reports filed on Form X-17F-1A and copies of all confirmations with respect to reports and inquiries and all other information received from the appropriate instrumentalities. SEC recordkeeping Rules 17a-3(a)(14) and 17a-4(e)(4) have been adopted to incorporate these new requirements and became effective on October 3, 1977.

Article III, Section 27 of the Rules of Fair Practice of the Association requires members to establish and maintain written supervisory procedures. It is suggested that members review their existing procedures and amend them as necessary so as to effectively establish a system for making proper reports and inquiries in accordance with the requirements of the Lost and Stolen Securities Program. Members should ensure themselves that such a system is adequately controlled and supervised and that their procedures protect the integrity of the program.

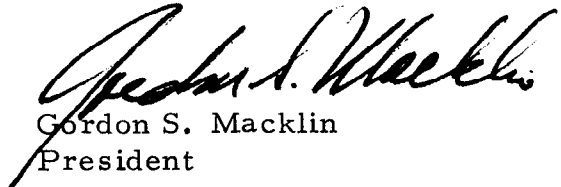
For those members which have registered as Direct Inquirers, it is suggested that such procedures encompass the following areas: written designation of the person(s) to be authorized signatories for the submission of required reports; the manner in which required reports and inquiries will be entered into the System as well as the names of the individuals responsible for their submission; the manner in which copies of all Forms X-17F-1A and confirmations of both reports and inquiries as well as other information will be maintained; and, if applicable, the names and the authorized personnel of other reporting institutions on whose behalf the member is acting as a Direct Inquirer and the details of how such reports, inquiries and confirmations are to be processed.

Each member which is an Indirect Inquirer should maintain a copy of the agreement with its Direct Inquirer. At a minimum, it should detail the procedures to be followed in making reports and inquiries and for maintaining a record of all correspondence in regard thereto. It is suggested that this written agreement also detail the procedures for verifying those inquiries and the terms and conditions under which, if applicable, the Indirect Inquirer will compensate the Direct Inquirer for this service. A copy of all agreements between Direct and Indirect Inquirers should be appended to their respective procedures.

The efficacy and success of the Commission's Program will depend in large part on the promptness with which member firms make accurate reports and inquiries. It will also depend on the adequacy of their internal procedures developed to protect the confidentiality of each firm's Access Code and the signatures of personnel authorized to make reports and inquiries. Each member's supervisory procedures should ensure that appropriate operational safeguards are maintained and that all personnel responsible for handling negotiable securities are familiar with these procedures and the requirements of SEC Rule 17f-1.

Should you have any questions concerning this notice, please contact either Jack Rosenfield, (202) 833-4828, or Jerome W. Stranahan, (202) 833-7356, Department of Regulatory Policy and Procedures at the Association's Executive Office, 1735 K Street, N. W., Washington, D. C. 20006.

Sincerely,



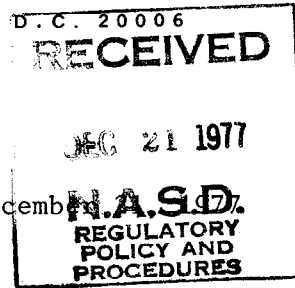
Gordon S. Macklin
President

NASD

NOTICE TO MEMBERS: 77-49
Notices to Members should be
retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006



December

TO: All NASD Members

RE: Brokers' Trading, Inc.
932 Baker Bldg.
Minneapolis, Minnesota 55402

ATTN: Operations Officer, Cashier, Fail-Control Department

On Friday, December 16, 1977, a temporary receiver was appointed for the above-captioned firm. Members may use the "immediate close-out" procedure 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:

Temporary Receiver

Timothy M. Heaney, Esquire
Fredrikson, Bryon, Colborn,
Bisbee & Hansen
4744 IDS Center
Minneapolis, MN 55402
Telephone (612) 339-8331

* * * * *

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

December 23, 1977

IMPORTANT

Please Direct This Notice

To All

Financial and Operational Officers and Partners

TO: Selected NASD Members

RE: Annual Report of Income and Expense (Part IIA of Form X-17A-5) and Schedules I, II and III

The Securities and Exchange Commission recently announced the adoption of a series of amendments to its financial and operational reporting system, collectively described as the FOCUS Reporting Program. These amendments, combined with amendments adopted in April, 1977, finalize the current changes to the FOCUS Reporting Program. The purpose of these amendments is to clarify and expand certain aspects of the current reporting system.

A by-product of these amendments is the elimination of Form X-17A-10 (Annual Income and Expense Summary) and Form X-17A-20 [Special Report-Annual Income (Loss) and Expense Report]. In their place, three annual schedules have been adopted and these schedules are designated I, II and III. Schedule I is a series of general questions regarding the type and scope of business which a broker-dealer conducts and is required to be filed by all members. Schedule II is an annual consolidation and diversification schedule and is similarly required to be filed by all members. Schedule III requests detailed information in several areas and is only required to be filed by firms who are required to file regular quarterly FOCUS Reports and who have annual gross revenues related to the securities business of at least \$10 million for the calendar year.

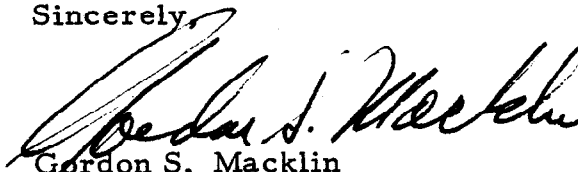
Members, like yourselves, who are exempt from filing regular quarterly FOCUS reports, are required to submit to the Association an

abbreviated FOCUS Report which is derived from Part IIA of Form X-17A-5. This abbreviated report which includes a facing page, a statement of income (loss) for the calendar year, and a balance sheet, is required to be filed along with Schedules I and II, within 17 business days of the close of the calendar year.

You will find Schedules I and II, as well as the abbreviated Part IIA, with Supplemental instructions attached. The report and schedules are required to be filed with the Association by January 25, 1978.

Should you have any questions concerning these filings, please direct them to Steven Duff, Automated Reports, Surveillance Department at (202) 833-7823.

Sincerely,



Gordon S. Macklin
President

Attachment

NASD

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

December 23, 1977

IMPORTANT

PLEASE DIRECT THIS NOTICE
TO ALL
FINANCIAL AND OPERATIONAL OFFICERS AND PARTNERS

TO: Selected NASD Members

RE: FOCUS Report and Supplemental Annual Schedules

On December 9, 1977, the Securities and Exchange Commission announced the adoption of several new amendments to its financial and operational report, Form X-17A-5 (Securities Exchange Act Release No. 14242). These amendments, along with the amendments announced in Securities Exchange Act Release No. 13462, dated April 22, 1977, complete a series of recent changes to the overall FOCUS Reporting System. According to the Commission, the purpose of these amendments is to revise and clarify certain aspects of the existing system.

In part, the amendments incorporate information previously filed by members on Form X-17A-10 (Annual Income and Expense Summary) and Form X-17A-20 (Special Report - Statement of Income (Loss) and Expense) into the FOCUS Reporting System. With the adoption of these amendments, both Forms X-17A-10 and X-17A-20 are now eliminated. In their place, three annual schedules have been added to Form X-17A-5 and they are identified as Schedules I, II and III.


Schedule I, which must be completed by every registered broker-dealer, contains certain questions regarding the nature and scope of a firm's business activities. Schedule II, which is also required to be filed by every registered broker-dealer, is a consolidation and diversification schedule of annual income and expense information.

Schedule III elicits detailed revenue information in several areas and is required to be filed by only those brokers and dealers which have annual gross revenue related to the securities business of \$10 million or more for the calendar year. In view of its limited application, Schedule III is being sent only to those members which are likely to be subject to this reporting requirement. If any firm which received Schedule III has annual gross revenue related to the securities business of less than \$10 million, it need not complete the schedule. However, any firm subject to this requirement which did not receive a copy of this form should contact the Association.

Members will find Schedules I and II and III, if applicable, along with instructions covering Part II or IIA of Form X-17A-5, included in the enclosed package of material. Schedules I and II are required to be filed along with the fourth quarter Part II or IIA within seventeen (17) business days after the end of the calendar year. That is, the fourth quarter Part II or IIA and Schedules I and II must be received by the Association on or before January 25, 1978. Schedule III may be filed with the quarterly report or separately in which case it must be received by the Association within sixty (60) calendar days after the end of the year, i. e., March 1, 1978.

