

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 83-52

October 6, 1983

TO: All NASD Members and Other Interested Persons

RE: Group Surety Bond Buying Program

It is a pleasure to announce the commencement of an NASD sponsored program to provide members with the surety bonds required by many States under their securities laws.

The program will provide a quick and easy way for members to acquire surety bonds at reasonable premium rates. Bonds will be issued automatically with no underwriting on receipt of the required forms and premium payment.

It will not be necessary for members to provide financial statements to the underwriter or to post collateral at inception. The program is available in all States that have surety bond requirements.

The program will be underwritten by the American Insurance Company, a member of the Fireman's Fund Group of Insurance Companies. It will be administered by Marsh & McLennan, Inc., using the facilities it created for the Group Fidelity Bond Buying Program.

Full details about the program are contained in the attached material.

Please direct all inquiries about the program to Marsh & McLennan, Inc., 5130 MacArthur Boulevard, N.W., Washington, D.C. 20016; telephone number: (202) 364-1300.

Questions about State surety bond requirements should be directed to the appropriate State Securities Commissioners Office.

Sincerely,



Gordon S. Macklin
President

Enclosures


NASDNational Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000**notice to members 83-53**

October 18, 1983

TO: All NASD Members and Other Interested Persons

RE: Quarterly Checklist of Notices to Members

Following is a list of NASD Notices to Members issued during the third quarter of 1983. Requests for copies of any notice should be accompanied by a self-addressed label and may be directed to: NASD Administrative Services, 1735 K Street, N.W., Washington, D. C. 20006.

Notice Number	Date	Topic
83-31	July 7, 1983	Adoption of Revised and Simplified Regulation T of the Federal Reserve Board
83-32	July 12, 1983	50 Securities Scheduled to Join NMS on July 19
83-33	July 12, 1983	Compliance With State Registration Requirements
83-34	July 12, 1983	Western Pacific Securities, Inc. (SIPC Trustee Appointed)
83-35	July 12, 1983	Adoption of Section 9 of Article III, Schedule A of the Association's By-Laws; Fee on Cleared Transactions
83-36	July 20, 1983	Subscriptions to Monthly Statistical Reports of NASDAQ Issues
83-37	July 18, 1983	44 Securities Scheduled to Join NMS on August 9
83-38	July 21, 1983	SEC Adopts Amendments to Rule 10b-10; Confirmation Rule

83-39	July 21, 1983	Final Reporting Regulations Under the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA")
83-40	July 25, 1983	Quarterly Checklist of Notices to Members
83-41	July 25, 1983	SEC Staff Issues No-Action Letter Providing Temporary Relief From Certain Provisions of Rules 15c3-1 and 15c3-3 Dealing With Municipal Securities
83-42	August 5, 1983	100 Securities Scheduled to Join NMS in August and September
83-43	August 17, 1983	Rescission of Venture Capital Policy and Adoption of New Requirement
83-44	August 17, 1983	Change of Policy on Overallotment Options
83-45	August 17, 1983	Adoption of Amendments to Schedule E on Self-Underwriting
83-46	August 17, 1983	Labor Day: Trade Date-Settlement Date Schedule
83-47	August 18, 1983	Proposed New Rule of Fair Practice to Regulate the Activities of Members Experiencing Financial and/or Operational Difficulties
83-48	August 22, 1983	Proposed New Rule of Fair Practice Relating to Permission For Members to Carry Customer Accounts
83-49	September 7, 1983	Request for Comments on Proposed Amendment to Appendix F Concerning Associate General Partners of Direct Participation Programs
83-50	September 29, 1983	50 Securities Scheduled to Join NMS on October 18
83-51	September 30, 1983	Columbus Day: Trade Date-Settlement Date Schedule

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NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 83-54

October 18, 1983

TO: All NASD Members and Level 2 and Level 3 Subscribers

RE: 16 Securities Mandated to Join NMS on November 8, 1983

An additional 16 securities will join the 570 already trading in the NASDAQ National Market System on Tuesday, November 8, 1983. (The 570 include the 50 issues scheduled to join NMS on October 18.) These securities have met the NMS mandatory designation requirements, which include an average trading volume of 600,000 shares a month for six months and a bid price of \$10 on the last five business days in September. As required by SEC Rule 11Aa2-1, all issues meeting the mandatory designation criteria at the end of each quarter automatically are added to the National Market System within 45 days of the quarter ending date.

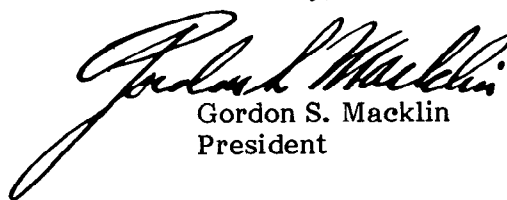
The 16 securities joining NMS on Tuesday, November 8 are:

<u>SYMBOL</u>	<u>COMPANY</u>	<u>LOCATION</u>
CASH	Comdata Network, Inc.	Nashville, TN
CVRS	Converse Inc.	Wilmington, MA
CSMO	Cosmo Communications Corporation	Miami, FL
DAZY	Daisy Systems Corporation	Sunnyvale, CA
FMED	Foster Medical Corporation	Dedham, MA
GHOM	General Homes Corporation	Houston, TX
GIBG	Gibson Greetings, Inc.	Cincinnati, OH
ICOM	Instacom, Inc.	Dallas, TX
MACK	Mack Trucks, Inc.	Allentown, PA
JFRY	Martin (Jeffrey), Inc.	Union, NJ
MLIS	Micropolis Corporation	Chatsworth, CA
PATK	Patrick Industries, Inc.	Elkhart, IN
PSFS	Philadelphia Saving Fund Society (The)	Philadelphia, PA

SMLB	Smith Laboratories, Inc.	Northbrook, IL
TRKA	Trak Auto Corporation	Landover, MD
UNGR	Ungermann-Bass, Inc.	Santa Clara, CA

Any questions regarding this notice should be directed to Donald Bosc, Assistant Director, NASDAQ Operations, at (202) 728-8043. Questions pertaining to trade reporting rules should be directed to Leon Bastien at (202) 728-8202.

