



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

notice to members 86-76

November 10, 1986

TO: All NASD Members and Other Interested Persons

RE: South African Sanctions Act

EXECUTIVE SUMMARY

The Congress has recently enacted legislation providing sanctions against certain transactions with South Africa or South African entities. This notice provides information relating to certain provisions of that Act which may relate to the business of NASD members.

On October 2, 1986, Congress enacted the Comprehensive Anti-Apartheid Act of 1986 (Sanctions Act) (Public Law No. 99-440), containing prohibitions against certain transactions in securities issued by South African entities. Important prohibitions in the Sanctions Act become effective on November 16, 1986, and may directly affect NASD members' trading activity, especially trading in American Depositary Receipts (ADRs). Members and associated persons should consult with their counsel to assure that their trading activity is in compliance with the Sanctions Act.

There are a number of potential ramifications of the Act to the broker-dealer community. One of primary importance to NASD members relates to continued market making and retail activity in ADRs representing shares of South African entities. The pertinent provision in this regard is §310(a) of the Act which provides "no national of the United States may, directly or through another person, make any new investment in South Africa." This provision becomes effective on November 16. The term "new investment" is defined at §3(4) of the Act as meaning "a commitment or contribution of funds or other assets" and "a loan or other extension of credit," but does not include:

the ownership or control of . . . a debt or equity security issued by the government of South Africa or a South African entity before [October 2, 1986] or the transfer or

acquisition of such . . . debt or equity security, if any such transfer or acquisition does not result in a payment, contribution of funds or assets, or credit to a South African entity, a controlled South African entity, or the government of South Africa.

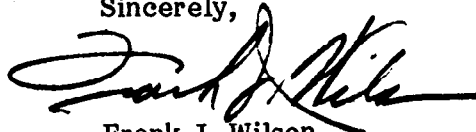
In the context of ADR trading, this language presents the possibility of violation of the Act, which carries civil and/or criminal sanctions, through the purchase of depositary receipts which are backed by securities issued by a South African entity after October 2, 1986, and through transactions benefitting South African entities. Presently, application of the prohibitions of the Act to a situation where securities issued after October 2 become part of the pool of securities underlying an ADR is unclear. There is the possibility that the inclusion of post-October 2 securities in the pool would "taint" the entire pool and therefore make it a prohibited investment. The Treasury Department has rulemaking authority and is currently working on rule proposals for this and other sections of the Act. The NASD, various banks that issue ADRs and certain broker-dealers doing an ADR business have been in contact with the Treasury Department to focus the Department's attention on this and other issues. To date, there have been no regulatory proposals or statements that indicate how, or whether, this problem will be dealt with in the proposed regulations.

The purpose of this notice is to inform NASD members of this situation and of the fact that regulations will be prepared by the Treasury Department. Should members or their counsel desire to make their views as to the implementation of these or other provisions of the Sanctions Act known to the Treasury Department, the regulations are being developed by the Office of Foreign Asset Control, Treasury Department, 1331 G Street, N.W., Suite 500, Washington, D.C. 20220.

Once a determination is made by the Treasury as to the method in which it will proceed, members will be provided with such information as becomes available. As of November 16, however, any member or associated person handling transactions in ADRs should take steps, including consultation with counsel, to assure that the transactions in the securities in question are in compliance with the Sanctions Act.

Any questions regarding this notice may be addressed T. Grant Callery, NASD Office of the General Counsel, at (202) 728-8285.

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel

NASD

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

notice to members 86-77

November 10, 1986

TO: All NASD Members

RE: John Franklin & Associates
1975 Hempstead Turnpike
East Meadow, New York 11554

ATTN: Operations Officer, Cashier, Fail-Control Department

On November 5, 1986, the United States District Court for the Eastern District of New York, appointed the Securities Investor Protection Corporation (SIPC) Trustee for the above-captioned firm.

Members may use the "immediate close-out" procedures as provided in Section 59(i)(2) of the NASD's Uniform Practice Code to close out open OTC contracts. Also, MSRB Rule G-12(h)(iii) 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

Securities Investor Protection Corporation
Farragut Building, Suite 800
900 Seventeenth Street N. W.
Washington, D. C. 20006
Attn: Ms. Josephine Wang
Telephone: (202) 223-8400

NASD

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

notice to members 86-78

November 13, 1986

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

RE: NASDAQ National Market System Grows to 2,658 Securities With 21
Voluntary Additions on November 18, 1986

On Tuesday, November 18, 1986, 21 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,658. These 21 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 21 issues scheduled to join NASDAQ/NMS on Tuesday, November 18, 1986, are:

Symbol*	Company	Location
DOCP	Delaware Ostego Corporation	Cooperstown, NY
FEXA	Florida Express, Inc.	Orlando, FL
GENA	General Automation, Inc.	Anaheim, CA
KOSS	Koss Corporation	Milwaukee, WI
LDMFA	Laidlaw Transportation Ltd. (Cl A)	Ontario, Canada
MRBL	Marble Financial Corporation	Rutland, VT
MASB	MASSBANK for Savings	Reading, MA
NMBC	Merchants Bancorp, Inc. (The)	Norwalk, CT
MRET	Meret, Inc.	Columbus, OH
MILW	Milwaukee Insurance Group, Inc.	Milwaukee, WI

* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

Symbol*	Company	Location
MTNR	Mountaineer Bankshares of West Virginia, Inc.	Martinsburg, WV
MUXVF	Musto Explorations Limited	Vancouver, Canada
OVWV	One Valley Bancorp of West Virginia, Inc.	Charleston, WV
THFI	Plymouth Five Cents Savings Bank	Plymouth, MA
SHLB	Shelby Federal Savings Bank (CI B)	Indianapolis, IN
CODA	Step-Saver Data Systems, Inc.	Bala Cynwyd, PA
CODAZ	Step-Saver Data Systems, Inc. (Wts)	Bala Cynwyd, PA
SCSLA	Suncoast Savings & Loan Association (CI A)	Hollywood, FL
TKIOY	Tokio Marine & Fire Insurance Company, Ltd. (The)	Tokyo, Japan
VMTGZ	VMS Mortgage Investors L.P. II	Chicago, IL
XPLR	Xplor Corporation	New York, NY

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

Pending Additions

Symbol*	Company	Location
AARN	Aaron Brothers Art Marts, Inc.	City of Commerce, CA
AGII	Argonaut Group, Inc.	Los Angeles, CA
BENJ	Benj. Franklin Savings & Loan Association	Portland, OR
ROCK	Boorheim-Fields, Inc.	Dallas, TX
CFNH	Cheshire Financial Corporation	Keene, NH
CLIC	Clairson International Corporation	Ocala, FL
DOMN	Domain Technology, Inc.	Milpitas, CA
DUSA	Dryclean USA, Inc.	Miami, FL
EDGC	Edgecomb Corporation	New York, NY
FUIC	Farmers Union Insurance Holding Company	Denver, CO
FARR	Farragut Mortgage Co., Inc.	Waltham, MA
GHRE	Guaranty Holdings Corp.	North White Plains, NY
HIII	Harman International Industries, Inc.	Washington, DC
HMSB	Home Savings Bank (The)	Brooklyn, NY

Symbol*	Company	Location
IDEL	Ideal School Supply Corporation	Oak Lawn, IL
ICPI	InCon Packaging, Inc.	Roseland, NJ
LPLIA	LPL Investment Group, Inc. (Cl A)	Wallingford, CT
LNBK	Lane Financial, Inc.	Northbrook, IL
LOIC	Loyola Capital Corporation	Baltimore, MD
MRCH	Merchants Group, Inc.	Buffalo, NY
PCSI	PCS, Inc.	Scottsdale, AZ
RITC	Richmond Transportation Corp.	Richmond, IN
SKCH	Skyline Chili, Inc.	Cincinnati, OH
SPAIB	Strategic Planning Associates, Inc. (Cl B)	Washington, DC

NASDAQ/NMS Interim Additions

Symbol*	Security	Date of Entry
NBCC	National Banc of Commerce Company	10/29/86
AMRI	AmeriFirst Federal Savings & Loan Association	10/30/86
HUSB	Home Unity Savings & Loan Association	10/30/86
MMCT	Metro Mobile CTS, Inc.	10/31/86
CRITA	Criterion Group, Inc. (CL A)	11/05/86
HTLD	Heartland Express, Inc.	11/05/86
SCOT	Scott & Stringfellow Financial, Inc.	11/05/86
VSTR	Vestar, Inc.	11/05/86
BHAG	BHA Group, Inc.	11/06/86
CLSIF	CDC Life Sciences, Inc.	11/06/86
CONT	Continental Medical Systems, Inc.	11/06/86
WMBS	West Mass Bankshares, Inc.	11/07/86

The following changes to the list of NASDAQ/NMS securities occurred since October 24, 1986:

NASDAQ/NMS Symbol* And/Or Name Changes

New/Old Symbol*	New/Old Security	Date of Change
CSBK/CSBKA	Coastal Bancorp/Coastal Savings Bank (Cl A)	10/28/86

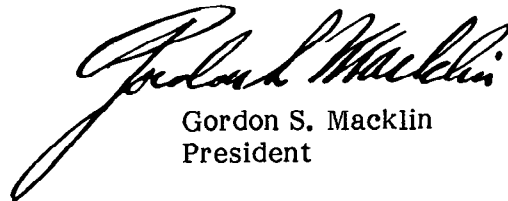
New/Old Symbol*	New/Old Security	Date of Change
DNSB/DNSF	D & N Savings Bank, F.S.B./ Detroit & Northern Savings, F.A.	11/03/86
COFD/COFD	Collective Federal Savings Bank/ Collective Federal Savings & Loan Association	11/04/86
HABEZ/HABEZ	Haber, Inc. (11/26/87 Cl B Wts)/ Haber, Inc. (11/26/86 Cl B Wts)	11/06/86

NASDAQ/NMS Deletions

Symbol*	Security	Date
AMERZ	America First Federally Guaranteed Mortgage Fund L.P.	10/24/86
DTIB	Distribuco, inc.	10/28/86
PATN	Patten Corporation	10/28/86
NJNB	New Jersey National Corporation	10/31/86
AFUR	American Furniture Company, Incorporated	11/03/86
FRRG	First Railroad & Banking Company of Georgia	11/03/86
CRMP	Crump Companies, Inc. (The)	11/04/86

Questions regarding this notice should be directed to Ms. Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Mr. Leon Bastien, Assistant Director, Market Surveillance, at (202) 728-8192.

Sincerely,



Gordon S. Macklin
President



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

notice to members 86-79

November 13, 1986

TO: All NASD Members and Other Interested Persons

RE: Quarterly Checklist of Notices to Members

The following is a list of NASD Notices to Members issued during the third quarter of 1986. Requests for copies of any notice should be accompanied by a self-addressed mailing label and directed to: NASD Administrative Services, 1735 K Street, N.W., Washington, D.C. 20006-1506.