All questions regarding the filing of the report as well as requests for additional copies of forms to be filed should be directed to Steven Duff, Automated Reports Section, Surveillance Department, at (202) 833-7823.

Sincerely,



Gordon S. Macklin
President

Attachments

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

SUPPLEMENTAL INSTRUCTIONS

TO

FOCUS REPORT PART IIA

FOR DECEMBER 31, 1977

Pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, every broker or dealer who does not clear transactions or carry customer accounts is required to file an unaudited Part IIA of Form X-17A-5 (FOCUS Report) within 17 business days after the end of the calendar quarter. Also for the fourth calendar quarter, every broker or dealer must file Schedules I and II of Form X-17A-5 within 17 business days, and for those members with gross revenues related to the securities business in excess of 10 million dollars, Schedule III within 60 calendar days of the calendar year end.

Enclosed is one original and one working copy of the FOCUS Report Part IIA, Schedules I and II, and, for selected firms, Schedule III. You will find Schedules I and II with instructions attached to the FOCUS Report. The working copy is to be retained by you for your files. The original copy of the Report and Schedules I and II must be submitted on or before January 25, 1978 to:

National Association of Securities Dealers, Inc.
Automated Reports Section
1735 K Street, N. W.
Washington, D. C. 20006

Schedule III, if applicable, must be submitted to the above address on or before March 1, 1978.

If your firm is unable to meet the filing deadline due to exceptional circumstances, you may request an extension by writing the Washington, D. C. Office of the Securities and Exchange Commission before the filing deadline. A copy of any such request must be sent to the NASD Executive Office at the above address.

Items of General Information

(1) Schedules I and II of Form X-17A-5 are required to be filed by all members. Please be certain that these schedules are attached to the FOCUS Report when filed. This will expedite the processing of the reports and insure that you are credited with a complete filing.

(2) Schedule III was supplied to selected members based on income reported on the previous three quarterly reports filed in 1977. It may be filed separately from the FOCUS Report, but not later than 60 calendar days from the calendar year end.

(3) Members with an audit date of December 31, 1977, are still expected to file the quarterly unaudited FOCUS Report and Schedules I and II by January 25, 1978. The annual audited statement is to be filed separately no later than March 1, 1978.

(4) The Statement of Income and the Statement of Changes in Ownership Equity (pages 5 and 6, respectively) continue to be noncumulative quarterly statements. Therefore, all members, including those with an audit date of December 31, 1977, must report only figures which are applicable to the calendar quarter October 1 to December 31, 1977.

(5) Complete all sections. If a given section is not applicable to your firm, please insert "N/A."

(6) Omit pennies - round all amounts to the next highest dollar.

(7) Unless specifically instructed, do not "net" any item.

(8) The form is to be signed manually on the cover page of the Report by certain principal officers, managing partners or sole proprietors. These individuals are responsible for the accuracy of the contents and timeliness of filing.

Should you have any questions concerning the filing of this Report, please direct them to Steven Duff, Automated Reports Section, Surveillance Department at (202) 833-7823.

* * *

Enclosures

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

December 27, 1977

MEMORANDUM

TO: All NASD Members

RE: Municipal Securities Rulemaking Board
Uniform Practice Rules

On September 8, 1977, the Securities and Exchange Commission (SEC) approved Municipal Securities Rulemaking Board (MSRB) Rule G-12, "Uniform Practice." On September 12, 1977, the MSRB sent a notice of approval to all municipal securities brokers and municipal securities dealers which contained the text of Rule G-12. The rule is also reprinted in full at paragraph 3556, page 3541, of the MSRB's Manual.

The provisions of Rule G-12 became effective on December 7, 1977. The purpose of this notice is to highlight certain provisions of the rule which may be of importance to NASD members which effect transactions in municipal securities. It is suggested that those personnel responsible for back office operations become familiar with all of the requirements of MSRB Rule G-12 and the procedures to be followed in clearing and settling dealer to dealer transactions in municipal securities. For your assistance, attached to this notice as Appendix I is the text of the rule as it appeared in the Federal Register on September 15, 1977.

General

Rule G-12 will establish uniform industry practices for the processing, clearance and settlement of transactions in municipal securities between municipal securities brokers and dealers and does not apply to transactions with customers. The provisions of the rule cover such areas as the establishment of uniform settlement dates; dealer to dealer confirmations; procedures for resolving unrecognized transactions; procedures for rejections and reclamations; close-out procedures; and, the time periods within which good faith deposits must be returned and syndicate

accounts are to be settled. Except for the provisions relating to dealer confirmations, the return of good faith deposits, the settlement of syndicate accounts and the distribution of credits on designated orders, the requirements of Rule G-12 may, by mutual agreement, be altered or amended by the parties to a transaction.

The provisions of Rule G-12 will require municipal brokers and dealers to include CUSIP numbers, if assigned, on inter-dealer confirmations and delivery tickets. However, this requirement will not become effective until January 1, 1979, in order to minimize the impact this requirement may have on those firms which process transactions on a manual basis. In this regard, it may be appropriate for those firms which do not presently use the CUSIP system to review their operations and to begin considering those changes which may be necessary as a result of the pending requirement to use CUSIP numbers. The MSRB has indicated it may make available to such firms a service whereby specific CUSIP numbers could be obtained by directly contacting the Board. When the MSRB's plans are finalized in this regard, you will be notified promptly.

The requirements of Rule G-12 will not apply to transactions that are cleared through the facilities and pursuant to the rules of a registered clearing agency to the extent such agency's rules apply to transactions in municipal securities. Similarly, the rule recognizes book entry delivery either through a registered clearing agency or as otherwise agreed to by the parties, and the delivery of securities in registered form as acceptable means of delivery of municipal securities provided the parties agree to such delivery.

The provisions of Rule G-12 do not mandate the use of uniform forms or notices such as are required under the NASD's Uniform Practice Code. However, the MSRB is encouraging all municipal securities firms to adopt the use of uniform forms on a voluntary basis. In this regard, sample copies of the uniform (comparison) confirmation, delivery, reclamation and nonrecognition (DK) forms presently used by Association members are enclosed with this notice as Appendix II. It should be noted that the Association's DK Form and the procedures for its use, as detailed on the form, pertain only to the NASD's Uniform Practice Code and not MSRB Rule G-12. Also attached as Appendix III are schedules prepared by the MSRB staff of the time periods within which each party to a transaction must take action under certain procedures provided for in Rule G-12. Although not intended to be an all-inclusive "timetable," they highlight some of the important time constraints and requirements of the MSRB's uniform practice rule.

In a notice to municipal securities brokers and dealers, dated November 28, 1977, the MSRB explained that the provisions of Rule G-12

will be applicable, to the extent practicable, to trades that have occurred prior to, but have not been completed by, the effective date of the rule. For example, deliveries of securities made after December 7, 1977, will be subject to the delivery provisions of Rule G-12(e). Similarly, rejections and reclamations may be made if they can be accomplished within the time periods prescribed in the rule.

In addition, the MSRB's notice also explained that the "description" and "pricing" provisions of Rule G-12, paragraphs (c)(v)(E) and (c)(v)(I), respectively, do not refer to "catastrophe" call features, such as those relating to acts of God or eminent domain, which are beyond the control of the issuer of the securities.

DISCUSSION OF SPECIFIC RULE PROVISIONS

Settlement Dates and Business Days

Paragraph (b) of the rule defines the terms "settlement date" and "business day" and explains how "settlement dates" are to be established for "cash," "regular way" and "when, as and if issued" transactions. For purposes of determining settlement dates, MSRB Rule G-12 incorporates the Association's schedule of days on which securities transactions may be settled. Questions concerning whether a particular day is designated as a "business day" by the Association and, therefore, a day on which transactions in municipal securities may be settled in accordance with MSRB Rule G-12, should be directed to the Association's Uniform Practice Department. The Association will provide all bank dealers and non-member municipal securities firms the Association's schedule of days on which transactions may be settled.