Sincerely,



Gordon S. Macklin
President

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 83-55

October 20, 1983

IMPORTANT

OFFICERS, PARTNERS AND PROPRIETORS

TO: All NASD Members And Interested Persons

RE: Amendments to Association By-Laws

LAST VOTING DATE IS NOVEMBER 21, 1983

Attached are amended By-Laws of the Association which are being submitted to the membership for a vote. The proposal is the product of the Association's Committee on Rule and By-Law Amendments which is reviewing and revising all of the Association's By-Laws, Rules and Interpretations. The initial step in the Committee's review was adoption by the Board of Governors of a revised Code of Procedure for Handling Trade Practice Complaints which is currently on file with the Securities and Exchange Commission for approval. The enclosed revision of the By-Laws is the second step in the Committee's review and it has been approved by the Association's Board of Governors for submission to the membership for vote.

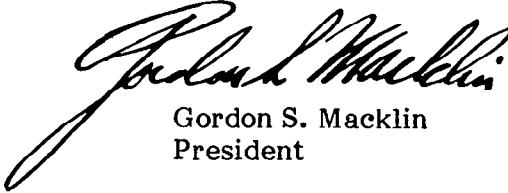
The proposed By-Law amendments are primarily designed to conform the language to certain statutory changes, codify existing Board interpretations, clarify the application of certain provisions and generally to update and modernize the By-Laws.

The amendments were submitted to the membership for comment earlier this year (Notice to Members 83-8). The Association received four written comments. The comments were generally accepted by the Committee on Rule and By-Laws Amendments and the Board of Governors and are incorporated in the amendments covered by this membership vote. Prior to becoming effective, the amendments must be approved by the membership and then approved by the Securities and Exchange Commission.

You will find a brief explanation of each amendment immediately following the text of the proposed amendments themselves. These amendments are important and merit your immediate attention. Please mark the ballot according to your convictions and return it in the enclosed stamped envelope to "The Corporation Trust Company." Ballots must be postmarked not later than November 21, 1983.

The Board of Governors believes these amendments to the By-Laws are necessary and appropriate and recommends that members vote their approval.

Sincerely,



Gordon S. Macklin
President

Attachment

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[new language is underlined; deleted language is stricken through]

BY-LAWS

ARTICLE I

Definitions

Sec. 3: When used in these By-Laws, and any rules of the Corporation, unless the context otherwise requires, the term:

(a) "Act" means the Securities Exchange Act of 1934 as amended;

~~(e)~~ (b) The term "bank" means ~~(A)~~ (1) a banking institution organized under the laws of the United States, ~~(B)~~ (2) a member bank of the Federal Reserve System, ~~(C)~~ (3) any other banking institution, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under ~~Section H(k) of the Federal Reserve Act, as amended,~~ and which is supervised and examined by a State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of this title the Act, and ~~(D)~~ (4) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses ~~(A)~~ (1), ~~(B)~~ (2) or ~~(C)~~ (3) of this paragraph subsection;

(c) "branch office" including a corporate subsidiary of a member means an office located in the United States which is owned or controlled by a member, and which is engaged in the investment banking or securities business;

~~(a)~~ (d) The term "broker" means any individual, corporation, partnership, association, joint stock company, business trust, unincorporated organization or other legal entity engaged in the business of effecting transactions in securities for the account of others, but does not include a bank;

(e) "Commission" means the Securities and Exchange Commission;

(f) "Corporation" means the National Association of Securities Dealers, Inc.;

"Dealer"

(b) (g) The term "dealer" means any individual, corporation, partnership, association, joint stock company, business trust, unincorporated organization or other legal entity engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank, or any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as part of a regular business;

"Investment banking or securities business"

(e) (h) The term "investment banking or securities business" means the business, carried on by a broker, ~~or dealer,~~ municipal securities dealer (other than a bank or department or division of a bank) of underwriting or distributing issues of securities, or of purchasing securities and offering the same for sale as a dealer therein, or of purchasing and selling securities upon the order and for the account of others; ~~provided, however, that the term "investment banking or securities business" shall not include transactions on regularly organized exchanges,~~ but such term shall include all business relating to such transactions to the extent that such business is not conducted by a member of such exchange, or by any person or organization having the privilege of any such exchange for itself or any of its partners or executive officers.

(d) (i) The term "member" means either any broker or dealer admitted to membership in the Corporation; ~~or any officer or partner of such a member or, as provided in Section 5 of this Article, the executive representative of such a member or the substitute for such a representative;~~

(j) "municipal securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a State or

any political subdivision thereof, or any agency or instrumentality of a State or any political subdivision thereof, or any municipal corporate instrumentality of one or more States, or any security which is an industrial development bond as defined by Section 3(a)(29) of the Act;

(k) "municipal securities dealer" means any person, except a bank or department or division of a bank, engaged in the business of buying and selling municipal securities for his own account, through a broker or otherwise, but does not include any person insofar as he buys or sells securities for his own account either individually or in some fiduciary capacity but not as a part of a regular business;

(l) "municipal securities broker" means a broker, except a bank or department or division of a bank, engaged in the business of effecting transactions in municipal securities for the account of others;

"Person associated with a member"

(f) (m) The term "person associated with a member" or "associated person of a member" means every sole proprietor, partner, officer, director, or branch manager of any member, or any natural person occupying a similar status or performing similar functions, or any natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by such member, whether or not any such person is registered or exempt from registration with the Corporation pursuant to these By-Laws;

(n) "registered broker, dealer or municipal securities broker or dealer" means any broker, dealer or municipal securities broker or dealer which is registered with the Commission under the Act;

(o) "rules of the Corporation" means all rules of the Corporation including the Certificate of Incorporation, By-Laws, Rules of Fair Practice, Code of Procedure, Uniform Practice Code, and any interpretations thereunder.

Explanation

The added language at the beginning of the Article and the new definition of "rules of the Corporation" in subsection (o) are intended to make clear that the definitions in the By-Laws also apply to terms used in the Rules of Fair Practice and other Association rules.

