

NASD NOTICE TO MEMBERS 96-58

Approval Of Amendments That Require Members To Provide Information To Other Regulators For Regulatory Purposes

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) has approved amendments to NASD[®] Rule 8210 (formerly Article IV, Section 5 of the NASD Rules of Fair Practice) to require members and their associated persons to provide information in connection with investigations being conducted by other regulatory organizations and to NASD Rules 8210 and 8220 (formerly Article IV, Section 5 of the NASD Rules of Fair Practice) to conform the language in the Rules to definitions and relevant titles of the Code of Procedure. The amendments are effective immediately.

Questions regarding this Notice should be directed to Joseph Alotto, Market Surveillance, NASD Regulation, Inc., at (301) 590-6845.

Discussion

Under Rule 8210, the NASD may investigate a member's books and records and require members and their associated persons to provide information in connection with

¹ The ISG is an organization of securities industry SROs formed in 1983 to coordinate and develop intermarket surveillance programs designed to identify and combat fraudulent and manipulative acts and practices. In order to promote its purposes, members agree to exchange such information as is necessary for ISG members to perform their self-regulatory and market surveillance functions. The NASD has been a member of the ISG since its formation. Most of the other ISG participants have amended or are amending their rules to clarify their investigatory and information-sharing authority.

The ISG's self-regulatory organization members (ISG/SROs) are all of the registered securities exchanges and associations: American Stock Exchange (Amex), Boston Stock Exchange (BSE), Chicago Board Options Exchange (CBOE), Chicago Stock Exchange (CHX), Cincinnati Stock Exchange (CSE),

investigations or proceedings conducted by the NASD. The NASD periodically receives requests from other regulatory organizations with whom the NASD has entered into agreements to share regulatory information, including self-regulatory organizations (SROs) who participate in the Intermarket Surveillance Group (ISG),¹ for information from NASD members in connection with investigations being conducted by these regulators. The amendments to Rule 8210 permit the NASD to require members and their associated persons to provide information to other domestic or foreign SROs, associations, securities or contract markets, or regulators of such markets with whom the NASD has entered into agreements providing for the exchange of regulatory information.

Before these amendments, Rule 8210 did not expressly permit the NASD to require members to provide information in connection with investigations being conducted by other regulatory organizations. Although the NASD has been entering into

National Association of Securities Dealers, Inc. (NASD), New York Stock Exchange (NYSE), Pacific Stock Exchange (PSE), and Philadelphia Stock Exchange (PHLX). In addition, other domestic contract markets and foreign SROs have been granted "affiliate" membership in the ISG: Alberta Stock Exchange (ASE), Amsterdam Stock Exchange (AMSE), Australian Stock Exchange (ASX), Chicago Board of Trade (CBOT), Chicago Mercantile Exchange (CME), London International Financial Futures and Options Exchange (LIFFE), London Stock Exchange (LSE), Montreal Exchange (ME), New York Futures Exchange (NYFE), Securities and Futures Authority (SFA), Toronto Stock Exchange (TSE), and the Vancouver Stock Exchange (VSE). ISG/SROs and ISG affiliates are referred to herein as "participants."

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information-sharing agreements with other regulators for years and considers the authority in Rule 8210 sufficient to require members and their associated persons to provide information pursuant to the agreements,² the amendments to Rule 8210 now expressly permit the NASD to require members and their associated persons to provide such information and provide an explicit basis for NASD to discipline members and their associated persons who fail to do so.³

Following the publication by the SEC of the amendments for public comment, some commenters raised questions regarding the scope, confidentiality, and protection of information provided to other regulators under the amendments. In response to these comments, the NASD clarified that other regulators will direct their requests to the NASD, which will serve as an intermediary in effecting the flow of information between members and other regulators. When the NASD requests or requires members and their associated persons to provide such information on behalf of another regulator, the NASD will continue to be the requesting entity in relation to the NASD member, and all such requests will be subject to NASD rules. Thus, members or their associated persons requested or required to furnish information pursuant to the proposed rule will continue to have the same rights and procedural protections that they would have if the NASD itself had initiated the request for information.

The NASD believes that the amendments enhance the NASD's ability to fulfill its statutory mandate under the Securities Exchange Act of 1934 to prevent fraudulent and manipulative acts and practices, to promote the mechanism of a free and open market and a national market system, and in general, to protect investors and the

public interest. The amendments appropriately establish rules and procedures designed to assist in identifying possible fraudulent and manipulative acts across markets, particularly in an environment of increasing inter-relationships among markets for securities, markets for futures on such securities, and related instruments traded on certain contract markets.

Text Of Amendments

(Note: New text is underlined.)

PROCEDURAL RULES

8000. COMPLAINTS, INVESTIGATIONS AND SANCTIONS

8200. INVESTIGATIONS

8210. Reports and Inspection of Books for Purpose of Investigating Complaints

(a) For the purpose of any investigation, or determination as to filing of a complaint or any hearing of any complaint against any member of the Association or any person associated with a member made or held in accordance with the Rule 9000 Series, or made or held by another domestic or foreign self-regulatory organization, association, securities or contract market or regulator of such markets, with whom the Association has entered into an agreement providing for the exchange of information and other forms of material assistance solely for market surveillance, investigative, enforcement or other regulatory purposes, any District Business Conduct Committee, the Market Surveillance Committee, or the Board of Governors, or any duly authorized member or members of any such Committees or Board or any duly authorized agent or agents of any such Committee or Board shall have the right:

(1) to require any member of the Association, person associated with a member, or person no longer associated with a member when such person is subject to the Association's jurisdiction to report, either informally or on the record, orally or in writing with regard to any matter involved in any such investigation or hearing, and

(2) to investigate the books, records and accounts of any such member or person with relation to any matter involved in any such investigation or hearing.

(b) No such member or person shall fail to make any report as required in this Rule, or fail to permit any inspection of books, records and accounts as may be validly called for under this Rule. Any notice requiring an oral or written report or calling for an inspection of books, records and accounts pursuant to this Rule shall be deemed to have been received by the member or person to whom it is directed by the mailing thereof to the last known address of such member or person as reflected on the Association's records.

² The NASD considers entering into information-sharing agreements with other regulators consistent with its mandate under Section 15A(b)(6) of the Securities Exchange Act of 1934 to "...foster cooperation and coordination with persons engaged in regulating...transactions in securities...."

³ Additionally, the amendments insert the phrase "the Market Surveillance Committee" in that part of Subparagraph (a) of Rule 8210 that references the District Business Conduct Committee and the Board of Governors, and the phrase "any Market Surveillance Committee," after the phrase "any District Business Conduct Committee" in Subparagraph (e)(1) of Rule 8220. These technical changes conform Rules 8210 and 8220 with references to the Market Surveillance Committee in the definitions and relevant titles of the Code of Procedure.

8220. Suspension of Members for Failure to Furnish Information Duly Requested

(a) through (d) No change.

(e) It is essential for the promotion of the Association's welfare, object and purposes and more particularly for the administration and enforcement of its Rules:

(1) that any District Business Conduct Committee, any Market Surveil-

lance Committee, or any duly authorized member or members of any such Committees, or any duly authorized agent or agents of any such Committees, or any Association examiner duly authorized by the President shall have the right, in order to and solely for the purpose of determining whether any member is complying with the Rules of the Association:

(A) to require any such member to submit a report in writing with regard

to any matter connected with such member's business or business practices, and

(B) to inspect the books, records and accounts of any such member; and

(2) that any such Committee or any such member or members thereof, or any such agent or agents thereof, or any such examiner, be and hereby is granted such rights.

NASD NOTICE TO MEMBERS 96-59

**NASD Solicits Member
Comment On Proposed
Rule Governing Tape
Recording Of Telephone
Conversations; Comment
Period Expires October
31, 1996**

Suggested Routing

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

The NASD requests comment on proposed amendments to NASD[®] Rule 3010 (formerly NASD Rules of Fair Practice, Article III, Section 27) to adopt a rule requiring each member firm whose work force is comprised of a specified number of persons that have been associated with a disciplined firm, or each member firm that is itself a disciplined firm, to tape-record telephone conversations of all of its associated persons. The proposed Rule responds to concerns expressed in the SEC/SRO/NASAA *Joint Regulatory Sales Practice Sweep Report* regarding the need for heightened supervision of certain registered representatives with troubled regulatory and compliance records. The text of the proposed Rule follows this Notice.

Questions concerning this Notice may be directed to Mary Revell, Assistant General Counsel, NASD Regulation, Inc., at (202) 728-8203.

Background

The Joint Regulatory Sales Practice Sweep (Sweep) was an initiative involving the staffs of the NASD, the Securities and Exchange Commission (SEC), the New York Stock Exchange (NYSE), and representatives of the North American Securities Administrators Association (NASAA) (collectively, the Working Group) to review the sales-practice activities of selected registered representatives and the hiring, retention, and supervisory practices of the brokerage firms employing them in order to identify possible problem registered representatives, to review their sales practices, and to assess whether adequate hiring, retention, and supervisory mechanisms are in place. The *Joint Regulatory Sales Practice Sweep Report (Sweep Report)* was released on March 18,

1996. One of the key findings of the *Sweep Report* was that some firms are willing to employ registered representatives with a history of disciplinary actions or customer complaints. Based on this finding, the Working Group collectively made the following recommendation addressed to both firms and regulators:

Firms that hire registered representatives with a recent disciplinary history involving sales practice abuse or other customer harm should implement special supervisory procedures tailored to the individual registered representative, which include a heightened level of scrutiny of the registered representative's activities by his or her supervisor, for a period of time. If firms fail to establish such special supervisory procedures, the self-regulatory organizations (SROs) should consider revising their rules to specifically require that registered representatives with a recent history of disciplinary actions involving sales practice abuse or other customer harm be placed under special supervision by the firm for a period of time.

While the special procedures designed to provide a heightened level of supervision recommended by the *Sweep Report* may provide adequate supervision of associated persons in most circumstances, NASD Regulation believes that specific procedures are required in certain situations in order to provide the level of supervision required by Rule 3010. One of those situations has been addressed in this proposed Rule, which would apply when a firm hires a substantial number of associated persons from a firm or firms that have been disciplined for telemarketing or sales-practice abuse, or when a firm has itself been so disciplined. NASD Regulation believes

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in this context that specific measures may be required to prevent a reoccurrence of sales-practice abuse or other customer harm. Therefore, consistent with the *Sweep Report* recommendation, NASD Regulation is proposing to revise its rules to require firms that hire a specified number of these types of individuals to tape-record telephone conversations between their associated persons and existing and potential customers. In a subsequent notice, NASD Regulation will discuss supervisory obligations as they apply to associated persons who have a history of disciplinary actions.