Notice Number	Date	Topic
86-48	July 8, 1986	NASDAQ National Market System Grows to 2,457 Securities With 33 Voluntary Additions on July 15, 1986
86-49	July 9, 1986	Request for Comments on Proposed Amendment to Schedule G of the NASD By-Laws
86-50	July 11, 1986	Accurate Completion of Form U-4 (Uniform Application for Securities Industry Registration)
86-51	July 14, 1986	Automation of Test Administration for the Financial and Operations Principal Examination
86-52	July 29, 1986	NASDAQ National Market System Grows to 2,507 Securities With 52 Voluntary Additions on August 5, 1986, and 2 Mandatory Inclusions on August 12, 1986
86-53	July 30, 1986	Quarterly Checklist of Notices to Members

Notice Number	Date	Topic
86-54	July 30, 1986	Proposed Amendment to Article III, Section 26 of the NASD Rules of Fair Practice Governing the Prompt Payment for Investment Company Shares Sold to Customers by NASD Members
86-55	July 30, 1986	Request for Comments on Proposed Revisions to Schedule D of the NASD By-Laws
86-56	August 12, 1986	NASDAQ National Market System Grows to 2,517 Securities With 17 Voluntary Additions on August 19, 1986
86-57	August 12, 1986	Labor Day: Trade Date-Settlement Date Schedule
86-58	August 26, 1986	NASDAQ National Market System Grows to 2,550 Securities with 27 Voluntary Additions on September 2, 1986
86-59	August 27, 1986	Request for Comments on a Proposed Amendment to the Uniform Practice Code, Section 59, Close-Out Procedure; Buying-In
86-60	August 27, 1986	Request for Comments on a Proposed Amendment to the Uniform Practice Code, Section 64, Acceptance and Settlement of COD Orders
86-61	September 3, 1986	Proposed New Rule of Fair Practice Relating to Monthly Reporting of Aggregate "Short" Positions
86-62	September 10, 1986	NASDAQ National Market System Grows to 2,569 Securities With 27 Voluntary Additions on September 16, 1986
86-63	September 10, 1986	NASD Operations Center Opens in Rockville, Maryland; New Addresses and Telephone Numbers
86-64	September 12, 1986	Columbus Day: Trade Date-Settlement Date Schedule
86-65	September 12, 1986	Compliance with the NASD Rules of Fair Practice in the Employment and Supervision of Off-Site Personnel
86-66	September 19, 1986	Due Diligence Expense Reimbursements in Connection with Direct Participation Programs

NASD

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

notice to members 86-80

November 14, 1986

TO: All NASD Members and Other Interested Persons

RE: Proposed Changes to the Financial Recordkeeping and Reporting of Currency and Foreign Transactions

EXECUTIVE SUMMARY

The Department of the Treasury is soliciting comments on proposed amendments to the implementing regulations of the Bank Secrecy Act. Also known as the Currency and Foreign Transactions Reporting Act of 1970, these regulations govern the payment, receipt or transfer of currency or other monetary instruments; the export or import of currency or monetary instruments out of or into the United States; and certain foreign financial transactions and accounts. The proposed amendments include changes to the financial recordkeeping and reporting required of broker-dealers with regard to such transactions.

BACKGROUND

The Currency and Foreign Transactions Reporting Act of 1970 (the Currency Act) was enacted as a means of requiring certain financial institutions, including broker-dealers, to create records of currency transactions that may be useful in criminal, tax or other regulatory investigations. The Currency Act authorizes the Treasury Department to implement and administer the Act's reporting and recordkeeping requirements. With respect to broker-dealers, however, the Treasury Department delegated its responsibility to the SEC. In order to assure compliance and effective oversight by the self-regulatory organizations, the SEC adopted Rule 17a-8 under the Exchange Act.

SEC Rule 17a-8, which became effective on January 18, 1982, requires broker-dealers to file reports and make and preserve records pursuant to the Currency Act and the regulations adopted thereunder. Moreover, in accordance with other SEC

recordkeeping rules (see SEC Rule 17a-3(a)(1)), the SEC has taken the position that broker-dealers are required to make and retain their records in a manner that identifies the receipt and disbursement of currency in connection with securities transactions.

SUMMARY OF PROPOSED AMENDMENTS

The proposed amendments address a number of issues. Changes affecting the activities of broker-dealers are highlighted below.

1. Multiple, same-day currency transactions. The Treasury Department proposes to codify an instruction on Form 4789, the Currency Transaction Report, that currently requires broker-dealers to report multiple, same-day transactions in currency by or on behalf of any person that total more than \$10,000, if they are aware of them. This does not impose any new burden on broker-dealers to adopt systems to reveal the existence of multiple, same-day transactions.

2. Cash purchases of monetary instruments. A second proposal may or may not be applicable to broker-dealers depending upon whether their business activities include cash purchases of monetary instruments. If applicable, broker-dealers would be required to obtain and keep a report from each purchaser of a monetary instrument, such as a money order or traveler's check, where the purchase involves a transaction in currency of more than \$3,000. The purchaser would be required to sign the report and to certify whether or not other cash purchases were made during that same business day with the same or any other financial institution where the aggregate value of all purchases exceeded \$10,000.

Broker-dealers would be required to treat any affirmative certification, or a refusal or a failure to file a full and complete report, as a reportable transaction and to file a Currency Transaction Report. If a purchaser misrepresents either the existence or aggregate amount of the transactions, broker-dealers would have no duty to report unless they have actual knowledge of the transactions.

3. Time periods for filing report. The Treasury Department is proposing to standardize the time periods for filing reports. All reports previously subject to filing within 30 days would now be filed within 15 days of the reportable event or a request for the report from regulatory authorities.