The new terms "municipal securities", "municipal securities dealer" and "municipal securities broker" in subsections (j), (k) and (l) parallel the statutory definitions added by the Securities Acts Amendments of 1975 bringing this class of security and type of dealer under regulation by the Commission and the Association. The definition of "registered broker, dealer or municipal securities broker or dealer" is included because under the 1975 Act Amendments only broker/dealers registered with the SEC are eligible for membership. The new definitions in subsections (a), (e) and (f) and amendments to certain existing definitions are for clarity. The definition of "branch office" has been transferred from existing Article I, Section 11 of the By-Laws and clarified.

All of new Article II is taken from the existing provisions of Sections 1 and 2 of Article I, and has been substantially rewritten for clarity and to conform to the Securities Acts Amendments of 1975.1

ARTICLE II

Membership Qualifications of Members and Associated Persons

Qualifications for Membership Persons Eligible to become Members and Associated Persons of Members

Sec. 1. (a) Any registered broker, or dealer or municipal securities broker or dealer authorized to transact, and whose regular course of business consists in actually transacting, any branch of the investment banking or securities business in the United States, under the laws of any State and/or the laws of the United States, shall be eligible to for membership in the Corporation, except such registered brokers, or dealers or municipal securities brokers or dealers as which are excluded pursuant to Section 2 of this Article under the provisions of Sections 3(a) or (b) of this Article.

(b) Any person shall be eligible to become an associated person of a member, except such persons who are excluded under the provisions of Section 3(b) of this Article.

Explanation

Subsection (a) is similar to existing Article I, Section 1 of the By-Laws, but incorporates the limitations of Section 15A(g)(1) of the 1934 Act that only registered broker/dealers are eligible for membership in the Association. The new reference to municipal securities brokers and dealers, when read with the definition of the term in proposed Article I, subsections (k) and (l) of the By-Laws, makes clear that only non-bank municipal securities brokers and dealers are eligible for membership in conformity with the regulatory scheme for municipal securities established under the Securities Acts Amendments of 1975.

Subsection (b) is entirely new and conforms to the requirement of Section 15A(b)(3) of the 1934 Act that the rules of the Association must provide that, with certain exceptions, any person may become associated with a member.

Restrictions on Admission to or Continuance in Membership

Sec. 2. (a) No broker or dealer, except with the approval or at the direction of the Securities and Exchange Commission (hereinafter referred to in these By-laws as the Commission); in cases in which the Commission finds it appropriate in the public interest so to approve or direct pursuant to Section 15A of the Securities Exchange Act of 1934, as amended (hereinafter referred to as the Act); shall be admitted to or continued in membership in the Corporation if such broker or dealer, whether prior or subsequent to becoming such, (A) has been and is suspended or expelled from a registered national or affiliated securities association, registered pursuant to Section 15A of the Act, or from a national securities exchange, registered pursuant to Section 6 of the Act; or has been and is barred or suspended from being associated with all members of such association or national securities exchange for violation of any rule of such registered securities association or national securities exchange which prohibits any act or transaction constituting conduct inconsistent with just and equitable principles of trade; or requires any act the omission of which constitutes conduct inconsistent with just and equitable principles of trade; or (B) is subject to an order of the Commission denying, suspending or revoking his registration pursuant to Section 15 of the Act, or expelling or suspending him from membership in a registered securities association

or a national securities exchange, or barring or suspending him from being associated with a broker or dealer; or (C) by his conduct while associated with a broker or dealer, was a cause of any suspension, expulsion, or order of the character described in clauses (A) or (B), which is in effect with respect to such broker or dealer; or (D) has associated with him any person who is known, or in the exercise of reasonable care should be known, to him to be a person who, if such person were a broker or dealer, would be ineligible for admission to our continuance in membership under clauses (A), (B), or (C) of this section.

(b) No broker or dealer shall be admitted to or continued in membership in the Corporation if the Board of Governors deems it appropriate, unless the Commission directs otherwise in cases in which the Commission finds it appropriate in the public interest so to direct, if such broker or dealer, whether prior or subsequent to becoming such, or any person associated with such broker or dealer, whether prior or subsequent to becoming so associated, has been and is suspended or expelled from a national securities exchange or has been and is barred or suspended from being associated with all members of such exchange, for violation of any rule of such exchange.

(e) In these cases where the Board of Governors deems it appropriate, no broker or dealer shall be admitted to or continued in membership in the Corporation if such broker or dealer, whether prior or subsequent to becoming such, or any person associated with such broker or dealer, whether prior or subsequent to becoming so associated, (A) has willfully made or caused to be made in any application or report filed with the Corporation, or in any proceeding before the Corporation with respect to membership or registration, any statement which was at the time and in light of the circumstances under which it was made false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact which is required to be stated therein; or (B)

has been convicted within the ten years preceding the filing of an application or at any time thereafter of any felony or misdemeanor which the Corporation finds involves the purchase or sale of any security or arises out of the conduct of the business of a broker, dealer or investment adviser; or which involves embezzlement, fraudulent conversion, or misappropriation of funds or securities; or which involves mail fraud, or fraud by wire, radio, or television; or, (C) is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, or dealer, or as an affiliated person or employee of any investment company, bank or insurance company, or from engaging in or continuing any conduct or practice in connection with such activity, or in connection with the purchase or sale of any security.

Authority of Board to Adopt Qualification Requirements

(d) Sec. 2 No broker or dealer shall be admitted to or continued in membership and no natural person shall become or continue to be associated with a member, except with the approval or at the direction of the Commission in cases in which the Commission finds it appropriate in the public interest so to approve or direct, unless such broker or dealer or person associated with a member is qualified to become a member or a person associated with a member in conformity with specified and appropriate standards with respect to the training, experience, and such other qualifications as the Board of Governors finds necessary or desirable, and in the case of a member, the financial responsibility of such member. The Board of Governors shall have authority to adopt rules and regulations applicable to applicants for membership, members and persons associated with applicants or members establishing specified and appropriate standards with respect to the training, experience, competence and such other qualifications as the Board of Governors finds necessary or desirable, and in the case of an applicant for membership or a member, standards of financial responsibility and operational capability.

In establishing and applying such standards, the Board of Governors may classify members and persons associated with such members, taking into account relevant matters, including the nature, extent and type of business done being conducted and of securities sold, dealt in, or otherwise handled. The Board of Governors may specify that all or any portion of such standards shall be applicable to any such class and may require the persons in any such class to be registered with the Corporation.