Description

Rule 3010 would apply whenever a significant portion of a member firm's work force is comprised of associated persons who formerly were employed by a disciplined firm or firms. The criteria that are used in the Rule to define a "disciplined firm" are analogous to criteria used in the NASD By-Laws to define a person subject to disqualification. For purposes of this Rule, a disciplined member firm is one that has been disciplined by a regulatory entity, an SRO, or a court for telemarketing or sales-practice abuses in connection with the solicitation, offer, or sale of securities.

Under the proposed Rule, if more than 20 percent of a member's sales force of associated persons previously were employed by a disciplined member firm, the member would be required to adopt special written procedures to supervise the telemarketing activities of its associated persons. Firms that are themselves disciplined firms also would be required to adopt these procedures. The procedures would require, at a minimum, that the employer member tape-record all telephone conversations between all of its associated persons and both existing and potential customers, and maintain these

procedures for two years. For each firm that is itself a disciplined firm, at the end of the two-year period, the NASD would conduct an evaluation to determine whether, and for how long, the firm will continue to be subject to the requirements of the Rule. The Rule also would require firms subject to the taping requirement to review the tapes periodically to ensure compliance with securities laws and NASD rules, to submit reports to the NASD on their supervision of telemarketing activities, and to retain and index the tapes.

If the Rule is adopted, we will inform our members that, in complying with this Rule, they must comply with federal and state civil and criminal statutes governing the tape recording of conversations. While each firm is responsible for meeting its own obligations under the Rule, NASD Regulation will assist firms in complying with the Rule by compiling and maintaining a list of firms that meet the definition of "disciplined firm."

Regulatory Need For The Proposed Rule

The proposed Rule responds to the *Sweep Report* recommendation that SROs consider revising their rules to require firms to place registered representatives with a recent disciplinary history under special supervision for a period of time. Although the associated persons who would be affected by the Rule may not have themselves been disciplined, the rationale for adopting this Rule is that associated persons who previously were employed (or currently are employed) at a firm that was disciplined by a regulator or an SRO for fraudulent telemarketing or sales-practice abuses may not have been adequately trained and supervised at that firm. Associated persons employed by such a firm may have learned improper sales practices that they could carry with them to their next firm, or will con-

tinue to employ at their current firm. Therefore, where a member firm is willing to hire a significant number of associated persons who previously were employed at a disciplined firm, or where a member firm is itself a disciplined firm, taping required as part of a firm's enhanced supervisory procedures may ensure that the lack of adequate sales-practice training does not taint their sales efforts on behalf of the member in an effort to help prevent telemarketing or sales-practice abuses.

The taping rule being proposed by NASD Regulation is similar to a rule adopted by the National Futures Association (NFA) in 1993 to combat abusive cold calls by associated persons of certain NFA member firms. The NFA rule applies to firms that meet criteria relating to the percentage of a firm's associated persons who formerly were employed at a firm that was permanently barred from the industry through enforcement actions for deceptive telemarketing practices. Firms subject to the requirements of the rule must tape-record all sales solicitations. An NFA member subject to these procedures may seek a waiver of the taping requirement upon a satisfactory showing that its current supervisory procedures provide effective supervision over its employees, including enabling the member to identify potential problem areas before customer abuse occurs. The NFA has rarely granted such waivers.

Request For Comment

The NASD asks members and other interested persons to comment on the following specific questions as well as generally on the proposed amendments to NASD Rule 3010.

Question #1: As currently drafted, the Rule would apply to a member that hires a work force comprised of a specified percentage of associated

persons who formerly were associated with a disciplined firm, but does not specify that the associated person must have been employed by the disciplined firm at the time of the disciplinary event. As a result, a member firm that hires a number of associated persons who formerly were employed at another firm that subsequently becomes a "disciplined firm" could possibly become subject to the requirements of the Rule, even though the hiring firm was unaware, when it hired these associated persons, that in the future it would be subject to these requirements. Also, since there is no time specification in the Rule regarding when the associated person must have been employed at the disciplined firm, it is possible that associated persons employed at a disciplined firm many years before it was disciplined could trigger the requirements of the Rule. Members are asked to comment on whether this is an acceptable result and, if not, are asked for suggestions as to possible modifications.

Question #2: The proposed Rule does not include a waiver provision because of the difficulty of devising an alternative standard that would provide supervision equivalent to that provided by taping all conversations. Members are asked to comment on whether a waiver provision should be included in the Rule and also are asked for suggestions for standards that should be included in such a provision.

Question #3: While adoption of the Rule would result in benefits to the investing public and to the industry, there also would be certain costs associated with the Rule. In particular, costs would be incurred in connection with any taping equipment and systems that may need to be purchased and installed, retaining the tape recordings required by the Rule, and complying with state and federal

wire-tapping statutes. Please comment generally on the benefits and costs of the Rule, as well as on ways to reduce the costs of compliance while preserving the benefits of the Rule.

Question #4: As currently drafted, the Rule generally defines a "disciplined firm" as one that has been expelled, suspended, or enjoined within the past five years for telemarketing or sales-practice violations. Comment is requested as to whether another criterion should be added to the definition that would include firms in the definition if they were subject to some specified level of monetary sanction for telemarketing or sales-practice abuses. If so, what size fine would result in the inclusion of appropriate firms? Should disgorgement and/or restitution be included in this calculation?

Question #5: The Rule would apply when more than 20 percent of a firm's sales force is comprised of associated persons who formerly were employed by a "disciplined firm." Commenters are requested to address whether 20 percent is the appropriate percentage. Does it capture those firms that have such a significant portion of associated persons who may have had improper sales-practice training and supervision at their prior firm that enhanced supervisory procedures are necessary to ensure that their sales efforts in behalf of the hiring firm do not result in sales-practice abuse? Should the percentage be higher? lower?

Question #6: The determination of whether the Rule's requirements are triggered is based on a calculation of whether more than 20 percent of the firm's associated persons formerly were employed by a disciplined firm. Should persons associated with a member whose functions are solely and exclusively clerical or ministerial

be excluded from this calculation?

Comments should be directed to:

Joan Conley
Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

Comments should be received by **October 31, 1996**. Before becoming effective, the Rule amendments must be adopted by the NASD Regulation Board of Directors, reviewed by the NASD Board of Governors, and approved by the SEC.

Text Of Proposed Rule

(Note: New language is underlined; deletions are bracketed.)

Rule 3010 Supervision

(a) No change.

(b) Written Procedures

(1) Each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable rules of this Association.

(2)(i) Whenever more than 20% of a member firm's associated persons formerly were employed by one or more disciplined firms as defined in paragraph (g)(4), the member shall establish, maintain, and enforce special written procedures for supervising the telemarketing activities of all of its associated persons, which shall include tape-recording all telephone conversations between its associated persons and both existing and poten-

tial customers. In addition, each member that is itself a disciplined firm shall establish, maintain, and enforce such procedures.

(ii) Such procedures shall be maintained for a period of two years from the date the firm first becomes subject to the provisions of this paragraph. For each member that is itself a disciplined firm and continues to be a disciplined firm as defined in paragraph (g)(4) at the end of the two-year period, the Association will evaluate whether, and for what additional period, the firm will continue to be subject to the requirements of this paragraph.

(iii) Any tape recordings made pursuant to the requirements of this paragraph shall be periodically reviewed by the member firm to ensure compliance with applicable securities laws and regulations and with the rules of this Association.

(iv) Any tape recordings made pursuant to the requirements of this paragraph shall be preserved by the member for a period of not less than three years, the first two years in an easily accessible place. Each member shall catalog the retained tapes by associated person and date and maintain a sales solicitation log that reflects, at a minimum, the identity of each existing and potential customer each associated person contacts on each day.

(v) By the fifteenth day of the month following each calendar quarter, each member firm subject to the requirements of this paragraph shall submit to the Association a report on the member's supervision of the telemarketing activities of its associated persons.

~~[(2)]~~ (3) The member's written supervisory procedures shall set forth the supervisory system established by the member pursuant to Rule 3010(a) above, and shall include the titles, registration status and locations of the required supervisory personnel and the responsibilities of each supervisory person as these relate to the types of business engaged in, applicable securities laws and regulations, and the rules of this Association. The member shall maintain on an internal record the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the member for a period of not less than three years, the first two years in an easily accessible place.

~~[(3)]~~ (4) A copy of member's written supervisory procedures, or the relevant portions thereof, shall be kept and maintained in each OSJ and at each location where supervisory activities are conducted on behalf of the member. Each member shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in

applicable securities laws and regulations, including the rules of this Association, and as changes occur in its supervisory system, and each member shall be responsible for communicating amendments through its organization.

(c) through (f) No change.

(g) Definitions

(4) The term "disciplined firm" shall mean a member who, within the previous five years, in connection with telemarketing or sales practices involving the offer, purchase, or sale of any security: has been expelled or suspended in any capacity from membership or participation in any securities industry self-regulatory organization; is subject to an order of the Securities and Exchange Commission denying, suspending in any capacity, or revoking its registration as a broker/dealer; has been convicted of any felony or misdemeanor; or is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from acting as a broker/dealer or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security.

NASD NOTICE TO MEMBERS 96-60

Clarification Of Members' Suitability Responsibilities Under NASD Rules With Special Emphasis On Member Activities In Speculative And Low-Priced Securities

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

In *Notice to Members 96-32*, NASD Regulation, Inc. (NASD Regulation) informed the membership of its concerns over unusual and increased trading in speculative or low-priced securities. The Notice was intended, among other things, to remind members of their fair dealing and suitability responsibilities to customers under NASD® rules. NASD Regulation is publishing this Notice to supplement *Notice to Members 96-32* and to clarify certain issues addressed in that Notice.

Questions regarding this Notice may be directed to Daniel M. Sibears, Member Regulation, NASD Regulation, at (202) 728-6911; or David Spotts, Office of General Counsel, NASD Regulation, at (202) 728-8014.

Discussion

Notice to Members 96-32, published May 9, 1996, urged members to focus particular attention on certain rules, regulations, and best practices when dealing with customers in speculative or low-priced securities. It focused on NASD Regulation's concern for potential abusive conduct in connection with the sale of such securities, including market manipulation, misrepresentations, high pressure sales tactics, and fraudulent markups. In particular, NASD Regulation emphasized suitability, disclosure, valuations, supervision, and cold calling as areas in which members must take special care in discharging obligations to customers, especially when dealing in speculative or low-priced securities.

The purpose of this Notice is to supplement *Notice to Members 96-32*, and to clarify members' suitability obligations to customers under NASD rules.