4. Verification of customer identification. The Treasury Department has noted from its reviews of Form 4789, the Currency Transaction Report, that some financial institutions fail to obtain proper identification of customers. The Treasury Department believes that in the past accounts have been opened for individuals based on inadequate identifications and then the signature cards for these accounts have been relied on as a means of satisfying the identification requirement.

To correct this situation, the Treasury Department is proposing that verification of identity be made by examination of a document, other than an account signature card, that is normally acceptable when cashing checks (e.g., a driver's license or credit card). Statements such as "know customer" are not sufficient for purposes of identification.

5. Recordkeeping requirements for extensions of credit. This proposal would change broker-dealers' recordkeeping requirements to extensions of credit exceeding \$10,000 instead of \$5,000.

6. Recordkeeping requirements for incoming transactions. This proposal would extend broker-dealers' recordkeeping requirements to include incoming as well as outgoing transactions with persons, accounts or places outside the United States, which involve the transfer of currency, monetary instruments, funds, checks, investment securities or credit in amounts exceeding \$10,000. It would also include transactions that are later cancelled or not completed for any reason.

7. Recordkeeping requirements for certain purchases of monetary instruments. In conjunction with the proposed requirement to report certain purchases of monetary instruments, broker-dealers would be required to keep records regarding the sale of monetary instruments, such as money orders and traveler's checks, that exceed \$3,000. Multiple purchases that result in either cash in or cash out totalling more than \$3,000 during one business day would be treated as a single purchase if the broker-dealer is aware that they are by or on behalf of one person.

8. Taxpayer identification numbers. Currently, broker-dealers need to maintain the taxpayer identification number of each person opening, or having an interest in, an account and who either resides, is a citizen of, or does business in the United States. In the case of a non-resident alien, the broker-dealer must also record the person's passport number or a description of some other government document used to verify identity.

The Treasury Department is proposing to replace the lengthy exemption provision currently in the regulations with simpler requirements. Under the proposed amendment, if a broker-dealer is unable to secure the taxpayer identification number, it will not be a violation if the broker-dealer (i) has made a reasonable effort to secure the number, and (ii) maintains a list containing the names, permanent addresses and account numbers, where applicable, of those persons from whom it has been unable to secure numbers and makes this information available to regulatory authorities upon request.

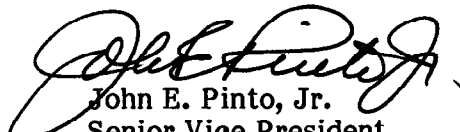
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A copy of the release containing all proposed changes is attached for your review. All members and other parties interested in commenting on the amendments should direct their comments on or before November 24, 1986, to:

Jonathan J. Rusch, Acting Director
Office of Financial Enforcement
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Room 1458
Washington, D.C. 20220

Questions concerning this notice may be directed to Susan Lang, NASD Surveillance Department, at (202) 728-6969.

Sincerely,


John E. Pinto, Jr.
Senior Vice President
Compliance

Attachment

DEPARTMENT OF THE TREASURY

31 CFR Part 103

Amendments to Implementing Regulations; the Bank Secrecy Act

AGENCY: Office of the Secretary, Treasury.

ACTION: Proposed rule.

SUMMARY: The Bank Secrecy Act, Pub. L. No. 91-508 (permanently codified at 12 U.S.C. 1829b, 12 U.S.C. 1951 *et seq.* and at 31 U.S.C. 5311 *et seq.*), empowers the Secretary of the Treasury to require financial institutions to keep records and file reports that the Secretary determines have a high degree of usefulness in criminal, tax and regulatory matters. At present, Treasury regulations implementing the Act require a variety of financial institutions to file reports of large currency transactions. The Secretary also can direct designated institutions to file reports regarding specified transactions with foreign financial agencies. Financial institutions also are required to maintain records necessary to trace transactions through the nation's banking system.

The Department's experience in enforcing the Act in recent years has indicated that the following proposed substantive regulatory changes are needed to strengthen enforcement of the Act. In particular, recent judicial decisions, such as *United States v. Anzalone*, 766 F.2d 676 (1st Cir. 1985), have drawn attention to the fact that the regulations may be inadequate to sustain prosecutions for failing to report transactions that have been structured to evade the current reporting requirements. In light of cases such as *Anzalone*, the Department of Justice believes that certain changes to the currency transaction reporting requirements are needed to expand the coverage of the Act to ensure the collection of needed information, and to strengthen enforcement of the Act.

DATE: Comments must be received on or before November 24, 1986.

ADDRESS: Address written comments to Jonathan J. Rusch, Acting Director, Office of Financial Enforcement, Office of the Assistant Secretary (Enforcement), Department of the Treasury, Room 1458, 1500 Pennsylvania Ave., NW., Washington, DC 20220.

FOR FURTHER INFORMATION CONTACT: Linda Noonan, Attorney Advisor, Office of the Assistant General Counsel (Enforcement), Department of the Treasury, Room 2000, 1500 Pennsylvania Ave., NW., Washington, DC 20220 (202/566-2941).

SUPPLEMENTARY INFORMATION:

Background

The following amendments are made to strengthen enforcement of the Bank Secrecy Act and to make clarifications to the existing regulations, as noted:

(1) *Expand the definition of "bank" to include Edge Act corporations:* An "Edge" or "Agreement" corporation, as defined by 12 U.S.C. 611 *et seq.*, is a corporation organized in the United States for the purpose of engaging in international or foreign banking, or other foreign financial operations; such institutions are supervised by the Board of Governors of the Federal Reserve System. This amendment to expand coverage of the regulations to include these entities is justified by the rapidly expanding roles played by such financial entities in the banking system and the need to maintain a comprehensive scheme of reporting and recordkeeping requirements. See regulatory proposal #2.

