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NASDAQ OPTIONS SEMINARS SCHEDULED FROM COAST TO COAST

As a prelude to the start-up of the NASDAQ Options Program in August, educational seminars for the heads of Options Departments, heads of OTC Trading and other interested parties in NASD member firms have been scheduled for July.

Seminar Agenda

The agenda for each NASDAQ Options Seminar will include:

- I. Description of the NASDAQ Options Program
- II. Explanation of NASDAQ Options Rules
- III. Capital Requirements for Market Making in NASDAQ Options
- IV. Economics of Retailing and Market Making in NASDAQ Options
- V. Discussion

Seminar Dates and Locations

July 11	4:30-6:30 p.m.	New York City, Downtown Athletic Club
July 12	4:30-6:30 p.m.	New York City, Downtown Athletic Club
July 20	4:00-6:00 p.m.	Chicago, Union League Club
July 26	2:30-4:30 p.m.	Los Angeles, City Center Club
July 27	2:30-4:30 p.m.	San Francisco, Engineers Club

For Further Information

Further information on the NASDAQ Options Seminars may be obtained by writing or calling the NASD Information Department in Washington (202) 833-7290.

CHAIRMAN'S REPORT



In the past month, I participated in several important events starting with the Board of Governors' meeting at the Homestead. The discussions and decisions concerning NASDAQ Options, Investment Companies, Arbitration, Business Conduct, Regulatory Duplication and many other subjects were augmented by the presence of the Advisory

Council. The Council, composed of the District Chairmen, received a report on its previous recommendations and proposed other new areas of concern to be studied by the Board. This group was not only very helpful and constructive but impressed all of us by its dedication and ability, which augurs well for the future of the NASD.

District 4 had an Information Meeting and dinner in St. Louis. It was well organized and attended by 100 people, Gordon Macklin and me. Dick Gebhardt, a personable young Congressman from the area, was a speaker and did a great job. Inviting a local political

leader to Information Meetings serves two purposes: it helps attract people, and it gives the NASD another opportunity to present its views and our industry's goals and problems to government.

On May 26, 1977, I testified before the SEC regarding the interpretation of Section 24 of the NASD Rules of Fair Practice, which is a matter currently under discussion because of the Papilsky vs. Berndt case. Interested members can obtain a copy of my statement by writing to our Information Department, and are cordially invited to submit their comments to Gordon Macklin or me.

Another matter under discussion is the recent SEC proposal to require disclosure of profits on so-called "riskless" principal transactions. Here, too, we would welcome members' study of the proposal and their comments.

Sincerely,

Eugene Arnold, Jr.

Options (Continued)

REGISTERED OPTIONS PRINCIPALS (ROPs) QUALIFICATIONS

The NASD intends to require, subject to SEC approval, that any member firm engaged in call or put options activities have a Registered Options Principal (ROP), whether the firm trades NASDAQ or conventional options or is an access firm (i.e. an NASD member who is not a member of the particular options exchange upon which the options transactions are executed). ROPs will be obliged to pass a qualification examination or an acceptable equivalent.

ROPs already qualified with one or more of the options exchanges are to be grandfathered by the NASD. Those who have passed the old ROP examination of the exchanges dealing only with call options will have to take a test on puts, unless otherwise qualified by an exchange.

Member firms, including access firms, presently without ROPs should plan now to qualify a ROP in anticipation of the SEC's approval of the NASDAQ Options Rules package which includes the ROP requirement. The proposed requirement will embrace not only firms and persons engaging in the forthcoming NASDAQ Options Program, but also those engaging in conventional or traditional over-the-counter options transactions and access firms engaging in exchange listed options transactions. The ROP requirement does not provide for a grace period following the effective date during which a member firm can engage in options activities without first having qualified at least one person as a ROP.

A new ROP examination, first used on June 1, 1977, will qualify persons for both call and put activity and will satisfy the qualification requirements of the exchanges and the NASD. Request forms for this examination can be obtained from the NASD Qualifications and Examinations Department in Washington, or from any NASD District Office.

Questions regarding qualifications should be directed to Frank J. McAuliffe at (202) 833-7394 or Carole Bayard at (202) 833-7392.

Omnibus Accounts

USING THE SPECIAL OMNIBUS ACCOUNT

Many broker/dealers have found that with the diversification into new product lines it is advantageous to establish omnibus accounts with larger firms. These accounts can provide a convenient medium for the execution and financing of equity securities transactions as well as options. The use of these accounts is not without pitfalls, and members should investigate their

individual responsibilities before opening omnibus accounts with other broker/dealers.