Suitability Obligation

NASD Rule 2310 (formerly Article III, Section 2 of the NASD Rules of Fair Practice) provides that in recommending to a customer the purchase, sale, or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of facts available, including other security holdings, financial situation, and needs.

The suitability rule was amended in 1990 to require that, for all accounts opened and recommendations made after January 1, 1991, members make reasonable efforts to obtain certain information from each non-institutional customer before executing a recommended transaction (excluding transactions in money market mutual funds) including the customer's financial status, tax status, investment objectives, and other information considered to be reasonable in making recommendations to customers.

In discussing suitability determinations, *Notice to Members 96-32* included a statement that the NASD Rules of Fair Practice "requires a careful review of the appropriateness of transactions in low-priced, speculative securities, whether solicited or unsolicited." It is the reference to unsolicited transactions that NASD Regulation wishes to clarify.

A member's suitability obligation under Rule 2310 applies only to securities that have been recommended by the member. It would not apply, therefore, to situations in which a member acts solely as an order-taker for persons who, on their own initiative, effect transactions without a recommendation from the member (*See SEC Release No. 34-27160*, August 22, 1989). However,

a broad range of circumstances may cause a transaction to be considered recommended, and this determination does not depend on the classification of the transaction by a particular member as "solicited" or "unsolicit-

ed." In particular, a transaction **will** be considered to be recommended when the member or its associated person brings a specific security to the attention of the customer through any means, including, but not limited to,

direct telephone communication, the delivery of promotional material through the mail, or the transmission of electronic messages.

NASD NOTICE TO MEMBERS 96-61

NASD Regulation Computerized Delivery Site Transition Continues

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 transition of the current NASD PROCTOR® Certification and Training Centers into the Sylvan Network is on schedule. Authorized Sylvan Technology Centers will begin computerized delivery of Qualifications Examinations and the Continuing Education Program's computer-based training (CBT) in mid-November 1996. Questions regarding locations available for computerized delivery of Qualification Examinations and CBT should be directed to the Quality & Service Teams.

Quality & Service Team 1
(301) 921-9499

Quality & Service Team 2
(301) 921-9444

Quality & Service Team 3
(301) 921-9445

Quality & Service Team 4
(301) 921-6664

Quality & Service Team 5
(301) 921-6665

Status Of The Transition

We are currently testing the software required to make Qualifications Examinations and CBT available in the Sylvan Network. Our testing of the software is scheduled for completion in early October 1996.

A limited number of Sylvan Centers will begin delivery of Qualifications Examinations and CBT in October 1996. As the Sylvan Centers become available, NASD Regulation Centers in these areas will instruct candidates to contact the local Sylvan Center to schedule an appointment.

Regular candidate access to authorized Sylvan Centers is scheduled to begin in mid-November 1996. A complete list of authorized locations and phone numbers will be provided in future *Notices to Members* as sites become available. We are currently planning to have over 100 Sylvan Centers authorized for delivery before the end of the first quarter in 1997.

Please watch for further communications regarding specific changes as they occur. Questions regarding locations available for computerized delivery of Qualification Examinations and CBT should be directed to the Quality & Service Teams.

NASD NOTICE TO MEMBERS 96-62

SOES Tier Levels Set To Change October 1, 1996

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
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- Registration
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Executive Summary

Effective October 1, 1996, tier sizes for 591 Nasdaq National Market[®] securities will be revised in accordance with NASD Rule 4710(g) [formerly ¶2451a7 of the Rules of Practice and Procedure for the Small Order Execution System (SOES)].

For more information, please contact Nasdaq Market Operations at (203) 378-0284.

Description

Under the NASD Rule 4710, the maximum SOESSM order size for a Nasdaq National Market security is 1,000, 500, or 200 shares depending on the trading characteristics of the security. The maximum SOES order size for a Nasdaq National Market security also corresponds to the minimum quote size requirement for Nasdaq[®] market makers in that security [NASD Rule 4613(a)(2)(formerly Schedule D to the NASD[®] By-Laws, ¶1819, Part V, Section 2a)]. The Nasdaq Workstation II indicates the minimum quote size requirement for each Nasdaq National Market security in its bid/offer quotation display. The indicator "NM10," "NM5," or "NM2" is displayed to the right of the security name, corresponding to a minimum-size display of 1,000, 500, or 200 shares, respectively.

The criteria for establishing SOES tier sizes are as follows:

- A 1,000-share tier size was applied to those Nasdaq National Market securities that had an average daily non-block volume of 3,000 shares or more a day, a bid price that was less than or equal to \$100, and three or more market makers.
- A 500-share tier size was applied to those Nasdaq National Market securi-

ties that had an average daily non-block volume of 1,000 shares or more a day, a bid price that was less than or equal to \$150, and two or more market makers.

- A 200-share tier size was applied to those Nasdaq National Market securities that had an average daily non-block volume of less than 1,000 shares a day, a bid price that was less than or equal to \$250, and less than two market makers.

In accordance with NASD Rule 4710, Nasdaq periodically reviews the SOES tier size applicable to each Nasdaq National Market security to determine if the trading characteristics of the issue have changed so as to warrant a tier-size adjustment. Such a review was conducted using data as of June 28, 1996, pursuant to the aforementioned standards. The SOES tier-size changes called for by this review are being implemented with three exceptions:

- First, issues were not permitted to move more than one tier-size level. For example, if an issue was previously categorized in the 1,000-share tier, it would not be permitted to move to the 200-share tier, even if the formula calculated that such a move was warranted. The issue could move only one level to the 500-share tier as a result of any single review. In adopting this policy, the NASD was attempting to maintain adequate public investor access to the market for issues in which the tier-size level decreased and to help ensure the ongoing participation of market makers in SOES for issues in which the tier-size level increased.
- Second, for securities priced below \$1 where the reranking called for a reduction in tier size, the tier size was not reduced.
- Third, for the top 50 Nasdaq securi-

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ties based on market capitalization, the SOES tier sizes were not reduced regardless of whether the reranking called for a tier-size reduction.

In addition, with respect to initial public offerings (IPOs), the SOES

tier-size reranking procedures provide that a security must first be traded on Nasdaq for at least 45 days before it is eligible to be reclassified.

Thus, IPOs listed on Nasdaq within the 45 days prior to June 28, 1996,

were not subjected to the SOES tier-size review.

Following is a listing of the 591 Nasdaq National Market issues that will require a SOES tier-level change on October 1, 1996.

Nasdaq National Market SOES Tier-Size Changes
All Issues In Alphabetical Order By Security Name
(Effective October 1, 1996)

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
FBER	1ST BERGEN BANCORP	500	1000	AMRN	AMERIN CP	500	1000
TDGO	3-D GEOPHYSICAL INC	500	1000	AMCS	AMISYS MANAGED CARE	500	1000
FFST	4FRONT SOFTWARE INTL	500	1000	ANLG	ANALOGY INC	200	500
A				ANLY	ANALYSTS INTL CP	1000	500
AMLJ	A M L COMMUN INC	500	1000	ANDE	ANDERSONS INC (THE)	200	500
AMTL	A M T R O L INC	500	1000	ANST	ANSOFT CP	200	500
AMXX	A M X CP	500	1000	AGTX	APPLIED GRAPHICS TEC	200	500
ATCT	A T C COMMUN INC	500	1000	ARKR	ARK RESTAURANTS CP	500	1000
ATCEL	A T C ENVIR WTS C 96	500	1000	ABFSP	ARKANSAS BEST CV PFD	1000	500
ARONA	AARON RENTS INC CL-A	500	1000	AVEI	ARTERIAL VASCULAR	200	500
ASHEW	AASCHE TRANS SVC WTS	500	1000	ARTC	ARTHROCARE CP	500	1000
AATT	AAVID THERMAL TECH	500	1000	ASAM	ASAHI/AMERICA INC	200	500
ABACF	ABACAN RESOURCE CP	500	1000	ASBK	ASPEN BANCSHARES INC	1000	500
ABBK	ABINGTON SAVINGS BK	500	1000	ATEA	ASTEIA INTL INC	1000	500
ABRI	ABRAMS INDS INC	200	500	ATPC	ATHEY PRODUCTS CP	500	1000
ADVS	ADVENT SOFTWARE INC	500	1000	ATLB	ATLANTIC BK & TR(MA)	200	500
AFFI	AFFINITY TECH GROUP	200	500	ATCI	AUTONOMOUS TECH CP	200	500
ACNAF	AIR CANADA CP A	500	1000	AXNT	AXENT TECH INC	200	500
ATSS	AIR-CURE TECH INC	200	500	B			
ALXN	ALEXION PHARM INC	200	500	BESIF	B E SEMICON ORD SHRS	500	1000
ALRIZ	ALLERGAN LIGAND UTS	1000	500	BGSS	B G S SYSTEMS INC	200	500
ALET	ALOETTE COSMETICS	1000	500	BTFC	B T FINANCIAL CP	500	1000
ALPH	ALPHANET SOLUTIONS	200	500	PAPA	BACK BAY RESTAURANT	500	1000
RNCO	ALRENCO INC	500	1000	BACU	BACOU USA INC	200	500
AHCI	AMBANC HOLDING CO	500	1000	BWINB	BALDWIN LYONS CL B	500	1000
ABCN	AMER BNCP OF NEVADA	200	500	BPAO	BALDWIN PIANO ORGAN	500	1000
ACNS	AMER COMMUN SVCS INC	500	1000	BFIT	BALLY TOTAL FITNESS	500	1000
AFIL	AMER FILTRONA CP	200	500	BGLV	BALLY'S GRAND INC	1000	500
APTI	AMER PORTABLE TELECM	200	500	BFOH	BANCFIRST OHIO CP	200	500
AUGIW	AMER UN GLOBAL WTS	200	500	BKCT	BANCORP CONN INC	500	1000
BETM	AMER WAGERING INC	200	500	GRAN	BANK OF GRANITE	500	1000
ABAN	AMERICAN BANCSHARES	500	1000	BPLS	BANK PLUS CP	200	500
AMCN	AMERICAN COIN MERCH	500	1000	BANCA	BANKATLANTIC BNCP A	200	500

