

NASD

NOTICE TO MEMBERS 80-12
Notices to Members should
be retained for future
reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 7, 1980

TO: All NASD Members and Interested Persons

RE: Amendments to Procedures for Reporting Third
Market Transactions to the Consolidated Tape

The Board of Governors of the Association has adopted and filed with the Securities and Exchange Commission for approval an amendment to Schedule G under Article XVIII of the By-Laws relating to the manner in which over-the-counter transactions in listed securities are reported to the Consolidated Tape. The amendment is being published for comment by the Association and the Securities and Exchange Commission at the same time. Comments should be directed to the Association or the SEC. The Association requests copies of any comments submitted directly to the SEC.

The amendment would require that principal transactions in listed securities executed in the over-the-counter market which are executed at a price which includes a mark-up or mark-down be reported to the Consolidated Tape at a price excluding such mark-up or mark-down. The purpose of the amendment is to attempt to achieve comparability for transactions in listed securities reported on the Consolidated Tape. Presently all transactions reported on the Consolidated Tape from stock exchanges do not include the commission charged the customer for the transaction. The transaction report appearing on the Consolidated Tape therefore represents the wholesale price for the transaction.

Over-the-counter transactions in these same securities are currently reported in two different ways. If the transaction is an agency (or principal) transaction where the commission is separately broken out, the transaction is reported on the Consolidated Tape without the commission. The reporting of these transactions without the commission included in the reported price results in transaction reports which are similar to transaction reports from exchanges i.e., the wholesale price of the transaction is reported. However, most principal transactions executed in the over-the-counter market are executed at an aggregate price which includes a mark-up or mark-down. This constitutes the actual price paid or received by the customer, i.e., the retail price. Under the Association's current reporting rules, that retail price is reported to the Consolidated Tape. Thus, the current reporting procedures result in a mix of wholesale and retail transaction prices being reported on the Tape. The Association is concerned

with the appearance of these prices on the Tape. Obviously, if some transaction reports reflect wholesale prices and some reflect retail prices, transactions which actually are very similar, or even the same, in price would appear on the Consolidated Tape as being different.

The Association has therefore proposed to amend the reporting rules to require that in all over-the-counter principal transactions in Consolidated Tape securities which are executed at a price which includes a mark-up or mark-down, the price reported to the Consolidated Tape should exclude such mark-up or mark-down. The amendment also requires that the reported price be reasonably related to the prevailing market for the security taking into consideration all relevant circumstances including, but not limited to, market conditions, number of shares, the published quotations with size, the reporting member's own quotation if it is a market maker, accessibility to market centers publishing quotations and costs of execution and clearing. The Association does not believe that the amendment will impose a substantial burden on reporting members since the determination of the prevailing market for a security and the calculation of the mark-up or mark-down is a function which members customarily perform when executing principal transactions. Obviously, if no mark-up or mark-down is charged then the reported price would be the execution price. Members should note that this amendment will not change, in any way, the manner in which such transactions are confirmed.

In addition to improving the manner in which transaction prices are disclosed to public investors, the amendment will alleviate certain problems relating to various regulations and other practices which are based on prices reported on the Consolidated Tape. For example, SEC Rule 10a-1, dealing with short sale regulation utilizes the last sale reported on the Consolidated Tape for determining permissible short sales. The exclusion of mark-ups and mark-downs in the reported price will result in fewer variations in the stream of reported prices than has occurred in the past. These variations which have impacted the ability of members to execute short sales are caused by the inclusion of mark-ups and mark-downs in the reported prices. In addition, the effectiveness of certain rules and practices relating to the execution of limit orders and any new limit order procedures established in a national market system will be substantially improved by the elimination of price variances resulting from the inclusion of mark-ups and mark-downs in reported prices. The amendment will also decrease the potential for the closing transaction of the day on the Consolidated Tape to be away from the actual wholesale market if the transaction happens to be a retail transaction including a mark-up or mark-down. This closing transaction is used by many persons and corporations for a variety of important inventory and portfolio valuations.

The Association believes that the amendment will substantially improve the disclosure mechanism for transactions in listed securities. The Association recognizes that the amendment is an attempt to deal with a very complicated problem of combining transaction reports from different markets. The impact of the amendment will be studied and monitored very closely by the Association for a specific experimental period to determine whether any further modifications to the reporting procedures are necessary.

All comments to the Association and copies of comments to the Securities and Exchange commission should be directed to David P. Parina, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006 and received by the Association no later than April 30, 1980.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Frank J. Wilson". The signature is written in dark ink and is positioned above the typed name.