The Special Omnibus Account is established by a broker/dealer (introducing firm) with a member of a national securities exchange (carrying member) to effect and finance the transactions of customers in conformity with Federal Reserve Board Regulation T. The activity in the account must be strictly limited to transactions for customers and no firm transactions may be effected through it. Transactions of partners, directors or officers of a broker/dealer firm may not be effected in the Special Omnibus Account.

The Special Omnibus Account is generally used when customers wish to engage in margin transactions, including short sales and writing options contracts. Although the account facilitates margin business, it is the responsibility of the introducing broker/dealer establishing the account to review individual customer margin accounts for initial as well as maintenance requirements.

Customer cash transactions may also be effected in the Special Omnibus Account even though no financing is desired. The broker/dealer establishing the account is responsible, under SEC Rule 15c3-3, for ensuring possession or control of all customer fully-paid-for and excess margin securities. The introducing broker/dealer must issue instructions for segregation or transfer of such securities. Failure to issue instructions is a common rule violation detected during recent examinations by the NASD.

The books and records of an introducing broker/dealer must be reconciled with the Special Omnibus Account statement, as provided by the carrying member, on a regular basis. A reconciliation requires that both the cash balance and securities positions on the introducing firm's books and records equal the balances reflected in the Special Omnibus Account. Broker/dealers should reconcile any differences as rapidly as possible. Reconciliations must be done on at least a monthly basis; however, an account with a large volume of transactions, especially where options are involved, often requires more frequent reconciliations, and broker/dealers should consult with the local NASD District staff if there are any questions.

The carrying member will require a broker/dealer wishing to establish a Special Omnibus Account to sign a written agreement that outlines the broker/dealer's responsibilities with regard to the account, and a copy of the agreement should be maintained as a part of its books and records. Before an account is established, operations personnel of both the introducing firm and the carrying firm should discuss the details of day-to-day use, prior to executing any transactions in the account.

The Special Omnibus Account has proved to be helpful to broker/dealers in effecting and financing transactions for customers, but the uses and limitations of the account must be thoroughly understood. It is imperative that the control of money and securities balances be tested regularly. NASD member firms are encouraged to contact the staff of their District Office or the Surveillance Department in Washington, D.C. (202/833-7350) with any questions.

People

CRAGG ELECTED GOVERNOR



Ernest E. Cragg, President and Chief Operating Officer of Washington National Insurance Company in Evanston, Illinois, has been elected a Governor-at-Large representing the insurance industry on the NASD's Board of Governors.

He is a Chartered Life Underwriter and a Fellow of the Life Management Institute.

Mr. Cragg joined Washington National in 1948 and has served in a number of positions. His career is summarized in *Who's Who in America*, *Who's Who in World Finance* and *Who's Who in Insurance*. He is a graduate of Carleton College.

FRANKE BECOMES SECRETARY



Christopher R. Franke has been selected as the new Secretary of the NASD.

He was previously the Assistant Director of Regulatory Policy and Procedures of the NASD and has served the Association in various positions for the past five years, and has also worked for the Securities and Exchange Commission. He is a graduate of Belmont Abbey College in North Carolina. Mr. Franke replaces Thomas D. Walsh who is leaving the Association to work in the securities industry.

MARTHA NORMAN RETIRES



Martha T. Norman retired on June 17, 1977 after more than 25 years service with the NASD. Mrs. Norman began her career with the Association in January 1952 as secretary to the Director of the Investment Companies Department. She has served in numerous capacities, including Assistant Secretary of the Investment Companies Committee and, most recently, Assistant Director of the Advertising Department.

Reduction of Regulatory Duplication

BOSTON, CINCINNATI AND PACIFIC STOCK EXCHANGES SIGN REGULATORY AGREEMENTS WITH THE NASD

James E. Dowd, President of the Boston Stock Exchange Incorporated (BSE), Richard G. Meyer, Chairman of the Board of the Cincinnati Stock Exchange (CSE), and G. Robert Ackerman, President of the Pacific Stock Exchange Incorporated (PSE) have each signed a regulatory agreement with Gordon S. Macklin, President of the NASD. Under the agreements, the NASD would assume regulatory responsibilities—inspection, examination and enforcement—for all dual members of the Boston, Cincinnati or Pacific Stock Exchanges and the NASD for which the exchanges presently have regulatory responsibilities designated to them by the SEC. The agreements, which are being filed with the SEC for approval, are a step toward the reduction of overlap and duplication in the regulation of the securities industry.

