

NASD NOTICE TO MEMBERS 96-24

SEC Approves Rule
Mandating TIF
Immobilization; **Effective
Date: July 1, 1996**

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On March 11, 1996, the Securities and Exchange Commission (SEC) approved an amendment to Section 65 of the NASD Uniform Practice Code (UPC) to require members to transmit customer account transfer instructions electronically. The NASD® is amending Section 65 of the UPC to require members that are currently participants in the National Securities Clearing Corporation's (NSCC) Automated Customer Account Transfer Service (ACATS) to become participants in the securities industry's Transfer Initiation Form (TIF) Immobilization Pilot Program (Pilot Program) and transmit transfer instructions electronically through ACATS.

The NASD is adopting this change because it believes that requiring participation in the Pilot Program should help reduce or eliminate the infrequent delays that some customers may be experiencing when transferring accounts and improve investor confidence in the industry's ability and willingness to comply expeditiously with customer instructions.

The amendment is effective on July 1, 1996; therefore, members that are participants in NSCC, including members that are also members of another self-regulatory organization (SRO), must take the actions necessary to become participants in the Pilot Program. The text of the amended Rule follows this Notice.

Members, including members of other SROs, should contact Wally Bolling at NSCC, at (212) 412-8657, to obtain information about the Pilot Program and become participants in the Pilot Program by the effective date of the amendment.

Questions regarding this Notice may be directed to Dorothy L. Kennedy, Assistant Director, Nasdaq Market

Operations, at (203) 385-6243, or Elliott R. Curzon, Assistant General Counsel, Office of General Counsel, at (202) 728-8451.

Background And Discussion

Under Section 65 of the UPC, when a customer wants to transfer an account from one member to another, he or she must provide a signed transfer request (a TIF) to the member that will be receiving the account (receiving member). The request is then delivered to the member carrying the account (carrying member) and the carrying member verifies the account information, customer identity, and signature and validates the transfer request by submitting the account's assets to the registered clearing agency. The account is then transferred to the receiving member.

Subsection 65(m) of the UPC requires members to use the automated systems of a registered clearing agency, when available, to accomplish account transfers when the receiving member and carrying member participate in the clearing agency. The use of such automated systems avoids the delay and risk associated with physical delivery and transfer of securities accounts and instructions.

The NSCC's ACATS is currently the automated customer account transfer system through which most customer accounts are transferred between members. Until recently, however, it was standard industry practice to physically (or by facsimile) deliver a customer-signed TIF to the carrying member, even though member firms use ACATS to accomplish electronic transfers of the customer accounts.

In early 1993, a group of member firms that participate in NSCC implemented a voluntary Pilot Program to permit transfer instructions to be

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transmitted electronically through ACATS. The Pilot Program automates the entire customer account transfer process and immobilizes the TIF at the receiving firm.¹ To participate in the Pilot Program current participants require new participants to execute a Pilot Program Agreement (Agreement) that specifies the rights, obligations, and liabilities of the participants. The Agreement was developed by the industry with the encouragement of NSCC when the Pilot Program was initiated.² The most significant aspect of the agreement is that it shifts liability for improper transfers to the receiving firm, provided the carrying firm transfers the account according to the instructions it receives through ACATS.

The NASD believes it will be beneficial to customers to further streamline the customer account transfer process and eliminate unnecessary transfer delays. While the NASD believes that such delays are rare, any unreasonable delay in transferring customer accounts is unacceptable and detrimental to the interests of investors. Therefore, the NASD is amending Section 65 of the UPC to require members to participate in the Pilot Program because the NASD believes that requiring participation in the Pilot Program should help reduce or eliminate the infrequent delays that some customers may be experiencing when transferring accounts and improve investor confidence in the industry's ability and

willingness to comply expeditiously with customer instructions.

Description Of Amendment

The amendment to Section 65 of the UPC, approved by the SEC on March 11, 1995, will require members to transmit account transfer instructions electronically through automated systems when the carrying and receiving members participate in a registered clearing agency that has such automated facilities. This amendment requires members that are NSCC participants to participate in the Pilot Program and to use NSCC's ACATS system to transmit customer account transfer instructions.

The amendment also requires members participating in the Pilot Program to execute an agreement designated by the NASD Operations Committee specifying the rights, obligations, and liabilities of all participants in or users of NSCC's ACATS system in transmitting customer account transfer instructions. To maintain continuity of rights, obligations, and liabilities among current and future participants, the NASD is requiring members to use the Agreement that is currently in use. For the information of members, a reprint of the Agreement follows this Notice.³

The amendment also requires customer account transfer instructions to be transmitted according to the procedures prescribed by the registered

clearing agency. NSCC's rules currently prescribe procedures for transmitting customer account transfer instructions.⁴

The amendment also provides that the transmittal of a transfer instruction constitutes a representation that the receiving member has received a properly executed TIF or other actual authority to receive the customer's account. Although it is similar to a provision in the Agreement, the NASD intends that this provision will perform a regulatory function in that a member or associated person transmitting account transfer instructions through ACATS without first obtaining a properly executed TIF or other actual authority from the customer may be subject to disciplinary action for misrepresenting its authority to receive the customer account. Such a misrepresentation may constitute a violation of Article III, Section 1 of the NASD Rules of Fair Practice.

The amendment also provides that transfer instructions transmitted through an electronic facility must contain the information necessary for the clearing agency and the carrying member to respond to the transfer instruction as specified by Section 65 of the UPC and the clearing agency. This provision means that members transmitting transfer instructions must comply with Section 65 and with the requirements of NSCC Rules,⁵ and that generating a valid transfer instruction involves provid-

¹ The Pilot Program has grown to 50 broker/dealers and accounts for more than 80 percent of the accounts transferred.

² NSCC administers the Pilot Program by providing application material to prospective participants. The application material includes the Agreement.

³ The agreement includes an Addendum to establish procedures among participants for transferring IRA accounts. Members that are not IRA trustees are not required to execute

this Addendum unless and until they are able to accept IRA accounts and the representations in the Addendum as applied to them are true.

⁴ See, NSCC Rule 50.

⁵ NSCC Rules permit it to specify the information required for a customer account transfer instruction. Neither the NSCC Rules nor UPC Section 65 specify the information that constitutes a valid transfer instruction, however, NSCC currently uses two forms, one for

cash/margin accounts and the other for tax exempt/retirement accounts. UPC Section 65 also states several bases for carrying members to take exception to account transfer instructions, some of which relate to incomplete or missing information about the account or securities in the account. For automated transmittals of account transfer instructions, NSCC requires the same information to be entered into ACATS by the receiving firm as is required on TIFs.

ing the information that NSCC considers necessary to accomplish the account transfer.

The amendment is effective on July 1, 1996.

Text Of Amendment

(Note: New text is underlined, deletions are bracketed.)

Section 65 Of The Uniform Practice Code

Customer Account Transfer Contracts

Sec. 65.

(a) - (l) No change.

Participant in a registered clearing agency

(m)(1) When both the carrying member and the receiving member are participants in a registered clearing agency having automated customer securities account transfer capabilities and are eligible to use such capabilities, the account transfer procedure, including the establishing and closing out of fail contracts, must be accomplished in accordance with the provisions of this rule and pursuant to the rules of and through such registered clearing agency.

(2) When both the carrying member and the receiving member are participants in a registered clearing agency having automated customer securities account transfer capabilities with an automated facility for transferring mutual fund positions such facilities must be utilized for transferring mutual fund positions.

(3) When both the carrying member and the receiving member are participants in a registered clearing agency having automated customer securities account transfer capabilities with a facility for transferring residual credit positions (both cash and securities) which have accrued to an account after the account has been transferred (residual credit processing), such facilities must be utilized for transferring residual credit positions from carrying member to receiving member.

(4) When both the carrying member and the receiving member are participants in a registered clearing agency having automated customer securities account transfer capabilities with a facility permitting electronic transmittal of customer account transfer instructions, such facilities shall be used in accordance with the following:

(A) members using such facilities shall execute an agreement designat-

ed by the Committee specifying the rights, obligations and liabilities of all participants in or users of such facilities;

(B) customer account transfer instructions shall be transmitted in accordance with the procedures prescribed by the registered clearing agency;

(C) the transmittal of a transfer request through such electronic facilities shall constitute a representation by the receiving member that it has received a properly executed Transfer Instruction Form (TIF) or other actual authority to receive the customer's securities and funds; and

(D) transfer instructions transmitted through such facilities shall contain the information necessary for the clearing agency and the carrying member to respond to the transfer instruction as may be specified by this Section and the clearing agency.

[(4)] (5) For purposes of this rule, the term "registered clearing agency" shall be deemed to be a clearing agency as defined in the Securities Exchange Act of 1934 and registered in accordance with that Act.

TIF Immobilization Program Agreement

The purpose of this Agreement is to establish procedures among the Participants that will Permit the more efficient transfer among them of customer Accounts by immobilizing the Initiation Form signed by the Customer. In lieu of such requirement, the Receiving Firm and the Carrying Firm will follow the procedures set forth in this Agreement.

1. **Definitions.** The following terms used in this Agreement have the definitions set forth:
 - a. ACATS. The NSCC's Automated Customer Account Transfer Service.
 - b. Customer. All persons referred to as customers under NYSE Rule 412.
 - c. Customer Account. Any cash or margin account of a Customer, but the Participants agree among themselves not to apply the Program to custodial retirement accounts (e.g., IRA or Keogh accounts).
 - d. Electronic ACATS Transmission. An automated transfer initiation request submitted by a Receiving Firm to NSCC through ACATS, or such a request submitted by NSCC to a Carrying Firm.
 - e. Carrying Firm. A Participant who carries a Customer Account to be transferred pursuant to this Agreement.
 - f. Receiving Firm. A Participant to whom a Customer Account is to be transferred pursuant to this Agreement.
 - g. NASD. National Association of Securities Dealers, Inc.
 - h. NSCC. National Securities Clearing Corporation.
 - i. NYSE. New York Stock Exchange, Inc.
 - j. Participant. Each member firm of the NSCC that has agreed to participate in the Program by becoming a party to the Agreement.
 - k. Program. The Transfer Initiation Form (TIF) Immobilization Pilot Program described in this Agreement.
 - l. Transfer Initiation Form. A signed and dated instruction by the Customer, in a form that is in compliance with NYSE and NASD Rules to the Receiving Firm to effect a Transfer of the Customer Account from the Carrying Firm to the Receiving Firm pursuant to this Agreement and NYSE, NASD and NSCC Rules.
2. **Agreement to Participate.** Each Participant agrees to participate in the Program with the other Participants. Any Participant may terminate its participation by written notice to each other Participant naming a date (not less than 30 days from the date such notice is given) as of which such termination will be effective, but termination of participation shall not affect rights and obligations of any Participant accruing prior to the effective date of termination.
3. **Receiving Firm Procedure.** A Receiving Firm that has received a Transfer Initiation Form from a Customer shall transmit to NSCC through ACATS an Electronic ACATS Transmission that will set forth the title of the Customer Account at the Receiving Firm and the Carrying Firm, the Customer's account numbers at the Receiving Firm and the Carrying Firm, the clearing numbers of the Receiving Firm and the Carrying Firm, the type of Customer Account (cash or margin) and the customer's Social Security number or tax identification number. The Electronic ACATS Transmission shall contain a request to the

Carrying Firm to transfer the Customer Account to the Receiving Firm and such representations as NSCC shall from time to time specify regarding the Customer's authorization of the transfer and the good faith of the Receiving Firm transmitting the Electronic ACATS Transmission. NSCC shall promptly forward the Electronic ACATS Transmission through ACATS to the Carrying Firm.

- 4. Carrying Firm Procedure.** Each Carrying Firm agrees to recognize any Electronic ACATS Transmission initiated by any Receiving Firm as presumptive evidence of the Receiving Firm's authority to receive the securities and cash in a Customer Account, subject only to the Carrying Firm's ability to match the title and the number of the Customer Account included in the Electronic ACATS Transmission with the title and the number of the Customer Account and the customer's Social Security number or tax identification number on file with the Carrying Firm. Such Carrying Firm agrees to effect a prompt transfer of the Customer Account to the Receiving Firm in accordance with all applicable Rules of the NYSE, NASD and NSCC.

Nothing in this Agreement restricts a Carrying Firm from communicating with the customer regarding the Customer's transfer of the account, provided that such communication does not delay the Carrying Firm's transfer of the Customer Account.