~~Such classifications, qualifications, registration requirements, standards and exceptions thereto shall be incorporated in Schedule C attached to and made a part of these By-laws. Within the limitations provided herein, the Board of Governors shall have the power to adopt, alter, amend, supplement or modify the provisions of Schedule "C" from time to time without recourse to the membership for approval, as would otherwise be required by Article IX hereof, and Schedule "C", as adopted, altered, amended, supplemented or modified, shall become effective as the Board of Governors may prescribe unless disapproved by the Commission. The Board of Governors may from time to time make changes in such rules, regulations and standards as it deems necessary or appropriate. Neither the adoption nor any change in such standards need be submitted to the membership for approval and such rules, regulations and standards as adopted or amended shall become effective at such time as the Board of Governors may prescribe.~~

Explanation

The provision is based upon existing Article I, Section 2(d) of the By-Laws, but has been rewritten primarily for clarity and to be consistent with other provisions of the By-Laws. Article I, Sections 2(a), (b) and (c) have been completely replaced by new sections 3 and 4 below. It is proposed that the content of existing Schedule C will be moved to a different portion of the Manual.

Ineligibility of Certain Persons for Membership or Association

Sec. 3. (a) No registered broker, dealer or municipal securities broker or

dealer shall be admitted to membership, and no member shall be continued in membership, if such broker, dealer, municipal securities broker or dealer or member fails or ceases to satisfy the qualification requirements under Section 2 of this Article, or if such broker, dealer, municipal securities broker or dealer or member is or becomes subject to a disqualification under Section 4 of this Article.

(b) No person shall become associated with a member, or continue to be associated with a member, or transfer association to another member, if such person fails or ceases to satisfy the qualification requirements under Section 2 of this Article, or if such person is or becomes subject to a disqualification under Section 4 of this Article; and no broker, dealer or municipal securities broker or dealer shall be admitted to membership, and no member shall be continued in membership, if any person associated with it is ineligible to be an associated person under this subsection.

(c) If it deems it appropriate, the Board of Governors, upon notice, may cancel the membership of a member if it becomes ineligible for continuance in membership under subsection (a) hereof, may suspend or bar a person from continuing to be associated with any member if such person is or becomes ineligible for association under subsection (b) hereof, and may cancel the membership of any member who continues to be associated with any such ineligible person.

(d) Any broker, dealer or municipal securities dealer which is ineligible for admission into membership, or any member which is ineligible for continuance in membership, may file with the Board of Governors an application requesting relief from the ineligibility pursuant to procedures adopted by the Board of Governors and contained in the Corporation's Code of Procedure. The Board of Governors may, in its discretion, approve the admission or continuance of an applicant or member, or the association of any person, if the Board determines that such approval is

consistent with the public interest and the protection of investors. Any approval hereunder may be granted unconditionally or on such terms and conditions as the Board considers necessary or appropriate. In the exercise of the authority granted hereunder, the Board of Governors may:

(1) conduct such inquiry or investigation into the relevant facts and circumstances as it, in its discretion, considers necessary to its determination, which, in addition to the background and circumstances giving rise to the failure to qualify or disqualification may include the proposed or present business of an applicant for membership or of a member and the conditions of association of any prospective or presently associated person, among other matters;

(2) permit, in limited types of situations, a membership or association with a member pending completion of its inquiry or investigation, and its final determination, based upon a consideration of relevant factors, and may classify situations taking into account the status of brokers, dealers and municipal securities brokers and dealers as applicants or existing members and of persons as prospective or presently associated persons of members; the type of disqualification or failure to qualify; whether a member or associated person has been the subject of a previous approval and the terms and conditions thereof; and any other relevant factors; and

(3) delegate any of its functions and authority under this subsection (d) to appropriate committees of the Corporation' or to Corporation staff members.

(e) An application filed under subsection (d) hereof shall not foreclose any action which the Board of Governors is authorized to take under subsection (c) hereof until approval has been granted.

(f) Approval by the Board of Governors of an application made under subsection (d) shall be subject to whatever further action the Commission may take pursuant to authority granted to the Commission under the Act.

Explanation

The provision is a complete revision and consolidation of existing By-Law provisions concerning ineligibility for membership or association with a member. The changes are primarily clarifying.

Subsection (a) carries forward the existing prohibitions of Article I, Section 2 of the By-Laws and provides that no applicant or member shall be admitted or continued in membership if there is a failure to satisfy examination and other qualification requirements, or the applicant or member is subject to a disqualification as that term is defined by Section 4. Subsection (b) imposes similar standards of ineligibility upon prospective and presently associated persons, and also carries forward existing language under which a member becomes ineligible for continuance in membership if it allows an ineligible person to become or remain associated with the member.

Subsection (c) grants authority to the Board of Governors to cancel the membership of a member or suspend or bar a person from continuing to be associated with a member in cases where a member or person becomes ineligible under subsections (a) and (b). The provision carries forward substantially the existing language of Article I, Section 13(b) of the By-Laws and is designed to make the ineligibility provisions of subsections (a) and (b) effective in the event of a failure to voluntarily comply with the prohibitions thereunder.

Subsection (d) is based upon existing Article I, Section 13(c) of the By-Laws, but considerably expands upon and codifies the scope of the Board's authority as it has been carried out in practice. The provision's introductory language states, in substance, that notwithstanding an ineligibility, any applicant for membership or member has a right to make application to the Board requesting approval of its admission or continuance in membership. It carries forward existing practice by requiring an application to be made by a member where an ineligibility concerns an associated person in recognition of the importance of supervision to a determination to approve or deny association. It also makes explicit the Board's authority to impose conditions on any approval where such appears necessary or appropriate.

The remaining language of the provision is entirely new to the By-Laws, but reflects existing practice. Subsection (d)(1) authorizes the Board to conduct an investigation in such depth as it deems necessary for any determination to approve. Subsection (d)(2) gives the Board authority to deal with the variety of ineligibility situations which experience has demonstrated is likely to occur and to adopt policies or guidelines therefor concerning such matters as employment, admission and continuance in membership during the time period involved in reaching a final determination. Subsection (d)(3) recognizes the substantial number of ineligibility situations which must be handled in the course of a year and authorizes the Board to delegate some of its responsibility to appropriate committees or the Association's staff.