The "inspection and examining responsibility" assigned to the NASD by the BSE, CSE and the PSE would consist of full NASD responsibility for inspection, examination and surveillance with respect to compliance by dual members and associated persons with rules of the exchanges and the NASD, the Securities Exchange Act of 1934, and other regulation, including on-site examinations of dual members, financial and operational surveillance and monitoring of required reports. The "enforcement responsibility" transferred to the NASD would empower the NASD to conduct proceedings to determine whether violations of rules or regulations had been committed.

The BSE, CSE and PSE, however, would retain full responsibility for surveillance and compliance with respect to trading activities and practices on their floors. The exchanges would conduct their own enforcement proceedings on apparent violations of their rules discovered by the NASD, but could also authorize the NASD to conduct them.

The NASD would make available to the BSE, CSE and PSE all information obtained by it in performing the duties specified by the agreements. Likewise, the exchanges would provide pertinent information to the NASD.

The NASD would also perform the filing and processing of certain membership and registration records for the three exchanges. At least during an initial period, the NASD would make no charges to the exchanges for its services.

The Counter Market Is Alive and Well

By JOHN H. ALLAN

Picking winners in the stock market has been extremely difficult for most individual investors for nearly a decade, and many have decided that the market has little appeal nowadays as a place to put their savings.

With Wall Street brokers getting paid less now than they used to earn to drum up interest in stocks, it's fairly easy to make a case for staying out of equity investments for good.

Yet such a gloomy prognosis may be overstating the case, for one sector of the stock market has suddenly come to life. The over-the-counter market, long thought to be moribund, has been outperforming the listed market.

A coast-to-coast sampling of over-the-counter securities dealers last week confirmed that something of a resurgence is taking place. "There's probably a reawakening of interest in the stocks of smaller companies that have been undervalued," said John L. Watson 3d, a broker with the Robinson-Humphrey Company in Atlanta. "People are recognizing value again," he added.

The basic difference between the over-the-counter market and the market for stocks listed on an exchange is that the former is a dealer market and the latter is an agency market. O-T-C dealers sell to investors from their own inventories. In contrast, brokers for listed stocks act as agents, or middlemen, bringing together buyers and sellers.

O-T-C dealers make their profits on their inventories by marking up the prices of issues they hold. Brokers in listed issues earn money by charging sales commissions on each transaction.

In addition, the O-T-C market is geographically amorphous. It exists wherever a dealer sets up shop to make markets, whereas the listed market is centered on the New York Stock Exchange and the American Stock Exchange.

Through early last week, volume on the New York exchange in 1977 totaled 2.2 billion shares, down 19.7 percent from the 2.63 billion shares that traded in the corresponding period of 1976.

In the over-the-counter market, however, trading volume increased slightly, rising 3.1 percent to 675 million shares from 655 million.

According to George Ferris Jr., of Ferris & Company in Washington, "Volume is way off on the New York Stock Exchange because the institutions—banks, pension funds, insurance

companies and mutual funds—are sitting on their hands."

Over-the-counter volume, he asserted, is holding up "because brokers are scratching for business." The relative profitability in executing over-the-counter stock orders is larger than it is on institutional business, Mr. Ferris explained.

"Brokers can still make a legitimate profit in the NASDAQ/O-T-C market," echoes Jerry Williams, president of Jerry Williams Inc., a Tampa, Fla., securities firm, referring to the stocks quoted by the National Association of Securities Dealers.

"The options market was very hot in early 1976, so exchange-listed stocks were hot," Mr. Williams said. "That made listed stock volume go up in 1976, but the options markets have cooled and the listed stock markets therefore have, too," he asserted.

Prices in the over-the-counter market this year have outperformed prices on the Big Board—but not on the American exchange.

Last week the New York Stock Exchange composite index of all of its listed common stocks hovered at about 54.30, down 1 percent from its level a year earlier. The Standard & Poor's 500-stock index rested slightly below 100, down 3.4 percent from a year earlier. The Dow-Jones industrial average was at about 935, down 4.3 percent.