- 5. Receiving Firm's Responsibility.** Each Receiving Firm recognizes its responsibility under NYSE Rule 406 and NASD Rules to learn the essential facts relative to every customer. The Receiving Firm is also aware of the applicability of NYSE Rule 382, as appropriate, with respect to the Transfer of a customer account pursuant to this agreement.
- 6. Retransfer.** The Receiving Firm expressly acknowledges that a signed affidavit of the Customer in the form attached to this agreement stating that the Customer did not sign the Transfer Initiation Form ("Wrongful Transfer"), shall be sufficient basis for the Carrying Firm, upon the Customer's demand, to initiate a retransfer of the Customer Account (consisting of such securities and other property as may be in the Customer Account at the time of notice of the retransfer in accordance with standard ACATS procedures) to the Carrying Firm without the necessity of obtaining a new Transfer Initiation Form from the Customer. Such retransfer shall be without prejudice to the Carrying Firm's rights under the next paragraph to claim from the Receiving Firm indemnification for any amounts the Carrying Firm may be required to reimburse the Customer as a consequence of the Wrongful Transfer.
- 7. Indemnification.** Each Receiving Firm agrees to indemnify and hold harmless any Carrying Firm from and against any and all losses, claims, damages or liabilities (or actions in respect thereof) to which the Carrying Firm may become subject, under any provision of law, to any Customer or to any other person, insofar as such losses, claims, damages or liabilities arise out of or are based upon an unauthorized or allegedly unauthorized Transfer Initiation Form, any inaccurate or allegedly inaccurate information transmitted by the Receiving Firm through NSCC or ACATS or any inaccurate or allegedly inaccurate Electronic ACATS Transmission received by the Carrying Firm through NSCC or ACATS. The Receiving Firm will also reimburse the Carrying Firm for any legal or other expenses reasonably incurred by the Carrying Firm in connection with defending any such action or claim as such expenses are incurred.

Each Carrying Firm agrees, promptly after receipt of notice from any Customer of an unauthorized transfer of such Customer's Account, to notify the Receiving Firm in writing of the receipt of such notice. Any failure so to notify the Receiving Firm shall not relieve the Receiving Firm of any liability to the Carrying Firm otherwise than under the preceding paragraph. In case any action shall be brought against the Carrying Firm and it shall notify the Receiving Firm of the commencement thereof, the Receiving Firm shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof (with counsel satisfactory to the Carrying Firm), without prejudice to the continuing rights of the Carrying Firm under this preceding paragraph.

- 8. Preservation of the Transfer Initiation Form.** Every Receiving Firm shall preserve, for a period of six years, the original hard copy signed by the Customer of the Transfer Initiation Form and, on request by

the Carrying Firm, furnish a copy thereof to the Carrying Firm or permit the Carrying Firm or its representative to inspect the TIF.

9. **NYSE Rules, etc.** Except as modified by these procedures (which modifications have been approved for the Participant by the NYSE), the requirements of NYSE Rule 412 and of another regulatory or self-regulatory rule or provision of law shall remain in effect and binding on each Participant.
10. **Arbitration.** All disputes arising under this Agreement between or among any Participants, shall be settled by arbitration pursuant to the Rules of the NYSE.
11. **Counterparts.** This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned Participant(s) have signed this Agreement as of the _____ day of _____, 199_.

(signature)

Addendum To TIF Immobilization Agreement

The purpose of this Addendum is to establish procedures among the Participants that will permit the more efficient transfer among them of IRA accounts by immobilizing the Initiation Form signed by the Customer.

The Receiving Firms and the Carrying Firms will follow the procedures set forth in the Agreement signed prompting the immobilization of retail accounts in September.

This Addendum addresses any Individual Retirement Account where both the Carrying Firm and the Receiving Firm act as Custodian/Trustee. It does not include Profit Sharing Plans, Money Purchase Plans, 401(k)s or 403(B)s. This Agreement only applies to IRAs.

Through the electronic submission of the IRA account via ACATS, the receiving/trustee firm:

- Hereby accepts appointment as successor custodian under its custodial account agreement approved with the IRS or the IRS-approved form.
- Has in its possession a signed adoption agreement.
- Accepts the customer's attestation that none of the amount to be transferred will include the required minimum distribution for clients age 70 1/2 for the current year pursuant to Section 401(A)(9) of the Internal Revenue Code.
- Can attest the Retirement TIF has in fact been signed by the Customer, and the custodial request is on file.

(Customer signature)

NASD NOTICE TO MEMBERS 96-25

SEC Approves NASD Manual Revisions; Publication Scheduled For May

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
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- Internal Audit
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Executive Summary

In mid-January, the Securities and Exchange Commission (SEC) approved a revised NASD[®] *Manual*. To facilitate your adjustment to this new *Manual*, which is scheduled for publication and dissemination this May, we have included a *Guide to the Manual: New-to-Old Conversion Chart* and *Old-to-New Conversion Chart*. This material outlines the reorganized *Manual* and indicates where the relocated material appeared in the old *Manual*.

Please direct your questions or concerns about these changes to T. Grant Callery, Vice President and General Counsel, Office of the General Counsel, at (202) 728-8285, or Joan C. Conley, Corporate Secretary, at (202) 728-8381.

Background

Many users of the NASD *Manual*, internal and external, have commented that it is difficult for the casual reader to use, citing in particular its use of such categories as Articles, Sections, Schedules, Codes, Guidelines, Interpretations, Resolutions, and others; the difficulty in finding all rules on a particular subject; and familiar phrases not found in the Topical Index.

In response to such comments, the NASD Legal Advisory Board produced a topical *Guide to the Manual* that has been printed in the *Manual* (at page 21) for several years. NASD senior management subsequently decided to rearrange the actual text of the *Manual*, generally following the format of that *Guide*.

The *Manual* revision project has focused exclusively on reorganizing the text of the *Manual*, and creating an expanded Key Word Index. The Board approved the necessary By-Law amendments to accomplish the final stages of this project, and the finished

product was filed with the SEC for approval in November 1995. On January 11, 1996, the SEC approved the revised *Manual*.

New Manual

The new *Manual* is divided into four major sections: Administrative, Corporate Organization, Rules of the Association, and SEC Rules and Regulation T. A common numbering scheme that extends through the Rules allows space for additional Rules to be added without the use of decimal or letter extensions. Highlights of the revised *Manual* include:

- The Rules of the Association are divided into four sections: Membership and Registration Rules, Conduct Rules, Marketplace Rules, and Procedural Rules.
- The term Rules of Fair Practice is changed to Rules, and includes the material currently contained in the Rules of Fair Practice as well as other provisions that have the effect of rules, such as the membership and qualification Rules of Schedule C, the Nasdaq[®] Rules of Schedule D, Schedules E through J, and the ITS/CAESSM, ACTSM, FIPSSM, OTC Bulletin Board[®], and Nasdaq InternationalSM Service Rules. However, Schedule A (fees) and B (District boundaries) remain with the By-Laws.
- There is consistency in the numbering and lettering of paragraphs and subparagraphs within the Rules. Interpretations to the Rules are now called Interpretive Material, and numbered with an "IM" followed by the number of the Rule or Rules they interpret.
- The Code of Procedure, Code of Arbitration Procedure, and Uniform Practice Code keep their current names within the overall Rules-numbering convention.

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- Definitions within Rules were alphabetized and duplicate definitions were deleted.

- References to the SEC, the Securities Exchange Act of 1934, and the

NASD were conformed to ensure that they are consistent throughout the *NASD Manual*.

Those who rely on the *NASD Manual* as a source of both information and

guidance are encouraged to familiarize themselves with this material.

**GUIDE TO THE MANUAL
(NEW-TO-OLD CONVERSION CHART)**

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*References to Articles refer to the Rules of Fair Practice, unless otherwise indicated.

**IM stands for Interpretive Material of the Rules of the Association that has not been converted to Rule form, including interpretations, resolutions, explanations, policies and guidelines. The IM number includes the number of the Rule or Rule Series which the material interprets.

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2900 - RESPONSIBILITIES TO OTHER BROKERS OR DEALERS

Cross reference - Rule 2420, Dealing with Non-Members

- 2910 - Disclosure of Financial Condition to Other Members (Resolution under Art. III, Sec. 22)

3000 - RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS, EMPLOYEES, AND OTHERS' EMPLOYEES

- 3010 - Supervision (Art. III, Sec. 27)
- 3020 - Fidelity Bonds (Art. III, Sec. 32)
- 3030 - Outside Business Activities of an Associated Person (Art. III, Sec. 43)
- 3040 - Private Securities Transactions of an Associated Person (Art. III, Sec. 40)
- 3050 - Transactions for or by Associated Persons (Art. III, Sec. 28)
- 3060 - Influencing or Rewarding Employees of Others (Art. III, Sec. 10)
- 3070 - Reporting Requirements (Art. III, Sec. 50)

3100 - BOOKS AND RECORDS, AND FINANCIAL CONDITION

- 3110 - Books and Records (Art. III, Sec. 21)

Rule

- Cross references - Rules 2851 and Rule 8210, Reports and Inspection of Books for Purpose of Investigating Complaints*
- *Rule 8220, Suspension of Members for Failure to Furnish Information Duly Requested*
 - *IM-2310, Fair Dealing - Fictitious Accounts and Misuse of Customers' Funds or Securities*

IM-3110 - Customer Account Information (Cross Reference under Art. III, Sec. 21))

3120 - Use of Information Obtained in Fiduciary Capacity (Art. III, Sec. 9)

Cross reference - Rule 2330, Customers' Securities or Funds

3130 - Regulation of Activities of Members Experiencing Financial and/or Operational Difficulties (Art. III, Sec. 38)

IM-3130 - Restrictions on a Member's Activity (Explanation of Art. III, Sec. 38)

3140 - Approval of Change in Exempt Status Under SEC Rule 15c3-3 (Art. III, Sec. 39)

Cross references - Rule 2270, Disclosure of Financial Condition to Customers

- *Rule 2910, Disclosure of Financial Condition to Other Members*

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- *Rule 4618, Clearance and Settlement*
- *Rule 11000 Series, Uniform Practice Code*

3210 - Securities "Failed to Receive" and "Failed to Deliver" (Art. III, Sec. 31)

3220 - Adjustment of Open Orders (Art. III, Sec. 46)

3230 - Clearing Agreements (Art. III, Sec. 47)

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3310 - Publication of Transactions and Quotations (Art. III, Sec. 5)

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- IM-3320 - Firmness of Quotations (Policy under Art. III, Sec. 6)
- 3330 - Payment Designed to Influence Market Prices, Other than Paid Advertising (Art. III, Sec. 11)
- 3340 - Prohibition on Transactions During Trading Halts (Art. III, Sec. 42)
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- 3350 - Short Sale Rule (Art. III, Sec. 48)
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- 4110 - Use of Nasdaq on a Test Basis (Part II, Sec. 4)
- 4120 - Trading Halts (Part II, Sec. 5)
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- 4320 - Qualification Requirements for Non-Canadian Foreign Securities and American Depositary Receipts (Sec. 2)
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- 4420 - Quantitative Designation Criteria (Sec. 2)
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- 4450 - Quantitative Maintenance Criteria (Sec. 5)
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- 4500 - ISSUER LISTING FEES (Part IV)
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- 4600 - NASDAQ MARKET MAKER REQUIREMENTS
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4720 - SOES Participant Registration

4730 - Participant Obligations in SOES

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 - IM-6420 - Transactions in Eligible Securities (Para. 1922)
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March 4, 1996

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(OLD-TO-NEW CONVERSION CHART)**

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NASD NOTICE TO MEMBERS 96-26

SEC Approves Schedule C Changes Regarding Use Of The Modified Series 7 To Qualify Canadian Registrants; Effective Date: April 15, 1996

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The Securities and Exchange Commission (SEC) approved, effective February 9, 1996, an amendment to Schedule C of the NASD By-Laws that allows persons registered with Canadian securities regulatory organizations to qualify as general securities representatives by passing a modified General Securities Representative Examination (Series 7). The NASD® has filed with the SEC a similar amendment to Schedule C for persons registered with the Japan Securities Dealers Association.

Study outlines for the Series 37, 38, and 47 are available from the NASD MediaSourceSM at (301) 590-6578.

Questions relating to the content of the Series 37, 38, or 47 should be referred to the NASD Qualifications Department, at (301) 590-6696; questions relating to the registration and examination scheduling should be referred to your Quality and Service Team.

Background

Section 15A(g)(3) of the Securities Exchange Act of 1934 prescribes standards of training, experience, and competence for associated persons. Pursuant to this statutory obligation, the NASD has developed examinations, and has administered examinations developed by other SROs, designed to establish that associated persons have attained specified levels of competence and knowledge.

The amendment to Part III, Section 2(a)(ii) of Schedule C coordinates NASD and New York Stock Exchange (NYSE) Rules. Under these Rules, a qualified registered representative in good standing with the appropriate Canadian securities regulatory organizations or the Japan Securities Dealers Association may become qualified as a general securi-

ties representative by passing a modified general securities representative exam developed by the NYSE. The text of the revision to Schedule C follows this Notice.

These modified examinations address concerns expressed by NASD member firms, the Canadian securities regulators, and the Japan Securities Dealers Association. They address the duplication of qualification exam requirements for Canadian and Japanese registered representatives who are associated with U.S.-registered broker/dealers and who intend to do business in the United States.