Unrecognized Transactions

The provisions of paragraph (d) of the rule require each party to a transaction to compare and verify every confirmation received to ascertain whether any discrepancies exist. Any party, upon discovery of such, must notify the contra party and each shall then attempt to quickly resolve the discrepancy [subparagraph (d)(i)]. The paragraph further details the procedures which shall be followed wherein a transaction is not recognized after a confirmation has been sent or received. For example, if a transaction is not recognized, the party receiving the confirmation shall attempt to determine whether the trade did occur. If a determination is made that a trade did occur, the confirming party should immediately be notified by telephone with written follow-up sent the next business day. If the trade cannot be confirmed, the contra party should immediately notify the confirming party by telephone of its non-recognition of the transaction and send written notice of such the next business day [subparagraph (d)(ii)].

If a party that sends a confirmation has not received a confirmation or notice of non-recognition by the fourth business day, that party shall, after verifying the trade, notify the non-confirming party by telephone and send written notice by the next business day indicating failure to confirm. If the contra party determines that a trade did not occur, it is required to send a written notice to the confirming party indicating non-recognition of the transaction [subparagraph (d)(iii)].

If material discrepancies or differences have not been resolved by the day after notice of non-recognition is received or notice of failure to confirm is given, whichever occurs first, the transaction may be cancelled by the confirming party or by either party if there is disagreement concerning the terms of the transaction [subparagraph (d)(v)].

Rejections and Reclamations

The procedures whereby securities being delivered may be refused or securities previously delivered may be returned and the time frames within which such actions must be taken are outlined in paragraph (g) of the rule. A "rejection" is defined as a refusal to accept securities which have been presented for delivery. A "reclamation" means return by the receiving party of securities previously accepted for delivery or a demand by the delivering party for the return of securities which have been delivered [subparagraph (g)(i)].

Failure to make good delivery shall be the basis for rejection by the contra party. A reclamation may be made by either party if, after delivery, information is discovered which, if known at the time of delivery, would have caused that delivery not to constitute good delivery, provided that reclamation is made within the specified time limits. Reclamation shall be made within the following time periods: within one business day where failure to make a good delivery results from a missing coupon or interest check, a mutilated certificate or coupon, or a missing legal opinion or other required legal document; within 18 months following delivery for situations involving, but not limited to, delivery of the wrong issue, duplicate delivery, delivery to the wrong party or location, over delivery, or refusal by the transfer agent to transfer or deregister due to lack of required documentation; and, there are no time limitations in situations where the security delivered is reported missing, stolen, fraudulent or counterfeit or where notice of call was published prior to trade date which was not specified at the time of the trade [subparagraph (g)(iii)].

Reclamation or rejection shall be accomplished by the sending of a written notice which contains sufficient information to identify the delivery to which the notice relates and including a copy of the original delivery ticket or other proof of delivery. The information which must be

provided either on the delivery ticket or in the written notice is detailed in subparagraph (g)(iv). When a rejection or reclamation has been properly made, the securities rejected or reclaimed shall be accepted or delivered as required by the notice and the exchange of correct monies or securities shall be made [subparagraph (g)(v)]. Neither rejection nor reclamation shall constitute a cancellation of the transaction.

It should be noted that the time frames within which reclamation must be made under the various circumstances outlined in the rule differ from those contained in the Association's Uniform Practice Code. Additionally, Rule G-12 does not require use of a Uniform Reclamation Form as does the Association's Code.

Closing Out Open Transactions

Paragraph (h) of the rules provides that transactions which have been confirmed or otherwise agreed upon by both parties but which have not been completed may be closed out in accordance with the provisions of Rule G-12 or as otherwise mutually agreed by the parties.

Where the seller has not completed a transaction according to its terms and the requirements of Rule G-12, the purchaser may initiate the following close-out procedures. Not earlier than five business days after settlement date, the purchaser must telephone the seller (to be followed by written notification) of his intention to close out the transaction; included with the written notice should be a copy of the seller's confirmation. If the seller, as required by rule, responds within one business day and provides an adequate explanation (see below) for his failing to deliver, the purchaser must wait fifteen business days before proceeding with the close-out. If the seller does not respond or if the response does not provide an adequate explanation, the purchaser may close out the transaction not earlier than the fifth business day after having telephoned the seller of his intention to close out the trade.

An adequate explanation would include situations where there is an offsetting fail-to-receive in the same security; the certificates, coupons or other necessary documents are in transit, have been sent to transfer, deregistration or validation; or, the security has been lost or mutilated and replacements have been requested.

If the seller is failing to receive the securities from another party, the close-out notice may be retransmitted to that party if such is delivered at least one business day before the date for close-out.

To effect the close-out, the purchaser may either purchase all or any part of the securities necessary to complete the transaction at the

current market for the account and liability of the seller; cancel all or part of the transaction; accept delivery, in satisfaction of the original contract, of securities which are comparable to those originally bought in quantity, quality, yield or price, and maturity with any additional cost borne by the seller; or, require the seller to repurchase the securities on terms which provide that the seller pay the accrued interest and bear the burden of any difference in market price or yield [subparagraph (h)(i)].

Conversely, where the seller has made a good delivery which was rejected by the purchaser, the seller may close out the transaction in the following manner. Not later than the close of business on the day of rejection, the seller shall telephone the purchaser of his intention to close out the transaction. Immediately thereafter the seller must send written confirmation of his intention to close-out including therewith written evidence of the trade which may be the purchaser's confirmation. The written notice should state that unless completed by a specified date and time, which may not be earlier than the close of the next business day, the transaction may be closed out. If not then completed by the time and date specified, the seller may sell out the transaction at the current market for the account and liability of the purchaser [subparagraph (h)(ii)].

At the time notice of close-out is received by the purchaser, it would be the purchaser's responsibility to request redelivery by the seller if close-out is to be avoided. The provisions of the rule require the seller to give notice of his intention to close out the trade not later than the close of business on the date of rejection of delivery. In this regard, each firm is responsible for establishing delivery procedures which will enable it, as a seller, to be made aware on a timely basis of any rejection so it may give notice of close-out, if required, by the close of business on the day of such rejection.

The executing party shall immediately notify (by means providing same-day receipt capabilities) the party for whose account and liability a transaction was closed-out of the means utilized to execute the close-out and include with such notice a copy of the confirmation, if any. A close-out procedure, initiated by a purchaser, must be completed not later than the thirtieth business day following settlement date and if not completed within that time, the notice will expire. However, this time period (30 business days) shall be extended by one business day for each retransmittal after the initial retransmittal. Except for such extensions of time, no close-out procedure may be initiated pursuant to the provisions of Rule G-12 later than 30 business days following the settlement date of the original transaction [subparagraphs (h)(ii)(E) and (h)(iii)].


Questions Concerning MSRB Rule G-12

The Association is working closely with the MSRB and its staff to assure the appropriate implementation of MSRB Rule G-12. The MSRB is responsible for interpreting the rule and questions of interpretation may be directed to Donald F. Donahue, Assistant Executive Director, or Dennis C. Hensley, Assistant General Counsel, Municipal Securities Rulemaking Board, 1150 Connecticut Avenue, N. W., Washington, D. C. 20036, (202) 223-9347. Questions relating to MSRB Rule G-12 may also be directed to James R. Yore at the Association's Uniform Practice Department, 17 Battery Place, Room 1234, New York, New York 10004, (212) 422-8841, who will, in appropriate cases, refer such questions to the MSRB.

* * *

If further information is needed or should you have any questions with respect to this notice, please contact Jack Rosenfield, (202) 833-4828, or Jerome Stranahan, (202) 833-7356, Department of Regulatory Policy and Procedures, at the Association's Executive Office, 1735 K St., N. W., Washington, D. C. 20006.

Sincerely,


Gordon S. Macklin
President

means of providing the numbers to small dealers. In addition, while the use of CUSIP numbers may not produce economies to all municipal securities brokers and dealers, their general use in the municipal securities industry should facilitate the development of more efficient processing systems:

The text of the proposed rule change follows:

RULE G-12. UNIFORM PRACTICE

(i) All transactions in municipal securities between any broker, dealer or municipal securities dealer and any other broker, dealer or municipal securities dealer shall be subject to the provisions of this rule, except to the extent that such transactions are compared, cleared and settled through the facilities of a clearing agency registered with the Commission, in which event the rules of such clearing agency shall apply.