In contrast, the NASDAQ index, at a level slightly above 97, was up 7.3 percent from a year earlier. The American Stock Exchange index, a little above 114, did even better, up 9.1 percent over the year.

"The reason the NASDAQ/O-T-C market is outperforming the N.Y.S.E. and the Amex is simple," said Stephen J. Wolfe of S. J. Wolfe & Company of Dayton, Ohio. "In the NASDAQ/O-T-C market, the values are there." He cited Idlewild Foods, a Massachusetts company that he said had a book value of \$22 a share, earned \$3.38 a share in 1976 and currently is selling for around \$11.

David Lackey, a securities dealer at Belford Hammerbeck Inc. in Chico, Calif., said "There are hundreds of securities in the O-T-C market that sell at 6 to 7 times earnings and have rising profit and dividends. The institutions are going to wake up one of these days. They are going to have to make a choice between buying stuff with 3 percent yields or stocks selling at 5 to 6 times earnings—even though they trade over the counter."

The shift, he said, must be from listed stocks with high price-earnings ratios

and inconsistent earnings records to stocks with low P/E ratios and consistent earnings records.

One such issue, he said, is Paccar. "Paccar makes coal scoopers, shovels—the whole coal mining bit—and coal mining sure looks like a great field," Mr. Lackey said. "Paccar is selling at 48½, or seven times earnings. If it were selling at the same P/E as Kodak, it would be over 100."

Mr. Ferris asserted that some unlisted stocks are not only selling below book value but are also trading at or below liquidation value. Noland Plumbing, of Norfolk, Va., could be liquidated at \$11.20 a share, he calculated, after noting that the stock could be purchased at about \$9.50. The M. S. Ginn Company, a Washington concern that Mr. Ferris said has a growth rate of 20 percent, is trading at \$7 a share, the same as its liquidation value.

Mr. Lackey from Chico singled out Boothe Computer as another issue with value. At a price of 9½, it sells at a price-earnings multiple of six. He said the stock would triple if it sold at the same 18 multiple as Texas Instruments. Boothe common over the last 10 years has gyrated dramatically, trading as high as 53½ in 1968 and as low as 1/32 (3¼ cents) in 1974.

"The public is gradually edging back into the market," said Laurie Miller, executive vice president of Black & Company in Portland, Ore. "The public plays in the NASDAQ/O-T-C market. This is their patch."

Mutual funds and other institutional investors are being pushed to diversify, Mr. Miller said. "They are being dragged kicking and screaming into the NASDAQ/O-T-C market because it's obvious that that is where the values are."

To what extent institutional investors will ever move aggressively into O-T-C issues is uncertain, however, because the unlisted market tends to lack the liquidity of the Big Board or Amex. Over-the-counter dealers often do not have the substantial capital needed to handle the big blocks of stock traded by institutions.

Mr. Miller noted that the upsurge in over-the-counter trading had helped the profitability of his business. "For the 10 months ending in March," he said, "our firm made good profits. Why? Because 62 percent of our business is in NASDAQ/O-T-C stocks and only 38 percent is in listed securities."

He added: "I'll tell you something. I have institutional clients, and they have cut my commissions so much that if they don't give me any orders I don't care. But I'll scramble for NASDAQ/O-T-C business."

FACTS AND FIGURES

NASDAQ/Over-the-Counter market share volume for the first six months of 1977 was over 920 million shares, up 6.3% from the corresponding period of 1976. Average daily trading volume on NASDAQ for the first six months of the year was 7,308,000 shares, up from 6,877,000 shares per day for the first half of 1976. The NASDAQ Composite Index, the index for the top 2,400

OTC securities, ended June 30 at 99.73, its high for the first half of 1977, up 10.4% from a year earlier, and the NASDAQ Industrial Index for some 1,600 securities closed at 102.75, up 6.7% from a year ago.