For their part, the Canadian and Japanese securities regulators have developed shortened versions of their qualification exams to be administered to U.S.-qualified registered representatives intending to conduct a securities business in Canada or Japan. These modules will cover subject matter unique to Canada and Japan.

Examinations And Registration Status

Canadian Registered Securities Representatives will have to take the Series 37 or Series 38 Canada Module of the General Securities Representative Examination to become registered with a U.S. broker/dealer. The Series 37 is a two-and-one-half hour, 90-question, multiple-choice examination covering U.S. securities laws, markets, sales practices, and investment products, including options. Except for options, the Series 38 encompasses the same material as does the Series 37. Canadian registered representatives who have passed the Canadian option sales exam will have to take the Series 38 rather than the longer Series 37 examination. There are 45 multiple-choice questions on the Series 38 and the testing time is one hour and 15 minutes.

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The Japan Module of the General Securities Registered Representative Examination (Series 47) is a four-hour, 160-question, multiple-choice exam covering U.S. securities laws, markets, sales practices, and investment products, including options. Japanese registered representatives, in good standing with the Japan Securities Dealers Association and qualified as Class-1 Sales Representatives, may take the Series 47 to associate with a U.S. broker/dealer. The NASD will start using this exam on April 15, 1996, or as soon thereafter as the SEC approves it. The chart below summarizes this information.

The rules and products covered on these exam modules (Series 37, 38, and 47) are weighted to correspond to the relative emphasis given in the Series 7. Please note, however, that these modules **do not** qualify candidates to sell municipal securities. Candidates wishing to sell municipal securities have to pass the Municipal Securities Representative Examination (Series 52).

Examination And Registration Request

To request one of these limited exams, enter the series number of the examination and the registration status in the "Other" box under item #11 on Page 1 of the Form U-4 (i.e., S37-CD; S38-CN; or S47-JP). The

member firm is responsible for filing accurate information on the Form U-4 and to include all disclosable disciplinary information required under NASD Rules.

Scheduling the exam on CRD, manually or by FAQs, will create a deficient status. The Exam Field on the candidate's CRD record will indicate "examination requested." This deficiency will remain until the appropriate foreign SRO confirms that the candidate is eligible to take the modified exam. CRD will then schedule the exam and notify the member firm of the 90-day enrollment period.

If the foreign SRO discloses that the candidate is not currently registered or is not in good standing, CRD will notify the member firm. The member will then have the option of terminating the candidate's registration or of submitting a new Page 1 of the Form U-4 to request the Series 7. Upon notification from the member, CRD will apply the previously filed exam fees to the Series 7 scheduling. Should the member choose to terminate the registration, CRD will not refund the fees.

When the candidate takes one of these modules, the system will automatically post the grade to the CRD record. The CRD status will reflect "NASD-CD," "NASD-CN," or "NASD- JP," and will indicate "Defi-

cient S37, 38, or 47" before the candidate passes the exam. Once the candidate passes the test, CRD will replace the deficiency notation with "Approved" and the approval date.

Text Of Amendment

(Note: New text is underlined.)

Schedule C of the NASD By-Laws

(2) Categories of Representative Registration

(a) General Securities Representative

(ii)

(g) A person presently registered and in good standing as a representative with any Canadian stock exchange, or with a securities regulator of any Canadian Province or Territory, or with the Investment Dealers Association of Canada, and who has completed the training course of the Canadian Securities Institute, and who has passed the Canada Module of the General Securities Registered Representative Examination, shall be qualified to be registered as a General Securities Representative except that such person's activities may not involve the solicitation, purchase and/or sale of municipal securities as defined in Section 3(a)(29) of the Act.

Exam	Fee	Number Of Questions	Testing Time	Registration Status
Series 37	\$150	90	2 hrs., 30 min.	CN
Series 38	150	45	1 hr., 15 min.	CD
Series 47	150	160	4 hrs.	JP

NASD NOTICE TO MEMBERS 96-27

Significant Disciplinary Actions Prompt Reentry Into The Regulatory Element Of The Continuing Education Program

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The purposes of this Notice are to remind members that significant disciplinary actions prompt reentry into the Regulatory Element of the Continuing Education Program; to advise members that, in late April 1996, the NASD[®] will initiate reentry into the Regulatory Element for those members who were the subject of significant disciplinary actions between July 1, 1985, and June 30, 1995; and to illustrate how reentry into the Regulatory Element works.

Questions about this Notice may be directed to John Linnehan, Director, Continuing Education, at (301)-208-2932 or to your CRD Quality and Service Team.

Background

Under NASD Continuing Education Rules¹, a registered person must reenter the Regulatory Element of the Securities Industry Continuing Education Program and satisfy all of its requirements if that person becomes the subject of a significant disciplinary action. A significant disciplinary action occurs when a registered person:

- becomes subject to a statutory disqualification pursuant to the Securities Exchange Act of 1934. Such disqualifications include bars, suspensions, and civil injunctions involving securities matters, any felony convictions, or a misdemeanor conviction that involves investments or an investment-related business, or any fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses; *or*
- becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violating any provision of

any securities law or regulation, or any agreement with, or rule or standard of conduct of, any securities SRO, or as imposed by any such regulatory or SRO in connection with a disciplinary proceeding; *or*

- is ordered to reenter the Regulatory Element as a sanction in a disciplinary action by any securities governmental agency or securities SRO.

Reentry begins within 120 days of the registered person becoming subject to a statutory disqualification or a final disciplinary action, and at intervals of two, five, and 10 years after reentry. Reentry applies regardless of whether a registered person has fulfilled all or part of an existing Regulatory Element requirement.

A person satisfies a Regulatory Element requirement by completing a computer-based training session. Failure to complete the required Regulatory Element computer-based training session during the prescribed time period will result in a person's registration becoming inactive. A person with an inactive registration cannot conduct a securities business, perform any of the functions of a registered person, or receive compensation for activities that require registration until the requirements of the Regulatory Element are met.

The Continuing Education Program became effective July 1, 1995. Since then, the NASD has initiated reentry into the Regulatory Element for those individuals who have incurred significant disciplinary actions as the information about the actions has become available. The CRD Redesign Project has recently made available the details of the significant disciplinary actions incurred during the 10-year period before July 1, 1995. The

¹ Part XII to Schedule C of the NASD By-Laws.

NASD will initiate reentry into the Regulatory Element for the subjects of these significant disciplinary actions in late April 1996.

Directed Sequences

A significant disciplinary action “resets the clock” for an individual who is already covered by, or who has previously met the requirements of, the Regulatory Element. The NASD initiates reentry into the Regulatory Element by posting certain information into the Continuing Education area of the CRD. Posting this information creates a *Regulatory Element Directed Sequence*. A Directed Sequence is a series of four Regulatory Element computer-based training sessions. The first session is required within 120 days beginning from the *Directed Sequence Effective Date*. The three subsequent sessions are required within 120 days beginning from the second, fifth and tenth anniversaries of the Directed Sequence Effective Date. The Directed Sequence Effective Date is the 45th day after the Date of Action specified in the official disciplinary decision document.

Because the NASD learns of the significant disciplinary action after the fact and because the Continuing Education rules require reentry into the Program within 120 days after the Directed Sequence Effective Date, it is not possible for the CRD to send a Continuing Education Program Advisory Message 30 days before an individual must satisfy his or her initial participation in a Directed Sequence. Directed Sequence requirements for the second, fifth, and tenth sessions will be tracked, and notifications sent, by CRD 30 days before the beginning of each requirement period.

Directed Sequence Examples

The following examples will illus-

trate how a significant disciplinary action affects a person’s status in the Regulatory Element.

Example 1

Effect Of A Final Significant Disciplinary Action Occurring After July 1, 1995, On An Individual Grandfathered From The Regulatory Element

Michael S. has an initial securities registration approved on August 15, 1981. On July 1, 1995, when the Continuing Education Program became effective, he was grandfathered from the Regulatory Element because he had been continuously registered more than 10 years. Michael was fined \$5,000 by an SRO in a disciplinary proceeding dated March 1, 1996, which he does not appeal.

Michael S. receives a Regulatory Element Directed Sequence because of the fine. The effective date of his Directed Sequence is April 15, 1996 (45 days after the Date of Action of the disciplinary ruling). Michael’s Directed Sequence requires him to take four sessions of the Regulatory Element computer-based training within 120 days beginning April 15, 1996; April 15, 1998; April 15, 2001; and April 15, 2006.

Example 2

Effect Of A Final Significant Disciplinary Action Occurring After July 1, 1995, On A Registered Person Already Subject To A Regulatory Element Requirement

Susan K. has an initial securities registration approved September 15, 1991. When the Continuing Education Program became effective on July 1, 1995, she was required to take two Regulatory Element computer-based training sessions, one within the 120 days beginning September

15, 1996, the fifth anniversary of her securities registration, and the second within 120 days beginning September 15, 2001, the tenth anniversary of her securities registration. She is ordered to reenter the Regulatory Element as a sanction in a disciplinary action initiated by a state securities regulator. The action is dated March 1, 1996. She does not appeal.

Susan K. receives a Regulatory Element Directed Sequence because of the disciplinary action. The Directed Sequence replaces her former Regulatory Element requirements. The effective date of her Directed Sequence is April 15, 1996 (45 days after the Date of Action of the disciplinary ruling). Susan’s Directed Sequence requires her to take four sessions of the Regulatory Element computer-based training within 120 days beginning April 15, 1996; April 15, 1998; April 15, 2001; and April 15, 2006.

Example 3

Effect Of An Appealed Significant Disciplinary Action Occurring After July 1, 1995, On A Registered Person Subject To An Existing Regulatory Element Requirement

Susan K. has an initial securities registration approved September 15, 1991. When the Continuing Education Program became effective on July 1, 1995, she was required to take two Regulatory Element computer-based training sessions, one within the 120 days beginning September 15, 1996, the fifth anniversary of her securities registration, and the second within 120 days beginning September 15, 2001, the tenth anniversary of her securities registration. She is ordered to reenter the Regulatory Element as a sanction in a disciplinary action initiated by an SRO. The action is dated March 1, 1996. Susan files an appeal March 15,

1996. The appeal is denied and the action is sustained and final on June 30, 1996.

If an appeal is filed, the Regulatory Element Directed Session associated with that disciplinary action will be "suspended," and Susan will retain the Regulatory Element status she had before the appeal. When Susan's disciplinary action is sustained on appeal, the effective date becomes August 14, 1996 (45 days after the appeal decision that is final). Susan's Directed Sequence will require her to take four sessions of the Regulatory Element computer-based training within 120 days beginning August 14, 1996; August 14, 1998; August 14, 2001; and August 14, 2006.

Example 4

Effect Of A Final Significant Disciplinary Action Occurring Prior To July 1, 1995, On A Registered Person Subject To An Existing Regulatory Element Requirement

Roger D. has an initial securities registration approved October 15, 1987. When the Continuing Education Program became effective on July 1, 1995, he was required to take one Regulatory Element computer-based training session within 120 days beginning October 15, 1997, the tenth anniversary of his securities registration. Roger was suspended by an SRO in 1991. The final Date of Action is November 21, 1991. The NASD posts this information in the Continuing Education area of CRD in late April 1996.

After the action is posted to CRD, Roger D. receives a Regulatory Element Directed Sequence because of the suspension. The Directed Sequence replaces his former Regulatory Element requirements. The effective date of his Directed Sequence is January 5, 1992 (45 days after the Date of Action of the disci-

plinary ruling). Roger's Directed Sequence requires him to take two sessions of the Regulatory Element computer-based training within 120 days beginning January 5, 1997, the fifth anniversary of the significant disciplinary event, and January 5, 2002, the tenth anniversary of the significant disciplinary event.

Special Situation

Final Significant Disciplinary Actions That Occurred Between July 1, 1985, And June 30, 1996, Where The Window For A Required Session Has Closed Prior To The Date It Is Posted To CRD

The NASD posts Directed Sequences to the Continuing Education area of CRD in late April 1996 for significant disciplinary actions incurred between July 1, 1985, and June 30, 1995. Individuals who have a window for a required Directed Sequence that closes before the date it is posted to CRD will receive special handling. The NASD will assure that these individuals will not be considered inactive and that they have 120 days to satisfy their requirement by arranging for the window of their expired session to open May 30, 1996, and close 120 days later on September 27. CRD will send firms by May 1, 1996, a list of their employees who are in this group, so that firms can review it and notify the individuals. The list will contain the person's name, CRD number, a brief description of the action, and the date of the action. The following example illustrates.

Example 5

Roger D. has an initial securities registration approved December 15, 1987. When the Continuing Education Program became effective on July 1, 1995, he was required to take one Regulatory Element computer-based training session within 120

days beginning December 15, 1997, the tenth anniversary of his securities registration. Roger was suspended by an SRO in 1990. The final Date of Action is August 21, 1990.