(ii) Failure to deliver securities sold or to pay for securities as delivered, on or after the settlement date, does not effect a cancellation of a transaction which is subject to the provisions of this rule, unless otherwise provided in this rule or agreed upon by the parties.

(iii) Unless otherwise specifically indicated, any "immediate" notice required by this rule or any notice required to be given "immediately" shall be given by telephone, telegraph or other means of communication having same day receipt capability and confirmed in writing within one business day.

(b) Settlement Dates.

(i) Definitions. For purposes of this rule, the following terms shall have the following meanings:

(A) Settlement Date. The term "settlement date" shall mean the day used in price and interest computations, which shall also be the day delivery is due unless otherwise agreed by the parties.

(B) Business Day. The term "business day" shall mean a day recognized by the National Association of Securities Dealers, Inc. as a day on which securities transactions may be settled.

(ii) Settlement Dates. Settlement dates shall be as follows:

(A) For "cash" transactions, the trade date;

(B) For "regular way" transactions, the fifth business day following the trade date;

(C) For "when, as and if issued" transactions, a date agreed upon by both parties, which date shall not be earlier than the fifth business day following the date the confirmation indicating the final settlement date is sent, or, with respect to transactions between the manager and members of a syndicate or account formed to purchase securities from an issuer, a date not earlier than the sixth business day following the date the confirmation indicating the final settlement date is sent; provided, however, that if the issuer gives notice of pending delivery within less than six business days before delivery, the settlement date for transactions between the manager and members of the syndicate or account with respect to such issue of securities may be accelerated as determined by the manager, and, in such event, all other "when, as and if issued" transactions with respect to such issue of securities may, but need not, be accelerated by each seller by not more than the number of days of acceleration by the syndicate manager; and

(D) For all other transactions, a date agreed upon by both parties.

(iii) Notice of Accelerated Delivery. In the

event the issuer gives notice of pending delivery of securities within less than six business days before delivery, the manager of a syndicate or account formed to purchase the securities from the issuer shall, upon determination of the accelerated delivery date pursuant to subparagraph (b) (ii) (C) hereof, give immediate notice to the members of the syndicate or account of the settlement date for transactions between the manager and the members.

(c) Dealer Confirmations.

(i) Except as otherwise indicated in this section (c), each party to a transaction shall send a confirmation of the transaction to the other party within one business day following the trade date.

(ii) Confirmations of cash transactions shall be exchanged on the trade date, which may be accomplished by telephone with written confirmations sent within one business day following the trade date.

(iii) For transactions effected on a "when, as and if issued" basis, initial confirmations shall be sent within two business days following the trade date. Confirmations from a syndicate or account manager to the members of the syndicate or account may be in the form of a letter, covering all maturities of the issue, setting forth in information hereafter specified in this section (c). Confirmations indicating the final settlement date shall be sent by the seller at least five business days prior to the settlement date or, with respect to transactions between the manager and members of a syndicate or account formed to purchase securities from an issuer, at least six business days prior to the settlement date; provided, however, that if the settlement date is accelerated pursuant to subparagraph (b) (ii) (C) above, final confirmations shall be sent by each seller immediately upon determination by it of the settlement date.

(iv) For transactions in new issue securities having a settlement date more than six business days following the trade date for which only one confirmation is sent, such confirmation shall be sent within two business days following the trade date.

(v) Each confirmation shall contain the following information:

(A) Confirming party's name, address and telephone number;

(B) "Contra party" identification;

(C) Designation of purchase from or sale to;

(D) Par value of the securities;

(E) Description of the securities, including at a minimum the name of the issuer, interest rate, maturity date, and if the securities are limited tax, subject to redemption prior to maturity (callable), or revenue bonds, an indication to such effect, including in the case of revenue bonds the type of revenue, if necessary for a materially complete description of the securities, and in the case of any securities, if necessary for a materially complete description of the securities, the name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement "multiple obligors" may be shown;

(F) CUSIP number, if any, assigned to the securities;

(G) Trade date;

(H) Settlement date;

(I) Yield to maturity and resulting dollar price, except in the case of securities which are traded on the basis of dollar price or securities sold at par, in which event only dollar price need be shown (in cases in which securities are priced to call, this must be stated, and where a transaction is effected on a yield basis, the calculation of dollar price shall be to the lower of price to call or price to maturity);

[Release No. 13939; (SR-MSRB-76-12)]

MUNICIPAL SECURITIES RULEMAKING BOARD

Order Approving Proposed Rule Change

SEPTEMBER 8, 1977.

On December 20, 1976, the Municipal Securities Rulemaking Board, Suite 507, 1150 Connecticut Avenue NW., Washington, D.C. 20036, (the "MSRB") filed with the Commission, pursuant to Section 19(b) of the Securities Exchange Act of 1934 (the "Act"), and Rule 19b-4 thereunder, copies of a proposed rule change. On June 17, 1977, the MSRB filed with the Commission an amended proposed rule change which made substantial changes in the rule proposal. In addition the MSRB filed technical amendments to the proposed rule change on June 29, 1977, and August 26, 1977. The proposed rule change, as amended, would codify uniform industry practices for the processing, clearance, and settlement of inter-dealer transactions in municipal securities and related matters.

Notice of the proposed rule change, as amended, together with the terms of substance of the proposed rule change was given by publication of Commission releases (Securities Exchange Act Release Nos. 13671 (June 24, 1977) and 13116 (December 28, 1976)) and by publication in the FEDERAL REGISTER (42 FR 34436 (July 5, 1977) and 42 FR 1086 (January 5, 1977)). The Commission received a number of comment letters on the proposed rule change, many of them with respect to the proposed rule's requirement that inter-dealer confirmations include CUSIP numbers. Several of the comment letters expressed reservations about the utility of CUSIP numbers, particularly for small municipal securities dealers. The Commission believes that the delayed effective date of this requirement will provide an opportunity for the development of low-cost

(J) Amount of concession, if any, per \$1,000 par value unless stated to be an aggregate figure;

(K) Amount of accrued interest;

(L) Extended principal amount;

(M) Total dollar amount of transaction; and

(N) Instructions, if available, regarding receipt or delivery of securities, and form of payment if other than as usual and customary between the parties.

The initial confirmation for a "when, as and if issued" transaction shall not be required to contain the information specified in subparagraphs (H), (K), (L), and (M) of this paragraph or the resulting dollar price as specified in subparagraph (I).

(VI) In addition to the information required by paragraph (v) above, each confirmation shall contain the following information, if applicable:

(A) Dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual;

(B) If the securities are "fully registered" or "registered as to principal only," a designation to such effect;

(C) If the securities are "called" or "pre-refunded," a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price;

(D) Denominations of notes and, if other than those specified in paragraph (e) (iv) hereof, denominations of bonds;

(E) Any special instructions or qualifications, or factors affecting payment of principal or interest, such as (A) "ex legal," or (B) if the securities are traded without interest, "flat," or (C) if the securities are in default as to the payment of interest or principal, "in default"; and

(F) Such other information as may be necessary to ensure that the parties agree to the details of the transaction.

(d) Comparison and Verification of Confirmations; Unrecognized Transactions.

(1) Upon receipt of a confirmation, each party to a transaction shall compare and verify such confirmation to ascertain whether any discrepancies exist. If any discrepancies exist in the information as set forth in the two compared confirmations, the party discovering such discrepancies shall promptly communicate such discrepancies to the contra party and both parties shall promptly attempt to resolve the discrepancies. In the event the parties are able to resolve the discrepancies, the party in error shall, within one business day following such resolution, send a corrected confirmation to the contra party. Such confirmation shall indicate that it is a correction and the date of the corrected confirmation. In the event the parties are unable to resolve the discrepancies, each party shall promptly send to the contra party a written notice, return receipt requested, indicating nonrecognition of the transaction.

(ii) In the event a party receives a confirmation for a transaction which it does not recognize, it shall promptly seek to ascertain whether a trade occurred and the terms of the trade. In the event it determines that a trade occurred and the confirmation it received was correct, such party shall immediately notify the confirming party by telephone and, within one business day thereafter, send a written confirmation of the transaction to the confirming party. In the event a party cannot confirm the trade, such party shall immediately notify the confirming party by telephone and, within one business day thereafter send a written notice, return receipt requested, to the confirming party, indicating nonrecognition of the transaction. Promptly upon receipt of such notice, the confirming party shall verify its records and, if it agrees with the noncon-

firmed party, promptly send a notice of cancellation of the transaction, return receipt requested, to the nonconfirming party.