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
BNTT	BARNETT INC	200	500	CHERB	CHERRY CP CL B	500	1000
BATSW	BATTERIES BATT WTS	200	500	CTIM	CHILDTIME LEARN CTRS	500	1000
BATS	BATTERIES BATTERIES	200	500	CHRX	CHIREX INC	200	500
BMRQ	BENCHMARK MICROELECT	500	1000	CHSE	CHS ELECTRONICS INC	500	1000
BNTNW	BENTON OIL & GAS WTS	200	500	CIMTF	CIMATRON ORD SHS	200	500
BGAS	BERKSHIRE GAS CO	1000	500	CINRF	CINAR FILMS VTG B	500	1000
BZET	BIOFIELD CP	200	500	CNBL	CITI-BSCHS INC	200	500
BIOP	BIOPSYS MEDICAL INC	200	500	CICS	CITIZENS BKSH INC	500	1000
BIOI	BIOSOURCE INTL INC	500	1000	CTXS	CITRIX SYSTEMS INC	500	1000
BTRN	BIOTRANSPLANT INC	200	500	CTYS	CITYSCAPE FIN CP	500	1000
BNCC	BNCCORP INC	500	1000	CTRIS	CLEVETRUST RLTY SBI	200	500
BOATZ	BOATMEN'S DEP SHS	500	1000	TOUR	COACH USA INC	200	500
BOLD	BOLDER TECH CP	200	500	CBSAP	COASTAL BANC PFD A	200	500
BMTR	BONDED MOTORS INC	200	500	CDTX	COLONIAL DATA TECH	500	1000
BOSA	BOSTON ACOUSTICS INC	1000	500	CMCO	COLUMBUS MCKINNON CP	200	500
BRID	BRIDGFORD FOODS CP	500	1000	CBNY	COMMERCIAL BK OF N Y	1000	500
BNBC	BROAD NATL BNCP	1000	500	CBNH	COMMUNITY BNKSHS	1000	500
BFPT	BROOKS FIBER PPTYS	200	500	CFTP	COMMUNITY FED BNCP	200	500
				CSRV	COMPUSERV CP	200	500
C				CLCX	COMPUTER LEARNING	1000	500
CBTC	C B T CP	1000	500	CMSX	COMPUTER MGMT SCI	1000	500
CBHI	C BREWER HOMES INC A	500	1000	CNCT	CONNECTIVE THERA INC	500	1000
FLYAF	C H C HELICO CL A	200	500	COOP	COOPERATIVE BKSHS	500	1000
CKSG	C K S GROUP INC	500	1000	DLVRY	CORTECS INTL SPO ADR	200	500
CNBF	C N B FINANCIAL CP	200	500	CPWM	COST PLUS INC	200	500
CHRI	C O H R INC	200	500	COTL	COTELLIGENT GROUP	500	1000
CNET	C O M N E T CP	200	500	CSLI	COTTON STATES LIFE	500	1000
CSGS	C S G SYS INTL INC	200	500	CUNB	CUPERTINO NATL BNCP	500	1000
CSPI	C S P INC	1000	500	CYCH	CYBERCASH INC	200	500
CALN	CALNETICS CP	500	1000	CYLK	CYLINK CP	200	500
CMDAW	CAM DESIGNS INC WTS	1000	500	CYTC	CYTYC CP	200	500
CANX	CANNON EXPRESS INC	200	500				
CANNY	CANON INC ADR	1000	500	D			
CNTBY	CANTAB PHARM PLC ADR	1000	500	DARL	DARLING INTL INC	1000	500
CBCL	CAPITOL BANCORP LTD	500	1000	DDIM	DATA DIMENSIONS INC	200	500
CRBO	CARBO CERAMICS INC	200	500	DPRC	DATA PROCESSING RES	200	500
CTSI	CARDIOTHORACIC SYS	200	500	DMAR	DATAMARINE INTL INC	500	1000
CVDI	CARDIOVASCULAR DIAG	500	1000	DWRX	DATAWORKS CP	500	1000
CGIX	CARNEGIE GROUP INC	500	1000	DPSI	DAWSON PROD SVCS INC	200	500
CASA	CASA OLE' RESTRS INC	200	500	DOCI	DECISIONONE HLDGS CP	200	500
CSTL	CASTELLE	500	1000	DTRX	DETREX CP	500	1000
CLYS	CATALYST INTL INC	500	1000	DCPI	DICK CLARK PROD INC	1000	500
CATB	CATSKILL FIN CP	200	500	DGIT	DIGITAL GENERATION	500	1000
CWCOF	CAYMAN WATER ORD SHS	500	1000	DVID	DIGITAL VIDEO SYSTEM	200	500
CLTK	CELERITEK INC	500	1000	DVIDW	DIGITAL VIDEO WTS A	200	500
CVUS	CELLULARVISION USA	500	1000	DVIDZ	DIGITAL VIDEO WTS B	200	500
CVBK	CENTRAL VA BKSHS INC	200	500	DPNR	DIGNITY PARTNERS INC	500	1000
CENX	CENTURY ALUMINUM CO	200	500	DGIC	DONEGAL GROUP INC	500	1000
CBCA	CHANCELLOR BRDCSTG A	500	1000	TREE	DOUBLETREE CP	500	1000

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
E				FFBC	FIRST FINL BNCP (OH)	500	1000
EMCI	E M C INSURANCE GP	500	1000	FFHS	FIRST FRANKLIN CP	200	500
EMCG	E M C O R GROUP INC	500	1000	FLFC	FIRST LIBERTY FIN	1000	500
EDSE	E S E L C O INC	200	500	CASH	FIRST MIDWST FIN INC	200	500
ERIV	EAGLE RIVER INTERACT	200	500	FPBK	FIRST PATRIOT BKS R	1000	500
EDFY	EDIFY CP	200	500	SOPN	FIRST SAVINGS BNCP	500	1000
EDCO	EDISON CONTROL CP	200	500	FSTH	FIRST SO BC SHS INC	500	1000
EDIN	EDUCATIONAL INSIGHTS	500	1000	FUNC	FIRST UNITED CORP	200	500
ELAMF	ELAMEX SA DE CV CL 1	200	500	FFSW	FIRSTFEDERAL FINL	200	500
ELCO	ELCOM INTL INC	500	1000	FAME	FLAMEMASTER CP THE	200	500
ETCIA	ELECTRONIC TELECOM A	200	500	FFIC	FLUSHING FIN CP	500	1000
ESTR	ELECTROSTAR INC	500	1000	FSOLF	FORASOL-FORAMER N V	200	500
ELEX	ELEXSYS INTL INC	500	1000	FFGI	FOREFRONT GROUP INC	500	1000
ECIN	EMCEE BROADCAST PROD	500	1000	FTIC	FORENSIC TECH INTL	200	500
ENPT	EN POINTE TECH INC	200	500	FRTE	FORTE SOFTWARE INC	200	500
EVTI	ENDOVASCULAR TECH	500	1000	FELE	FRANKLIN ELEC INC	1000	500
ENEX	ENEX RESOURCE CP	500	1000	FRAG	FRENCH FRAGRANCES	500	1000
EFBI	ENTERPRISE FED BNCP	1000	500	FUSE	FUISZ TECH LTD	500	1000
EQSB	EQUITABLE FED SAV BK	200	500	G			
ERIE	ERIE INDEMNITY CO A	500	1000	GCREF	G C R HOLDINGS LTD	500	1000
ESCMF	ESC MEDICAL SYS ORD	500	1000	GGEN	GALAGEN INC	200	500
ESCA	ESCALADE INC	1000	500	GDSC	GATEWAY DATA SCI CP	200	500
ESMRW	ESMOR CORRECT WTS A	200	500	GCABY	GENERAL CABLE ADR	1000	500
ECGC	ESSEX COUNTY GAS CO	200	500	GSII	GENERAL SURGICAL INN	200	500
EMED	EUROMED INC	200	500	GNSM	GENSYM CP	200	500
EVAN	EVANS INC	500	1000	GGIT	GEOGRAPHICS INC	200	500
XCIT	EXCITE INC	200	500	GIGA	GIGA TRONICS INC	500	1000
STAY	EXTENDED STAY AMER	500	1000	GLBE	GLOBE BUSINESS RES	500	1000
F				GTPS	GREAT AMER BNCP INC	1000	500
FMBN	F & M BANCORP (MD)	500	1000	GSFC	GREEN STREET FIN CP	200	500
FCBF	F C B FINANCIAL CP	1000	500	GASIB	GREENWICH AIR SVCS B	200	500
FMCO	F M S FINANCIAL CP	200	500	GBCOA	GREIF BROS CP CL A	200	500
FPBN	F P BANCORP INC	200	500	GTIS	GT INTERACT SOFTWARE	500	1000
FYII	F Y I INC	500	1000	GUAR	GUARANTEE LIFE COS	500	1000
FARM	FARMER BROTHERS CO	200	500	GUMM	GUMTECH INTL INC	200	500
FOBC	FED ONE BANCORP INC	1000	500	H			
FMRX	FEMRX INC	200	500	HFFC	H F FINANCIAL CP	500	1000
FFED	FIDELITY FED BNCP	1000	500	HFNC	H F N C FINANCIAL CP	500	1000
FFFL	FIDELITY FED SAV (FL)	1000	500	HMTT	H M T TECHNOLOGY CP	200	500
FFRV	FIDELITY FIN BKSH CP	500	1000	HPSC	H P S C INC	500	1000
FFOH	FIDELITY FIN OF OHIO	200	500	HAHN	HAHN AUTOMOTIVE	1000	500
FITC	FINANCIAL TRUST CP	500	1000	HBHC	HANCOCK HLDG CO	500	1000
FMST	FINISHMASTER INC	1000	500	HFGI	HARRINGTON FIN GRP	200	500
FCWI	FIRST CMNWLTH INC	500	1000	HVFD	HAVERFIELD CP	1000	500
FFBH	FIRST FED BC SHS ARK	200	500	HWKN	HAWKINS CHEMICAL INC	1000	500
FFES	FIRST FED S L E.HTFD	500	1000	HSDC	HEALTH SYS DESIGN CP	200	500
FFBG	FIRST FED SVGS BK GA	200	500				
FTFN	FIRST FIN CP (RI)	200	500				