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

Text of Proposed Amendment to Section 1(a)(2) and
Section 1(b)(2) of Schedule G under Article XVIII of the By-Laws

(New language indicated by underlining, deleted language indicated by striking.)

Section 1(a)(2) Designated Reporting Members shall transmit last sale reports for eligible securities for all purchases and sales in such securities except transactions for less than a round-lot at the execution price recorded on the trade ticket ~~exclusive of~~ after excluding any commissions, mark-up, mark-down or other charges. ~~For principal transactions which are executed at a price which includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge.~~ Such reported price shall be reasonably related to the prevailing market, taking into consideration all relevant circumstances including, but not limited to, market conditions with respect to the security, the number of shares involved in the transaction, the published bids and offers with size at the time of the execution (including the reporting firm's own quotation), accessibility to market centers publishing bids and offers with size, the cost of execution and the expenses involved in clearing the transaction.

Section 1(b)(2) Non-Designated Reporting Members (Same as Section 1(a)(2)).

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 11, 1980

TO: All NASD Members and Interested Persons

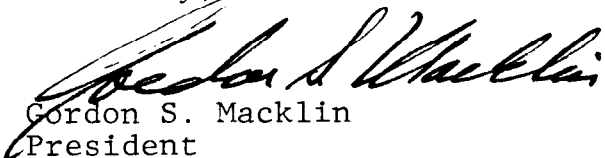
RE: Extension of Comment Period on Proposed Revisions to
Section 26, Including Anti-Reciprocal Rule

On March 6, 1980, the Association published for comment a package of proposed revisions to Article III, Section 26 of the Rules of Fair Practice (Notice to Members 80-7). One important aspect of this proposal is a revision of the Association's Anti-Reciprocal Rule (paragraph (k) of Section 26), which would permit members to sell shares of an investment company which follows a disclosed policy of considering sales of shares as a factor in the selection of broker-dealers to execute portfolio transactions. Several other significant changes are included in the proposed revisions.

Since the publication of these proposals, several occurrences took place, including the reserve requirements imposed on money market mutual funds by the Federal Reserve Board, which have diminished members' ability to adequately consider these proposals and provide comment to the Association. The deadline for comment on the proposals is therefore being extended to May 16, 1980.

Comments on these proposals should be in writing and addressed to David P. Parina, Secretary, NASD, 1735 K Street, N.W., Washington, D.C. 20006. Comments must be received by the Association by May 16, 1980 in order to receive consideration. All comments will be available for inspection. Questions should be directed to Mr. Robert L. Butler, (202) 833-7272.

Sincerely,



Gordon S. Macklin
President

NASD

NOTICE TO MEMBERS 80-14
Notices to members should
be retained for future
reference.

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

MEMORANDUM

TO: ALL NASD MEMBERS
FROM: C. Richard Justice
DATE: April 11, 1980
SUBJECT: Relocation of the Uniform Practice Department,
Arbitration Department and NASDAQ Operations

Effective April 21, 1980, the Association's Uniform Practice Department, Arbitration Department and NASDAQ Operations will relocate to:

98th Floor
2 World Trade Center
New York, New York 10048

Uniform Practice Department: (212)938-1177
Arbitration Department: (212)938-1177
NASDAQ Operations: (212)938-1055

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NOTICE TO MEMBERS 80-15
Notices to members should
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reference.

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

April 15, 1980

TO: All NASD Members

RE: Increase in Suggested Rates for
Forwarding Proxy and Other Materials

The Board of Governors of the Association has amended the Appendix to its Interpretation entitled Forwarding of Proxy and Other Materials. The Appendix establishes a guide to members for reimbursement of expenses incurred in forwarding of proxy and other materials. The amendments, which increase certain of the suggested rates of reimbursement, were considered appropriate in light of the higher clerical and postage costs experienced in providing the forwarding services. The amendments also clarify the rates of reimbursement applicable to different mailing situations.

The new suggested rates are effective on May 1, 1980, for all services performed after that date. The major changes are as follows:

MINIMUM CHARGES

The suggested rate of 50¢ for each set of proxy material, plus postage remains unchanged. The suggested minimum charge for all sets of proxy material mailed is increased from \$3.00 to \$5.00.

ANNUAL REPORTS

A new category has been established for annual reports when mailed separately from the proxy material. The suggested rate is 10¢ for each copy plus postage.

FOLLOW-UP MAILINGS

A new category has been established for proxy follow-up mailings. The suggested rates are (1) 30¢ for each set, plus postage, when the follow-up material is mailed to all beneficial owners and (2) 50¢ plus postage where the material is mailed only to beneficial owners who have not responded to the initial mailing.