The NASD will post this information in the Continuing Education area of CRD in late April. Roger D. receives a Regulatory Element Directed Sequence because of the suspension, and the Directed Sequence replaces his former Regulatory Element requirement. The effective date of his Directed Sequence is October 5, 1990 (45 days after the Date of Action of the disciplinary ruling). Roger's Directed Sequence requires him to take two sessions of the Regulatory Element computer-based training within 120 days beginning October 5, 1995, the fifth anniversary of the significant disciplinary action and October 5, 2000, the tenth anniversary of the significant disciplinary action. In late April, when Roger's Directed Sequence is posted to CRD, the date on which his fifth anniversary window closes (February 1, 1996) is passed. Rather than let Roger be considered inactive, CRD will close his fifth anniversary window on September 27, 1996, 120 days from May 30, 1996. When viewed in CRD, Roger's window will read:

Directed Sequence Fifth Anniversary Requirement Completion Window:

Begin: 10/5/95[*] End: 9/27/96.[**]

*(the Directed Sequence Effective Date, 45 days after the Date of Action)

** (120 days from May 30, 1996)

Note that Roger's Directed Sequence tenth anniversary requirement will not require special handling.

For More Information

Questions about this Notice may be directed to John Linnehan, Director, Continuing Education, at (301) 208-2932 or to your Quality and Service Team.

Firms should direct their questions for clarification about a Directed Sequence to their Quality and Service Team.

Quality and Service Team 1
(301) 921-9499

Quality and Service Team 2
(301) 921-9444

Quality and Service Team 3
(301) 921-9445

Quality and Service Team 4
(301) 921-6664

Quality and Service Team 5
(301) 921-6665.

If you are uncertain as to your Quality and Service Team, please phone the Gateway at (301) 590-6500.

NASD NOTICE TO MEMBERS 96-28

NASD Revises *Sanction Guidelines*

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The NASD[®] announces revisions to the NASD *Sanction Guidelines* (Guidelines). The Guidelines were published for the first time in May 1993 so that members could become more familiar with the more typical securities industry violations that occur and the disciplinary sanctions that may result. The revisions to the Guidelines reflect recent developments in disciplinary sanctions and include Guidelines for a variety of matters not addressed in the initial publication.

For more information on the Guidelines, call Norman Sue, Jr., Associate General Counsel, at (202) 728-8117, or Carla J. Carloni, Assistant General Counsel, at (202) 728-8019.

In addition to the enclosed copy of the Guidelines, additional copies of the Guidelines are available for purchase at \$35 each (\$10 each for employees of NASD member firms) by contacting NASD MediaSourceSM at (301) 590-6578 for credit card orders or by writing to: NASD MediaSource, P.O. Box 9403, Gaithersburg, MD 20898-9403. Please make checks payable to the National Association of Securities Dealers, Inc.

Background

In May 1993, the Guidelines were published and distributed so that members could become more familiar with some of the typical securities industry rule violations that occur and the disciplinary sanctions that may result. As originally published, the Guidelines addressed more than 40 different types of violations. Originally disseminated by the NASD National Business Conduct Committee (NBCC) for use by the NASD District Business Conduct Committees and the NASD Market Surveillance Committee, the Guidelines have helped the Committees decide on appropriate remedial sanctions in NASD disci-

plinary proceedings and have added consistency to those sanctions.

The NBCC recently reviewed the Guidelines with a view toward revising current guidelines and adding additional guidelines where appropriate. The Guidelines now address more than 50 different types of violations and reflect recent developments in the disciplinary process.

The revised Guidelines supersede Guidelines previously published by the NASD and referenced in prior NASD *Notices to Members*. The revised Guidelines apply to disciplinary matters in which complaints are filed on or subsequent to April 15, 1996. The Guidelines previously published by the NASD shall apply to all disciplinary proceedings in which complaints were filed before April 15, 1996.

The Guidelines do not provide predetermined, fixed sanctions for particular violations. Rather, they serve as a guide for Committees in an effort to achieve greater consistency, uniformity, and fairness when imposing sanctions. It should be noted, however, that the Committees may impose sanctions that are above or below the range recommended in the Guidelines, depending on the aggravating and mitigating factors of each case. The Guidelines were developed for the most frequent violations, and include factors for consideration in determining sanctions and a discussion of the range of appropriate sanctions.

A significant consideration in determining appropriate sanctions for each type of violation listed in the Guidelines is a respondent's history of similar misconduct. This reflects the NBCC's belief that a primary objective of the NASD disciplinary process is to deter future violations by imposing progressively escalating sanctions on repeat violators.

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NASD NOTICE TO MEMBERS 96-29

Memorial Day: Trade Date-Settlement Date Schedule

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Memorial Day: Trade Date-Settlement Date Schedule

The Nasdaq Stock MarketSM and the securities exchanges will be closed on Monday, May 27, 1996, in observance of Memorial Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
May 21	May 24	May 29
22	28	30
23	29	31
24	30	June 3
27	Markets Closed	—
28	31	4

*Pursuant to Sections 220.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker/dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within five business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Reg. T Date."

Brokers, dealers, and municipal securities dealers should use the foregoing settlement dates for purposes of clearing and settling transactions pursuant to the NASD Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions regarding the application of those settlement dates to a particular situation may be directed to the NASD Uniform Practice Department at (203) 375-9609.

NASD NOTICE TO MEMBERS 96-30

Nasdaq National
Market Additions,
Changes, And Deletions
As Of March 22, 1996

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

As of March 22, 1996, the following 77 issues joined the Nasdaq National Market®, bringing the total number of issues to 4,051:

Symbol	Company	Entry Date	SOES Execution Level
CMCO	Columbus McKinnon Corp.	2/23/96	200
CYAN	Cyanotech Corporation	2/27/96	500
MLAB	Mesa Laboratories, Inc.	2/27/96	200
PFNT	Preferred Networks, Inc.	2/27/96	200
SIMA	Sonics & Materials, Inc.	2/27/96	200
SIMAW	Sonics & Materials, Inc. (Wts 2/27/01)	2/27/96	200
TRDT	Trident International, Inc.	2/27/96	200
ALXN	Alexion Pharmaceuticals, Inc.	2/28/96	200
BNTNW	Benton Oil & Gas Company (Wts 1/4/99)	2/28/96	200
CSGS	CSG Systems International, Inc.	2/28/96	500
IPAC	Integrated Packaging Assembly Corporation	2/28/96	200
AAHS	Children's Broadcasting Corp.	2/29/96	500
EAI	Engineering Animation, Inc.	2/29/96	500
IGRP	Indus Group, Inc. (The)	2/29/96	200
RISC	RISCORP, Inc. (CI A)	2/29/96	200
MCSX	Managed Care Solutions, Inc.	3/1/96	200
MECSD	Medicus Systems Corporation (New)	3/1/96	200
OCAD	OrCAD, Inc.	3/1/96	200
PIAM	PIA Merchandising Services, Inc.	3/1/96	200
PCR	Powercerv Corporation	3/1/96	200
FFOH	Fidelity Financial of Ohio, Inc.	3/4/96	200
KASH	Kash n' Karry Food Stores, Inc.	3/4/96	200
GBCOB	Greif Bros. Corporation (CI B)	3/5/96	200
HSDC	Health Systems Design Corporation	3/5/96	200
PTEK	Premiere Technologies, Inc.	3/5/96	200
SNTL	Superior National Insurance Group, Inc.	3/5/96	200
CHRX	ChiRex Inc.	3/6/96	200
DPRC	Data Processing Resources Corporation	3/6/96	200
GBCOA	Greif Bros. Corporation (CI A)	3/6/96	200
HELI	Helisys, Inc.	3/7/96	200
CYTC	CYTYC Corporation	3/8/96	200
GGIT	Geographics, Inc.	3/8/96	200
IPCRF	IPC Holdings, Limited	3/8/96	200
SUPR	Superior Services, Inc.	3/8/96	200
MATR	Matria Healthcare, Inc.	3/11/96	200
MLOG	Microlog Corporation	3/11/96	500
BANCA	BankAtlantic Bancorp, Inc. (CI A)	3/12/96	200
FRTE	Forte Software, Inc.	3/12/96	200
PTET	Platinum Entertainment, Inc.	3/12/96	200
RTSTR	Right Start, Inc. (The) (Rts 4/8/96)	3/12/96	200
XYLN	Xylan Corporation	3/12/96	200
ATSS	Air-Cure Technologies, Inc.	3/13/96	200
HMTT	HMT Technology Corporation	3/13/96	200
HUBG	Hub Group, Inc. (CI A)	3/13/96	200

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Symbol	Company	Entry Date	SOES Execution Level
OCAL	Ocal, Inc.	3/13/96	200
PENC	Penn Interconnect, Inc.	3/13/96	500
PENCW	Penn Interconnect, Inc. (Wts 11/17/00)	3/13/96	500
SUPG	SuperGen, Inc.	3/13/96	200
SUPGW	SuperGen, Inc. (Wts 3/13/01)	3/13/96	200
CCBC	California Community Bancshares Corporation	3/14/96	200
DPAC	Dense-Pac Microsystems, Inc.	3/14/96	500
FIDF	Fidelity Federal Bank (Cl A)	3/14/96	200
ICOR	ISOCOR	3/14/96	200
MSPG	MindSpring Enterprises, Inc.	3/14/96	200
IDTC	IDT Corporation	3/15/96	200
INDV	Individual, Inc.	3/15/96	200
III	Innotech, Inc.	3/15/96	200
JDAS	JDA Software Group, Inc.	3/15/96	200
PRZM	Prism Solutions, Inc.	3/15/96	200
CMDA	CAM Designs Inc.	3/18/96	500
CMDAW	CAM Designs Inc. (Wts 7/24/00)	3/18/96	500
IAAPF	Iona Appliances, Inc.	3/18/96	200
PTLX	Patlex Corporation	3/18/96	500
BZET	Biofield Corporation	3/19/96	200
EMED	EuroMed, Inc.	3/19/96	200
XEIKY	Xeikon, N.V. (ADR)	3/19/96	200
ELAMF	Elamex S.A. de C.V.	3/20/96	200
GDSC	Gateway Data Sciences Corporation	3/20/96	200
LOGLF	Logal Educational Software & Systems, Ltd	3/20/96	1000
ALPH	AlphaNet Solutions, Inc.	3/21/96	200
CIMTF	Cimatron, Limited (Ord Shrs)	3/21/96	200
DPSI	Dawson Production Services, Inc.	3/21/96	200
ERIV	Eagle River Interactive, Inc.	3/21/96	200
WKGP	Workgroup Technology Corporation	3/21/96	200
ANLG	Analogy, Inc.	3/22/96	200
IQST	IntelliQuest Information Group, Inc.	3/22/96	200
IMII	Intelligent Medical Imaging, Inc.	3/22/96	200

Nasdaq National Market Symbol And/Or Name Changes

The following changes to the list of Nasdaq National Market securities occurred since February 23, 1996:

New/Old Symbol	New/Old Security	Date Of Change
AIPNW/AIPNW	American Int'l Petroleum (Wts A 3/1/97)/ American Int'l Petroleum (Wts A 3/1/96)	2/28/96
FAUL/PURE	Faulding, Inc./Purepac, Inc.	3/1/96
BWAY/BWAY	BWAY Corporation/ Brockway Standard Holdings Corporation	3/4/96
AVRTW/AVRTW	Avert, Inc. (Wts 4/30/97)/Avert, Inc. (Wts 4/30/96)	3/11/96
BANC/BANC	BankAtlantic Bancorp, Inc. (Cl B)/BankAtlantic Bancorp, Inc.	3/12/96
STCH/STCH	Shared Technologies Fairchild, Inc./Shared Technologies, Inc.	3/14/96
FFFD/FFFD	North Central Bancshares, Inc./	

New/Old Symbol	New/Old Security	Date Of Change
	First Federal Savings Bank of Fort Dodge	3/21/96
KLOCW/KLOCW	Kushner-Locke Company (The) (Wts 3/20/97)/ Kushner-Locke Company (The) (Wts 3/20/96)	3/22/96
REPB/REPB	Republic Bancshares, Inc./ Republic Bank Florida	3/22/96