Subsection (e) is intended to clarify that a pending application for approval does not, by itself, foreclose the Board from exercising its authority to cancel a membership or bar an association if it deems such action necessary or appropriate. Subsection (f) incorporates the provisions of Section 15A(g)(2) of the Act, and Commission rules and regulations thereunder, that under certain

circumstances the Association is required to notify the Commission of any approval with respect to persons who are ineligible by virtue of a disqualification and the Commission is authorized to direct the Association to disapprove a membership or association of a disqualified person.

Definition of Disqualification

Sec. 4. A person is subject to a "disqualification" with respect to membership, or association with a member, if such person:

Commission and Self-Regulatory Organization Disciplinary Sanctions

(a) has been and is expelled or suspended from membership or participation in, or barred or suspended from being associated with a member of, any self-regulatory organization;

(b) is subject to an order of the Commission denying, suspending or revoking its registration as a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank) or barring or suspending him from being associated with a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank);

(c) by his conduct while associated with a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank) has been found to be a cause of any effective suspension, expulsion or order of the character described in subsections (a) or (b) of this Section; or

(d) has associated with him any person who is known, or in the exercise of reasonable care should be known, to him to be a person described in subsections (a), (b), or (c) of this Section.

Misstatements

(e) has willfully made or caused to be made in any application for membership in the Corporation, or to become associated with a member of the Corporation, or in any report required to be filed with the Corporation, or in any proceeding before the Corporation, any statement which was at the time, and in

light of the circumstances under which it was made, false or misleading with respect to any material fact, or has omitted to state in any such application, report, or proceeding any material fact which is required to be stated therein;

Convictions

(f) has been convicted within ten years preceding the filing of any application for membership in the Corporation, or to become associated with a member of the Corporation, or at any time thereafter, of any felony or misdemeanor which;

(1) involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, or conspiracy to commit any such offense;

(2) arises out of the conduct of the business of a broker, dealer, municipal securities dealer, investment adviser, bank, insurance company or fiduciary;

(3) involves the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities; or

(4) involves the violation of Sections 152, 1341, 1342, or 1343 or Chapters 25 or 47 of Title 18, United States Code; or

Injunctions

(g) is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, or municipal securities dealer (including a bank or department or division of a bank), or as an affiliated person or employee of any investment company, bank, or insurance company, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security.

Explanation

The provision parallels the definition of statutory disqualification in Section 3(a)(39) of the 1934 Act, added by the Securities Acts Amendments of 1975. It is somewhat broader than the types of disqualifications in existing Article I, Sections 2(a)-(c) of the By-Laws because of the broader language of the statute.

ARTICLE I III

Membership

Application for Membership

Sec. 4 1. (a) Application for membership in the Corporation, properly signed by the applicant, shall be made to the ~~Board of Governors~~ Corporation, on the form to be prescribed by the ~~Board~~ Corporation, and shall contain:

Membership agreement

(1) Aan acceptance of and an agreement to abide by, comply with, and adhere to, all the provisions, conditions, and covenants of the Certificate of Incorporation, the By-Laws, the rules and regulations of the Corporation as they are or may from time to time be adopted, changed or amended, and all rulings, orders, directions and decisions of, and ~~penalties sanctions~~ imposed by, the Board of Governors or any duly authorized committee; , the provisions of the federal securities laws, including the rules and regulations adopted thereunder, and the rules of the Municipal Securities Rulemaking Board; provided, however, that such an agreement shall not be construed as a waiver by the applicant of any right to appeal as provided in the Act;

(2) Aan agreement to pay such dues, assessments, and other charges in the manner and amount as shall from time to time be fixed by the Board of Governors pursuant to these By-Laws;

(3) Aan agreement that neither the Corporation, nor any officer or employee thereof, nor any member of the Board of Governors or of any ~~D~~istrict or other ~~C~~ommittee, shall be liable, except for willful malfeasance, to the applicant or to any member of the Corporation or to any other person, for any action taken

by such officer or member of the Board of Governors or of any District or other Committee, in his official capacity, or by any employee of the corporation while acting within the scope of his employment or under instruction of any officer, board, or committee of the Corporation, in connection with the administration or enforcement of any of the provisions of the By-laws, any of the rules and regulations of the Corporation as they are or may from time to time be adopted, ~~changed~~ or amended, or any ruling, order, directive, decision of, or penalty imposed by, the Board of Governors or any duly authorized committee, the provisions of the federal securities laws, including the rules and regulations adopted thereunder, and the rules of the Municipal Securities Rulemaking Board; and

(4) Such other reasonable information with respect to the applicant as the Board of Governors may require.

Action on Application for Membership

(b) Any application received by the Board of Governors Corporation shall be referred to the District Committee of the district in which the applicant has his principal place of business, and if a majority of the members of such District Committee are satisfied determine that the applicant is qualified for membership pursuant to the provisions has satisfied all of the admission requirements of this Article the By-Laws, it shall recommend the applicant's admission to membership and promptly notify the Secretary of the Corporation of such recommendation.

(c) If a majority of the members of such District Committee are not satisfied determine that the applicant is qualified for membership under any provision fails to satisfy all of the admission requirements of this Article the By-Laws, it shall promptly notify the Secretary of the Corporation who shall thereafter take appropriate action pursuant to Article I, Section 13 of these By-laws.

Signing of the By-laws

(d) Every applicant whose admission to membership is accepted by the Board of Governors shall sign the By-laws of the Corporation, provided that the signature of any such applicant may be affixed to an instrument incorporating the By-laws by reference and shall become a member of the Corporation as at of the date when posted to the membership roll.

(d) Each member shall ensure that its membership application with the Corporation is kept current at all times by supplementary amendments to the original application.

Explanation of Proposed Changes

Subsection (a) has been amended to conform to the Securities Acts Amendments of 1975 which provide that the Association shall enforce compliance by its members with, in addition to its own rules, the federal securities laws and rules and regulations thereunder. The amendments to subsections (b) and (c) are intended to more clearly express the existing procedure followed by the District Committees in reviewing membership applications. New subsection (d) simply makes explicit that members have an obligation to keep their membership applications current. This obligation is implicit under existing requirements.