(2) *Add a new definition of "common carrier":* This new definition is intended to clarify the reporting responsibilities for currency and monetary instruments that are transported into or out of the United States. See regulatory proposal #2.

(3) *Revise the definition of "financial institution" in light of recent case law, and to include certain selling agents of traveler's checks, money orders and similar instruments:* This revision modifies the definition to comport with recent case law defining financial institutions for Bank Secrecy Act purposes. It also expands the definitions of "financial institution" to include certain selling agents of certain monetary instruments and all transmitters of funds. Coverage of these additional entities is justified by the rapidly expanding roles played by such financial institutions in the banking system and the need to maintain a comprehensive scheme of reporting and recordkeeping requirements. See regulatory proposal #2.

(4) *Clarify and expand the definition of "monetary instruments" to include promissory notes, checks made out to fictitious payees and certain other types of checks:* These substantive changes are warranted by enforcement experience, which indicates that casino markers, certain cashier's checks and checks made out to fictitious payees are being used for money laundering, but arguably are not subject to current reporting requirements. Other amendments to the definition are intended to clarify the regulations. See regulatory proposal #2.

(5) *Add a new definition for "transaction account" and insert it in place of the deleted term "demand deposit account" wherever it appears in the Part:* This new term combines currently covered demand deposit accounts with recently developed money market and NOW accounts, which have many of the same characteristics as demand deposit accounts. See regulatory proposals #2 & 3.

(6) *Add a new definition for "business day":* This amendment provides that the term "business day" for banks means banking day. See regulatory proposal #2.

(7) *Clarify that financial institutions must report multiple, same-day currency transactions of which they are aware that total more than \$10,000:* This amendment codifies the CTR Form 4789 instruction that currently requires financial institutions to report multiple, same-day transactions of which they are aware that are by or on behalf of any person and total more than \$10,000. It does not impose any new burden on financial institutions to adopt systems to reveal the existence of multiple, same-day transactions. See regulatory proposal #4.

(8) *Require financial institutions to report cash purchases exceeding \$3,000 of monetary instruments, such as cashier's checks, money orders or traveler's checks, where the aggregate of all such same-day purchase exceeds \$10,000:* The Department of Justice is concerned that unreported money laundering is being conducted through "smurfing" organizations that employ numerous agents to launder large amounts of cash by conducting repetitive transactions with numerous financial institutions, each involving less than \$10,000 in currency. Treasury has found that unreported money laundering is being conducted through the use of various negotiable instruments, especially cashier's checks. For example, "smurfs" use multiple, same-day cash purchases of cashier's checks to convert large amounts of cash into a more compact form without currently triggering the filing of a report with the Treasury Department of leaving an audit trail that investigators can readily detect. The Department of Justice recommends this regulatory approach, which addresses the problem of reporting aggregate transactions by placing a certification requirement on the individual conducting the transactions. If an individual misrepresents to the financial institution either the existence or aggregate amount of the transactions, the financial

institution will have no duty to report unless it has actual knowledge of the transactions. Such a misrepresentation would, however, be a criminal offense on the part of the individual responsible for it. See regulatory proposal #4.

(9) *Require banks to obtain signed statements from their customers attesting to the basis for their exemption from the currency transaction reporting requirements:* Recent enforcement experience suggests that many banks are not paying sufficient attention to compliance with the requirements for granting reporting exemptions pursuant to the authority set out in § 103.22. This amendment seeks to ensure that banks are more diligent in controlling their exempt lists while, at the same time, making customers accountable for their representations to banks that justify such reporting exemptions. See regulatory proposal #4.

(10) *Permit banks to exempt from the currency transaction reporting requirement deposits by certain public utilities and commercial passenger carriers:* This proposed amendment to the exemption procedure would permit banks to exempt cash deposits by certain public utilities and commercial passenger carriers. See regulatory proposal #4.

(11) *Clarify the prohibition on exempting automobile, boat and airplane dealerships:* This proposed amendment makes clear that no motor vehicle dealership may be exempted from the currency reporting requirements. This includes, but is not limited to, motorcycle, recreational vehicle, and farm equipment dealers. See regulatory proposal #4.

(12) *Revise the procedures for filing all reports and for recording foreign financial accounts:* This amendment updates and clarifies the procedures for filing all reports, and for keeping records of interests in foreign financial accounts. All reports previously subject to filing within 30 days would be filed within 15 days of the reportable event or the request for the report, whichever is applicable. See regulatory proposals #5, 6 & 8.

(13) *Require that customer identification be verified by document examination:* This amendment addresses a compliance problem Treasury has identified with financial institutions that report insufficient information on Forms 4789 to show proper identification of customers. Many financial institutions have opened bank accounts for individuals based on inadequate identifications, and then have relied on the signature cards for those accounts to satisfy the current identification requirement. This

amendment requires financial institutions to exercise no less care in identifying the individuals conducting reportable transactions than they do when identifying nondepositors cashing checks. Signature cards alone would not satisfy the identification requirement. This regulation would make the instruction for the completion of item 12 on the existing Currency Transaction Report partially obsolete. See regulatory proposal #7.

(14) *Limit financial institution recordkeeping requirements to extensions of credit exceeding \$10,000 instead of \$5,000:* This amendment modifies recordkeeping requirements to eliminate recordkeeping that is no longer justified by the usefulness of the information retained. See regulatory proposal #9.