(iii) In the event a party has sent a confirmation of a transaction, but fails to receive a confirmation from the contra party or a notice indicating nonrecognition of the transaction within four business days of the trade date, the confirming party shall promptly seek to ascertain whether a trade occurred. If, after such verification, such party believes that a trade occurred, it shall immediately notify the nonconfirming party by telephone to such effect and send, within one business day thereafter, a written notice, return receipt requested, to the nonconfirming party, indicating failure to confirm. Promptly following receipt of telephone notice from the confirming party, the nonconfirming party shall seek to ascertain whether a trade occurred and the terms of the trade. In the event the nonconfirming party determines that a trade occurred, it shall immediately notify the confirming party by telephone to such effect and, within one business day thereafter, send a written confirmation of the transaction to the confirming party. In the event a party cannot confirm the trade, such party shall promptly send a written notice, return receipt requested, to the confirming party, indicating nonrecognition of the transaction.

(iv) If procedures are initiated pursuant to paragraph (ii) of this section, the procedures required by paragraph (iii) need not be followed; and conversely, if procedures are initiated pursuant to paragraph (iii) of this section, the procedures required by paragraph (ii) need not be followed.

(v) In the event any material discrepancies or differences, basic to the transaction, remain unresolved by the close of the business day following receipt by a party of a written notice indicating nonrecognition, or by the close of the business day following the date the confirming party gives telephone notice of the transaction to the nonconfirming party pursuant to paragraph (iii) above, whichever first occurs, the transaction may be cancelled by the confirming party or, in the event there exists disagreement concerning the terms of the transaction, by either confirming party. Nothing herein contained shall be construed to affect whatever rights the confirming party or parties may otherwise have with respect to a transaction which is cancelled pursuant to this paragraph.

(vi) Nothing herein contained shall be construed to prevent the settlement of a transaction prior to completion of the procedures prescribed in this section (d); provided that each party to the transaction shall be responsible for sending to the other party, within one business day of such settlement, a confirmation evidencing the terms of the transaction.

(vii) The notices referred to in this section indicating nonrecognition of a transaction or failure to confirm a transaction shall contain sufficient information to identify the confirmation to which the notice relates including, at a minimum, the information set forth in subparagraphs (A) through (E), (G), and (H) of paragraph (c) (v). In addition, such notice shall identify the firm and person providing such notice and the date thereof. The requirements of this paragraph may be satisfied by providing a copy of the confirmation of an unrecognized transaction, marked "don't know," together with the name of the firm and person providing such notice and the date thereof.

(e) Delivery of Securities. The following provisions shall, unless otherwise agreed by the parties, govern the delivery of securities:

(i) Place and Time of Delivery. Delivery shall be made at the office of the purchaser,

or its designated agent, between the hours established by rule or practice in the community in which such office is located. If the parties so agree, book entry delivery through a registered clearing agency or delivery by other means which do not involve the physical delivery of securities will constitute good delivery for purposes of this rule.

(ii) Delivery Ticket. A delivery ticket shall accompany the delivery of securities. Such ticket shall contain the information set forth in subparagraphs (A), (B), (D) through (H), (M), and (N) of paragraph (c) (v) and, to the extent applicable, the information set forth in subparagraphs (A), (B), (D), (E), and (F) of paragraph (c) (vi) and shall have attached to it an extra copy of the ticket which may be used to acknowledge receipt of the securities.

(iii) Partial Delivery. The purchaser shall not be required to accept a partial delivery with respect to a single trade in a single security. For purposes of this paragraph, a "single security" shall mean a security of the same issuer having the same maturity date, coupon rate and price.

(iv) Units of Delivery. Delivery of bonds shall be made in the following denominations:

(A) For bearer bonds, in denominations of \$1,000 or \$5,000 par value; and

(B) For registered bonds, in denominations which are multiples of \$1,000 par value, up to \$100,000 par value.

Delivery of notes shall be made in the denominations specified on the confirmation as required pursuant to paragraph (c) (vi) of this rule.

(v) Bearer and Registered Form. Delivery of securities which are issuable in both bearer and registered form shall be in bearer form unless otherwise agreed by the parties.

(vi) Mutilated Certificates. Delivery of a certificate which is damaged to the extent that any of the following is not ascertainable:

(A) Name of issuer;

(B) Par value;

(C) Signature;

(D) Coupon rate;

(E) Maturity date;

(F) Seal of the issuer; or

(G) Bond or note number

shall not constitute good delivery unless validated by the trustee, registrar, transfer agent, paying agent or issuer of the securities or by an authorized agent or official of the issuer.

(vii) Coupon Securities.

(A) Coupon securities shall have securely attached to the certificate in the correct sequence all appropriate coupons, including supplemental coupons if specified at the time of trade, which in the case of securities upon which interest is in default shall include all unpaid or partially paid coupons. All coupons attached to the certificate must have the same serial number as the certificate.

(B) Anything herein to the contrary notwithstanding, if securities are traded "and interest" and the settlement date is on or after the interest payment date, such securities shall be delivered without the coupon payable on such interest payment date.

(C) If delivery of securities is due within 30 calendar days prior to an interest payment date, the seller may deliver to the purchaser a draft or bank check of the seller or its agent, payable on the date delivery is made, in an amount equal to the interest due, in lieu of the coupon.

(viii) Mutilated or Cancelled Coupons. Delivery of a certificate which bears a coupon which is damaged to the extent that any one of the following cannot be ascertained from the coupon:

(A) Title of the issuer;
 (B) Bond or note number;
 (C) Coupon number or payment date (if either the coupon number or the payment date is ascertainable from the coupon, the coupon will not be considered mutilated); or
 (D) The fact that there is a signature; or which coupon has been cancelled, shall not constitute good delivery unless the coupon is endorsed or guaranteed. In the case of damaged coupons, such endorsement or guarantee must be by the issuer or by a commercial bank. In the case of cancelled coupons, such endorsement or guarantee must be by the issuer or an authorized agent or official of the issuer, or by the trustee or paying agent.

(ix) Delivery of Certificates Called for Redemption. A certificate for which a notice of call has been published prior to the trade date shall not constitute good delivery unless the securities are identified as "called" at the time of trade.

(x) Delivery Without Legal Opinions or Other Documents. Delivery of certificates without legal opinions or other documents legally required to accompany the certificates shall not constitute good delivery unless identified as "ex legal" at the time of trade.

(xi) Insured Securities. Delivery of certificates for securities traded as insured securities shall be accompanied by evidence of such insurance, either on the face of the certificate or in a document attached to the certificate.

(xii) Endorsements for Banking or Insurance Requirements. A security bearing an endorsement indicating that it was deposited in accordance with legal requirements applicable to banking institutions or insurance companies shall not constitute good delivery unless it bears a release acknowledged before an officer authorized to take such acknowledgments and was designated as a released endorsed security at the time of trade.

(xiii) Delivery of Registered Securities.

(A) Assignments. Delivery of a certificate in registered form must be accompanied by an assignment on the certificate or on a detached assignment for such certificate, containing a signature which corresponds in every particular with the name written upon the certificate except that the following shall be interchangeable: "and" or "&"; "Company" or "Co."; "Incorporated" or "Inc."; and "Limited" or "Ltd."

(B) Detached Assignment Requirements. A detached assignment shall provide for the irrevocable appointment of an attorney, with power of substitution, a full description of the security, including the name of the issuer, the maturity date and interest rate, the bond or note number, and the par value (expressed in words and numerals).

(C) Power of Substitution. When the name of an individual or firm has been inserted in an assignment as attorney, a power of substitution shall be executed in blank by such individual or firm. When the name of an individual or firm has been inserted in a power of substitution as a substitute attorney, a new power of substitution shall be executed in blank by such substitute attorney.

(D) Guarantee. Each assignment, endorsement, alteration and erasure shall bear a guarantee acceptable to the transfer agent or registrar.