Similarity of Membership Names

Sec. 2. (a) No person or firm shall be admitted to or continued in membership in the Corporation having a name which is identical to the name of another member appearing on the membership roll of the Corporation or a name so similar to any such name as to tend to confuse or mislead;

(b) No member may change its name without the prior approval of the Corporation.

Explanation

The effect is to convert an existing resolution of the Board of Governors into a By-Law provision.

Executive Representative

Sec. 5 3. Each member shall appoint and certify to the Secretary of the Corporation one "executive representative" who shall represent, vote and act for the member in all the affairs of the Corporation, except that other executives of a

member may also hold office in the Corporation, serve on the Board of Governors or committees of the Corporation, or otherwise take part in the affairs of the Corporation. A member may change its executive representative ~~at will~~ upon giving written notice thereof to the Secretary, or may, when necessary, appoint, by written notice to the Secretary, a substitute for its executive representative. An executive representative of a member or a substitute shall preferably be an executive officer of the member, if a corporation, a partner in case of a partnership, and the member himself if an individual, but he may be an employee of the member, if given authority to act for the member in the course of the Corporation's activities.

Explanation

Clarifying language changes.

Membership Roll

Sec. 6 4. The Secretary of the Corporation shall keep a currently accurate and complete membership roll, containing the name and address of each member, and the name and address of the executive representative of each member. In any case where a membership has been terminated, such fact shall be recorded, together with the date on which the membership ceased. The membership roll of the Corporation shall at all times be available to all members of the Corporation, to all governmental authorities, and to the general public.

Explanation

The section is redesignated.

Resignation of Members—~~Effective Date~~

Sec. 7 5.

(a) Membership in the Association may be voluntarily terminated only by formal resignation. Resignations of members must be in writing and addressed to the ~~Board of Governors,~~ Corporation 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 Corporation 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, Corporation, 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 under the Code of Procedure 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.

Explanation

The intent is to clarify that a resigned member continues to be subject to a disciplinary complaint whether the complaint is filed by the Association, another member or a member of the public.

Transfer and Termination of Membership

Sec. 6. (a) Except as provided hereinafter, no member of the Corporation may transfer its membership or any right arising therefrom and the membership of a corporation, partnership or any other business organization which is a member of the Corporation shall terminate upon its liquidation, dissolution or winding up, and the membership of a sole proprietor which is a member shall terminate at death, provided that all obligations of membership under the By-Laws and Rules of Fair Practice have been fulfilled.

(b) The consolidation, reorganization, merger, change of name, or similar change in any corporate member shall not terminate the membership of such corporate member provided that the member or surviving organization, if any, shall be deemed a successor to the business of the corporate member, and the member or the surviving organization shall continue in the investment banking and securities business, and shall possess the qualifications for membership in the Corporation. The death, change of name, withdrawal of any partner, the addition of any new partner, reorganization, consolidation or any change in the legal structure of a partnership member shall not terminate the membership of such partnership member provided that the member or surviving organization, if any, shall be deemed a successor to the business of the partnership member, and the member or surviving organization shall continue in the investment banking and securities business and shall possess the qualifications for membership in the Corporation. If the business of any predecessor member is to be carried on by an organization deemed to be a successor organization by the Corporation, the membership of such predecessor member shall be extended to the successor organization; otherwise, any surviving organization shall be required to satisfy all of the requirements of the By-Laws.

Sec. 8 No member of the Corporation may transfer his membership or any right arising therefrom except that the consolidation, merger, change of name, or reorganization of any corporation which is a member of the corporation or any change in the name or membership of a partnership which is a member of the Corporation, shall not be deemed to constitute a transfer, except as otherwise herein provided. All rights of a member in the Corporation or in its property shall cease upon the termination of his membership. In the case of an individual member, his membership shall forthwith cease upon his death. In the case of the liquidation or winding up of a corporation or partnership which is a member of the Corporation, its membership shall forthwith cease provided that all obligations of

membership under the By-laws and Rules of Fair Practice have been fulfilled, and unless the business of any such corporation or partnership is to be carried on by a successor organization or organizations; and the predecessor corporation shall so represent to the Board of Governors, in which case the membership of any such corporation or partnership shall be extended to such successor organization with the consent of the Board of Governors and subject to such terms and conditions as the Board deems equitable and appropriate in the circumstances. The membership of an individual may be extended to a successor organization with the consent of the Board of Governors and subject to such conditions as the Board deems suitable and appropriate in the circumstances. The membership of any partnership shall not terminate by reason of the death or withdrawal of any partner, the addition of any new partner, or any change of name; provided, however, that the new partnership formed thereby shall continue in the investment banking or securities business and shall possess the qualifications required for membership in the Corporation. The consolidation or reorganization or merger or change of name of any corporate member shall not terminate the membership of such corporate member, provided, however, that the new corporation formed thereby shall continue in the investment banking or securities business and shall possess the qualifications required for membership in the Corporation. The Board of Governors, however, shall have the right to require any successor firm or firms, whether corporations or partnerships, to sign or execute the By-laws, or otherwise confirm their membership in the Corporation.

Explanation

This section is largely rewritten in order to clarify the intent.

Registration of Branch Offices

Sec. 9 7. (a) Each branch office of a member of the Corporation shall ~~register~~ be registered with, and be listed upon the membership roll of, the Corporation, and shall pay such dues, assessments and other charges as shall be fixed from time to time by the Board of Governors pursuant to Article ~~HHVI~~ hereof of the By-Laws.

(b) Each member of the Corporation shall promptly advise the Corporation of the opening or closing of any branch office of such member.

Explanation

Subsection (b) is new and incorporates the Board of Governors Resolution under Article I, Section 9 of the existing By-Laws. The other changes are for clarity.

Vote of Branch Offices

Sec. ~~10~~ 8. A ~~registered branch office of a member of the Corporation shall entitle such member~~ Each member of the Corporation having a registered branch office shall be entitled to one vote on all matters pertaining solely to the district in which such registered branch office is located (including the election of members to the Board of Governors from such district); provided, however, that if any member of the Corporation shall have more than one registered branch office in a district, or its principal office and one or more registered branch offices in a district, such member shall be entitled to only one vote in such district.