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
HPRT	HEARTPORT INC	200	500	J			
HTST	HEARTSTREAM INC	500	1000	JPMC	J P M CO (THE)	200	500
HCCO	HECTOR COMMUN CP	1000	500	JTAX	JACKSON HEWITT INC	500	1000
HELI	HELISYS INC	200	500	JXVL	JACKSONVILLE BANCORP	200	500
HAHI	HELP AT HOME INC	500	1000	JDAS	JDA SOFTWARE GRP INC	200	500
HAHIW	HELP AT HOME INC WTS	500	1000				
HLGRF	HOLLINGER INC	1000	500	K			
HPRKZ	HOLLYWOOD PK DEP SHS	500	1000	MENS	K & G MEN'S CENTER	500	1000
HBENB	HOME BENEFICIAL CP B	1000	500	KLLM	K L L M TRANSPORT SV	500	1000
HFMD	HOME FED CP	500	1000	KVHI	K V H INDS INC	200	500
HOMF	HOME FEDERAL BANCORP	1000	500	KTEL	K-TEL INTL INC	500	1000
HPBC	HOME PORT BNCP INC	1000	500	KATC	KATZ DIGITAL TECH	200	500
HTWN	HOMETOWN BNCP INC	500	1000	KAYE	KAYE GROUP INC	200	500
HMHM	HORIZON MENTAL HLTH	200	500	KNSY	KENSEY NASH CP	500	1000
HPIP	HOUGHTEN PHARM INC	200	500	KNTK	KENTEK INFO SYS INC	200	500
HSCL	HOUSECALL MED RES	200	500				
HUBG	HUB GROUP INC A	200	500	L			
I				LATS	L A T SPORTSWEAR INC	500	1000
ICOCZ	I C O INC DEP SHR	200	500	KNICW	L L KNICKBKR CO WTS	200	500
IDTC	I D T CORP	200	500	LNDC	LANDEC CP	200	500
IPPIF	I P L ENERGY INC	200	500	LARK	LANDMARK BSCHS INC	1000	500
ICOR	I S O C O R	200	500	LANV	LANVISION SYS INC	200	500
ITWO	I2 TECHNOLOGIES	200	500	LACIW	LATIN AMER CSNS WTS	500	1000
IMPH	IMPATH INC	200	500	LTRE	LEARNING TREE INTL	500	1000
IGPFF	IMPERIAL GINSENG PRO	500	1000	LHSPF	LERNOUT & HAUSPIE	500	1000
INCY	INCYTE PHARM INC	500	1000	LGAM	LEXINGTON GLBL ASSET	500	1000
IFSL	INDIANA FED CP	500	1000	CHAIW	LIFE MED SCI WTS A	500	1000
INDV	INDIVIDUAL INC	200	500	CHAI	LIFE MED SCIENCES	500	1000
IGRP	INDUS GROUP INC THE	200	500	LNDL	LINDAL CEDAR HOMES	500	1000
IHIIZ	INDUSTRIAL HLDG WT B	500	1000	MALT	LION BREWERY INC THE	200	500
INFO	INFONAUTICS INC A	200	500	LFBI	LITTLE FALLS BNCP	500	1000
III	INNOTECH INC	200	500	LVNTF	LIVENT INC	500	1000
IPAC	INTEGRATED PACKAGING	200	500	LOEH	LOEHMANN'S INC	200	500
ISCG	INTEGRATED SYS CONSL	200	500	LSBI	LSB FINANCIAL CP	200	500
IMII	INTELLIGENT MED IMAG	200	500	LCOS	LYCOS INC	200	500
IQST	INTELLIQUEST INFO GP	200	500	M			
INTG	INTERGROUP CP THE	200	500	MAIDY	M A I D PLC ADR	500	1000
IVBK	INTERVISUAL BOOKS	500	1000	METG	M E T A GROUP INC	500	1000
IVAC	INTEVAC INC	500	1000	MROC	M O N R O C INC	500	1000
ITIC	INVESTORS TITLE CO	1000	500	MXICY	MACRONIX INTL CO ADR	200	500
IAAPF	IONA APPLIANCES INC	500	1000	MGNL	MAGNA BANCORP INC	500	1000
IPCRF	IPC HOLDINGS LTD	200	500	MCSX	MANAGED CARE SOLU	200	500
IPSW	IPSWICH SAV BK	500	1000	MANA	MANATRON INC	500	1000
IRIX	IRIDEX CP	200	500	MARN	MARION CAP HLDGS INC	1000	500
IMTN	IRON MOUNTAIN INC	500	1000				
OVEN	ITALIAN OVEN INC	500	1000				

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
MBJI	MARKS BROS. JEWELERS	200	500	NWPX	NORTHWEST PIPE CO	500	1000
MATR	MATRIA HEALTHCARE	200	500	NMTXW	NOVAMETRIX MED WTS A	1000	500
SPEH	MAY & SPEH INC	200	500	NOVI	NOVITRON INTL INC	500	1000
MDII	MECHANICAL DYNAMICS	1000	500	NUCO	NUCO2 INC	500	1000
MECN	MECON INC	500	1000				
MCTH	MEDCATH INC	500	1000	O			
MECS	MEDICUS SYSTEMS CP	200	500	OAKF	OAK HILL FIN INC	500	1000
MLAB	MESA LABS INC	500	1000	OSII	OBJECTIVE SYS INT	500	1000
MTLS	METATOOLS INC	500	1000	OCAL	OCAL INC	200	500
MCTI	MICRO COMPONENT TECH	500	1000	ODETB	ODETICS INC CL B	200	500
MCDE	MICROCIDE PHARM INC	200	500	ODFL	OLD DOMINION FREIGHT	500	1000
MSFT	MICROSOFT CP	1000	500	OMEF	OMEGA FINL CP	1000	500
MWAR	MICROWARE SYS CP	200	500	OMPT	OMNIPOINT CP	500	1000
MIDD	MIDDLEBY CORP (THE)	500	1000	ONYX	ONYX ACCEPTANCE CP	200	500
MLNM	MILLENNIUM PHARM INC	200	500	ONXX	ONYX PHARM INC	200	500
MSPG	MINDSPRING ENTER INC	200	500	OTEXF	OPEN TEXT CP	500	1000
MNES	MINE SAFETY APPLS CO	500	1000	OPVN	OPENVISION TECH INC	200	500
MIND	MITCHAM INDS INC	500	1000	OCCF	OPTICAL CABLE CP	500	1000
MDCC	MOLECULAR DEVICES CP	500	1000	OPSI	OPTICAL SENSORS INC	500	1000
MAHI	MONARCH AVALON INC	200	500	OGNB	ORANGE NATL BNCP	200	500
MCRI	MONARCH CASINO	1000	500	ORBT	ORBIT INTL CP	500	1000
MNRTA	MONMOUTH REAL INV A	1000	500	OCAD	ORCAD INC	200	500
MRRW	MORROW SNOWBOARDS	500	1000	OSIA	OUTDOOR SYSTEMS INC	200	500
MOVA	MOVADO GROUP INC	500	1000				
MOYC	MOYCO TECH INC	500	1000	P			
LABL	MULTI COLOR CP	500	1000	PCDI	P C D INC	200	500
N				PCIS	P C I SVCS INC	500	1000
NHSL	N H S FINANCIAL INC	500	1000	PCSS	P C SVC SOURCE INC	500	1000
NSCC	N S C CORPORATION	500	1000	PDSF	P D S FINANCIAL CP	1000	500
NCCI	NASHVILLE COUNTRY CB	500	1000	PFFB	P F F BANCORP INC	200	500
NCCIW	NASHVILLE CTRY WTS	500	1000	PFINA	P F INDS INC A	500	1000
NBAK	NATL BNCP OF ALASKA	200	500	PICM	P I C O M I N S CO	1000	500
NCBE	NATL CITY BANCSHARES	1000	500	PBFI	PARIS CORP	500	1000
NMFS	NATL MED FIN SVCS CP	500	1000	PKWY	PARKWAY CO	500	1000
MBLA	NATL MERCANTILE BNCP	500	1000	PCTY	PARTY CITY CP	200	500
NPBC	NATL PENN BSCHS INC	500	1000	PGNS	PATHOGENESIS CP	500	1000
NWLIA	NATL WESTERN LIFE A	1000	500	PBIX	PATRIOT BANK CP	500	1000
NCSS	NCS HEALTHCARE INC A	500	1000	PEEK	PEEKSKILL FIN CP	500	1000
NEMA	NEMATRON CP	500	1000	SPWY	PENSKE MOTORSPORTS	200	500
NTEC	NEOSE TECH INC	200	500	PPLS	PEOPLES BK CP OF IND	500	1000
NIIUF	NEOZYME II UTS	1000	500	PBNB	PEOPLES SAV FINL CP	1000	500
IMGXW	NETWORK IMAGING WTS	500	1000	PERC	PERCLOSE INC	500	1000
IMGXP	NETWORK IMGNG CP PFD	1000	500	PTIX	PERFORMANCE TECH INC	500	1000
NICH	NITCHES INC	500	1000	PERM	PERMANENT BNCP INC	1000	500
NKID	NOODLE KIDOODLE INC	500	1000	PMOR	PHAR-MOR INC	500	1000
ALES	NOR'WESTER BREWING	500	1000	PPDI	PHARM PROD DEV INC	500	1000
NRLD	NORLAND MED SYS INC	1000	500	PCOP	PHARMACOPEIA INC	500	1000
NEIB	NORTHEAST IND BNCP	1000	500	PHOC	PHOTO CONTROL CP	200	500