(E) Certification in Name of a Party Other Than a Natural Person. A certificate registered in the name of a party other than a natural person, or in a name with official designation, shall constitute a good delivery only if the statement "Proper papers for transfer filed by assignor" is placed on the assignment and signed by the transfer agent.

(F) Certificate in Name of Deceased Person, Trustee, Etc.

(1) A certificate shall not constitute good delivery if executed with a qualification, restriction or special designation or if de-

livered in the name of, or with an assignment or power of substitution executed by a person since deceased; a minor; a receiver in bankruptcy; an agent; an attorney; or, except as provided in subparagraph (2) below, a trustee or trustees (except for trustees acting in the capacity of a board of directors of a corporation or association in which case the requirements of subparagraph (E) above shall apply), a guardian, an executor, or an administrator.

(2) A certificate shall constitute good delivery with an assignment or a power of substitution executed by an individual executor or administrator; an individual trustee under an *inter vivos* or testamentary trust; a guardian (including committees, conservators and curators); or a custodian acting pursuant to the provisions of the Uniform Gifts to Minors Act.

(G) Payment of Interest. If a registered security is traded "and interest" and transfer of record ownership cannot be accomplished on or before the record date for the determination of registered holders for the payment of interest, delivery shall be accompanied by a draft or bank check of the seller or its agent, payable on the date delivery is made, for the amount of the interest.

(H) Registered Securities Traded "Flat". If a registered security is traded "flat" (i.e. is in default in the payment of interest) and transfer of record ownership cannot be accomplished on or before the record date for the determination of registered holders for the payment of interest, an interest payment date having been established on or after the trade date, delivery shall be accompanied by a draft or bank check of the seller or its agent, payable on the date delivery is made, for the amount of the payment to be made by the issuer, unless the security is traded "ex-interest."

(xiv) Expenses of shipment. Expenses of shipment of securities, including insurance, postage, draft, and collection charges, shall be paid by the seller.

(xv) Money Differences. The following money differences shall not be sufficient to cause rejection of delivery:

Par value:	Maximum differences per transaction
\$1,000 to \$24,999	\$10
\$25,000 to \$99,999	25
\$100,000 to \$249,999	60
\$250,000 to \$999,999	250
\$1,000,000 and over	500

The calculations of the seller shall be utilized in determining the maximum permissible differences and amount of payment to be made upon delivery. The parties shall seek to reconcile any such money differences within ten business days following settlement.

(f) Payment.

(1) Calculation of Interest. Unless otherwise agreed by the parties, in the settlement of transactions in interest-paying securities there shall be added to the dollar price interest at the rate specified in the security, which shall be computed up to but not including the settlement date.

(ii) Calculation of Price. Calculations to determine the price and yield to maturity of municipal securities shall be made in accordance with applicable rules of the Board, if any.

(g) Rejections and Reclamations.

(i) Definitions. For purposes of this section, the terms "rejection" and "reclamation" shall have the following meanings:

(A) "Rejection" shall mean refusal to accept securities which have been presented for delivery.

(2) Refusal to transfer or deregister by the transfer agent due to a lack of docu-

mentation required by paragraph (e)(xiii) of this rule.

(D) Reclamation by reason of the following may be made without any time limitation:

(1) The security delivered is reported missing, stolen, fraudulent or counterfeit; or

(2) Not good delivery because notice of call for the certificate was published prior to the trade date and this was not specified at the time of trade.

The running of any of the time periods specified in this paragraph shall not be deemed to foreclose a party's right to pursue its claim via other means, including arbitration.

(iv) Procedure for Rejection or Reclamation. If a party elects to reject or reclaim securities, rejection or reclamation shall be effected by sending a written notice which contains sufficient information to identify the delivery to which the notice relates, including a copy of the original delivery ticket or other proof of delivery and to the extent not set forth on such document, the following:

(A) The name of the party delivering the securities;

(B) The name of the party receiving the securities;

(C) A description of the securities;

(D) The date the securities were delivered;

(E) The date of rejection or reclamation;

(F) The par value of the securities which are being rejected or reclaimed;

(G) In the case of a reclamation, the amount of money the securities are reclaimed for;

(H) The reason for rejection or reclamation; and

(I) The name and telephone number of the person to contact concerning the rejection or reclamation.

(v) Acceptance or Delivery of Securities. Upon rejection or reclamation properly made pursuant to this rule, the securities rejected or reclaimed shall be accepted or delivered as required by the notice of rejection or reclamation and the exchange of correct monies of securities shall be made.

(vi) Effect of Rejection or Reclamation. Rejection or reclamation of securities shall not constitute a cancellation of the transaction.

(h) Close-Out. Transactions which have been confirmed or otherwise agreed upon by both parties but which have not been completed may be closed out in accordance with this section, or as otherwise agreed by the parties.

(1) Close-Out by Purchaser. With respect to a transaction which has not been completed by the seller according to its terms and the requirements of this rule, the purchaser may close out the transaction in accordance with the following procedures:

(A) Notice of Close-Out. If the purchaser elects to close out a transaction in accordance with this paragraph (1), the purchaser shall, not earlier than the fifth business day following the settlement date, notify the seller by telephone of the purchaser's intention to close out the transaction and immediately thereafter send, return receipt requested, a written notice of close-out to the seller. Such notice shall be accompanied by a copy of the seller's confirmation of the transaction to be closed out or other written evidence of the contract between the parties. The notice shall state that unless the transaction is completed by a specified date and time, which shall not be earlier than the close of the fifth business day following the date the telephonic notice is given, or as provided in subparagraph (C) below, the transaction may be closed out in accordance with this section.

NOTICES

(B) Response. The seller shall respond to the notice of close-out in writing, or by telephone call promptly confirmed in writing, return receipt requested, within one business day following the date the telephonic notice required by subparagraph (A) is given, stating the seller's reasons for failing to complete the transaction. Any party receiving a notice of close-out may retransmit the notice to another party from whom the securities are due, provided that any retransmitted notice must be received by such other party not later than one business day preceding the date for close-out as specified on the original notice or as extended due to retransmittals. Each retransmittal subsequent to the initial retransmittal shall extend the date for close-out by one business day and the party retransmitting the notice shall attach to the notice a memorandum specifying the extended date for close-out resulting from such retransmittal and shall immediately notify the purchaser originating the close-out notice of the extended date. Any party receiving a retransmitted notice of close-out shall respond to the party retransmitting the notice within the time periods and according to the procedures provided herein for the seller's response.

(C) Time Periods. If by the close of the fifth business day following the date the close-out notice was given, the purchase has received no response or notice of retransmittal or has received a response which fails to provide an adequate explanation, as described below, for the seller's failure to complete the transaction, the purchaser may close out the transaction in accordance with the terms of the close-out notice. If the purchaser has received an adequate explanation of the seller's failure to complete the transaction, the purchaser may not close out the transaction before the close of the fifteenth business day following the date the close-out notice was given. For purposes of this subparagraph, a seller shall be deemed to have provided an adequate explanation for its failure to complete the transaction only if it has an offsetting fall to receive outstanding of the same security and so states or if the certificates, coupons or documentation required by this rule are in transit to the purchaser or the seller, have been sent for transfer, deregistration or validation, or have been lost or mutilated and replacements have been requested, and the seller so states. If the purchaser has received a notice of retransmittal extending the date for close-out, the transaction may not be closed out before the close of business on the latest extended date.

(D) Purchaser's Options. To close out a transaction as provided herein the purchaser may, at its option:

(1) Purchase ("buy-in") at the current market all or any part of the securities necessary to complete the transaction, for the account and liability of the seller;

(2) Cancel the transaction as to all or any part of the securities necessary to complete the transaction;

(3) Accept from the seller in satisfaction of the seller's obligation under the original contract (which shall be concurrently cancelled) the delivery of municipal securities which are comparable to those originally bought in quantity, quality, yield or price, and maturity, with any additional expenses or any additional cost of acquiring such substituted securities being borne by the seller; or

(4) Require the seller to repurchase the securities on terms which provide that the seller pay an amount which includes [equal to] accrued interest and bear the burden of any change in market price or yield.

A close-out will operate to close out all transactions covered under retransmitted notices. A buy-in may be executed from a long position in customers' accounts maintained with the party executing the buy-in or, with the agreement of the seller, from the purchaser's contra party. In all cases, the purchaser must be prepared to defend the price at which the close-out is executed relative to market conditions at the time of the execution.