Comparative share volume figures and market indicators for the NASDAQ/OTC market and the exchanges are as follows:

SHARE VOLUME

(January—June)

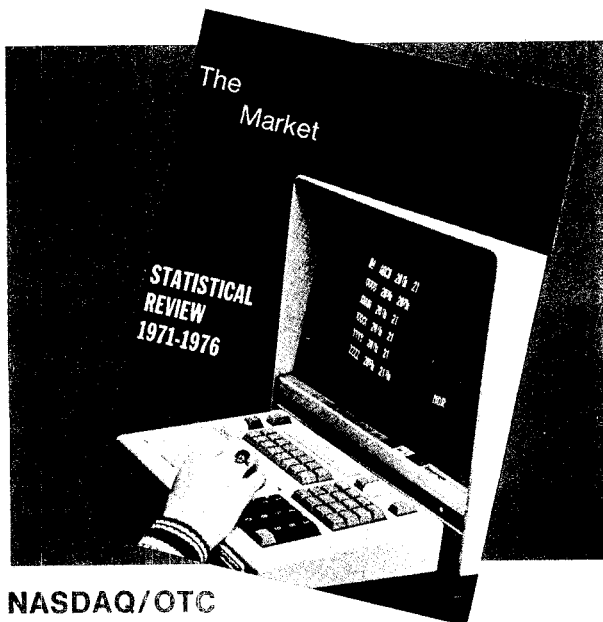
	1977	1976	% change
NASDAQ	920,867,276	866,549,651	+ 6.3%
NYSE	2,647,911,042	2,927,892,587	- 9.6%
AMEX	342,640,000	377,639,420	- 9.3%

NASDAQ SYSTEM STATISTICS

	June 30, 1977	June 30, 1976
Number of securities	2,607	2,610
Number of active market makers	370	362
Number of market making positions	18,565	15,606
Average number of market makers per security	7.1	6.0

MARKET INDICATORS

	June 30, 1977	June 30, 1976	% change
NASDAQ Composite Index	99.73	90.32	+ 10.4%
Industrial Index	102.75	96.30	+ 6.7%
Bank Index	91.52	84.51	+ 8.3%
Insurance Index	106.67	87.69	+ 21.6%
Other Finance Index	102.47	91.45	+ 12.1%
Transportation Index	102.24	100.41	+ 1.8%
Utility Index	94.04	73.62	+ 27.7%
Dow Jones Industrial Average	916.30	1002.78	- 8.6%
Standard & Poor's 500	100.48	104.28	- 3.6%
400 Industrial	110.72	117.38	- 5.7%
NYSE Composite Index	55.10	55.71	- 1.1%
Industrial Index	59.27	62.35	- 4.9%
AMEX Market Value Index	120.32	105.32	+ 14.2%



NASDAQ/OTC STATISTICAL REVIEW PUBLISHED

A brochure of historical data—*The NASDAQ/OTC Market Statistical Review 1971-1976*—is being published and distributed to NASD members and branches, NASDAQ companies and other interested parties. The 1976 Fact Book generated numerous requests for historical data, and the Statistical Review is intended to supplement the Fact Book with index, volume, and NASDAQ System statistics from 1971 through 1976. Additional copies are available from the NASD's Information Department in Washington, D.C. for \$1.00 each.

JAPANESE INVESTORS AUTHORIZED TO BUY NASDAQ/OTC SECURITIES

As of June 1, 1977 NASDAQ/OTC securities have been approved for purchase by Japanese investors.

This development is the outcome of meetings by the NASD with the Japanese Association of Securities Dealers and the Ministry of Finance of Japan.

EMBASSY OF JAPAN
2330 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D.C. 20008
(202) 534-2200

June 7, 1977

Mr. G. Macklin
President
National Association of
Securities Dealers
1735 K Street, N.W.
Washington, D.C. 20006

Dear Mr. Macklin:

On behalf of Mr. Makoto Yasui, Director General of the Securities Bureau, Ministry of Finance and Mr. Keijiro Kaizuka, Deputy Director General, I would like to inform you that the Japanese Association of Securities Dealers has amended its rule pertaining to investment in foreign stock markets. They recently decided in favor of allowing the public investor to invest in NASDAQ stocks.

Mr. Yasui mentioned that you were very interested in this matter and he asked that I pass this information along. I hope that it will be helpful to you.

Sincerely yours,

Toyio Matsumuro
Toyio Matsumuro
Financial Minister

Municipal Securities

MSRB RULE PROPOSAL UPDATE

The following is an update of rules proposed by the Municipal Securities Rulemaking Board (MSRB) and their current status. Any comments or suggestions regarding municipal securities activities may be directed to the NASD's Municipal Securities Committee. Recent Committee recommendations are also included in this synopsis.

Quotations and Transactions

MSRB rules concerning quotations and transactions reports (G-13 and G-14) have been approved by the SEC.