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
PHMX	PHYMATRIX CP	500	1000	RISC	RISCORP INC A	200	500
PHYS	PHYSIO-CONTROL INTL	500	1000	RNRC	RIVERSIDE NATL BANK	200	500
PHYX	PHYSIOMETRIX INC	200	500	ROAD	ROADWAY EXPRESS INC	500	1000
PIAM	PIA MERCH SVCS INC	200	500	RBDS	ROBERDS INC	1000	500
PNFI	PINNACLE FINL SVCS	1000	500	ROMC	ROMAC INTL INC	500	1000
PHFC	PITTSBURGH HOME FIN	200	500	RCCC	RURAL CELLULAR CP A	500	1000
PIXR	PIXAR	500	1000				
PHII	PLANET HOLLYWOOD A	200	500	S			
PLNSY	PLANNING SCIENCE ADR	200	500	SDNB	S D N B FINANCIAL CP	1000	500
PTIS	PLASMA THERM INC	500	1000	SITL	S I T E L CP	1000	500
PTET	PLATINUM ENTERTAIN	200	500	SQAX	S Q A INC	500	1000
PLEN	PLENUM PUBLISHING CP	500	1000	SAGE	SAGEBRUSH INC	500	1000
PLCM	POLYCOM INC	200	500	SHCID	SALICK HLTH NEW SPL	500	1000
PCRV	POWERCERV CP	200	500	SAMC	SAMSONITE CP	1000	500
PGTZ	PRAEGITZER INDS INC	200	500	SABB	SANTA BARBARA BNCP	200	500
PFNT	PREFERRED NETWORKS	200	500	SAWS	SAWTEK INC	200	500
PRNIA	PREMIERE RADIO NET A	500	1000	SVECF	SCANVEC CO 1990 LTD	1000	500
PTEK	PREMIERE TECH INC	200	500	SCBI	SCB/COMPUTER TECH	200	500
PENG	PRIMA ENERGY CP	500	1000	BUNZ	SCHLOTZSKY'S INC	500	1000
PETE	PRIMARY BANK	1000	500	SCOP	SCOPUS TECHN INC	500	1000
PRMEP	PRIME RETAIL PFD B	1000	500	SEAM	SEAMAN FURNITURE CO	1000	500
PNBC	PRINCETON NATL BNCP	200	500	SFSL	SECURITY FIRST CP	500	1000
PRZM	PRISM SOLUTIONS	200	500	SEGU	SEGUE SOFTWARE INC	200	500
PFACP	PRO-FAC COOP PFD A	500	1000	SEMX	SEMICONDUCTOR PACKG	200	500
PRGX	PROFIT RECOVERY GRP	200	500	SENEB	SENECA FOODS CP B	200	500
PXXI	PROPHET 21 INC	500	1000	SEVN	SEVENSON ENVIRONMENT	500	1000
PULS	PULSE BANCORP INC	500	1000	SIBI	SIBIA NEUROSCIENCES	200	500
PMID	PYRAMID BREWERIES	500	1000	SSTI	SILICON STORAGE TECH	500	1000
				SLVR	SILVER DINER INC	200	500
Q				SFNCA	SIMMONS FIRST NATL A	1000	500
QZARF	Q-ZAR INC	500	1000	SIMN	SIMON TRANS SVCS A	500	1000
QDELW	QUIDEL CP WTS 2000	1000	500	SIPX	SIPEX CP	200	500
QTEL	QUINTEL ENTER INC	500	1000	SMOD	SMART MODULAR TECH	500	1000
QUIP	QUIPP INC	1000	500	SWEBF	SOFTQUAD INTL INC	500	1000
				SIMAW	SONICS & MATERIAL WT	200	500
R				SIMA	SONICS & MATERIALS	200	500
RACF	RAC FIN GROUP INC	500	1000	SRCM	SOURCE MEDIA INC	500	1000
RAPT	RAPTOR SYSTEMS INC	500	1000	OKSB	SOUTHWEST BNCP INC	1000	500
RTEL	RAYTEL MEDICAL CP	500	1000	SWPA	SOUTHWEST NATL CP	200	500
RDGCA	READING CO CL A	1000	500	SVRNP	SOVEREIGN BNCP PFD B	1000	500
RLCO	REALCO INC	500	1000	SPAB	SPACEHAB INC	500	1000
REDB	RED BRICK SYS INC	500	1000	SPAN	SPAN AMERICA MED SYS	1000	500
RGNT	REGENT ASSISTED LIVG	500	1000	SLNK	SPECTRALINK CP	200	500
REMC	REMEC INC	500	1000	SPIR	SPIRE CP	200	500
RENN	RENAISSANCE CAP GRWT	200	500	SPCH	SPORT CHALET INC	500	1000
RENS	RENAISSANCE SOLUTION	500	1000	SFSW	STATE FINL SVCS CL A	1000	500
RHEM	RHEOMETRICS SCI INC	200	500	STCIP	STATION CASINO PFD	200	500
RZYM	RIBOZYME PHARM INC	200	500	STEK	STECK-VAUGHN PUBLISH	500	1000
				SWBC	STERLING WEST BNCP	1000	500

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
STLBY	STOLT-NIELSEN SA ADR	500	1000	V			
STRB	STROBER ORGANIZATION	500	1000	VSEC	V S E CP	200	500
SUBK	SUFFOLK BNCP	1000	500	VCAM	VINCAM GROUP INC THE	200	500
SWZA	SUIZA FOODS CP	200	500	VSIO	VISIO CORP	1000	500
SSPW	SUN SPORTSWEAR INC	1000	500	VSNR	VISIONEER INC	500	1000
ASIA	SUNBASE ASIA INC	500	1000	VCOM	VITALCOM INC	500	1000
SUNH	SUNDANCE HOMES INC	1000	500	VOCLF	VOCALTEC LTD ORD SHS	500	1000
SUPG	SUPERGEN INC	200	500	VCSI	VOICE CONTROL SYSTEM	500	1000
SUPGW	SUPERGEN INC WTS	200	500	W			
SESIZ	SUPERIOR ENERGY WT B	500	1000	WBCI	W F S BANCORP INC	1000	500
SNTL	SUPERIOR NATL INS GP	200	500	WAIN	WAINWRIGHT BK TR CO	500	1000
SUPR	SUPERIOR SVCS INC	200	500	WSHI	WALSH INTL INC	200	500
SWMAY	SWEDISH MATCH AB ADR	200	500	WATFZ	WATERFORD PLC ADR UT	200	500
SYCM	SYBRON CHEMICALS INC	1000	500	WCBO	WEST COAST BNCP ORE	1000	500
SYKE	SYKES ENTERPRISES	200	500	WCEC	WEST COAST ENTERTAIN	200	500
SNAP	SYNAPTIC PHARM CP	500	1000	WSTL	WESTELL TECH INC A	500	1000
T				WOFB	WESTERN OHIO FIN	1000	500
TBAC	TANDY BRANDS ACCESS	1000	500	WPAC	WESTERN PACIFIC AIR	500	1000
TPNZ	TAPPAN ZEE FIN INC	1000	500	WSTF	WESTERN STAFF SVCS	200	500
TCICP	TCI COMMUN PFD A	500	1000	WFRAP	WHARF RESOURCES LTD	200	500
TFRC	TECHFORCE CP	500	1000	WHIT	WHITTMAN-HART INC	200	500
TCPI	TECHNICAL CHEMICALS	500	1000	WLMR	WILMAR INDS INC	500	1000
TENWF	TEE-COM ELECT WTS	500	1000	WIZTF	WIZTEC SOLUTIONS ORD	500	1000
TCOMB	TELE COMMUN B TCI GP	1000	500	WKGP	WORKGROUP TECH CP	200	500
TKIOY	TOKIO MARINE ADR	500	1000	WCHI	WORKINGMENS CAP HLDG	500	1000
TLGD	TOLLGRADE COMMUN INC	500	1000	WAXS	WORLD ACCESS INC	500	1000
TCTC	TOMPKINS COUNTY TRCO	200	500	WTLK	WORLD TALK COMMUN CP	200	500
TLXAF	TOOLEX-ALPHA N V ORD	500	1000	X			
TSIX	TRANSITION SYSTEMS	200	500	XATA	XATA CORP	500	1000
TRNS	TRANSMATION INC	500	1000	XEIKY	XEIKON N V ADR	200	500
TRES	TRESCOM INTL INC	500	1000	XTEL	XETEL CP	500	1000
TRDT	TRIDENT INTL INC	200	500	XYLN	XYLAN CP	200	500
TPPPF	TRIPLE P NV	500	1000	Y			
TFCO	TUFCO TECHS INC	500	1000	YHOO	YAHOO INC	200	500
U				YFCB	YONKERS FINANCIAL CP	200	500
USCM	U S C I INC	500	1000	YFED	YORK FINANCIAL CP	500	1000
CHDX	U S CHINA IND EXCH	1000	500	YRKG	YORK GRP INC (THE)	200	500
USSB	U S SATELLITE BRD A	500	1000	Z			
ULTD	ULTRADATA CP	200	500	ZSEV	Z SEVEN FUND INC THE	1000	500
UFEM	ULTRAFEM INC	200	500	ZOMX	ZOMAX OPTICAL MEDIA	200	500
UNDG	UNIDIGITAL INC	500	1000				
UBSC	UNION BKSHS LTD	500	1000				
UPCPO	UNION PLANTERS PFD E	1000	500				
UNHC	UNISON HEALTHCARE CP	500	1000				
UFCS	UNITED FIRE CASUALTY	1000	500				

NASD NOTICE TO MEMBERS 96-63

Columbus 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

Columbus Day: Trade Date-Settlement Date Schedule

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Columbus Day, Monday, October 14, 1996. On this day, The Nasdaq Stock Market, Inc., and the securities exchanges will be open for trading. However, it will not be a settlement date because many of the nation's banking institutions will be closed.

Trade Date	Settlement Date	Reg. T Date*
Oct. 7	Oct. 10	Oct. 14
8	11	15
9	15	16
10	16	17
11	17	18
14	17	21
15	18	22

*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 (5) 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."

Note: October 14, 1996, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board. Transactions made on Monday, October 14, will be combined with transactions made on the previous business day, October 11, for settlement on October 17. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on October 14.

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 96-64

Fixed Income Pricing
System Additions,
Changes, And Deletions
As Of August 28, 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 August 28, 1996, the following bonds were added to the Fixed Income Pricing System (FIPS).

Symbol	Name	Coupon	Maturity
CQB.GH	Chiquita Brands Intl	10.250	11/1/06
KR.GJ	Kroger Co	8.150	7/15/06
SCR.GD	Sea Containers Ltd	10.500	7/1/03
GBPI.GA	Golden Books Publishing Inc	7.650	9/15/02
ORX.GI	Oryx Energy	8.375	7/15/04
CSNO.GB	Casino America Inc	12.500	8/1/03
PIOS.GA	Pioneer Std Electric Inc	8.500	8/1/03
PHCR.GB	Paracelsus Healthcare	10.000	8/15/06
GRHD.GA	Greyhound Dial Corp	10.500	5/15/06
CFN.GA	ContiFinancial Corp	8.375	8/15/03
HAYN.GA	Haynes Int'l Inc	11.625	9/1/04
ENQ.GA	Amer Media Operations Inc	0.000	5/15/97

As of August 28, 1996, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
CYH.GA	Community Health Systems Inc	10.250	11/30/03
CVC.GH	Cablevision Systems	NA	NA
USTR.GA	US Trails Inc	12.000	7/15/98
NWAI.GA	NWA Inc	8.625	8/1/96

As of August 28, 1996, changes were made to the names and symbols of the following FIPS bonds:

New Symbol	New Name	Old Symbol	Old Name
VICN.GD	Viacomm Int'l Inc	PARA.GA	Paramount Comm
VINC.GE	Viacomm Int'l Inc	PARA.GB	Paramount Comm

As of August 28, 1996, changes were made to the symbols of the following FIPS bonds:

New Symbol	Old Symbol	Name	Coupon	Maturity
ENU.GA	ENQ.GA	Enquirer/Star Inc	10.375	5/15/02
ENU.GB	ENQ.GB	Enquirer/Star Inc	0.000	5/15/97

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

DISCIPLINARY ACTIONS

Disciplinary Actions Reported For September

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, September 16, 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, Individual Sanctioned

Banc Street Securities, Inc. (Milwaukee, Wisconsin) and Gerald William Patterson (Registered Principal, Wauwatosa, Wisconsin).