Nasdaq National Market Deletions

Symbol	Security	Date
AELNA	AEL Industries, Inc. (Cl A)	2/23/96
PPSI	Pacific Physician Services, Inc.	2/23/96
ALTC	ALANTEC Corporation	2/26/96
CIMC	CIMCO, Inc.	2/26/96
CMAX	CableMaxx Holdings, Inc.	2/26/96
CORD	Cordis Corporation	2/26/96
SIHLF	Sun International Hotels Ltd (Ser A)	2/27/96
SIHBF	Sun International Hotels Ltd (Ser B)	2/27/96
BNET	Bay Networks, Inc.	2/29/96
CYTOR	Cytogen Corporation (Rts 1/31/97)	2/29/96
WRTEQ	WRT Energy Corporation	2/29/96
WRTPQ	WRT Energy Corporation (9% CV Pfd)	2/29/96
BRKB	Brooklyn Bancorp, Inc.	3/1/96
HAVAP	Harvard Industries, Inc. (14 1/4% PIK Exch Pfd)	3/1/96
INDHK	Independent Insurance Group, Inc. (Non-Voting)	3/1/96
MECS	Medicus Systems Corporation	3/1/96
MIDS	Mid-South Insurance Company	3/1/96
SUBN	Summit Bancorporation (The)	3/1/96
FBAC	First National Bancorp	3/4/96
PNTA	Pentair, Inc.	3/4/96
HBGI	Holson Burnes Group, Inc.	3/5/96
TIVS	Tivoli Systems Inc.	3/5/96
CHGR	Concord Health Group, Inc.	3/7/96
CHGRW	Concord Health Group, Inc. (Wts 4/19/00)	3/7/96
CABL	Communication Cable, Inc.	3/8/96
KVLM	Kevlin Corporation	3/8/96
HDYN	Healthdyne, Inc.	3/11/96
MRTA	Marietta Corporation	3/11/96
TKOS	Tokos Medical Corporation	3/11/96
ANGNW	Angeion Corp. (Wts 3/12/96)	3/13/96
FLCO	FelCor Suite Hotels, Inc.	3/13/96
ABSIE	ABS Industries, Inc.	3/14/96
HOSS	Hornbeck Offshore Services, Inc.	3/14/96
TPIFY	Tri Polyta Indonesia (ADR)	3/14/96
PTCCZ	PerSeptive Technologies II (Uts)	3/14/96
ADHC	Advantage Health Corporation	3/15/96
COND	Condor Services, Inc.	3/15/96
JEFG	Jefferies Group, Inc.	3/15/96
NABC	NAB Asset Corporation	3/15/96
NYCOP	NYCOR, Inc. (Conv. Exch Pfd)	3/15/96
WCCX	Wackenhut Corrections Corporation	3/15/96

Symbol	Security	Date
AGRI	AgriDyne Technologies Inc.	3/18/96
BNKF	Bankers First Corp.	3/18/96
GAMBY	Gambro Incorporated (ADR)	3/18/96
HOGN	Hogan Systems, Inc.	3/18/96
IPICZ	Interneuron Pharmaceuticals, Inc. (Wts B 3/15/96)	3/18/96
KEBI	Kentucky Enterprise Bancorp, Inc.	3/18/96
ARRW	Arrow Transportation Company	3/19/96
DUCR	Duracraft Corporation	3/22/96

Questions regarding this Notice should be directed to Mark A. Esposito, Nasdaq Market Services Director, Issuer Services, at (202) 496-2536. Questions pertaining to trade-reporting rules should be directed to Bernard Thompson, Assistant Director, NASD Market Surveillance, at (301) 590-6436.

NASD NOTICE TO MEMBERS 96-31

Fixed Income Pricing
System Additions,
Changes, And Deletions
As Of March 29, 1996

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

As of March 29, 1996, the following bonds were added to the Fixed Income Pricing System (FIPSSM).

Symbol	Name	Coupon	Maturity
TLMD.GB	Telemundo Group Inc	7.000	2/15/96
DOPD.GA	Doane Products Company	10.625	3/1/06
JJSA.GA	Jitney-Jungle Stores Amer Inc	12.000	3/1/06
CRBR.GA	Chancellor Radio Broadcasting Co	9.375	10/1/04
RVW.GF	Riverwood Intl Corp	10.250	4/1/06
RVW.GG	Riverwood Intl Corp	10.875	4/1/08
TPLP.GA	Tanger Properties LP	8.750	3/11/01
PDC.GA	Presley Cos Del	12.500	7/1/01
EX.GA	Exide Corp	10.750	12/15/02
ULAB.GA	Unilab Corp New	11.000	4/1/06
NMEP.GA	Nat'l Medical Enterprises Corp	7.375	9/1/97
PVH.GA	Phillips Van Heusen Corp	7.750	11/15/23
MORT.GA	Marriott Corp	8.125	12/1/96
MORT.GB	Marriott Corp	8.875	5/1/97
MORT.GC	Marriott Corp	9.375	6/15/07
MORT.GD	Marriott Corp	9.875	11/1/97
MORT.GE	Marriott Corp	10.250	7/18/01
MORT.GF	Marriott Corp	10.000	5/1/12
MORT.GG	Marriott Corp	9.500	5/1/02

As of March 29, 1996, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
MOIL.GD	Marathon Oil Company	9.750	3/1/99
AFIN.GA	American Finl Corp	10.000	10/20/99
BS.GB	Bethlehem Steel Corp	9.000	5/15/00
AMI.GF	American Medical Intl Inc	15.000	11/26/05
CVN.GA	Computer Vision Corp	10.875	8/15/97
ELPA.GA	El Paso Electric Company	6.750	5/1/98
ELPA.GB	El Paso Electric Company	7.750	4/1/01
ELPA.GC	El Paso Electric Company	9.000	11/1/04
ELPA.GD	El Paso Electric Company	10.500	11/1/05
ELPA.GE	El Paso Electric Company	8.500	4/1/07
FENA.GA	Fairchild Industries Inc	9.750	4/1/98
AMAI.GB	American Airlines Inc	6.250	3/1/96
FA.GA	Fairchild Corp	12.250	3/15/96
CNM.GA	Continental Medical Sys	10.875	8/15/02
CNM.GC	Continental Medical Sys	10.375	4/1/03

As of March 29, 1996, changes were made to the symbols of the following FIPS bonds:

New Symbol	Old Symbol	Name
MSEA.GA	METB.GA	Metropolitan Bancorp
PNT.GA	PENT.GA	Penna Enterprises

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New Symbol	Old Symbol	Name
YBTV.GA	YGBR.GC	Young Broadcasting
BHW.GA	BEHW.GA	Bell & Howell Inc
EE.GA	ELPA.GF	El Paso Electric Company
EE.GB	ELPA.GG	El Paso Electric Company
EE.GC	ELPA.GH	El Paso Electric Company
EE.GD	ELPA.GI	El Paso Electric Company
EE.GE	ELPA.GJ	El Paso Electric Company
DUAL.GA	DUDR.GA	Dual Drilling Company
HDS.GA	HLST.GA	Hills Stores Company
INF.GA	INFT.GA	Infinity Broadcasting Co

As of March 29, 1996, a change was made to the name and symbol of the following FIPS bond:

New Symbol	New Name	Old Symbol	Old Name
SLBC.GA	Sullivan Broadcasting Inc	ACTB.GA	Act III Broadcasting Inc

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to trade-reporting rules should be directed to James C. Dolan, NASD Market Surveillance, at (301) 590-6460.

DISCIPLINARY ACTIONS

Disciplinary Actions Reported For April

The NASD[®] has taken disciplinary actions against the following firms and individuals for violations of the NASD Rules of Fair Practice; securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions will begin with the opening of business on Monday April 15, 1996. The information relating to matters contained in this Notice is current as of the fifth of this month. Information received subsequent to the fifth is not reflected in this edition.

Firm Expelled, Individuals Sanctioned

M. Rimson & Co. Inc. (New York, New York), Moshe Rimson (Registered Principal, New York, New York), and Barry Charles Wilson (Registered Principal, Bloomfield, New Jersey). The firm was fined \$20,000 and expelled from NASD membership, and Rimson was fined \$20,000 and barred from association with any NASD member in any capacity. Wilson was fined \$10,000, suspended from association with any NASD member in any capacity for six months, and required to requalify as a financial and operations principal. The National Business Conduct Committee (NBCC) affirmed the sanctions following appeal of a New York District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that the firm, Rimson, and Wilson failed to respond to NASD requests for information. The NASD also found that the firm and Rimson failed to comply with obligations imposed upon them in a previous NASD action.

Wilson has appealed this action to the Securities and Exchange Commission (SEC) and the sanctions as to him are not in effect pending consideration of the appeal.

Firms Suspended, Individuals Sanctioned

Brooklyn Capital & Securities Trading, Inc. (Brooklyn, New York) and David Rybstein (Registered Principal, Brooklyn, New York) were fined \$58,000, jointly and severally. The firm was suspended from NASD membership for one year and required to reapply for membership. Rybstein was suspended from association with any NASD member in any capacity for one year and thereafter until he requalifies in all capacities in which he seeks to function. The NBCC imposed the sanctions following appeal of the NASD Market Surveillance Committee decision. The sanctions were based on findings that the firm and Rybstein employed manipulative and deceptive devices in the trading of securities in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5.

The firm and Rybstein have appealed this action to the SEC and the sanctions are not in effect pending consideration of the appeal.

Paramount Investments International, Inc. (Denver, Colorado) and Terrence A. Buttler (Registered Principal, Denver, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$20,000, jointly and severally. The firm was also fined \$62,500, suspended from NASD membership for 10 days with the proviso that the firm may effect unsolicited liquidating transactions, suspended from participating in any offering of securities subject to SEC Rules 10b-9 and 15c2-4 for six months, and required for 12 months to file all advertisements and sales literature with the NASD Advertising Department before use. Buttler was suspended from association with any NASD member in any principal capacity for three days. Without admitting or denying the allegations,

the respondents consented to the described sanctions and to the entry of findings that the firm used sales literature that failed to conform to NASD standards and breached its restriction agreement with respect to inventory levels, making markets in over-the-counter securities not listed on Nasdaq®, and operating a branch office without approval.

The findings also stated that the firm conducted a securities business while failing to maintain required net capital and filed FOCUS Part I reports that contained inaccurate net capital computations. The NASD determined that the firm failed to demonstrate supervisory review of transactions in which the firm's customers purchased stock, and failed to maintain accurate and complete books and records. The NASD also found that the firm, acting through Buttlar, participated in an offering of securities that was subject to a minimum investment amount contingency in which an impermissible escrow arrangement was employed, modified the share price and minimum share and dollar amount contingencies after the offering began and after investor funds had been received without a reconfirmation offer or a new offering document, and released investor funds before receipt of the minimum contingency amount.

The suspensions will begin May 20, 1996.

Firms Fined, Individuals Sanctioned

Franklin-Lord, Inc. (Scottsdale, Arizona) and **William S. Mentis (Registered Principal, Scottsdale, Arizona)** were fined \$10,000, jointly and severally, and Mentis was required to requalify by exam as a principal. The NBCC imposed the sanctions following appeal of a Denver DBCC decision. The sanctions were based on findings that the firm,

acting through Mentis, failed to designate a registered principal with authority to carry out the firm's supervisory procedures pertaining to trading.

This action has been appealed to the SEC and the sanctions are not in effect pending consideration of the appeal.

Litwin Securities, Inc. (Miami Beach, Florida) and **Harold A. Litwin (Registered Principal, Miami Beach, Florida)** were fined \$10,000, jointly and severally. The firm also was prohibited from effecting principal transactions of any nature for one year, and Litwin was suspended from association with any NASD member in any principal capacity for six months and ordered to requalify by exam in any principal capacity. The SEC affirmed that sanctions following appeal of a January 1995 NBCC decision. The sanctions were based on findings that the firm, acting through Litwin, violated its restriction agreement with the NASD by executing certain securities transactions as principal without authorization.

Firms And Individuals Fined

Kashner Davidson Securities Corp. (Sarasota, Florida) and **Victor L. Kashner (Registered Principal, Sarasota, Florida)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally, and required to pay \$11,863 in restitution to customers. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Kashner, effected 20 principal sales of common stock with public customers at unfair prices. According to the findings, these markups ranged from 5.6 to 18.2 percent above the prevailing market price.

Talley King & Co., Inc. (Irvine, California) and **Paul Douglas King (Registered Principal, Irvine, California)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally, and ordered to pay restitution of \$2,056.86. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through King, engaged in the sale of restricted common stock in the secondary market on a principal basis to customers at prices that were not fair in contravention of the Board of Governors' Interpretation with respect to the NASD Mark-Up Policy. These sales resulted in markups ranging from 32 to 36 percent as measured against the firm's cost. The NASD also found that the firm, acting through King, permitted an individual to act as a representative of the firm without being properly registered with the NASD.

Toluca Pacific Securities, Corp. (Burbank, California) and **Peter J. Blowitz (Registered Representative, Burbank, California)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$15,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Blowitz, effected securities transactions and/or induced or attempted to induce the purchase or sales of securities while failing to maintain minimum required net capital. The NASD also found that, while purporting to operate within the exemptive provisions of subparagraph (k)(2)(i) of the SEC Customer Protection Rules, the firm, acting through Blowitz, deposited \$507,232.90 for mutual fund orders placed by public customers into the firm's checking account rather than the Special Account for the Exclu-

sive Benefit of Customers. The findings also stated that the firm, acting through Blowitz, failed to transmit promptly to the mutual fund \$50,000 received from public customers.