Explanation

The changes are for clarity.

Definition of "Branch Office"

Sec. ~~11~~. The term "branch office" as used in Section 9 of this Article, including a corporate subsidiary of a member, is defined to be an office which is located in the United States which is owned or controlled by the member, and which is engaged in the investment banking or securities business as defined.

Explanation

The definition has been transferred to new Article I, subsection (c) of the By-Laws.

District Committees' Right to Classify Branches

Sec. ~~12~~ 9. A District Committee may classify any branch or corporate subsidiary of a member not meeting the requirements of Section ~~H~~ definition of this Article I(c) of the By-Laws as a "branch office" if such Committee is satisfied that the requirements of Section ~~H~~ definition of this Article are I(c) of the By-Laws is substantially met and that the business of said branch or subsidiary in the district is of sufficient importance to justify such a classification.

Explanation

The changes reflect the relocation of the definition of "branch office".

Membership Continuance Proceeding

Sec. ~~13~~ (a) A member shall retain its membership in the Corporation only so long as the Board of Governors deems that it possesses all of the qualifications for membership; and a broker or dealer seeking membership may, if the Board of Governors deems it appropriate, be denied admission therein if it is subject to any of the disqualifications provided in this Article.

(b) If the Corporation has reason to believe there is a disqualification, the member or broker or dealer shall be promptly notified in writing of the specific grounds of such disqualification from or denial of membership. If it deems it appropriate, the Board of Governors may summarily cancel the membership of a member if it becomes subject to any of the disqualifications provided in this Article or if it continues to associate with a person who is subject to any of the same disqualifications.

(c) Any member or broker or dealer may make an application to the Corporation requesting continuance in or admission to membership notwithstanding the disqualification. If an application is filed with the Corporation, the applicant and any person whose association with the applicant gives or would give rise to the disqualification shall be given an opportunity to be heard with respect to the application and shall demonstrate why the application should be granted. If requested, or if directed by the Corporation, a hearing shall be held before a committee comprised of at least one member of the appropriate District Committee and at least one member of the Board of Governors, and a record shall be kept. Such committee shall make a recommendation as to the application which shall be forwarded to the Board of Governors together with the record.

(d) The Board of Governors shall make a written determination upon the record before it, setting forth therein the specific grounds upon which such determination is based and the conditions, if any, as to the continuance in or admission to membership it considers appropriate.

(e) The Board of Governors shall promptly notify the applicant of any action taken. When appropriate, an application shall be promptly filed with the Commission pursuant to Section 15A of the Act. Any applicant or person who is aggrieved by the action of the Board of Governors may make application for review of such action to the Commission pursuant to Section 15A of the Act.

Explanation

The existing provisions have been incorporated into proposed Article II, Section 3 of the By-Laws and the proposed Code of Procedure previously circulated to the membership for comment and currently on file with the Commission for approval.

ARTICLE XV IV

Registration of Registered Representatives and Associated Persons

"Registered Representative"

~~Sec. 1.~~ The term "registered representative" means any person associated with a member who has demonstrated his qualifications to engage in the investment banking or securities business regardless of his designation as either a principal or a representative of the member pursuant to the provisions of Schedule "C" of these ~~By-Laws.~~

Explanation

The definition is being eliminated because portions of this Article are applicable to unregistered associated persons and because the persons required to be registered are already defined by Schedule C to the By-Laws.

~~Compliance with Schedule "C"~~

Qualification Requirements

~~Sec. 2 1.~~ No member shall permit any person associated with such member to engage in the investment banking or securities business unless the member determines that such person has complied with the applicable provisions of under Schedule "C," if applicable Article II of the By-Laws.

Explanation

The changes are primarily for clarity and to reflect the broadened scope of this Article of the By-Laws as noted in the comment above.

Application for Registration

~~Sec. 32.~~ (a) Application by any person for registration with the Corporation, properly signed by the applicant, shall be made to the Board of Governors, Corpora-
tion, on the form to be prescribed by the Board of Governors and shall contain:

(1) An acceptance of and an agreement to abide by, comply with,
and adhere to, all the provisions, conditions and covenants of the Certificate of

~~Incorporation, the By-laws, the rules and regulations~~ rules of the Corporation as they are or may from time to time be adopted, ~~changed~~ or amended, and all rulings, orders, directions and decisions of, and penalties imposed by, the Board of Governors or any duly authorized committee, the provisions of the federal securities laws, including the rules and regulations adopted thereunder, and the rules of the Municipal Securities Rulemaking Board; provided, however, that such an agreement shall not be construed as a waiver by the applicant of any right to appeal as provided in the Act;

(2) An agreement that neither the Corporation, nor any officer or employee thereof, nor any member of the Board of Governors or of any District or other Committee, shall be liable except for willful malfeasance, to the applicant or to any member of the Corporation or to any other person, for any action taken by such officer, ~~or~~ member of the Board of Governors or of any District or other Committee in his official capacity, or by any employee of the Corporation while acting within the scope of his employment, or under instruction of any officer, board, or committee of the Corporation, in connection with the administration or enforcement of any of the provisions of the By-Laws, ~~any of the rules or regulations~~ rules of the Corporation as they are or may from time to time be adopted, ~~changed~~ or amended, ~~as~~ any ruling, order, direction, decision of, or penalty imposed by, the Board of Governors or any duly authorized committee, the provisions of the federal securities laws, including the rules and regulations adopted thereunder, or the rules of the Municipal Securities Rulemaking Board; and

(3) Such other reasonable information with respect to the applicant as the ~~Board of Governors~~ Corporation may require.

(b) The ~~Board of Governors~~ Corporation shall not ~~accept~~ approve an application for registration of any person who ~~would not be qualified to be a member~~ is not eligible to be an associated person of a member under the provisions

of Section 2 of Article I Section 3(b) of Article II of these By-Laws, or who has failed to comply with the applicable requirements of Schedule "C."

(e) Every applicant whose application for registration is accepted by the Board of Governors shall sign the By-laws of the Corporation provided that the signature of any such applicant may be affixed to an instrument incorporating the By-laws by reference and shall become registered as of the date of any such acceptance.