Rule G-13 requires that a quotation relating to municipal securities must represent a bona fide bid for or offer of securities at that price or it cannot be disseminated to the public or other professionals. Quotations must take into account not only the fair market value of the securities but all other relevant circumstances at the time the quotation is made. A firm is prohibited from entering a quotation on behalf of another broker/dealer or municipal securities dealer if there is reason to believe that the quotation does not represent a bona fide bid or offer. In addition, participants in a joint account are prohibited from entering quotations relating to municipal securities which are the subject of the joint account if the quotations indicate more than one market for the same securities.

Rule G-14 requires reports of sales or purchases of municipal securities but does not establish mechanisms for the actual reporting of transactions.

Recordkeeping

MSRB rules establishing recordkeeping requirements for municipal securities brokers and dealers (G-8, G-9 and G-10) have been approved by the SEC. The SEC has also adopted amendments to SEC Rules 17a-3 and 17a-4 to permit securities firms engaged in a municipal securities business to keep records in accordance with MSRB rules and by doing so to be automatically in compliance with SEC recordkeeping requirements.

All municipal securities firms and integrated firms doing a municipal business are required to maintain, and keep current, books and records pertaining to transactions in municipal securities. Firms have the option of adhering to either MSRB or SEC rules without giving formal notice of their choice.

Minimum Examination Requirements

A rule has been proposed which would specify the minimum scope and frequency of compliance examinations of municipal securities activities of broker/dealers and bank dealers by the NASD, SEC and the bank regulatory agencies. The MSRB Rule (G-16), circulated for comment, would require the appropriate regulatory agency to conduct an examination annually.

Underwriting and Sales of New Issues

A proposed rule concerning sales to certain municipal securities investment portfolios and investment trusts during the underwriting period (G-11A) and a proposed rule concerning communications in connection with sales of new issues (G-11B) have been revised.

Proposed Rule G-11A would require a dealer purchasing municipal securities for an investment portfolio to disclose that fact; however, the dealer would not have to identify the investment portfolio. Dealers would be prohibited from selling securities purchased in their dealer capacity from a syndicate or syndicate member to an investment portfolio during the underwriting period. The sales would have to be made directly by the syndicate and confirmed by the syndicate manager. With respect to municipal securities investment trusts, a dealer would be precluded from selling securities held in its trading account to a municipal securities investment trust for which it is the sponsor.

Proposed Rule G-11B would require every syndicate to provide for the priority of different orders for the purchase of securities from the syndicate and the procedure for making changes in priority. The syndicate manager would be able, on a case-by-case basis, to allocate securities differently if it is in the best interests of the syndicate. The Rule would also require a syndicate which provides for an order period to state whether orders may be confirmed prior to the end of the period. The Rule would also require certain disclosure in connection with advertisements of new issues.

Fair Practice Rules

An exposure draft of 21 Fair Practice Rules for the municipal securities industry was circulated for public comment by the MSRB and, among other things, would:

- prohibit churning;
- specify standards for effecting transactions in customer accounts on a discretionary basis;
- establish limitations for municipal securities professionals in giving gifts or services in relation to municipal securities activity;
- prohibit misrepresentations in advertising and require approval of advertising by a principal;
- detail requirements for supervision of personnel engaged in municipal securities activity;
- require principal and agency transactions at fair and reasonable prices; and
- specify disclosure standards in connection with new issues.

Lost & Stolen Securities

The NASD Municipal Securities Committee has recommended several amendments to the SEC Rule (17f-1) which establishes reporting and inquiry requirements for missing, lost, counterfeit and stolen securities. In a comment letter to the SEC, the NASD Committee noted that the inquiry requirements would place an undue burden on members of the municipal securities industry and suggested that firms be allowed to avoid

making formal inquiries in situations where the broker/dealer is able to determine, internally, the authenticity of the certificates on the basis of knowledge of the customer, familiarity with the customer's investment history or through other procedures. The Committee also recommended that firms requiring proof of purchase be exempt from making formal inquiries. In the case of a customer tendering many sequentially numbered bearer certificates, the Committee recommended that the firm be permitted to make inquiries on a selected number of certificates chosen at random.

Municipal Rules Manual

The MSRB has completed arrangements with Commerce Clearing House for the publication of a one-volume hard cover looseleaf Manual which contains rules of the Board, interpretations, applicable rules of the SEC and administrative proceedings. Brokers and dealers who are registered with the MSRB as municipal securities firms are receiving two two-year subscriptions to the Manual. It is anticipated that reprints of the Manual in a bound soft cover format will be available on a semi-annual or annual basis.