Firm Fined

Adams, Harkness & Hill, Inc. (Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$20,000 and ordered to establish, maintain, and enforce written supervisory procedures reasonably designed to ensure compliance with applicable securities laws and regulations and with the applicable NASD trade-reporting rules. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported, or caused to be reported, Nasdaq transactions through the Automated Confirmation Transaction Service (ACT), contrary to provisions of Schedule D to the NASD By-Laws. The NASD also determined that the firm failed to establish, maintain, and enforce written procedures for late trade reporting.

Individuals Barred Or Suspended

Armand Arce (Registered Representative, Longmeadow, Massachusetts) submitted an Offer of Settlement pursuant to which he was fined \$40,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Arce consented to the described sanctions and to the entry of findings that he caused \$19,337.93 in insurance refund checks from public customers to be deposited into his bank account for his own use and benefit.

Jack F. Armbruster (Registered Representative, Wheaton, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and suspended from association with

any NASD member in any capacity for one year. Without admitting or denying the allegations, Armbruster consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed and neglected to give written notice to and receive written approval from the firm before engaging in such activities.

Gary L. Artis (Registered Representative, Landover Hills, Maryland) submitted an Offer of Settlement pursuant to which he was fined \$30,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Artis consented to the described sanctions and to the entry of findings that he forged the endorsement signatures of individuals on insurance refund checks totaling \$2,163.93, negotiated the checks, and converted the proceeds for his own use and benefit. The findings also stated that Artis failed to respond to NASD requests for information.

Scott T. Balog (Registered Representative, Johnstown, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Balog consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information. The NASD also found that Balog made unauthorized trades and unsuitable recommendations of securities transactions to public customers.

Richard J. Bickerstaff (Registered Representative, Metairie, Louisiana) submitted an Offer of Settlement pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bickerstaff consented to the described sanctions

and to the entry of findings that he charged commissions and markups on a series of purchase and sale transactions on behalf of the State of Louisiana, Department of Insurance, in violation of the terms of an agreement with the Department. The findings also stated that Bickerstaff failed and neglected to disclose in writing to his member firm the existence of, and his ownership interest in, an entity through which he provided investment advisory services and through which he received compensation. The NASD also found that Bickerstaff failed to respond fully and adequately to an NASD request for information.

Richard L. Bourke (Registered Representative, Scottsdale, Arizona) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for five business days and required to make monthly payments of \$250 to his former member firm. Without admitting or denying the allegations, Bourke consented to the described sanctions and to the entry of findings that he failed to pay an \$11,872.75 arbitration award.

Preston C. Bynum (Registered Representative, Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$120,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bynum consented to the described sanctions and to the entry of findings that he obtained from his member firm's account three checks totaling \$23,500 that he improperly used to make payments on personal loans of a board member of a Florida utilities authority in order to influence the board member to direct municipal financing underwritings to his member firm. The NASD also determined that Bynum

failed to respond to NASD requests for information.

Janell R. Cardinal (Registered Representative, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$5,000, suspended from association with any NASD member in any capacity for 20 days, and required to requalify by exam before acting in any registered capacity. Without admitting or denying the allegations, Cardinal consented to the described sanctions and to the entry of findings that she placed purchase orders for the accounts of public customers without authorization.

James E. Carroll, III (Registered Representative, West Hartford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Carroll consented to the described sanctions and to the entry of findings that he withheld and misappropriated to his own use and benefit funds totaling at least \$100,000 through the use of a fictitious account in a public customer's name wherein he redeemed shares of a money market fund and converted the proceeds to his own use and benefit. The findings also stated that in addition, Carroll converted \$20,000 in funds belonging to another customer to his own use and benefit.

Patrick Allen Chestnut (Registered Representative, Wenatchee, Washington) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Chestnut consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information about a customer complaint.

Sergey Y. Christov (Registered Representative, Parlin, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$2,500 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Christov consented to the described sanctions and to the entry of findings that he failed to respond timely to NASD requests for information about a customer complaint.

John Jay Coleman (Registered Representative, Overland Park, Kansas) submitted an Offer of Settlement pursuant to which he was fined \$18,317.85, barred from association with any NASD member in any capacity, and required to pay \$3,663.57 in restitution. Without admitting or denying the allegations, Coleman consented to the described sanctions and to the entry of findings that he received from a public customer checks totaling \$3,663.57 for investment purposes, endorsed the checks, and converted the funds to his own use and benefit. The findings also stated that Coleman sent a letter to the same customer containing material misstatements and omissions about a purported purchase of mutual funds that had in fact not been made on the customer's behalf. Coleman also failed to respond to NASD requests for information.

Jackie R. Collins (Registered Representative, Shelburne, Vermont) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Collins failed to respond to NASD requests for information about his termination from a member firm.

Gerard Colon (Registered Representative, Buffalo, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000, barred

from association with any NASD member in any capacity, and required to pay restitution to a member firm. Without admitting or denying the allegations, Colon consented to the described sanctions and to the entry of findings that he obtained from his member firm a \$650 check payable to a customer from a loan on the customer's life insurance policy. The findings stated that Colon failed to remit this check to the customer and used the funds for some purpose other than for the benefit of the customer.

Stephen Cutrone, Sr. (Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,831.25 and suspended from recommending any penny stock transactions as defined by SEC Rule 3a51-1, for one year. Without admitting or denying the allegations, Cutrone consented to the described sanctions and to the entry of findings that he effected penny stock transactions, and in connection with such transactions, failed to provide to each customer a document containing the information in the required penny stock risk disclosure document. The findings stated that Cutrone also failed to disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, disclose to each customer the aggregate amount of compensation he received in connection with such transactions, and deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15g-9.

Jerome H. Daniels (Registered Principal, Clearwater, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for five days, and required to requalify by exam as

a financial and operations principal. Without admitting or denying the allegations, Daniels consented to the described sanctions and to the entry of findings that he filed inaccurate FOCUS Parts I and IIA reports and prepared inaccurate net capital computations. The findings also stated that Daniels failed to supervise an associated person adequately.

Donald Robert Dann (Registered Representative, Highland Park, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$30,000 and suspended from association with any NASD member in any capacity for three business days. Without admitting or denying the allegations, Dann consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Interpretation on Free-Riding and Withholding, Dann purchased for his account shares of new-issue stocks that traded at a premium in the immediate aftermarket. The findings also stated that Dann opened a securities account at a member firm and began purchasing and selling securities in the account without giving prior written notice to his member firm and without giving written notice to the other member firm of his status as an associated person of a member firm.

Michael V. Duncan (Registered Representative, San Marcos, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Duncan consented to the described sanctions and to the entry of findings that he engaged in private securities transactions outside the regular course or scope of his employment with his member firm without giving prior written notice to his member firm.

Jeffrey Lynn Dunn (Registered Representative, Crestwood, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$130,000, barred from association with any NASD member in any capacity, and required to pay \$77,935 in restitution to a customer. Without admitting or denying the allegations, Dunn consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed and neglected to give prior written notice of or obtain prior written authorization from his member firm to engage in such activities. The findings also stated that Dunn obtained from a public customer \$116,000 to purchase additional units of stock and retained the funds for purposes not authorized or known to the customer without the knowledge or consent of the customer. The NASD also determined that Dunn failed to respond to NASD requests for information.

Paul Eisenberg (Registered Principal, Roslyn Estates, New York) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 45 days. Without admitting or denying the allegations, Eisenberg consented to the described sanctions and to the entry of findings that he fraudulently used a prospectus known to contain materially false and misleading information in connection with an initial public offering. The NASD also found that Eisenberg made misrepresentations and omissions of material facts to customers during the underwriting and aftermarket trading period of this offering.

Gregory V. Everett (Registered Representative, Arlington, Virginia) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and barred from association

with any NASD member in any capacity. Without admitting or denying the allegations, Everett consented to the described sanctions and to the entry of findings that he secured a blank cash management account check belonging to a public customer, forged the customer's name as the payor, and negotiated the check to the payee in settlement of a personal debt, thereby converting the funds for his own use. The findings also stated that Everett effected unauthorized transactions for a public customer that were also unsuitable in light of the frequency of the transactions and the customer's investment needs and objectives.

Todd Michael Ficeto (Registered Representative, Marina Del Rey, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$9,541 and suspended from recommending any penny stock transactions for two years. Without admitting or denying the allegations, Ficeto consented to the described sanctions and to the entry of findings that he effected penny stock transactions, and, in connection with such transactions, failed to provide to each customer a document containing the required information set forth in the penny stock risk disclosure document. The findings also stated that Ficeto failed to disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, and the aggregate amount of compensation he received in connection with certain penny stock transactions, and failed to deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15c-9.

Martin Patrick Flanagan, III, (Registered Representative, Winfield, Illinois) was suspended from association with any NASD member in any capacity for six months and required to requalify by exam. The

NBCC imposed the sanctions following review of a Chicago DBCC decision. The sanctions were based on findings that Flanagan failed to respond timely to NASD requests for information.

Flanagan's suspension began November 3, 1992, and concluded May 3, 1993.

John H. Frazer, Jr. (Registered Representative, Cincinnati, Ohio) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, Frazer consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed to give prior written notice of and obtain prior written authorization from his member firm to engage in such activities.

James Ralph Fredal (Registered Representative, Shelby Township, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Fredal consented to the described sanctions and to the entry of findings that he signed public customers' names to a variable life insurance product application form and bank authorization forms that purported to authorize the customers' bank to pay to his member firm the required monthly premium payments for the variable life insurance product. The NASD also found that Fredal signed the customers' names to the above-referenced documents without their knowledge or consent.

Michael P. Freeman (Registered Representative, San Diego, California) was fined \$20,000 and barred from association with any NASD

member in any capacity. The sanctions were based on findings that Freeman, without the knowledge or consent of two public customers, withheld and misappropriated to his own use and benefit funds totaling \$550 that were intended for the purchase of financial investments. Freeman also failed to respond to NASD requests for information.

Herbert Gurwitt (Registered Representative, Wayne, New Jersey) and Norbert Downie (Registered Representative, Teaneck, New Jersey) submitted an Offer of Settlement pursuant to which Gurwitt was fined \$20,000 and suspended from association with any NASD member in any capacity for 45 days. Downie was fined \$20,000 and suspended from association with any NASD member for 90 days. Gurwitt and Downie must satisfy NASD Continuing Education requirements before the end of the suspension period. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they engaged in a series of transactions in which they failed to pay for orders they entered to purchase a stock. The findings also stated that Downie failed to inform his member firm in writing that he had opened accounts at eight different member firms and failed to inform the other firms of his status as a registered representative of his member firm.

Clinton Hugh Holland, Jr. (Registered Principal, Salem, Oregon) was fined \$5,000, suspended from association with any NASD member in any capacity for five business days, and required to requalify by exam as a registered principal. The SEC affirmed the sanctions following appeal of a January 1995 NBCC decision. The sanctions were based on findings that Holland recommended to a public customer the purchase of speculative or high-risk securities

without having reasonable grounds for believing that such recommendations were suitable for the customer, considering the size and nature of the transactions, the concentration of speculative securities in the account, and the customer's financial situation, circumstances, needs, and objectives.

This action has been appealed to a United States Court of Appeals and the sanctions are not in effect pending consideration of the appeal.

Richard J. Kaighn (Registered Representative, Elizabeth City, North Carolina) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,353.50 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kaighn consented to the described sanctions and to the entry of findings that he received from a public customer \$6,028.20 that were intended as payment of an insurance premium. The NASD found that Kaighn applied only \$957.50 to the payment of the premium and converted the remaining \$5,070.70 to his own use and benefit without the customer's knowledge or authorization.

Michael S. Keller (Registered Representative, Getzville, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay restitution to member firms. Without admitting or denying the allegations, Keller consented to the described sanctions and to the entry of findings that he received from public customers checks totaling \$31,162.98 that were to be applied to certain variable life insurance policies or mutual fund investments of these customers. Keller failed to apply \$27,442.94 of the funds in

question as directed, and used the funds for some purpose other than for the benefit of the customers.

Larry D. Kellett (Registered Principal, Jonesboro, Arkansas) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kellett engaged in a private securities transaction without prior written notice to and approval from his member firm. Kellett recommended and engaged in a purchase transaction on behalf of public customers without having reasonable grounds for believing that this recommendation and resultant transaction was suitable for the public customers based on their financial situation, investment objectives, and needs. Kellett also failed to respond to NASD requests for information.

Lawrence R. Klein (Registered Representative, Westlake Village, California) was barred from association with any NASD member in any capacity with the right to reapply for association with an NASD member after five years. The SEC affirmed the sanction following appeal of a June 1995 NBCC decision. The sanction was based on findings that Klein caused \$17,000 to be wired from the joint account of public customers and used the funds to, among other things, repay monies he owed to a third party. Klein also forged the customers' signatures on an authorization to transfer federal funds and directed his member firm's clearing firm to effect the unauthorized transfer of funds.