INTERIM REPORT MAILINGS

The suggested rate for each copy of interim reports or other materials has been increased from 10¢ plus postage to 20¢ plus postage. A suggested minimum charge of \$2.00 for all such materials has also been established since the previous rates contained no minimum.

It is important to note that members have an inherent duty under the Interpretation to forward to each beneficial owner all proxy material, annual reports, information statements and other material required by law to be sent to stockholders periodically which are properly furnished to the member by the issuer. Executives of NASDAQ issuers, through the Association's Corporate Advisory Committee, supported this increase in rates and wish to emphasize to members the importance to issuers of prompt attention to the forwarding of proxy and other materials to stockholders.

Sincerely,


Gordon S. Macklin
President

Text of Amendments to Interpretation of
the Board of Governors Entitled Forwarding of Proxy and Other Materials

(New language indicated by underlining, deleted language indicated by striking)

Forwarding of Proxy and Other Materials

Section 5. The Board of Governors for the guidance of members is authorized to establish a suggested rate of reimbursement of members for expenses incurred in connection with transmitting the proxy solicitation to the beneficial owners of the securities pursuant to Section 2 hereof or in transmitting information statements or other material to the beneficial owners of securities pursuant to Section 4 hereof. Such shall be attached hereto by appendix.

Appendix

The Board of Governors has determined that the following suggested rates of reimbursement for expenses incurred in forwarding proxy material, annual reports, information statements and other material are to be used as a guide by members:

Charges for Initial Proxy and/or Annual Report Mailings

50 cents for each set of proxy material, i.e., proxy statement, form of proxy and annual report when mailed as a unit, plus postage, with a minimum of ~~\$3.00~~ \$5.00 for all sets mailed;

10 cents for each copy, plus postage, for annual reports, which are mailed separately from the proxy material pursuant to the instruction of the person soliciting proxies.

Charges For Proxy Follow-Up Mailings

30 cents for each set of follow-up material, plus postage, when the follow-up material is mailed to all beneficial owners;

50 cents for each set of follow-up material, plus postage, when the follow-up material is mailed only to beneficial owners who have not responded to the initial mailing.

Charges for Interim Report Mailings

~~40 cents~~ 20 cents for each copy, plus postage, for interim reports, post meeting reports or other material with no minimum. with a minimum of \$2.00 for all sets mailed;

Members may charge for envelopes, provided they are not furnished by the person soliciting proxies.

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

April 15, 1980

TO: All NASD Members

RE: Perry, Adams & Lewis Securities, Inc.
1012 Baltimore Avenue
Kansas City, Missouri 64105

ATTN: Operations Officer, Cashier, Fail-Control Department

On April 11, 1980 a SIPC trustee was appointed for the above-captioned firm. Previously, a temporary receiver had been appointed for the firm on April 3, 1980. Members may use the "immediate close-out" procedures as provided in Section 59(i) of the NASD's Uniform Practice Code to close-out open OTC contracts. Also, MSRB Rule G-12(h)(iv) provides that members may use the above procedures to close-out transactions in municipal securities.

Questions regarding the firm should be directed to:

SIPC Trustee
George H. Clay, Esquire
Lathrop, Koontz, Righter, Clagett,
Parker & Norquist
26th Floor, Mutual Benefit Life Building
2345 Grand Avenue
Kansas City, Missouri 64108
Telephone: (816) 842-0820

NASD

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

April 17, 1980

TO: All NASD Members and Other Interested Persons
RE: Release of Report on Private Offering Study

The Association has released a report of the findings and conclusions resulting from its study of privately offered direct participation programs, mostly limited partnerships. The Association studied each of 1,415 private offerings in which members and their associated persons participated during a twelve-month period. The 1,415 offerings filed were categorized for purposes of the study as follows:

AGGREGATE PRIVATE OFFERINGS
(12/1/76 - 11/30/77)

<u>Type of Offering</u>	<u>Number Received</u>	<u>Aggregate Dollar Amount</u>
Real Estate	736	\$ 622,226,527
Oil and Gas	280	346,334,156
Mining	138	154,703,167
Farming	16	8,086,450
Livestock	20	28,389,000
Other	225	215,738,154
Total	<u>1,415</u>	<u>\$1,369,067,454</u>

The study analyzed levels of underwriting and sponsor's compensation, the apparent number of participants in each offering and potential abuses of the private offering exemption resulting from integration of offerings, lack of adequate disclosure and the participation of individuals (often accountants, attorneys and registered representatives and principals) as unregistered broker/dealers. The study identified some areas of apparent problems, particularly relating to activities of unregistered broker/dealers and integration of offerings. The study found, however, that the number of offerings in which problems were apparent constituted only a small percentage of those analyzed.