(15) *Expand financial institution recordkeeping requirements to include incoming as well as outgoing transactions with persons, accounts or places outside the United States:* This amendment responds to increasingly sophisticated international financial schemes, and simply requires that recordkeeping cover incoming as well as outgoing transactions, including transactions that are later cancelled or not completed for any reason. See regulatory proposal #9.

(16) *Require records to be kept on certain purchases of more than \$3,000 in monetary instruments:* In concert with the proposed reporting requirement for monetary instrument purchases, this recordkeeping requirement would ensure that information in addition to that provided on the reports would be retained as part of the normal business records of the financial institution. Such information would provide a paper trail that would be available to investigators pursuant to traditional forms of legal process. See regulatory proposal #9.

(17) *Revise additional recordkeeping requirements for banks, casinos and brokers or dealers in securities to simplify the procedures for recording taxpayer identification numbers, and require those financial institutions to keep lists of all persons from whom taxpayer identification numbers have not been obtained:* This amendment replaces the current lengthy exemption provisions in §§ 103.34, 103.35 and 103.36 regarding taxpayer identification numbers with a simpler requirement in § 103.38(c) that a list be maintained of all persons from whom a taxpayer identification number is not obtained. This procedure also is incorporated in the new additional recordkeeping requirements for foreign currency exchanges. See regulatory proposals #10, 12, 13, 14, & 15.

(18) *Clarify that additional recordkeeping requirements for banks include deposit slips and credit tickets:* This amendment to the additional recordkeeping requirement for banks makes clear that deposit slips and credit tickets should be retained as part of the paper trail already required by § 103.34 to be recorded and that such records must stipulate whether transactions involve currency. See regulatory proposal #11.

(19) *Require foreign currency dealers to keep certain additional records:* Treasury's enforcement experience indicates that foreign currency dealers are an increasingly important component of sophisticated money laundering and tax evasion schemes. The rapid evolution of international financial activity in recent years makes the imposition of recordkeeping requirements on foreign currency dealers appropriate at this time. Foreign currency dealers currently are subject to little or no oversight other than under the Bank Secrecy Act. These recordkeeping requirements serve to place foreign currency dealers on a par with brokers or dealers in securities, casinos and banks in retaining additional records that the Secretary finds have a high degree of usefulness in criminal, tax and regulatory matters. See regulatory proposal #14.

(20) *Establish a uniform minimum retention period for transaction account records:* Under present regulations, bank records required to reconstruct deposits to demand deposit accounts can be destroyed two years after the transaction. These records normally consist of deposit slips, proof tapes, copies of checks deposited, and related records. Since deposits reflect income, these types of records are the most important bank records for documenting unreported income in, for example, a criminal tax investigation. However, the constraints placed on the Department by the two-year retention period make it extremely difficult to document violations for more than one year with deposit records. Since tax and related financial crimes may not be discovered until several years after they occur, the deposit records needed to reconstruct income often may be destroyed before the investigation starts. Without records to reconstruct income, an investigation may not be initiated or may have to be discontinued. This proposed amendment to the record retention period would alleviate this problem and standardize the retention requirement for all records covered under the Act. See regulatory proposal #15.

(21) *Clarify the overall Bank Secrecy*



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

notice to members 86-81

November 21, 1986

TO: All NASD Members and Other Interested Persons
ATTN: Direct Participation Programs Department
RE: Amendments to Appendix F Regarding Freely Tradable Partnership Units Effective Immediately

EXECUTIVE SUMMARY

This notice announces the adoption of exemptions from the special suitability and disclosure requirements of Appendix F to Article III, Section 34 of the NASD Rules of Fair Practice for freely tradable limited partnerships. The exemptions relate to primary and secondary public offerings of and secondary market transactions in freely tradable partnership units, depository receipts or assignee units quoted on the NASDAQ System or listed on a registered national securities exchange.

The NASD has adopted amendments to Sections 3 and 4 of Appendix F to Article III, Section 34 of the NASD Rules of Fair Practice, which are effective immediately. The text of the amended sections is attached.

The amendments provide exemptions for primary and secondary offerings and secondary market transactions in direct participation program securities from the suitability provisions contained in Section 3 and the requirement in Section 4 that NASD members inform potential investors of the facts pertaining to the lack of liquidity and marketability of the program securities.

BACKGROUND

Appendix F was adopted for the purpose of regulating the distribution of and secondary transactions in direct participation program securities. These securities are usually partnerships and have traditionally been illiquid. Investors are generally required to hold an investment in a direct participation program for a number of years in order to fully realize the benefits of the investment. The nature

of a direct participation program security, therefore, presents special concerns regarding its suitability for investors, the adequacy and accuracy of the disclosure in the offering document, and other program arrangements that Article III, Section 34 and Appendix F, adopted thereunder, were intended to address.

Recently, however, an increasing number of direct participation programs have issued partnership units, depositary receipts for such units, or assignee units of limited partnership interests that are freely tradable in a manner generally analogous to common stocks and are quoted on the NASDAQ System or listed on registered national securities exchanges. Therefore, the NASD undertook a review of the application of Appendix F to freely tradable program units.

Subsection 3(a) of Appendix F prohibits a member from distributing a direct participation program that has not established or disclosed in the program prospectus standards of suitability. Subsection 3(b) of Appendix F requires members, when "recommending the purchase, sale or exchange of an interest in a direct participation program," to obtain certain enumerated information, make an affirmative finding of suitability, and retain a record of the basis for that finding. These requirements were specifically included in light of the absence of liquidity in the market for limited partnerships, as well as to assure that the unique tax status and investment characteristics of the program are considered in secondary market transactions, and in initial distributions.