Thomas C. Kocherhans (Registered Representative, Orem, Utah) was fined \$50,500, suspended from association with any NASD member in any capacity for one year, and ordered to requalify by exam as a general securities representative. The SEC affirmed the sanctions following appeal of a January 1995 NBCC

decision. The sanctions were based on findings that Kocherhans knowingly and willfully engaged in a manipulative, deceptive, and fraudulent scheme to increase the reported closing price of a common stock. Specifically, Kocherhans effected a series of purchases in a manner that caused the purchases to be executed at or near the close of the market with the intent to cause the market for the stock to close at a price higher than the previously reported trade, thereby reducing or avoiding margin calls on an account held in his wife's name, and to avoid higher maintenance margin requirements for the account. Kocherhans also failed to inform his member firm in writing that he maintained brokerage accounts at two other member firms.

Thomas J. Lewis, III (Registered Representative, Newark, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for 60 days, and required to pay restitution to a member firm. Without admitting or denying the allegations, Lewis consented to the described sanctions and to the entry of findings that he falsely represented to his member firm that he had effected a customer purchase of a variable annuity, and signed an application to purchase the annuity without obtaining the customer's prior permission.

Keith E. Lorick (Registered Representative, Chicago, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$350 in restitution to a member firm. Without admitting or denying the allegations, Lorick consented to the described sanctions and to the entry of findings that he received from a public customer \$350 with instructions to use the

funds as the initial annual premium on an insurance policy. The NASD found that Lorick failed to follow said instructions and used the funds for some purpose other than for the benefit of the customer. Lorick also failed to respond to NASD requests for information.

John Edward Malosh (Registered Representative, Corvallis, Oregon) submitted an Offer of Settlement pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Malosh consented to the described sanctions and to the entry of findings that he unlawfully gained entrance to an individual's unoccupied residence and removed from the premises \$850,000 in stock certificates, bonds, and jewelry belonging to the individual. The NASD found that Malosh opened an account at his member firm using his wife's maiden name and submitted three of the individual's bonds for redemption. The findings stated that Malosh used an alias name and posed as the grandson of the individual, opened an account at a broker/dealer, and executed a limited trading authorization allowing him to negotiate stock certificates and bonds on behalf of the individual. The NASD determined that the application used to open this account and the limited trading authorization both contained the individual's forged signature. After opening the account, Malosh submitted nine bonds valued at \$190,000, for redemption to the broker/dealer.

William M. Mehalco, Jr. (Registered Representative, Hubbard, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay \$13,640 in restitution to a member firm. Without admitting

or denying the allegations, Mehalco consented to the described sanctions and to the entry of findings that he prepared certain insurance policy applications and related paperwork for 10 customers. None of these customers authorized the purchase of the insurance policies for which the applications were prepared. The NASD determined that Mehalco, without obtaining consent or approval from these customers, signed their names to these insurance applications and related paperwork and submitted these documents to his member firm to obtain the commission for the sale of these policies. The findings also stated that Mehalco failed to respond to NASD requests for information.

Donald D. Metchick (Registered Principal, Altamonte Springs, Florida) submitted an Offer of Settlement pursuant to which he was fined \$2,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Metchick consented to the described sanctions and to the entry of findings that he received on behalf of public customers 26 checks totaling \$62,771.78 representing the proceeds from the sale of various insurance and annuity products and deposited the checks into a general operating account of his insurance agency, thereby commingling customer funds with other funds. The findings also stated that Metchick deposited one of the checks into his personal bank account and held the funds for various periods before submitting the funds to the appropriate entity on behalf of the customer or returning the funds to the customer.

Christopher Rickey Millard (Registered Representative, Loomis, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from associa-

tion with any NASD member in any capacity. Without admitting or denying the allegations, Millard consented to the described sanctions and to the entry of findings that he unlawfully gained entrance to the unoccupied residence of a public customer and removed from the premises without the knowledge or permission of the customer, stock certificates, bonds, and jewelry belonging to the customer that were worth more than \$850,000. The findings also stated that Millard opened an account using a fictitious name and submitted three bonds belonging to the customer that had a value of \$25,890 for redemption.

Martin M. Navales (Registered Representative, Cincinnati, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$18,900 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Navales consented to the described sanctions and to the entry of findings that he obtained from his member firm checks totaling \$3,779.30 made payable to public customers representing withdrawals and loan proceeds from the respective customers' variable appreciable life policies. The NASD found that Navales failed to remit these checks to the customers and used the funds for some purpose other than for the benefit of the customers.

Jerry Lee Neal (Registered Principal, Indianapolis, Indiana) submitted an Offer of Settlement pursuant to which he was fined \$150,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Neal consented to the described sanctions and to the entry of findings that he failed to abide by the terms of a firm commitment underwriting agreement for partnership units offered by a limited partnership in that his member firm did

not purchase the remaining unsold units of the partnership at the initial termination date of the offering. Instead, the NASD found that Neal advanced to the issuer sufficient funds to purchase the unsold units, less commissions, syndication and underwriting fees, and continued to offer and sell the units to the public.

The findings also stated that Neal distributed offering materials for the partnership units to customers that contained misstatements of fact and/or omissions of fact and made unsuitable recommendations to customers without having a reasonable basis for believing that the recommendations were suitable for the customers in light of their investment objectives, financial situation, and needs. The NASD determined that Neal distributed sales literature to customers that contained exaggerated, unwarranted, or misleading statements and exercised discretionary trading authority in five customer accounts prior to obtaining written authorization from the customers and without obtaining prior written approval from his firm accepting the accounts as discretionary accounts. The NASD also found that Neal participated in private securities transactions without providing advance written notice to and receiving advance written approval from his member firm to engage in such activities and executed personal securities transactions in the form of purchasing and selling bonds through a bank, without providing prior written notice to his member firm. Furthermore, the findings stated that Neal engaged in improper IRA distributions and engaged in the options business despite the fact that he was not effectively qualified or registered with the NASD in the appropriate capacity.

Terri Jo Neff (Registered Representative, Brooklyn Park, Minnesota) submitted a Letter of Acceptance, Waiver and Consent

pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Neff consented to the described sanctions and to the entry of findings that, without the knowledge or consent of public customers, he changed their addresses of record with his member firm to his home address or post office boxes under his control. The NASD found that Neff requested loans against insurance policies in the names of these customers and converted the loans totaling \$21,215.34 by depositing the loan checks into his bank account and used the proceeds for his own use and benefit.

Michael A. Niebuhr (Registered Representative, La Costa, California) was fined \$15,000, which can be offset upon demonstration that he has paid \$4,414 in restitution to a customer. Niebuhr was also suspended from association with any NASD member in any capacity for 90 days and thereafter until restitution has been paid in full. The SEC affirmed the sanctions following an appeal of a October 1994 NBCC decision. The sanctions were based on findings that Niebuhr violated Section 5 of the Securities Act of 1933 by offering and selling unregistered stock to public customers. Niebuhr also received shares of stock at no cost, purportedly as a bonus, and recommended and sold those shares to a customer without disclosing certain material information to the customer. Niebuhr failed to disclose that he was selling his own stock at the same time he was recommending that the customer purchase it, that the shares that would fill the customer's purchase orders were those he owned in his personal account, and that he had received those shares at no cost.

Linda Marie Oberg (Registered Representative, Fridley, Minnesota) submitted an Offer of Settlement

pursuant to which she was fined \$2,500 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Oberg consented to the described sanctions and to the entry of findings that she took advantage of clearing firm over purchases of securities on behalf of her member firm by diverting the over purchases into her personal securities accounts and subsequently selling the over purchases resulting in profits totaling \$2,058.30.

Oberg's suspension will begin May 1, 1996, and conclude May 30, 1996.

Michael J. Ozga (Registered Representative, Norristown, Pennsylvania) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ozga recommended and sold to public customers shares of stock and engaged in a course of conduct in which he knowingly and recklessly sold speculative securities to his customers without disclosing material facts. Ozga also made price predictions to customers and engaged in unauthorized trades.

F. Sarah Pollard (Registered Representative, La Jolla, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$8,480.95, suspended from recommending any penny stock transactions for two years, and suspended from associating with any NASD member as a general securities principal for 18 months. Without admitting or denying the allegations, Pollard consented to the described sanctions and to the entry of findings that she effected \$62,920 in penny stock transactions. The NASD found that, in connection with such transactions, Pollard failed to provide to each customer a required document containing penny

stock risk disclosure information, to disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, to disclose to each customer the aggregate amount of compensation he received in connection with such transactions, and failed to deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15g-9.

Kenneth B. Priebe (Registered Principal, Marilla, New York) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and barred from association with any NASD member in any principal capacity. Without admitting or denying the allegations, Priebe consented to the described sanctions and to the entry of findings that he delivered to customers private placement memoranda, subscription agreements, and suitability questionnaires relating to purchases of stock in private offerings and withheld the offering memoranda from the customers until the customers gave him payment for their purchases. The NASD also found that Priebe had the customers sign blank suitability questionnaires that were later completed by registered representatives at his firm using inaccurate and fictitious information. The findings also stated that Priebe refused to participate in an NASD investigative interview.

Reuben Clarence Quanbeck (Registered Representative, Grand Forks, North Dakota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$388,000 in restitution. Without admitting or denying the allegations, Quanbeck consented to the described sanctions and to the entry of findings that he converted customer funds totaling \$388,000 by intercepting checks made payable to his member firm.

Jailall I. Ramoutar, Jr. (Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$7,500, suspended from association with any NASD member in any capacity for 30 business days, and required to requalify by exam before acting in any capacity requiring qualification. Ramoutar must also pay \$1,800 in restitution to a customer. Without admitting or denying the allegations, Ramoutar consented to the described sanctions and to the entry of findings that he purchased shares of stock for the accounts of public customers without authorization.

Charles B. Riddick, Jr. (Registered Representative, Leesburg, Virginia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Riddick consented to the described sanctions and to the entry of findings that he forged a customer's signature on a money order.

Mark Robert Ritcey (Registered Representative, Plantation, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 10 days. Without admitting or denying the allegations, Ritcey consented to the described sanctions and to the entry of findings that he sent a \$750 money order to a public customer to induce him to withdraw a complaint letter the customer had filed against Ritcey's brother, without the knowledge of his brother or anyone else associated with the firm.

S. Richard Schalcosky (Registered Representative, Pittsburgh, Pennsylvania) submitted an Offer of Settlement pursuant to which he was

barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schalcosky consented to the described sanction and to the entry of findings that he received from a policyholder checks totaling \$590,050.09 drawn to the order of a life insurance company and caused such checks to be deposited into a bank account under his control. The NASD found that Schalcosky retained \$202,000 of this sum for his own use and benefit.

Steven A. Schween (Registered Principal, Longwood, Florida) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schween consented to the described sanctions and to the entry of findings that he effected, or caused to be effected, unauthorized purchases and sales of securities in the accounts of public customers without their knowledge or authorization and without having a reasonable basis for believing that the transactions were suitable. The findings also stated that Schween failed to respond to an NASD request for information.

Kevin Stile (Associated Person, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was barred from association with any NASD member in any capacity. The sanction was based on findings that Stile arranged to have an imposter take the Series 7 exam for him.

Michael J. Tomasino (Registered Principal, Lake Zurich, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000, barred from association with any NASD member in any capacity, and ordered to pay \$400,000 in restitution to a cus-

tomers. Without admitting or denying the allegations, Tomasino consented to the described sanctions and to the entry of findings that he obtained from a public customer a \$400,000 check with instructions that the funds be used to purchase interests in a municipal bond fund. The findings stated that Tomasino failed to follow the customer's instructions and used the funds for some purpose other than for the benefit of the customer.

Robert Dean Tomlinson (Registered Representative, Hoffman Estates, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$95,000, suspended from association with any NASD member in any capacity for one year, and required to requalify by exam. Without admitting or denying the allegations, Tomlinson consented to the described sanctions and to the entry of findings that he participated in private securities transactions while failing and neglecting to give prior written notice of or obtain prior written authorization from his member firm to engage in such activities.

Sonal Pravin Trivedi (Registered Representative, Naperville, Illinois) submitted an Offer of Settlement pursuant to which she was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Trivedi consented to the described sanctions and to the entry of findings that she submitted applications to purchase securities products in the form of variable life insurance policies in the names of individuals who did not exist.

Darren J. Upchurch (Registered Representative, Wilmington, North Carolina) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or deny-

ing the allegations, Upchurch consented to the described sanctions and to the entry of findings that he converted \$51,185 in funds from a public customer.

Gale Kathleen Vaillancourt (Registered Representative, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$50,000 and barred from association with any NASD in any capacity. Without admitting or denying the allegations, Vaillancourt consented to the described sanctions and to the entry of findings that she created a letter to a public customer on her sales manager's stationery, signed her sales manager's signature on the letter, and mailed it to the customer without the sales manager's knowledge.