The Association has determined, on the basis of the study, not to require members to file private offerings for review at this time. The Association is of the view that the costs to members and issuers resulting from a filing requirement would outweigh any regulatory benefit which might be derived.

The study emphasizes the apparent widespread participation of unregistered broker/dealers in private offerings. This is a continuing concern to the Association. The report states:

The fact that a person is effecting transactions exclusively in privately offered securities does not provide an exemption from the requirement to register as a broker/dealer under the [Securities Exchange Act of 1934].

The study found that some registered representatives and principals of member firms apparently distribute private offerings in their individual capacity, in some instances without informing their member employer. The report notes the serious implications of such activity for both the individual registered person and the member firm. Among the dangers cited are potential violations of the Securities Exchange Act of 1934 and the Securities Act of 1933 (the "1933 Act") as well as Association rules, and civil liability for some such violations. The report emphasizes that it is important for individuals to adhere to the Private Securities Transactions Interpretation of Article III, Section 27 of the Association's Rules of Fair Practice. The report also cautions members against possible liability under agency law for their employees' activities, including activities of which the firm has no knowledge.

The report also gives considerable attention to the apparent failure of numerous offerings to satisfy requirements for the private offering exemption from securities registration under the 1933 Act. The study found several instances of offerings made as private placements which appeared to be integratable into one offering which would not qualify for exemption. The Securities and Exchange Commission has taken the position that two or more offerings which are part of a single plan of financing or otherwise integrated may not be made pursuant to the private offering exemption if that exemption would not be available to the integrated offering.

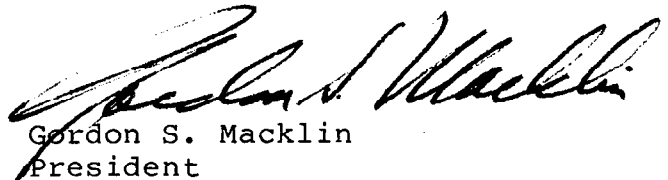
The study also found several examples of disclosure which appeared to be too inadequate to meet the criteria for access to information necessary to sustain the private exemption.

The study's statistical findings regarding underwriting and sponsor's compensation, the number of participants per offering and the degree of leverage used are set forth in Tables I and II attached hereto.

Copies of the complete report are available upon request from the Association. Requests should be addressed to the Corporate Financing Department, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006, or telephone (202) 833-7240.

Questions regarding the report may be directed to Dennis C. Hensley, Vice President, Corporate Financing at the above telephone number.

Sincerely,



Gordon S. Macklin
President

TABLE II

	Number of Participants		Leverage (Debt/Equity)			
	Mean	A.D. ^{1/}	Range	Mean	A.D. ^{1/}	Range
<u>REAL ESTATE</u>						
Conv. Dev.	18	4.47	12 - 25	3.498/1	.65	2.27/1 - 4.86/1
Acquisition	28	8.29	10 - 40	3.15/1	.44	2/1 - 3.99/1
Gov. Asst.	20	8.03	10 - 41	5.16/1	.97	3.1/1 - 8/1
Commercial	22	10.41	10 - 40	2.97/1	1.10	1.00/1 - 6.13/1
<u>OIL AND GAS ^{2/}</u>						
Unspecified	30	12.08	10 - 50			
Specified	25	8.65	10 - 41			
<u>MINING</u>						
	32	3.52	23 - 49	2.97/1	.34	2.17/-3.30/1
<u>OTHER</u>						
	27	7.35	10 - 40	3.8/1	1.6	1.00/1 - 9.5/1

^{1/} Average deviation

^{2/} Leverage considered insignificant in oil and gas programs and therefore not included in study.

TABLE I

<u>Type of Program</u>	<u>% Underwriting Comp.</u>		<u>% Sponsor Comp.</u>	
	Mean	A.D. ^{1/} Range	Mean	A.D. ^{1/} Range
<u>REAL ESTATE</u>				
Conv. Dev.	10.33	1.18 8 - 15.5	42	6.53 27 - 52.5
Acquisition	9.54	1.11 6 - 12.9	21.72	5.99 12.7 - 36
Gov. Asst.	10.42	1.78 7.3 - 15	94.48	17.12 66 - 149.3
Commercial	7.87	1.78 3.4 - 13	11.42	2.22 7.3 - 14.3
<u>OIL AND GAS</u>				
Unspecified	8.38	1.21 5 - 11	7.74	2.51 4 - 15
Specified	7.94	2.83 2.3 - 15	6.80	1.69 3.2 - 10
<u>MINING</u> ^{2/}	11.09	1.59 8 - 15	17.28	4.78 9 - 21
<u>OTHER</u>	9.73	2.80 4.3 - 15	14.70	7.25 2 - 39.3

^{1/} Average deviation

^{2/} In addition to other items of compensation, prepaid royalty payments represented the following proportion of total offering proceeds. The compensation component of such prepaid royalties is indeterminable.