(E) Close-Out Not Completed. A close-out procedure instituted pursuant to this rule (including any action by the purchaser pursuant to subparagraph (D) of this paragraph) must be completed not later than the thirtieth business day following the settlement date. If a close-out pursuant to a notice of close-out is not completed in accordance with the terms of the notice and the provisions of this rule, the notice shall expire. Additional close-out notices may be issued, provided that a close-out procedure initiated pursuant to this rule with respect to a transaction must be completed not later than the thirtieth business day following the settlement date, regardless of the number of close-out notices issued. Anything herein to the contrary notwithstanding, each time period specified in this subparagraph (E) shall be extended by one business day for each retransmittal of the notice of close-out subsequent to the initial retransmittal.

(F) "Cash" Transactions. The purchaser may close out transactions made for "cash" or made for or amended to include guaranteed delivery at the close of business on the day delivery is due.

(i) Close-Out by Seller. If a seller makes good delivery according to the terms of the transaction and the requirements of this rule and the purchaser rejects delivery, the seller may close out the transaction in accordance with the following procedures:

(A) Notice of Close-Out. If the seller elects to close out a transaction in accordance with this paragraph (i), the seller shall, not later than the close of business of the date of rejection of delivery, notify the purchaser by telephone of the seller's intention to close out the transaction and immediately thereafter send, return receipt requested, a written notice of close-out to the purchaser. Such notice shall be accompanied by a copy of the purchaser's confirmation of the transaction to be closed out or other written evidence of the contract between the parties. The notice shall state that unless the transaction is completed by a specified date and time, which shall not be earlier than the close of the [third] business day following the date the telephonic notice is given, the transaction may be closed out in accordance with this section.

(B) Execution of Close-Out. Not earlier than the close of the business day following the date telephonic notice of close-out is given to the purchaser, the seller may sell out the transaction at the current market for the account and liability of the purchaser.

(iii) Notice of Executed Close-Out. The party executing a close-out shall, immediately upon execution, notify via hand delivery or other written media having same-day receipt capabilities, the party for whose account and liability the transaction was closed-out, stating the means of closing out utilized and forwarding a copy of the confirmation of the executed transaction, if any.

(iv) Close-Out Under Special Rulings. Nothing herein contained shall be construed to prevent brokers, dealers or municipal securities dealers from closing out transactions as directed by a ruling of a national securities exchange, a registered securities association or an appropriate regulatory agency

issued in connection with the liquidation of a broker, dealer or municipal securities dealer.

(v) Procedures Optional. Nothing herein contained shall be construed to require the parties to follow the close-out procedures herein specified if they otherwise agree.

(1) Good Faith Deposits. Good faith deposits shall be returned by the manager of a syndicate or similar account formed for the purchase of securities from an issuer, to the members of the syndicate or account within two business days following the date of settlement with the issuer, or, in the event the syndicate or account is not successful in purchasing the issue, within two business days following the return of the deposit from the issuer.

(j) Settlement of Syndicate or Similar Account. Final settlement of a syndicate or similar account formed for the purchase of securities shall be made within 60 days following the date all securities have been delivered by the syndicate or account manager to the syndicate or account members.

(k) Any credit designated by a customer in connection with the purchase of securities as due to a member of a syndicate or similar account shall be distributed to such member by the municipal securities broker or municipal securities dealer handling such order within 30 business days following delivery of the securities to the customer.

(l) Effective Date. The requirements of this rule shall become effective on December 7, 1977, with the exception of the requirements set forth in item (c)(v)(F), which shall become effective on January 1, 1979.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the MSRB, and, in particular, the requirements of Section 15B and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the above-mentioned proposed rule change be, and it hereby is, approved.

For the Commission.

GEORGE A. FITZSIMMONS,
Secretary.

SEPTEMBER 8, 1977.

[FR Doc.77-26899 Filed 9-14-77; 8:45 am]

APPENDIX II

SAMPLE UNIFORM FORMS

Attached are sample copies of the uniform confirmation (comparison), delivery, reclamation and nonrecognition (DK) forms presently used by Association members under the NASD's Uniform Practice Code. Details of their use are as follows:

1. Confirmation (comparison)

The form was designed for use by NASD members in exchanging written confirmations in dealer to dealer transactions. Flexibility in the design of the form allows it to be used for either a buy or sell transaction and a copy can also be used, if desired, as a delivery ticket. In addition, space is provided for optional information such as account numbers; originator and contra party FINS numbers; transaction, capacity, and settlement codes; and, special delivery instructions.

The letters on the attached sample are keyed to the information required on a confirmation per subparagraph (c)(v) of Rule G-12. In this connection, paragraph (c)(v)(A) requires that each firm list its name, address and telephone number on its dealer confirmations. The MSRB has stated that for firms with several branch offices, the telephone number used may be a home or main office number so long as the contra broker-dealer or municipal securities dealer in calling that number will be promptly referred to someone knowledgeable of the trade.

2. Delivery Ticket

The Uniform Delivery Ticket is intended for use by broker-dealers and banks for making physical delivery of securities either by messenger or by mail. The form is envisioned as part of a manifold to which originators can add copies as desired. The form is compatible with the Uniform Confirmation so that both can be produced from the same manifold at the same time. Again, space is provided for optional information.

The letters on the attached sample are keyed to the information required on a delivery ticket per subparagraphs (e)(ii) and (c)(v) of Rule G-12.

3. Reclamation Form

This form was designed for use by members of both the banking and securities industries for the reclamation of securities. The form

is a four-part manifold, the first two copies of which will be attached to the certificates being returned, while copies three and four are to be retained by the deliverer. A space is provided on the reverse side of the form for certificate numbers, if desired. The reasons for rejection which are listed on the face of the form address those circumstances under which the vast majority of deliveries are usually returned. However, an additional space has been provided to permit the inclusion of a situation not specifically listed on the form.

The letters on the attached sample are keyed to the information required on a reclamation form per subparagraph (g)(iv) of the Rule.

4. Nonrecognition (DK) Form

The NASD DK Notice is a five-part form presently used by a confirming broker-dealer to inform a contra broker-dealer that neither a confirmation nor a signed DK has been received for the particular transaction. This form may also be used in complying with the "don't know" procedures of MSRB Rule G-12(d) although it should be understood by both parties that the NASD's procedures referred to on the form do not apply to municipal securities transactions. It is anticipated that a revised DK Notice, specifically modified for use by municipal securities broker-dealers under Rule G-12, will soon be available from the Association.

* * *

Reclamation Form

Rule G-12
Subparagraph (g) (iv)

Uniform Reclamation Form

Stock Clearing Corporation
 Amex Clearing Corporation
 National Clearing Corporation
 NASD—Uniform Practice Code

To Accompany Reclamations
 Subject to Rules & Regulations of:

RECLAIMED TO	Rec. No.	Name of Receiver	B	Date Securities Below Received	D
RECLAIMED BY	Del. No.	Name of Deliverer	A	Date of Return	E
Quantity	Security Description (certificate #'s can be applied on reverse side of copy #1)		C	Amount	G
F	CUSIP:				

- Wrong Security _____ Should Be _____ Our Money _____
- Carries Due Bill **H** Duplicate Delivery _____ You Delivered On _____
- Needs Signature Guarantee Wrong Settlement Date _____ Our S/D _____
- Needs Tax Stamp No Instructions
- Release Power of Attorney Needs Legal Opinion
- Coupon Missing Need Better Account Data **↑**
- Other - Explain Reclamation Order Out Requested

Name of Person Making Reclamation (Print) _____ Telephone Number _____ Extension _____

ATTACH COPIES 1 & 2 TO CERTIFICATE — COPIES 3 & 4 ARE RETAINED BY DELIVERER

Don't Know Notice

Rule G-12
Subparagraph (d)