Stephen J. Wagner (Registered Representative, Aspen, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wagner consented to the described sanctions and to the entry of findings that he obtained from life insurance policies owned by a public customer \$705,000 in cash that he misused and/or mishandled.

Steve Dewitt Walker (Registered Representative, Dallas, Texas) was barred from association with any NASD member in any capacity. The NBCC imposed the sanction following review of a Dallas DBCC decision. The sanction was based on findings that Walker received assistance while taking the Series 7 exam by having in his possession notes and formulae pertaining to securities matters.

Jeffrey Weissman (Registered Principal, New York, New York) submitted an Offer of Settlement pursuant to which he was fined

\$200,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Weissman consented to the described sanctions and to the entry of findings that he sold 20 percent of a hot issue to individuals associated with the holding company for his member firm and began aftermarket trading of units and components before completion of the initial public offering distribution of the securities. The NASD determined that Weissman dominated and controlled the stock to the extent that there was no independent, active market for such securities, and charged excessive markups which ranged from 10.2 to 47.3 percent above the firm's contemporaneous costs and resulted in customer overcharges of \$718,384.

Mark C. Whitver (Registered Representative, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$4,048.45 and suspended from recommending any transactions in penny stocks for one year. Without admitting or denying the allegations, Whitver consented to the described sanctions and to the entry of findings that he effected 10 transactions in a penny stock that amounted to approximately \$19,286.25. The NASD found that, in connection with such transactions, Whitver failed to provide to each customer a document containing the information set forth in the penny stock risk disclosure document, disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, disclose to each customer the aggregate amount of compensation he received in connection with such transactions, and deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15c-9.

Kenneth R. Winton (Registered Representative, Redding, Califor-

nia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$75,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Winton consented to the described sanctions and to the entry of findings that he effected the purchase of securities for the account of a public customer that was unsuitable based on her age and financial position. The findings also stated that Winton effected unapproved private securities transactions and engaged in undisclosed outside business activities.

James J. Woods, Jr. (Registered Representative, Richmond, Virginia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Woods consented to the described sanctions and to the entry of findings that he provided false information on a request for verification of deposit form and indicated that an individual had an account at his member firm at a time when the individual did not have such account. The findings also stated that Woods forged a branch manager's signature on this form, and during the NASD's investigation, Woods provided false information to the NASD.

Individuals Fined

Lawrence Gale Epstein (Registered Representative, Mercer Island, Washington) submitted an Offer of Settlement pursuant to which he was fined \$25,000. Without admitting or denying the allegations, Epstein consented to the described sanction and to the entry of findings that he effected, or caused to be effected, securities transactions in the account of public customers without obtaining prior written discretionary authorization from the customers and

without the acceptance of these accounts as discretionary by his member firm. The NASD also found that, in connection with the sale of notes to public customers, Epstein failed to disclose to the customers information that would have been material to their decision to invest. The findings also stated that Epstein recommended to public customers the purchase of securities without having reasonable grounds for believing such recommendations were suitable for the customers considering their other securities holdings and their financial situations, objectives, and needs.

Paul Douglas King (Registered Principal, Tustin, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$17,000. Without admitting or denying the allegations, Talley consented to the described sanction and to the entry of findings that he participated in private securities transactions without having provided prior written notification to his member firm.

Richard W. Talley (Registered Principal, Santa Barbara, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$17,000. Without admitting or denying the allegations, Talley consented to the described sanction and to the entry of findings that he participated in private securities transactions without having provided prior written notification to his member firm.

Firms Expelled For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations Benbrook Wheeler Securities, Inc., Houston, Texas

Paramount Investments International, Inc., Denver, Colorado

M. Rimson & Co., Inc., New York, New York

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations Cynthia J. Abruscato, Massapequa Park, New York

Phillip C. Bommarito, Albion, Michigan

Nicholas M. Diminico, Houston, Texas

David W. Dowse, Del Norte, Colorado

Craig F. Edelmann, Littleton, Colorado

Phillip W. Key, Jr., Greensboro, North Carolina

Byung Ki Kim, Scarsdale, New York

Klaus Langheinrich, Murray, Utah

Roger Allen Meyer, Wheaton, Illinois

Francis George Nenes, Jr., Glendale, Arizona

W. Buckner Ogilvie, Jr., Houston, Texas

Moshe Rimson, New York, New York

Firm Suspended Pursuant To Article VI, Section 2 Of The NASD Code Of Procedures For Failure To Pay An Arbitration Award
The date the suspension began is listed after each entry.

James W. Bullard, Jr. Inc. New York, New York (February 28, 1996)

and March 7, 1996)

Individuals Whose Registrations Were Cancelled/Suspended Pursuant To Article VI, Section 2 Of The NASD Code Of Procedures For Failure To Pay An Arbitration Award
The date the suspensions began is listed after each entry.

James W. Bullard, Jr., New York, New York (March 7, 1996)

Peter Hart, New York, New York (March 12, 1996)

Steven Ropas, Staten Island, New York (February 28, 1996)

Timothy Lesley Thompson, Howell, New Jersey (February 28, 1996)

Lillian Vinci, Staten Island, New York (February 28, 1996)

NASD Fines Piper Jaffray Inc. \$1.25 Million For Inadequate Disclosures And Improper Sales Practices

NASD has taken disciplinary action and imposed a \$1.25 million fine against Piper Jaffray Inc. in connection with the firm's marketing and sale of the Piper Jaffray Institutional Government Income Portfolio, a proprietary open-end mutual fund, managed by Piper Capital Management Inc., that contained volatile mortgage-backed derivatives. In addition to the fine, Piper Jaffray was censured and has undertaken to hire an independent consultant to review and make written recommendations with respect to the firm's practices and procedures relating to the sale of mutual funds.

Without admitting or denying the findings, Piper Jaffray consented to NASD findings that from 1991 to mid-1994 the firm, through its registered representatives, recommended and sold the Piper Jaffray Institution-

al Government Income Portfolio without adequately disclosing facts material to investors concerning the characteristics and safety of the fund. Piper Jaffray also failed to ensure that its advertising and sales literature provided adequate disclosure of the fund's changing nature, characteristics, and increased risk. As a result, Piper Jaffray's customers believed the fund was a safe, conservative investment and were not adequately informed that the fund's increased holdings in mortgage-backed derivatives and use of leverage also increased the risk. Piper Jaffray also recommended and sold the fund to customers for whom it was an unsuitable investment.

The disciplinary action was taken by the NASD Kansas City District Business Conduct Committee, following an investigation by the NASD Enforcement Department. The Minnesota Department of Commerce and the NASD Advertising Regulation Department also participated in the investigation.

The specific terms of Piper Jaffray's settlement require the firm to pay the NASD \$1 million of the total \$1.25 million fine within 30 days after this decision becomes final. The NASD has agreed to waive payment of up to \$250,000 of the remaining fine, upon a satisfactory showing that the firm has paid at least that amount to the independent consultant for its review of the firm's overall practices and procedures concerning the sale of mutual funds, as well as any costs incurred in the implementation of the consultant's recommendations.

In imposing its sanctions against Piper Jaffray, the NASD considered that the firm and its affiliates have agreed to pay, as resolution of a class-action lawsuit brought on behalf of certain fund customers, \$67 million in restitution to investors. Separately, Piper Jaffray has also

allocated about \$1.7 million for remedial steps to improve its supervisory and compliance procedures.

Minnesota Commerce Commissioner Dave B. Gruenes agreed that the collaborative efforts were greatly appreciated. "This cooperation helped to expedite the process and reduce the costs of the investigation," he said.

The Piper Jaffray Institutional Government Income Portfolio was introduced in 1988, with an investment objective of "high current income consistent with the preservation of capital." Initially, the fund consisted almost exclusively of U.S. Treasury notes and government agency mortgage pass-through securities. However, beginning in 1991, the fund increasingly invested in interest rate-sensitive mortgage-backed derivatives, including "interest only" securities ("IOs"), inverse IOs, "principal only" securities ("POs"), "inverse floaters," and accrual or Z-bonds. The investments in derivatives, when coupled with the fund's use of leverage, substantially increased both the fund's potential return and its risk. By September 1993, derivatives represented 51 percent of the market value of the portfolio and 77 percent of the fund's net assets, and leverage in the fund's portfolio exceeded 33 percent. From 1991 to 1993 the fund was consistently rated as the top performer in the Short-Term Government Funds category by a nationally recognized rating service, outperforming its closest competitor at one point by more than 500 basis points. For the year ending March 31, 1993, the fund's total return reached 21.7 percent, while its government fund category average, noted in the fund's sales literature, was only 9.1 percent.

During this same period, the risk of the fund also increased significantly. Notwithstanding this, Piper Jaffray continued to make recommendations

that emphasized the fund's "No. 1" performance ranking, its Triple-A credit rating, the limitation of its holdings to government guaranteed securities, and its purported safe and conservative nature. However, Piper Jaffray failed to adequately disclose that the fund's increased holdings in volatile mortgage-backed derivatives and use of leverage significantly increased risk, as well as potential return. While the fund's composition and risk characteristics had changed dramatically over time, the firm failed to adequately convey the importance of those changes to investors in its marketing of the fund. Customers sustained significant, unanticipated losses when interest rates rose in early 1994 and there was a disruption in the market for certain of the fund's mortgage-backed derivatives.

Piper Jaffray also consented to the entry of findings, without admitting or denying, that certain advertising and sales materials for the fund failed to meet the NASD's standards. For example, sales literature compared the fund's performance to a chosen benchmark of three- to five-year U.S. Treasury securities and indicated a one-year return over the benchmark of as much as 900 basis points, but failed to identify the material differences and degree of safety between the composition of the fund's portfolio and the instruments that comprised the benchmark.

Piper Jaffray also consented to the entry of findings that the firm, through its registered representatives, recommended and sold the fund to customers for whom it was an unsuitable investment in light of the age, financial status, investment experience, and goals of the individual investor. For example, certain customers were unsophisticated investors, were risk averse, were of advanced age, or had other personal circumstances which made the fund

an inappropriate investment. In addition, some customers invested all, or virtually all, of their liquid assets in the fund based on the firm's representations that it was a safe, conservative investment.

The NASD's District Business Conduct Committee (District 4), which considered this matter, is comprised of securities professionals from securities firms in Iowa, Kansas, Minnesota, Missouri, Nebraska, North

Dakota, and South Dakota. The Committee is responsible for disciplining NASD member firms and associated individuals who violate the NASD Rules of Fair Practice.

FOR YOUR INFORMATION

Exam Schedule Changes In Germany And France

Heidelberg, Germany: May 18;
There will not be a session in Heidelberg
On June 15th.

Paris, France: April 27; June 22

Treasury Announces Delayed Effective Date For Bank Secrecy Act Amendments

On April 1, 1996, the Department of the Treasury (Treasury) announced a further delay in the effective date for the amendments to the Bank Secrecy Act (BSA) regarding recordkeeping for funds transfers and transmittals of funds. These changes are now scheduled to take effect on May 28, 1996.

The amendments are designed to facilitate tracing funds through the wire-transfer process. For transmittals of funds of \$3,000 or more, broker/dealers will be required to obtain and keep certain specified information concerning the transmitter and the recipient of those funds. In addition, broker/dealers must include this information on the actual order.

At this time, Treasury also addressed a concern related to the fact that the expansion of the Fedwire format is not scheduled for completion until January 1, 1998. Until then, there may not always be enough space to include all of the information required by the rule on the actual transmittal order. New Paragraph (g)(30) is being added to Section 103.33 of the BSA to provide a safe harbor. Until a financial institution has converted to the expanded Fedwire format, it will be deemed to be in compliance with the rule, even though some of the required information cannot be included on the transmittal order.

However, the financial institution still must comply with the rule's record-

keeping requirements despite the fact that the information cannot be provided on the Fedwire message.

Moreover, the financial institution must provide the required information within a reasonable amount of time, after receiving a request for information related to BSA compliance efforts from regulatory or law enforcement authorities.

NASD members should note that this regulatory relief does not extend to broker/dealers that may transmit orders to another financial institution through a software application program that follows the format of the Fedwire system. Notwithstanding the relief given to those financial institutions that transmit directly over the Fedwire, broker/dealers must still provide all required information to another financial institution when sending a transmittal order.

Members are urged to review the appropriate releases in the April 1, 1996, *Federal Register*. For additional information, members may refer to *Notices to Members 95-69 and 95-88*. Questions concerning these amendments may be directed to Susan Lang, NASD Compliance Department, at (202) 728-6969.

Massachusetts No Longer Requires Hardcopy Form BDs

The Securities Division of the State of Massachusetts has notified the NASD that **effective March 1, 1996**, the Division no longer required hardcopy Form BD filings. The Division will recognize the filings made through the CRD. For questions regarding this change, please contact Lisa Curran, the Division's Broker/Dealer Examiner, at (617) 727-3548.