The firm was fined \$10,000 and expelled from membership in the NASD. Patterson was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Patterson, filed inaccurate net capital computations and an inaccurate FOCUS Part IIA report with the NASD. The firm and Patterson also failed to respond to NASD requests for information.

Firm Fined, Individuals Sanctioned Helix Securities, Inc. (Salt Lake City, Utah), Willard N. Kilgrow (Registered Representative, Draper, Utah), and Patricia L. Faulkner (Registered Principal, Salt Lake City, Utah).

The firm was fined \$75,000 and Kilgrow was fined \$25,000, suspended from association with any NASD member in any capacity for 90 days, and required to requalify by exam. Faulkner was fined \$15,000, suspended from association with any NASD member in any capacity for 60 days, and required to requalify by exam. The sanctions were based on findings that the firm

and Kilgrow engaged in a manipulative scheme to increase the price of a common stock. The firm and Faulkner also failed to enforce supervisory procedures and failed to supervise Kilgrow in order to deter and detect the aforementioned activities.

Firm And Individual Fined

Harris Webb & Garrison, Inc. (Houston, Texas) and Robert J. Wilson (Registered Principal, Sugar Land, Texas)

submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally. The firm also must hire a full-time financial and operations principal and Wilson must requalify by examination as a financial and operations principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Wilson, failed to comply with the (k)(2)(ii) exemption under Rule 15c3-3 under the Securities and Exchange Act of 1934, as amended. The findings also stated that the firm, acting through Wilson, engaged in a securities business while failing to maintain its minimum required net capital.

Firms Fined

Auerbach, Pollack & Richardson, Inc. (Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$75,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a securities business while failing to maintain its minimum required net capital. The NASD also found that the firm allowed an associated person to function as a registered representative before becoming registered with the NASD. The findings also stated that the firm failed to adequately enforce

its written supervisory procedures and to supervise the activities of its registered supervisory personnel to achieve compliance with applicable securities laws and regulations.

CS First Boston Corporation (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$17,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to honor quotations it caused to be disseminated through Nasdaq®.

Individuals Barred Or Suspended
Abisoye Ibraheem Adekoya (Registered Principal, Chicago, Illinois) was fined \$90,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Adekoya participated in private securities transactions and failed to provide prior written notice to and obtain approval from his member firms.

Paul B. Andrews (Registered Principal, Walpole, Massachusetts) 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, Andrews consented to the described sanctions and to the entry of findings that he canceled option transactions in his personal securities account and, without the knowledge or consent of his member firm, transferred losses from the transactions to the firm's error account.

John J. Ball, Jr. (Registered Principal, Randolph, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent 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, Ball consented to the described sanctions and to the entry of findings that he canceled option transactions in his personal securities account and, without the knowledge or consent of his member firm, transferred losses from the transactions to the firm's error account.

James M. Bock (Registered Representative, Chatham, New Jersey), Jeffrey Streich (Registered Representative, New York, New York) and Keith Youngswick (Registered Representative, New York, New York) submitted Offers of Settlement pursuant to which Bock was fined \$8,500, suspended from association with any NASD member in any capacity for 10 business days, and prohibited from accepting buy or sell orders for retail customers in non-Nasdaq, over-the-counter securities. Bock was also prohibited from receiving any commissions or commission equivalents from retail trades in non-Nasdaq, over-the-counter securities for two years. Streich was fined \$25,000, suspended from association with any NASD member in any capacity for 20 business days, and prohibited from accepting buy or sell orders for retail customers in non-Nasdaq, over-the-counter securities. Streich was also prohibited from receiving any commissions or commission equivalents from retail trades in non-Nasdaq, over-the-counter securities for three years. Youngswick was fined \$35,000, suspended from association with any NASD member in any capacity for six months, required to requalify by exam, and prohibited from accepting buy or sell orders for retail customers in non-Nasdaq, over-the-counter securities. Youngswick was also prohibited from receiving any commissions or commission equivalents from retail trades in non-Nasdaq, over-the-counter securities for five years. Without admitting or denying

the allegations, the respondents consented to the described sanctions and to the entry of findings that they executed trades in violation of the penny stock rules. The NASD also found that Youngswick prepared and produced for the NASD false records and provided false information during NASD interviews.

Bock's suspension began August 12, 1996, and concluded August 23, 1996.

Streich's suspension began August 12, 1996, and will conclude September 16, 1996.

Youngswick's suspension began August 12, 1996, and will conclude February 16, 1997.

Daniel Eugene Boyd (Registered Representative, Ashburn, Virginia), Gregory J. Hilsenrath (Registered Principal, Bethesda, Maryland), William Francis Knight (Registered Principal, New York, New York), Frank Nicholas Rossani (Registered Representative, Brooklyn, New York), Corey D. Singman (Registered Principal, Brooklyn, New York), Michael E. Dudley (Registered Representative, Bethesda, Maryland), and Michael McGinnis (Registered Representative, Las Vegas, Nevada) Boyd, Hilsenrath, Knight, Rossani, Singman, and Dudley submitted Offers of Settlement pursuant to which Boyd was fined \$10,397.75 and suspended from recommending any penny stock transactions for two years. Hilsenrath was fined \$27,615.46, suspended from recommending any penny stock transactions for five years, and suspended from association with any NASD member as a general securities principal for two years. Knight was fined \$16,721.40, suspended from recommending any penny stock transactions for five years, and suspended from association with any NASD

member as a general securities principal for two years. Rossani was fined \$5,320 and suspended from recommending penny stock transactions for one year. Singman was fined \$15,000, suspended from recommending any penny stock transactions for five years, and suspended from association with any NASD member as a general securities principal for two years. Dudley was fined \$2,577.50 and suspended from recommending any penny stock transactions for one year. In a separate decision, McGinnis was fined \$25,581.10 and barred from association with any NASD member in any capacity.

Without admitting or denying the allegations, Boyd, Hilsenrath, Knight, Rossani, Singman, and Dudley consented to the described sanctions and to the entry of findings that the respondents effected penny stock transactions for public customers in contravention of Securities and Exchange Commission (SEC) Rule 15g. The findings also stated that Hilsenrath, Knight, and Singman failed to supervise sales representatives to prevent ongoing penny stock violations and failed to respond adequately to red flag warning signals indicating that the sales representatives were continuing to violate the penny stock rules by improperly relying on the non-recommended transaction exemption.

The NASD found that Hilsenrath, Knight, and Singman permitted employees to solicit investors to purchase penny stocks and to accept orders from customers without the benefit of registration with the NASD. In addition, the NASD determined that Boyd and Rossani solicited investors to purchase penny stocks and accepted orders from customers without being registered with the NASD. McGinnis also failed to respond to an NASD request for information.

Jack John Brillouet (Registered Representative, Leavenworth, Kansas) 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 must pay restitution to any party or parties entitled. Without admitting or denying the allegations, Brillouet consented to the described sanctions and to the entry of findings that he received \$234 from a public customer intended as payment of an insurance premium. Brillouet instead, converted the monies for his own use and benefit without the knowledge or consent of the customer.

Peter C. Bucchieri (Registered Principal, Las Vegas, Nevada) was fined \$25,000, required to provide proof of payment of an arbitration award to customers, and required to pay \$50,979 in restitution to customers. If Bucchieri fails to show proof of payment of restitution and the arbitration award, he must cease association with any NASD member in any capacity. Additionally, Bucchieri was suspended from association with any NASD member in any capacity for 60 days and barred from association with any NASD member as a general securities principal. The SEC affirmed the sanctions following appeal of a May 1995 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that Bucchieri effected discretionary transactions in the accounts of public customers that were excessive in size or frequency, in view of the financial resources and character of the customers' securities accounts.

Terry L. Burke (Registered Representative, Schenectady, New York) 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, Burke consented to the described sanctions and to the entry of findings that he converted customers checks totaling \$17,221.33 for his own use and benefit.

John J. Carroccia, III (Registered Representative, Orchard Park, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Carroccia failed to respond to NASD requests to appear for an investigative interview.

Brian T. Cottrell (Registered Representative, Chicago, Illinois) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cottrell purchased and sold securities for the account of a public customer without the customer's knowledge or consent and in the absence of written or oral authorization to exercise discretion in the account. Cottrell also failed to respond to NASD requests for information.

James Lee Delliquanti (Registered Representative, Rancho Santa Margarita, California) was fined \$25,000, suspended from association with any NASD member in any capacity for 15 business days, and ordered to requalify by exam as a general securities representative. The sanctions were based on findings that Delliquanti made unsuitable recommendations to public customers without having grounds for believing that they were suitable for the customers in view of the size, frequency, and nature of the recommended transactions and the customers' other securities holdings, financial situations, circumstances, and needs.

Fred Devereaux, Jr. (Registered Representative, Los Angeles, California) was fined \$20,000 and barred from association with any NASD

member in any capacity. The sanctions were based on findings that Devereaux failed to respond to NASD requests for information about possible unauthorized trading in a customer's account.

Kristi Lee Devine (Registered Representative, Windham, New Hampshire) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Devine failed to respond to NASD requests for information about a customer complaint.

Michael P. Devine (Registered Representative, Bedford, New Hampshire) 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, Devine consented to the described sanctions and to the entry of findings that he purchased securities for the accounts of public customers without their authorization.

Patrick J. Doherty (Registered Representative, Milwaukee, Wisconsin) was fined \$100,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Doherty failed to promptly and accurately update his Uniform Application for Securities Industry Registration (Form U-4) to reflect a felony conviction. Doherty also obtained \$5,000 from a public customer for the purchase of a mutual fund and instead, used the funds for some purpose other than for the benefit of the customer.

George Draghiceanu (Registered Representative, Dearborn, Michigan) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that

Draghiceanu forged a public customer's name to an insurance reinstatement form, reinstated the customer's disability income insurance with his member firm, and paid a \$140 reinstatement fee for the customer, all without the customer's knowledge or consent. Draghiceanu also failed to respond to NASD requests for information.

Brian C. Drew (Registered Representative, San Gabriel, California) was fined \$36,206.60, barred from association with any NASD member in any capacity, and ordered to pay \$3,241.32 in restitution to a member firm. The sanctions were based on findings that Drew misused \$3,241.32 in public customers' funds that were intended as insurance premium payments. Drew also failed to respond to NASD requests for information.

Edward Sarthou Escalante (Registered Representative, Daly City, California) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Escalante failed to respond to NASD requests for information.