<u>% Prepaid Royalties</u>	
Mean	A.D. Range
82.55	16.24 40.1 - 100

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NOTICE TO MEMBERS: 80-18
Notices to Members should be
retained for future reference.

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

May 1, 1980

MEMORANDUM

TO: All NASD Members

RE: Federal Reserve Board Amendments to Regulation T

In response to recommendations advanced by the NASD and others, the Federal Reserve Board (FRB) recently announced its decision to adopt amendments to Regulation T, which governs the extension of credit by brokers and dealers. Although this action becomes effective on June 2nd, the FRB has indicated its willingness to accept comments on the changes until April 30, 1980.

In brief, the amendments being made to Regulation T will:

- for general accounts, increase the payment period prescribed in Section 220.3(b) from five (5) to seven (7) business days;
- for special cash accounts, raise the exclusionary provision in Section 220.4(c)(7) from \$100 to \$500 (this is the de minimis amount which triggers regulatory action in both a margin and a cash account);
- permit the postmark date to serve as evidence of timely filing of a request for an extension of time for payment by a customer for transactions effected in either a special cash or a general account.

By deciding to accept postmarks as evidence of timely filing for an extension request, the FRB will be withdrawing an interpretation it has had since 1939 which, in effect, said that a request for an extension of time had to be physically in the possession of the approving authority no later than the expiration date for payment. If such request was not received by that date, it had to be denied. With the change in the regulation, extension of time requests which are received from brokers and dealers via the mail will be considered in compliance with the timely filing provisions of the regulation so long as they are postmarked no later than midnight of the date payment is due.

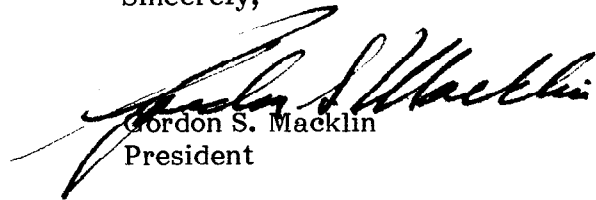
According to the FRB, it has taken this action "...to reduce the administrative burden placed on broker-dealers and their self-regulatory organizations by recognizing the geographic dispersion of the financial community and recent developments in information processing technology."

The aforementioned changes in Regulation T will soon be incorporated into the NASD Manual in the section containing excerpts of Regulation T and SEC Rules.

* * *

Questions concerning this notice as well as requests for copies of the FRB Press Release and Order announcing these changes in Regulation T should be directed to A. Raymond Brummett, Assistant Director, Department of Regulatory Policy and Procedures, NASD, 1735 K Street, N.W., Washington, D. C. 20006; telephone (202) 833-7358.

Sincerely,



Gordon S. Macklin
President

NASD

NOTICE TO MEMBERS: 80-19
Notices to Members should be
retained for future reference.

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

May 6, 1980

TO: All NASD Members and Municipal Securities Bank Dealers
Attention: All Operations Personnel

RE: Memorial Day Trade Date - Settlement Date Schedule

Securities markets and the NASDAQ System will be closed on Monday, May 26, 1980, in observance of Memorial Day. "Regular-way" transactions made on the business days preceding that day will be subject to the following schedule.

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

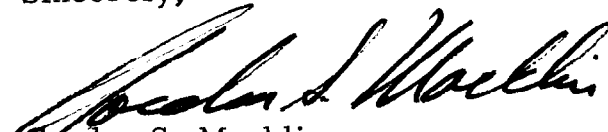
<u>Trade Date</u>	<u>Settlement Date</u>	<u>*Regulation T Date</u>
May 16	May 23	May 28
19	27	29
20	28	30
21	29	June 2
22	30	3
23	June 2	4
26	Memorial Day Observance	---
27	3	5

*Pursuant to Section 4(c)(2) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) days of the date of purchase. The date upon which members must take such action for the trades indicated is shown in the column entitled "Regulation T Date."

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 regarding this notice may be directed to the Uniform Practice Department at (212) 938-1177.

Sincerely,



Gordon S. Macklin
President

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NOTICE TO MEMBERS: 80-20
Notices to Members should be retained for future use.