The NASD has reviewed the purposes of the special suitability requirements contained in subsections 3(a) and 3(b) of Appendix F and has concluded that these special requirements are not necessary for freely tradable program units. It is important to note, however, that transactions in freely tradable partnership units remain subject to the general suitability requirements of Article III, Section 2 of the NASD Rules of Fair Practice.

Subsection 4(d) of Appendix F requires NASD members to inform potential investors of the facts relating to the lack of liquidity and marketability of investments in direct participation programs prior to the execution of such transactions. Compliance with this subsection is unnecessary where an active trading market exists or will exist for the program units.

SUMMARY OF AMENDMENTS

The NASD has amended subsections 3(a) and 3(b) and subsection 4(d) of Appendix F to exempt from those provisions:

- (1) secondary offerings of or secondary market transactions in a direct participation program security for which quotations are displayed on the NASDAQ System or which is listed on a registered national securities exchange; and
- (2) primary offerings of direct participation programs for which an application for inclusion on the NASDAQ System or listing on an exchange has been approved.

In addition, with respect to primary offerings, the new exemption requires the issuer to make a good-faith representation that inclusion on the

NASDAQ System or listing on a registered national securities exchange will occur within a reasonable period of time following the formation of the program.

Questions regarding this notice should be directed to the NASD Corporate Financing Department at (202) 728-8258.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson", written in a cursive style.

Frank J. Wilson
Executive Vice President
Legal and Compliance

Attachment

**AMENDMENTS TO APPENDIX F
ARTICLE III, SECTION 34
NASD RULES OF FAIR PRACTICE***

* * * *

Section 3

Suitability

(a) A member or person associated with a member shall not underwrite or participate in a public offering of a direct participation program unless standards of suitability have been established by the program for participants therein and such standards are fully disclosed in the prospectus and are consistent with the provisions of subsection (b) of this section.

(b) In recommending to a participant the purchase, sale or exchange of an interest in a direct participation program, a member or person associated with a member shall:

(1) have reasonable grounds to believe, on the basis of information obtained from the participant concerning his investment objectives, other investments, financial situation and needs, and any other information known by the member or associated person, that:

(i) the participant is or will be in a financial position appropriate to enable him to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program;

(ii) the participant has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity; and

(iii) the program is otherwise suitable for the participant;

(2) maintain in the files of the members documents disclosing the basis upon which the determination of suitability was reached as to each participant.

* New language is underlined; deleted language is in brackets.

(c) Subsections 3(a) and 3(b) shall not apply to:

(1) a secondary public offering of or a secondary market transaction in a unit, depositary receipt or other interest in a direct participation program for which quotations are displayed on the NASDAQ System or which is listed on a registered national securities exchange, or

(2) an initial public offering of a unit, depositary receipt or other interest in a direct participation program for which an application for inclusion on the NASDAQ System or listing on a registered national securities exchange has been approved by NASDAQ or such exchange and the applicant makes a good-faith representation that it believes such inclusion on NASDAQ or listing on an exchange will occur within a reasonable period of time following the formation of the program.

[c] (d) Notwithstanding the provisions of subsections (a) and (b) hereof, no member shall execute any transaction in a direct participation program in a discretionary account without prior written approval of the transaction by the customer.

Section 4

Disclosure

* * * *

(d) Prior to executing a purchase transaction in a direct participation program, a member or person associated with a member shall inform the prospective participant of all pertinent facts relating to the liquidity and marketability of the program during the term of the investment[.]; provided, however, that this subsection shall not apply to an initial or secondary public offering of or a secondary market transaction in a unit, depositary receipt or other interest in a direct participation program which complies with subsection 3(c).



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

notice to members 86-82

November 21, 1986

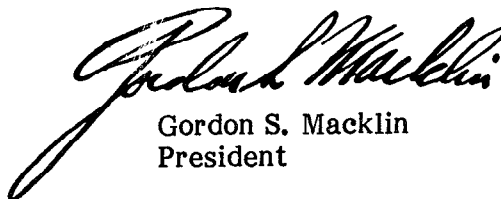
TO: All NASD Members and Other Interested Persons

RE: 1987 Schedule of Holidays

Listed below is the NASD's 1987 schedule of holidays.

January 1 (Thursday)	New Year's Day
February 16 (Monday)	Washington's Birthday Observed
April 17 (Friday)	Good Friday
May 25 (Monday)	Memorial Day Observed
July 3 (Friday)	Independence Day Observed
September 7 (Monday)	Labor Day
November 26 (Thursday)	Thanksgiving Day
December 25 (Friday)	Christmas Day

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 86-83

December 1, 1986

IMPORTANT MAIL VOTE
OFFICERS, PARTNERS AND PROPRIETORS

TO: All NASD Members

RE: Proposed New NASD Rule of Fair Practice Prohibiting Members From Effecting Securities Transactions During Trading Halts

LAST VOTING DATE IS DECEMBER 31, 1986.

EXECUTIVE SUMMARY

NASD members are invited to vote on proposed new Article III, Section 42 of the NASD Rules of Fair Practice. The proposed new rule would prohibit NASD members from effecting, directly or indirectly, over-the-counter transactions in a security as to which a trading halt is currently in effect. The rule is to be considered in conjunction with a proposed amendment to Schedule D of the NASD By-Laws, which would authorize the NASD to halt over-the-counter trading in a NASDAQ security pending the dissemination of material news by the issuer or to halt over-the-counter trading in a security listed on a national securities exchange during a trading halt imposed by the exchange to permit the dissemination of material news.