Underwriting

NATIONWIDE PROGRAM OF DISCUSSION SESSIONS

A series of informal meetings of NASD members who are principal underwriters of investment companies, including mutual funds, variable annuities and unit trusts have been held throughout the country. Meetings were held to familiarize principals of the companies with the NASD, to further communications between these members and Association officials and to foster the concept of self-regulation. One of the major benefits of the meetings was the opportunity given to attendees to provide input to the Association by asking questions and making suggestions about policies and procedures of the Association.

Representatives from the NASD included NASD Board members, District Committeemen, District Directors, and Executive Office staff. Eugene Arnold, Jr., Chairman of the NASD Board of Governors, attended a Philadelphia session and said of it: "The meeting was successful in giving the NASD the opportunity to explain the NASD's role in the regulation of members who market investment company products and to talk with industry representatives about their specific problems or questions."

Meetings have been held as follows: Minneapolis, Oct. 26, 1976; Boston, Nov. 10, 1976; Philadelphia, Feb. 18, 1977; Los Angeles, Feb. 26, 1977; San Francisco, Feb. 25, 1977; Denver, May 3, 1977; Kansas City, May 4, 1977; Dallas, June 7, 1977; and Houston, June 8, 1977. A meeting is also scheduled in Chicago on July 12, 1977 as the Newsletter goes to press.

Qualifications

PRINCIPALS REQUIRED TO PRE-QUALIFY AS REPRESENTATIVES

The Board of Governors of the NASD adopted a resolution requiring certain principals also to qualify as general securities representatives effective after June 30, 1977. The resolution was approved by the SEC and will affect Schedule C of the Association's By-Laws.

The resolution states that individuals applying for registration as principals who are not qualified to become registered as representatives must also pass the Qualification Examination for Registered Representative before their principal registration can be declared effective. The requirement will pertain to those persons whose applications for registration as principals are received at the Association after June 30, 1977. The new policy will not apply to principals qualifying as financial principals or whose functions relate solely and exclusively to mutual funds, variable annuities or direct participation programs.

It had been the Association's policy that persons who became registered as principals who were not already qualified as principals needed only to pass the Qualification Examination for Principals, after which they could function as both principals and representatives. The new policy is intended to assure that general securities principals will be subject to examination requirements at least as stringent as the requirements for general securities representatives. It is also intended to discourage possible evasion of the representative examination requirements by qualifying individuals as principals instead of as representatives.

Group Insurance

GROUP AND INDIVIDUAL PLANS FOR MEMBERS

NASD member firms have been invited to consider using the NASD Group Insurance Trust to fund Group Life, Comprehensive Major Medical and Long Term Disability Income benefits. In addition, individual plans for Registered Representatives and employees of NASD member firms are available.

Over 600 member firms now participate in one or more of the group plans and over 10,000 people have enrolled in individual plans.

Firm and individual enrollment continues to be open. Questions related to the various plans should be addressed to Group Insurance Administrators Inc., 888 17th St., N.W., Washington, D.C. 20006, (202) 298-8350.

THE RR & the NASD

Challenge From the Members

"There is really no publication addressed to the Registered Rep in the main or branch offices. The *NASD Newsletter* should try to fill that gap. Many of the 150,000 active Registered Reps would welcome the NASD's try."

So says William J. Fitzpatrick, General Counsel of Loeb, Rhoades & Co. Inc., and others from NASD member firms have made the same point.



William J. Fitzpatrick
General Counsel, Loeb Rhoades & Co. Inc.

Response from the NASD

Therefore, we are inviting all Registered Reps to make part of the quarterly *NASD Newsletter* your publication.

How?

We are inviting you—the Registered Rep—to

- **Write** the NASD whatever is on your mind concerning the securities business; and
- **Ask** the NASD whatever you wish—about products, practices, market data, industry trends, compliance, etc.

Then what?

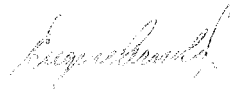
- *The NASD Newsletter* will print your most instructive comments; and
- *The NASD Newsletter* will answer your most pointed questions.

Over to You


Send your comments and questions about the securities business to:

NASD Newsletter
1735 K Street, N.W.—Information Dept.
Washington, D. C. 20006

Yours,



Eugene Arnold, Jr.
Chairman



Gordon S. Macklin
President