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

May 12, 1980

MEMORANDUM

TO: All NASD Members
RE: Branch Office Examinations: Supervisory Checklist

Earlier this year, the Association began an expanded program of routine examinations of branch offices of members. This program follows approximately two years of development and fine-tuning.

In order to assist members in their understanding of the scope of the Association's branch office examinations and the principal areas of review during the course of such, the enclosed supervisory outline has been developed. It should be noted too that this outline is not intended to replace any internally developed audit guides or supervisory checklists currently used by members in supervising their branch office operations. Rather, the enclosed outline should be used to supplement or complement member-generated supervisory procedures.

In sum, the outline should provide those responsible for branch office supervision with some helpful reminders of what could be done to avoid unintentional violations of applicable rules and regulations. We hope it will also serve as a guide to members in developing and maintaining the supervision policies and procedures necessary to meet their own needs.

Questions concerning this notice should be directed to your local District Office or John J. Cox, Assistant Director, Department of Regulatory Policy and Procedures, NASD, 1735 K Street, N.W., Washington, D.C. 20006, telephone (202) 833-7320.

Sincerely,

Gordon S. Macklin
Gordon S. Macklin
President

Attachment

BRANCH OFFICE EXAMINATIONS:
SUPERVISORY CHECKLIST

A. Money and Securities Handling

1. Make certain checks drawn on local accounts are approved and signed only by authorized persons.
2. Conduct independent reviews to insure that deposit totals made to local bank accounts agree with the figures appearing in the branch's records.
3. Conduct reviews of payments made from local accounts for indications of apparent improper usage of the accounts, i.e., embezzlement, improper conversion, etc.
4. Maintain adequate safeguards over access to blank checks and drafts by unauthorized persons.
5. Maintain adequate safeguards in regulating access to the branch's vault area or other location where securities are held.
6. Verify that securities received from customers are checked in accordance with the SEC's rule relative to Lost and Stolen Securities (Rule 17f-1).
7. Establish a follow-up verification system if sales persons or others are permitted to personally deliver securities and/or checks to customers.

B. Books and Records

1. Insure that any major books and records required to be prepared and maintained by the branch are accurate and current.
2. Establish appropriate safeguards against misuse of confirmations and account statements, if such are sent by or through the branch.
3. Make certain order tickets are properly prepared and maintained.
4. Verify that the appropriate records are prepared relative to the receipt by the branch of monies and securities.

C. Sales Practices

1. Establish a review process to spot possible indications of:
 - (i) Unsuitable Recommendations;
 - (ii) Excessive Trading;

- (iii) Unauthorized Transactions;
 - (iv) Improper Use of Nominee Accounts;
 - (v) Abuses Involving Investment Company Shares, e.g., Switching, Break Points;
 - (vi) "Parking" Shares in Customer Accounts;
 - (vii) Guarantees Against Loss;
 - (viii) Interpositioning;
 - (ix) Improper Charges; and,
 - (x) Misuse of Customer Funds and/or Securities.
2. Establish a system to insure that private placements and/or interstate offerings of securities made by the branch comply with the Securities Act of 1933 and related SEC rules.
 3. Review Rule 144 transactions effected through the branch for compliance with that rule.
 4. Make certain prospectus delivery and other requirements, e.g., prohibitions on "gun-jumping," are observed.
 5. Establish a system for recording and maintaining copies of written customer complaints.
 6. Conduct prompt and adequate investigations of customer complaints.
 7. Make certain that persons requiring general or special registration, e.g., options, are properly registered prior to the time they effect transactions.
 8. Review the accounts of individual salespersons to determine if there is an undue concentration of transactions in a single security.
 9. Establish a procedure to safeguard against the use of material inside or market information by branch personnel.

D. Correspondence and Advertising

1. Set up the appropriate correspondence files and insure that branch personnel follow the directives relative to the maintenance of those files.
2. Make sure all outgoing correspondence is reviewed and approved by the appropriate supervisor prior to mailing.

3. Conduct periodic reviews of the branch's correspondence files for indications of apparent improprieties.
4. Set up files for advertisements, sales literature and/or market letters used by the branch.
5. Make certain all advertisements, sales literature and/or market letters used by the branch are reviewed and approved by the appropriate person prior to use by the branch.
6. Establish a system for insuring that all required filings of advertisements are made in the proper manner.