<p>OUR RECORDS INDICATE THE FOLLOWING TRANSACTION WITH YOU THAT WE HAVE CONFIRMED AS REQUIRED BY SECTION 9(A) OF THE UNIFORM PRACTICE CODE. WE HAVE NO RECORD OF HAVING RECEIVED FROM YOU A CONFIRMATION OR A COMPARISON OF THE TRADE OR A SIGNED DK. WE HEREBY NOTIFY YOU THAT UNLESS WE RECEIVE SIGNED COPIES 2 AND 3 OF THIS "DON'T KNOW NOTICE" WITHIN THE TIME PRESCRIBED BY SUBSECTIONS (2) AND (3) OF SECTION 9(B), MANUALLY EXECUTED PURSUANT TO THE PROVISIONS OF SUBSECTION (4) THEREOF, WE WILL ASSUME NO FURTHER LIABILITY FOR THIS TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF THE REFERENCED SUBSECTION (3).</p>		<p>PREPARED BY:</p>		<p>D 57108</p>				
YOU	QUANTITY	PRICE	PRINCIPAL	INTEREST	NET AMOUNT	TRADE DATE	SETTLEMENT DATE	DATE OF THIS NOTICE
						MO. DAY YR.	MO. DAY YR.	MO. DAY YR.
<p>SECURITY DESCRIPTION:</p>			<p>SECURITY NO.</p>			<p>NAME AND ADDRESS OF CONTRA-BROKER</p>		
<p>SECURITY NO.</p>			<p>SYMBOL (IF ANY)</p>			<p>NAME AND ADDRESS OF CONFIRMING BROKER</p>		
<p>CONTRA-BROKER NO.</p>			<p>CONFIRMING BROKER NO.</p>			<p>REFER TO DK PROCEDURE ON REVERSE OF PARTS 3 & 5</p>		
<p><input type="checkbox"/> MAIL</p>			<p><input type="checkbox"/> MESSENGER</p>			<p>1</p>		

APPENDIX III

CALENDAR OF PROCEDURES
UNDER RULE G-12 ON UNIFORM PRACTICE

I. Confirmations, Comparison and Verification

<u>Date by Which Action Must be Taken ^{1/}</u>	<u>Action to be Taken by Purchasing Dealer ^{2/}</u>	<u>Action to be Taken by Selling Dealer ^{2/}</u>
T + 1	Send dealer confirma- tion.	Send dealer confir- mation.
R	Compare confirmation from selling dealer to determine whether dis- crepancies in trade in- formation exist. If dis- crepancies discovered, communicate promptly with selling dealer and seek to resolve.	Compare confirma- tion from purchasing dealer to determine whether discrepancies in trade information exist. If discrepan- cies discovered, com- municate promptly with purchasing dealer and seek to resolve.
Resolution of discrep- ancies + 1	Send corrected confir- mation, if purchasing dealer is party in error.	Send corrected confir- mation, if selling dealer is party in error.
S	If no discrepancies, transaction settles. May accept delivery even though discrepan- cies not resolved.	If no discrepancies, transaction settles.

^{1/} "T" means trade date
"S" means settlement date
"R" means receipt of confirmation or other notice
"D" means delivery date
Numerical references are to number of business days

^{2/} For ease of reference, the term "dealer" refers to brokers,
dealers and municipal securities dealers.

S + 1

If delivery has been accepted even though discrepancies not resolved, send corrected confirmation.

If delivery has been accepted even though discrepancies not resolved, send corrected confirmation.

The following procedures (A and B) apply in the event one of the parties to a trade does not send a confirmation, or discrepancies in trade information cannot be resolved.^{3/}

Procedure A (Rule G-12 (d)(ii))

<u>Date by Which Action Must be Taken</u>	<u>Action to be Taken by Confirming Dealer</u>	<u>Action to be Taken by Non-Confirming Dealer</u>
T + 1	Send dealer confirmation.	
R (receipt of confirmation)		Promptly attempt to determine whether trade occurred. Immediately notify confirming dealer by telephone of results of determination.
R + 1		Send confirmation or nonrecognition (DK) notice.
R (receipt of non-recognition (DK) notice)	Promptly upon receipt of nonrecognition (DK) notice, attempt to verify whether trade occurred. If trade did not occur, send cancellation notice.	

^{3/} The procedures set forth in (B) need not be followed if the procedures in (A) have been used. Similarly, the procedures in (A) need not be followed, if the procedures in (B) have been used.

R + 2

If after verification, confirming dealer believes that trade did occur, but material differences with non-confirming dealer cannot be resolved, confirming dealer may send cancellation notice on or after this date.

* * * *

Procedure B (Rule G-12 (d) (iii))

T + 4

In event of failure to receive confirmation or nonrecognition (DK) notice, promptly verify whether trade occurred and immediately notify non-confirming dealer by telephone.

Promptly upon receipt of telephone notice from confirming dealer, seek to determine whether trade occurred. Immediately notify confirming dealer by telephone of results of determination. Such notification may be made on T + 5 if determination cannot be made before then.

T + 5

Send written notice of failure to confirm.

Send written confirmation or nonrecognition (DK) notice.

T + 6

If material differences with non-confirming dealer cannot be resolved, or non-confirming dealer does not respond to telephone notice of failure to confirm, confirming dealer may send cancellation notice on or after this date.

II. Reclamations

<u>Date by Which Action Must be Taken</u>	<u>Reasons for Action</u>
D + 1	<ul style="list-style-type: none"> - Improper coupon or interest check in lieu of coupon missing. - Certificate or coupon mutilated. - Legal opinion or other legal documentation missing.
R (receipt of notice of dishonor) + 3	<ul style="list-style-type: none"> - Interest check not honored.
D + 18 months	<ul style="list-style-type: none"> - Irregularity in delivery (<u>e.g.</u>, wrong securities delivered, duplicate delivery, etc.) - Refusal to transfer or deregister because of lack of required documentation.
No time limit	<ul style="list-style-type: none"> - Missing, stolen, fraudulent or counterfeit securities. - Certificate called prior to trade date and not specified at time of trade.

III. Close-Out by Purchasing Dealers

<u>Date by Which Action Must be Taken</u>	<u>Action to be Taken by Purchasing Dealer</u>	<u>Action to be Taken by Selling Dealer</u>
S + 5	<p>May give close-out notice on or after this date. Notice must be by telephone and confirmed in writing specifying date for execution of close-out. Close-out date cannot be earlier than sixth</p>	

business day following
date notice was given
(S + 11).

Telephone notice + 1

Must respond to telephone notice, giving reasons for failure to deliver. May retransmit close-out notice if selling dealer has offsetting fail to receive. If selling dealer gives "adequate explanation" (as defined in rule) for failure to deliver, earliest date for execution of close-out is date of purchasing dealer's telephone notice + 16.

S + 30

Close-out must be executed by this date unless extended by retransmittals.^{4/}

^{4/} If the close-out notice is retransmitted more than once, each retransmittal subsequent to the initial retransmittal extends the earliest date for execution of close-out by one business day for each subsequent retransmittal (e.g., three retransmittals would extend the date by two business days).

NASD

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

December 27, 1977

TO: All NASD Members

RE: Willis E. Burnside & Co., Inc.
40 Exchange Place
New York, New York 10005

ATTN: Operations Officer, Cashier, Fail-Control Department

On Wednesday, December 21, 1977, a SIPC trustee was appointed for the above-captioned firm. Members may use the "immediate close-out" procedure 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:

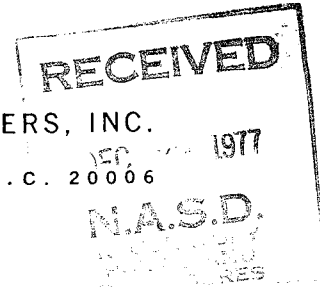
SIPC Trustee
Thomas Ungerland
Burns, Van Kirk, Greene & Kafer
521 5th Avenue
New York, New York 10017
Telephone (212) 972-0500

* * * * *

NOTICES TO MEMBERS: 77-52
Notices to Members should be
retained for future reference.

NASD

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



December 28, 1977

TO: All NASD Members

RE: Brokers' Trading, Inc.
932 Baker Bldg.
Minneapolis, Minnesota 55402

ATTN: Operations Officer, Cashier, Fail-Control Department

On Thursday, December 22, 1977, a SIPC Trustee was appointed for the above-captioned firm. Members may use the "immediate close-out" procedure 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

Timothy M. Heaney, Esquire
Fredrikson, Byron, Colborn, Bisbee & Hansen
4744 IDS Center
Minneapolis, Minnesota
Telephone (612) 339-8331