The proposed new Rule of Fair Practice is the result of concerns raised by the NASD Market Surveillance and Trading Committees over continued trading during NASDAQ quotations halts and the protections afforded investors during the critical disclosure process.

The proposed new rule has been approved by the NASD Board of Governors and now requires the approval of the membership. The text of the proposed new rule is attached as Exhibit 1.

OVERVIEW

Proposed new Article III, Section 42 of the NASD Rules of Fair Practice would prohibit NASD members from effecting any over-the-counter transactions, directly or indirectly, in a security as to which a trading halt is currently in effect. The proposed new rule is to be considered in conjunction with a proposed amendment to Schedule D of the NASD By-Laws, also approved by the NASD Board of Governors, which would authorize the NASD to halt over-the-counter trading in a NASDAQ security pending the dissemination of material news by an issuer. (Schedule D currently provides only for the suspension of quotations of a NASDAQ security while material news is being disseminated to the marketplace.) The proposed amendment to Schedule D would also authorize the NASD to halt over-the-counter trading in a security listed on a national securities exchange during a trading halt imposed by the exchange to permit the dissemination of material news.

The proposed amendments were published for comment on February 21, 1986 (Notice to Members 86-13), in the form of amendments to Schedule D. The Board subsequently determined, however, that the prohibition against effecting transactions in a security in which trading has been halted would be more appropriately placed in a new Rule of Fair Practice, rather than in Schedule D.

Accordingly, if approved by the membership, proposed new Article III, Section 42 of the NASD Rules of Fair Practice will be filed with the Securities and Exchange Commission. The proposed amendment to Schedule D will also be submitted to the Securities and Exchange Commission for approval. Pursuant to Article VII of the NASD By-Laws, amendments to Schedule D do not require a membership vote. The text of the related proposed amendment to Schedule D is attached as Exhibit 2 for informational purposes only.

BACKGROUND

In March 1979, pursuant to Schedule D of the NASD By-Laws, the Board of Governors adopted a recommendation that NASDAQ issuers notify the NASD of the pending release of material news in advance of or simultaneously with the release of such information to the press, as required by Part II of Schedule D. "Material news" for this purpose is information that might reasonably be expected to affect the value of an issuer's securities or influence investors' decisions. Material news would include information regarding corporate events of an unusual or non-recurrent nature.

The purpose of such notification is to enable the NASD to evaluate the information and its potential impact on the marketplace and to determine, through consultation with the issuer, whether the public interest would be served by halting quotations in the security through the NASDAQ System while the news is disseminated to the marketplace. Such action, known as a "quotations halt," alerts the marketplace to the imminent announcement of material news and provides the public with an opportunity to evaluate the information and consider it in making investment decisions.



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

notice to members 86-84

November 26, 1986

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

RE: NASDAQ National Market System Grows to 2,687 Securities With 30 Voluntary Additions on December 2, 1986

On Tuesday, December 2, 1986, 30 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,687. These 30 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 30 issues scheduled to join NASDAQ/NMS on Tuesday, December 2, 1986, are:

Symbol*	Company	Location
ACPT	Acceptance Insurance Holdings, Inc.	Omaha, NE
BKST	Bank of Stamford	Stamford, CT
DIBK	Dime Savings Bank of Wallingford (The)	Wallingford, CT
FCNCA	First Citizens BancShares, Inc. (C1 A)	Raleigh, NC
FCNCB	First Citizens BancShares, Inc. (C1 B)	Raleigh, NC
GATI	Gaming and Technology, Inc.	Las Vegas, NV
GART	Gartner Group, Inc.	Stamford, CT
GDYN	Geodynamics Corporation	Santa Barbara, CA

* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

Symbol*	Company	Location
GVMF	Golden Valley Microwave Foods, Inc.	Eden Prairie, MN
GROV	Grove Hall Savings Bank (The)	Brighton, MA
HAMB	Hamburger Hamlets, Inc.	Sherman Oaks, CA
HUFK	Huffman Koos, Inc.	River Edge, NJ
INSP	InSpeech, Inc.	Norristown, PA
JMED	Jones Medical Industries, Inc.	St. Louis, MO
MASB**	MASSBANK Corp.	Reading, MA
MASXZ	Masco Industries, Inc. (Dep Shrs)	Taylor, MI
NEEC	NEECO, Inc.	Canton, MA
PTSI	P.A.M. Transportation Services, Inc.	Tontitown, AR
PBNB	People's Savings Bank of New Britain (The)	New Britain, CT
RSGI	Riverside Group, Inc.	Jacksonville, FL
SURE	SCOR U.S. Corporation	New York, NY
SIGM	Sigma Designs, Inc.	Fremont, CA
SOSA	Somerset Savings Bank	Somerville, MA
SPBD	Springboard Software, Inc.	Minneapolis, MN
SNLT	Sunlite, Inc.	Atlanta, GA
TRCC	TRC Companies, Inc.	East Hartford, CT
TKLC	TEKELEC	Calabasas, CA
USRE	US Facilities Corporation	Costa Mesa, CA
WNDT***	Wendt-Bristol Company (The)	Columbus, OH
WNDTW***	Wendt-Bristol Company (The) (Wts)	Columbus, OH

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

Pending Additions

Symbol*	Company	Location
AOAC	AOA Corporation	Dallas, TX

** This company was originally scheduled to enter NASDAQ/NMS on November 14, 1986. It has been rescheduled to enter on December 2, 1986.

*** These issues are scheduled to commence trading in the NASDAQ System concurrently with their designation as NASDAQ/NMS securities on December 2, 1986.