E. Options

- * 1. Qualify the Branch Office Manager as a Registered Options Principal (ROP) if the branch has more than three registered representatives who handle options accounts.
2. Establish a system whereby a ROP approves the opening of customer accounts for options trading before any options transactions are effected in such accounts. If the Branch Office Manager is not a ROP, account approval shall be submitted to and approved by a ROP within 10 business days.
3. Make certain all discretionary account option orders are approved by a ROP.
4. Set up a system for the periodic review by a ROP of options transactions and accounts having options transactions.
5. Make certain conventional options transactions are not represented as being OCC-issued options.
6. Establish a system for checking on the use of unwarranted, exaggerated or false claims with respect to transactions in options.
- * 7. Seek to obtain and verify minimum information (i.e., investment objectives, employment status, estimated annual income, estimated net worth, estimated liquid net worth, marital status and number of dependents, age and investment experience and knowledge) regarding each individual options customer before any such account is approved for options trading.
8. Maintain a record of inquiries made to determine the suitability of options trading by customers.
9. Review options trades to determine if the salesperson is observing the suitability standards applicable to each of his customers relative to recommended options trades.

10. Check securities received for the purpose of covering short option positions or satisfying margin calls and/or exercise notices to determine if such securities are restricted, unregistered or in any other manner not saleable under the provisions of the Securities Act of 1933.
11. Maintain separate files on all options advertising and sales literature used by the branch.
12. Make sure the content of options advertising and sales literature is in compliance with applicable requirements.
13. File all options advertising and sales literature with the appropriate self-regulatory organization.
- * 14. Maintain a separate file of all options-related customer complaints.
- * 15. Maintain background and financial information on customers who have been approved for options trading as well as copies of financial statements of options customers for the most recent six-month period.

F. Municipal Securities Transactions

1. Register and qualify all appropriate persons as municipal principals.
2. Prepare and maintain the appropriate records on all municipal principals.
3. Make certain every municipal principal operating at the branch has served the required apprenticeship period before such person begins functioning as a municipal principal.
4. Establish a system for insuring compliance with the MSRB rules regarding the limitations on the giving of gifts and gratuities and/or the rendering of services.
5. Maintain a copy of MSRB rules in the branch.
6. Insure that any quotations that may be published by the branch on municipal securities are bona fide and reflect the best judgment of the fair market price for the security.
7. Establish procedures that provide guidance for the branch relative to any advertising that might be prepared and used by the branch regarding municipal securities.

* These requirements are reflected in rule change proposals currently on file with the SEC. That filing is expected to be approved by the Commission shortly.

G. Trading and Order Room Operations

1. Observe the provisions of SEC Rule 15c2-11, the rule of the Commission concerning the initiation or resumption of quotations in an issue, for all securities in which the branch makes a market.
2. Make all required reports relative to market making activities.
3. Establish periodic reviews to check on possible manipulation by branch personnel of markets made by the branch.
4. Set up a system to insure that orders received at the branch and transmitted to another location for execution are transmitted as rapidly as possible.
5. Review executions made at the branch for best execution.
6. Observe the mark-up provisions of NASD rules relative to principal transactions effected by the branch.
7. Make accurate and timely Third Market Trading Reports on relevant trades effected at the branch.
8. Establish a system for efficiently handling open orders kept at the branch.
9. Make accurate and timely NASDAQ volume reports on relevant transactions effected by the branch order room.

H. Supervision of Accounts

1. Make sure required information relative to a customer's background is obtained and maintained by salespersons.
2. Review and approve discretionary orders prior to execution.
3. Conduct periodic reviews of customer accounts handled by the branch.
4. Conduct special reviews of:
 - (i) discretionary accounts; and,
 - (ii) employee owned accounts.

I. Supervision of Branch Operations

1. Establish procedures relative to the opening and directing of mail received by the branch so as to safeguard funds and securities and insure that complaints are directed to supervisory personnel.
2. Prepare and implement written supervisory procedures relative to the functioning of the branch.

J. Supervision of Other Branch Offices

(For branches which have supervisory jurisdiction over other branches.)

1. Insure that a qualified person periodically reviews the operations of subordinate branch offices.
2. Establish a follow-up procedure to insure that deficiencies noted in supervisory reviews are remedied in an efficient and effective manner.
3. Prepare, circulate and follow written procedures governing the supervision of subordinate branch offices.

K. State Law

Institute procedures to insure that sales made by the branch and its personnel meet relevant state securities law requirements.

NASD

NOTICE TO MEMBERS: 80-21
Notices to Members should be
retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 23, 1980

IMPORTANT

MAIL VOTE

Officers * Partners * Proprietors

TO: All NASD Members

RE: Proposed Amendments to By-Laws Regarding Extensions of
Disciplinary Jurisdiction Over Members and Registered Persons

Enclosed are proposed amendments to the Association's By-Laws relating to extensions of the periods within which members and their registered persons shall remain subject to the disciplinary jurisdiction of the Association following effectiveness of their resignation or termination. The amendments must be approved by the membership and must be submitted to and approved by the Securities and Exchange Commission prior to becoming effective.