(c) Every application for registration filed with the Corporation shall be kept current at all times by supplementary amendments to the original application.

Explanation

The section has been amended to conform to the Securities Acts Amendments of 1975 which provide that the Association shall enforce compliance by associated persons of members with, in addition to its own rules, the federal securities laws and rules and regulations thereunder. Subsection (c) is deleted because persons associated with members are required to comply with the By-Laws irrespective of whether they have signed them.

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.

Explanation

The provision is no longer consistent with existing practice. Although the Association forwards resignations from registered persons to an employer-member, it will only process terminations received directly from members.

Notification by Member to Board Corporation of Termination

Sec. 5(a) 3 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 Following the termination of the association with a member of a person who is registered with it, such member shall promptly, but in no event later than thirty (30) calendar days after such termination, 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 Secti 6) of such person associated with a member shall not take effect until thirty (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

Corporation, however, may in its discretion declare the ~~resignation~~ termination 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.

Explanation

The deleted language under existing subsection (b) has been moved to new Section 4.

Subject to Complaint or Action

~~Sec. 6 Any person associated with a member of the Corporation shall be subject to any complaint or action brought against such person individually and/or against any member with whom he has at any time been associated.~~

Explanation

The provision appears redundant in light of other provisions of the By-Laws.

Retention of Jurisdiction

Sec. 4. A person whose association with a member has been terminated and is no longer associated with any member of the Corporation shall continue to be subject to the filing of a complaint under the Code of Procedure based upon conduct which commenced prior to the termination, but any such complaint shall be filed within one (1) year after the effective date of termination of registration pursuant to Section 3 above or, in the case of an unregistered person, within one (1) year after the date upon which such person ceased to be associated with the member.

Explanation

The new section incorporates the provisions of present Sections 4(b) and 5(b) which authorize the Association to file complaints against former registered

persons of members within a year of the effective date of termination of registration. The provision has also been extended to apply to complaints filed against former associated persons who were never required to be registered because of the nature of their duties with a member. The provision also clarifies that a former associated person of a member continues to be subject to a disciplinary complaint whether the complaint is filed by the Association, another member or a member of the public.

ARTICLE H V

Affiliates

Qualifications for Affiliation

Sec. 1. Any association of brokers or dealers, registered with the Commission as an affiliated securities association under the provisions of Section 15A of the Act, may become an affiliate of the Corporation as hereinafter provided in this Article.

Application for Admission as Affiliate

Sec. 2. Application for admission as an affiliate shall be made to the Board of Governors in writing, in such form as the Board of Governors may prescribe, and shall contain a certified copy of the application to the Commission for registration as an affiliated securities association, a certified copy of the order of the Commission granting such registration, and such other reasonable information as the Board of Governors may require.

Agreement of Affiliate

Sec. 3. No applicant may become an affiliate of the Corporation unless it agrees:

(a) That it will classify its members, for purposes of levying dues and assessments, on the same basis as that applicable to members of the Corporation and that the amount of dues or assessments payable by each of its members for any given period, based on such classification, shall not be lower than that payable by a member of the Corporation in the same class for the comparable period; provided,

however, that if by reason of the special type of business conducted by members of an applicant, the foregoing agreement is impracticable of application to such applicant, such applicant shall agree that it will fix and levy dues or assessments payable by its members on some other basis to be agreed upon by the applicant and the Board of Governors of the Corporation, which shall be fair and equitable in view of the dues and assessments payable by members of the Corporation.

(b) That it will pay the Corporation annually, in the form of dues or otherwise, for services to be rendered by the Corporation to the applicant, the amount to be agreed upon by the applicant and the Board of Governors of the Corporation annually in advance, and that should the applicant and the Corporation be unable to reach an agreement as to an appropriate amount, the applicant will consent to the submission of the controversy to the Commission for arbitration, and that if submitted, it will abide by the Commission's decision thereon;

(c) That, after affiliation, it will at all times keep its charter, by-laws, rules of fair practice and code of procedures so integrated with the corresponding Charter, By-Laws, Rules of Fair Practice and Code of Procedure of the Corporation as not to conflict in any way therewith; and

(d) That the Board of Governors, in accordance with the provisions of Section 6 of this Article, may at any time suspend or cancel its affiliation with the Corporation.

Conditions of Affiliation

Sec. 4. No applicant may become an affiliate of the Corporation unless it appears to the Board of Governors:

(a) That such applicant is so organized and is of such a character as to be able to comply with and carry out its purposes, and those of the Corporation and of ~~Section 15A~~ of the Act; and

(b) That the charter, by-laws, rules of fair practice and code of

procedure of the applicant are so integrated with the corresponding Charter, By-Laws, Rules of Fair Practice and Code of Procedure of the Corporation as not to conflict in any way therewith.

Approval of Admission as an Affiliate

Sec. 5. If it appears to the Board of Governors that the foregoing requirements of this Article are met by the applicant, it shall approve such applicant's admission as an affiliate; otherwise, after appropriate notice and opportunity for hearing, it shall disapprove such application in writing and shall set forth therein the specific grounds upon which such disapproval is based.

Suspension or Cancellation of Affiliation

Sec. 6. The Board of Governors may at any time suspend or cancel the affiliation of an affiliate with the Corporation if the Board of Governors finds that the affiliate has ceased to be of such a character as to be able to or has failed to carry out its purposes or the purposes of ~~Section 15A~~ of the Act, or has failed to carry out any of the conditions of affiliation. In any proceeding, however, under this Section to determine whether the affiliation of an affiliate should be suspended or canceled, specific charges shall be brought; such affiliate shall be notified of, and be given an opportunity to defend against, such charges; a record shall be kept; and any determination that the affiliation of an affiliate shall be suspended or canceled shall be in writing and shall set forth therein the specific grounds upon which such determination is based. Such suspension or expulsion shall take effect upon the 60th day after the filing with the Commission of notice thereof and a copy of the record of the proceedings before the Board of Governors, unless within thirty days after such filing such suspension or cancellation is disapproved by the Commission.

Exclusion of Territory Covered by Affiliated Association

Sec. 7. The Board of Governors shall, if it deems such action to be in the interest of efficient and economical administration and desirable in carrying out