On May 16 and again on August 17, 1979, the Association participated, together with other representatives of the SRO Options Task Force, in joint mailings to the membership which outlined a number of uniform rule change proposals drafted in response to certain recommendations of the SEC's Special Study of the Options Markets. Included among these proposals were amendments to existing rules of the various self-regulatory organizations (SROs) which would extend jurisdiction over members and registered personnel who had terminated their membership or employment to a period of one year following effectiveness of their resignation or termination.

The purpose of such proposals was to satisfy a specific recommendation of the Options Study (Item I.A.1.h.) which called for the SROs ". . .to provide that when a registered individual's employment is terminated or he resigns from a member firm, the SRO shall retain jurisdiction over the individual for a reasonable

time." The SRO Options Task Force deliberated on the question of an appropriate period in which to retain disciplinary jurisdiction. It was determined that a term of one year would be satisfactory since such was consistent with the existing rules of certain SRO's. As a consequence of this decision, a rule was drafted for consideration by each participant SRO as the joint standard in this area.

The Association's Options Committee and Board of Governor's each reviewed the draft proposal and agreed that such rule change should be approved with certain minor modifications designed to make the changes more consistent with the existing regulatory framework of the Association. It is therefore requested that members give careful attention to this proposal and vote their approval. Please mark your ballot according to your conviction and return it with the enclosed stamped envelope to "The Corporation Trust Company." Ballots must be postmarked no later than June 23, 1980.

Sincerely,



David P. Parina
Secretary

Attachments

Proposed Amendments to Article I, Section 7 and
Article XV, Sections 4 and 5 of the Association's By-Laws

(Additional language is underlined)

Article I
Resignations of Members - Effective Date

Sec. 7(a) Membership in the Corporation may be voluntarily terminated only by formal resignation. Resignations of members must be in writing and addressed to the Board of Governors, which shall immediately notify the appropriate District Committee. Any member may resign from the Corporation at any time. Such resignation shall not take effect until thirty (30) days after receipt thereof by the Board of Governors and until all indebtedness due the Corporation from such member shall have been paid in full, and so long as any complaint or action is pending against the member, and so long as any examination of such member is in process. The Board of Governors, however, may in its discretion declare a resignation effective at any time.

(b) Retention of Jurisdiction - A resigned member shall continue to be subject to the filing of a complaint by the Corporation based upon conduct which commenced prior to the effective date of the member's resignation from the Corporation. Any such complaint, however, shall be filed within one year after the effective date of the resignation.

* * * *

Article XV

Voluntary Resignation of Registered Representative

Sec. 4(a) Registration with the Corporation of any person associated with a member may be voluntarily terminated at any time but only by formal resignation in writing and addressed to the Board of Governors. The Board of Governors shall immediately notify the member employing such person. Such resignation (subject to Section 6) shall not take effect until 30 days after receipt by the Board of Governors of such written resignation or so long as any complaint or action is pending against a member and to which complaint or action such person associated with the member is also a respondent, or so long as any complaint or action is pending against such person individually or so long as any examination of the member or person associated with such member is in process. The Board of Governors, however, may in its discretion declare the resignation effective at any time.

(b) A person whose association with a member has been voluntarily terminated pursuant to subsection (a) hereof, shall continue to be subject to the filing of a complaint by the Corporation based upon conduct which commenced prior to the effective date of voluntary termination. Any such complaint, however, shall be filed within one year after the effective date of such termination.

Notification by Member to Board of Termination

Sec. 5(a) No person associated with a member who is registered with the Corporation may transfer his registration or any right arising therefrom. Promptly upon, but in no event later than thirty (30) calendar days after, the termination of the association with a member of a person who is registered with it, such member shall give written notice to the Association on a form designated by the Board of Governors of the termination of such association. A member who does not submit such notification in writing within the time period prescribed shall be assessed a late filing fee as specified by the Board of Governors in Schedule A of the By-Laws. Termination of registration (subject to Section 6) of such person associated with a member shall not take effect until thirty (30) days after receipt thereof by the Board of Governors nor so long as any complaint or action is pending against a member and to which complaint or action such person associated with a member is also a respondent, or so long as any complaint or action is pending against such person individually or so long as any examination of the member or person associated with such member is in process. The Board of Governors, however, may in its discretion declare the resignation effective at any time.

(b) A person whose association with a member is terminated pursuant to subsection (a) hereof, shall continue to be subject to the filing of a complaint by the Corporation based upon conduct which commenced prior to the effective date of termination. Any such complaint, however, shall be filed within one year after the effective date of such termination.