Emanuel Feit (Registered Representative, Bowling Green Station, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$23,100 in restitution to public customers. Without admitting or denying the allegations, Feit consented to the described sanctions and to the entry of findings that he caused 13 buy and sell transactions to be effected for the accounts of public customers without their knowledge or authorization. The findings also stated that to conceal his actions, Feit changed the addresses of public customers to fictitious addresses.

David M. Gass (Registered Representative, White Plains, New York) was fined \$7,500, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam as a general securities representative. The sanctions were based on findings that Gass conducted unauthorized transactions in the accounts of public customers.

Brian L. Gibbons (Registered Representative, Scottsdale, Arizona) was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 days. The SEC affirmed the sanctions following appeal of an October 1995 NBCC decision. The sanctions were based on findings that Gibbons provided inaccurate and misleading information to the NASD staff in response to NASD requests for information.

This action has been appealed to the U.S. Court of Appeals, and the sanctions are not in effect, pending consideration of the appeal.

Alex Gincherman (Registered Representative, Brooklyn, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gincherman failed to respond to NASD requests for information.

Malcolm Hadley Gissen (Registered Principal, San Francisco, California) 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 five business days. Without admitting or denying the allegations, Gissen consented to the described sanctions and to the entry of findings that he participated in the purchase of limited partnership interests by investors without providing prior written notification to his member firm.

Raymond Hjalmar Lubeck, Jr. (Registered Representative, Barcelona, Spain) was fined \$25,000, suspended from association with any NASD member in any capacity for 30 days, and barred from association with any NASD member in a principal capacity. The sanctions were based on findings that Lubeck acted as a principal without being registered with the NASD as a principal.

Christopher A. Medina (Registered Representative, Aurora, Colorado) submitted an Offer of Settlement pursuant to which he was fined \$20,000, suspended from association with any NASD member in any capacity for 30 business days, and required to requalify by exam as a registered representative. Without admitting or denying the allegations, Medina consented to the described sanctions and to the entry of findings that he exercised discretion in a customer's account without written authorization or acceptance of the account as discretionary by his member firm. The findings also stated that Medina engaged in unsuitable and excessive trading while exercising discretion in the same customer account. Furthermore, the NASD determined that Medina signed a public customer's name to a margin account agreement without the customer's authorization.

Timothy J. O'Connor (Registered Representative, Hicksville, New York) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that O'Connor failed to disclose the complete details of an arrest and conviction on his Form U-4. O'Connor also failed to respond to NASD requests for information.

John G. Pearce (Registered Principal, West Palm Beach, Florida) was fined \$10,000 and suspended from association with any NASD

member in any capacity for 90 days and thereafter until he satisfies an arbitration award. The SEC affirmed the sanctions following appeal of an August 1995 NBCC decision. The sanctions were based on findings that Pearce failed to pay an \$85,000 arbitration award.

Rafael Angel Pinkay (Registered Representative, Whitestone, New York) was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$50,000 plus interest in restitution to customers. The sanctions were based on findings that Pinkay received \$50,000 from public customers for the purchase of mutual funds and investments, failed to deposit these funds for credit to the individuals' accounts or invest them on their behalf, and instead, converted and stole the monies for his own benefit. To conceal his theft, Pinkay prepared false and fraudulent account statements that appeared to be on the stationary of his member firm. Pinkay also failed to respond to NASD requests for information.

Thomas H. Poole (Registered Representative, Chicago, Illinois) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Poole obtained \$550.20 from a public customer with instructions to use the funds to reinstate insurance policies and pay for other policies. Poole failed to follow the instructions and used only \$394.80 as instructed and used the remaining \$155.40 for some purpose other than the benefit of the customers. Poole also failed to respond to NASD requests for information.

Wade Rondo Price (Registered Representative, Portland, Oregon) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and barred from association with any

NASD member in any capacity. Without admitting or denying the allegations, Price consented to the described sanctions and to the entry of findings that he accepted checks totaling \$13,000 from public customers intended for the purchase of mutual fund shares, endorsed the checks, and converted the funds to his own use and benefit.

Scott D. Purcell (Registered Principal, Corona Del Mar, California) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and suspended from association with any NASD member as a general securities principal for 30 days. Without admitting or denying the allegations, Purcell consented to the described sanctions and to the entry of findings that he failed to accurately compute the amount required to be deposited in the special reserve bank account for the exclusive benefit of customers for his member firm and failed to deposit the required amount into the account. The findings also stated that Purcell, on behalf of his member firm, failed to maintain possession and control of all fully-paid-for customers' securities. The NASD also found that the firm, acting through Purcell, made withdrawals from its reserve bank account, but failed to make a computation of the firm's reserve requirements on which the firm could rely as a basis for making the withdrawals.

Timothy Joseph Randall (Registered Representative, Alvord, Texas) 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, Randall consented to the described sanctions and to the entry of findings that he borrowed \$112,500 from six clients of his member firm and failed to repay them.

Barry Kirk Robertson (Registered Representative, Foothills Ranch, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Robertson consented to the described sanctions and to the entry of findings that he obtained \$10,000 from a public customer intended for investment purposes and, contrary to the customer's instructions, he retained the funds for his own use and benefit. The NASD also found that Robertson prepared and sent to the same customer a document purporting to evidence an investment in a group pension contract when no such investment had been made.

Erling O. Rolfson, Jr. (Registered Representative, New Rockford, North Dakota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$34,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rolfson consented to the described sanctions and to the entry of findings that he received checks totaling \$6,864 made payable to two customers. The NASD found that without the knowledge or consent of the customers, Rolfson misused the funds by forging the customers' signatures on the checks, depositing them in his agency account, and failing to remit the funds to the customers until a later time.

William J. Roos (Registered Representative, Redondo Beach, California) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Roos gave false responses to questions on his Form U-4 regarding his criminal history.

George Scharf (Registered Representative, Patchogue, New York) 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, Scharf consented to the described sanctions and to the entry of findings that he received \$2,260 from public customers intended for securities investment and, without their knowledge or consent, misappropriated the funds for his own use and benefit.

James Henry Shellfo (Registered Representative, Reno, Nevada) was fined \$240,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Shellfo received \$40,000 from a public customer and converted the funds to his own use and benefit.

Andrew Robert Spanton (Registered Representative, Hicksville, New York) 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 five business days. Without admitting or denying the allegations, Spanton consented to the described sanctions and to the entry of findings that he caused option purchase transactions to be entered for his personal securities account without making payment for such transactions as required pursuant to Regulation T of the Board of Governors of the Federal Reserve System. The NASD also found that Spanton issued a check from his bank account towards payment of the option transactions and knew, or should have known, that he did not have sufficient funds in the checking account.

Adam A. Starkweather (Registered Representative, Chapel Hill, North Carolina) 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, Starkweather consented to the described sanction and to the entry of findings that he converted \$3,000 in customer funds for his own use and benefit. The findings also stated that Starkweather forged the signature of a public customer on a form used to borrow money from the customer's insurance policy.

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

Timothy L. Thompson (Registered Representative, Howell, New Jersey) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Thompson failed to respond to NASD requests for information about customer complaints.

John Yakimczyk (Registered Representative, Aurora, Colorado) and **Howard Frank (Registered Principal, Denver, Colorado)** submitted an Offer of Settlement pursuant to which Yakimczyk was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. Frank was fined \$2,500 and suspended from association with any NASD member in any principal or supervisory capacity for 30 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that

Yakimczyk recommended that customers purchase stock without disclosing that he had received the stock from the issuer as compensation for consulting services and was selling that stock at the same time the customers were purchasing. The NASD also found that Frank failed to supervise Yakimczyk adequately in connection with the above activity. The findings also stated that Yakimczyk failed to notify his member firm of brokerage accounts maintained at a Canadian broker/dealer in which he received additional stock at the same time as the aforementioned activities.

Firms Expelled For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations
LP Charles & Company, Inc.,
Denver, Colorado

Petroleum Commodities & Realty, Inc., Plano, Texas

The Wellington Group, Inc., New York, New York

Westmark Securities Corp., Santa Monica, California

Firms Suspended

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The actions were based on the provisions of NASD Rule 8210 (formerly Article IV, Section 5 of the NASD Rules of Fair Practice) and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after each entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Freeman Financial Services, Inc.,
Newport Beach, California
(July 15, 1996)

The Investment Firm, Dubuque, Iowa (July 29, 1996)

Suspensions Lifted

The NASD has lifted suspensions from membership on the dates shown for the following firms because they have complied with formal written requests to submit financial information.

Donnellan Haylett & Co., Inc.,
Sarasota, Florida (August 1, 1996)

Magdensburg Securities Corp.,
New York, New York (July 26, 1996)

Meridian Equities Company,
Jackson, New Jersey (July 2, 1996)

On-line Notes & Mortgages, Inc.,
Albuquerque, New Mexico
(July 26, 1996)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations
Roy B. Ageloff, Staten Island, New York

Otis J. Alexander, Tacoma, Washington

William W. Bolles, Charlotte, North Carolina

James W. Bullard, Jr., Miami Beach, Florida

John E. Cathcart, Scottsdale, Arizona

Robert F. Catoggio, Staten Island, New York

Gary D. Edwards, Graham, Texas

Robert P. Jackson, Fort Worth, Texas

Robert W. Kendrick, San Francisco, California

James W. Lyons, Atlanta, Georgia

Robert E. McDaniel, South Palm Beach, Florida

Sione Tangen, San Francisco, California

Breck A. Willbond, Elyria, Ohio

Darrell K. Woolley, Rancho Mirage, California

Individuals Whose Registrations Were Canceled/Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Awards
Thomas Garrett Chenoweth,
Lexington Park, Maryland

James F. Greene, Del Ray Beach, Florida

David Jason Grey, New York, New York

Edward Arthur McKay, Jr.,
New York, New York

Joseph Schmidt, Oregon City, Oregon

NASD Regulation Fines
AmSouth Investment Services
For Mutual Fund Sales Violations
NASD Regulation, Inc. (NASD Regulation) fined AmSouth Investment Services, Inc., \$150,000 and censured the Birmingham, Alabama firm in connection with the marketing and sale of various mutual fund products.

AmSouth also consented to NASD Regulation's findings that the firm improperly paid transaction-related compensation to employees of its bank affiliate to generate business for the brokerage business, in violation of NASD RegulationSM rules.

NASD Regulation found that AmSouth neither documented its performance of a due diligence review of certain mutual funds nor maintained new account documents for certain customers. Therefore, the firm could not demonstrate that these investments were suitable for its customers. AmSouth also made misleading written statements about one of the funds to certain customers, and failed to prepare and maintain adequate books and records concerning the sale of the funds.

Many of the sales-practice violations occurred because AmSouth's supervision system was inadequate. AmSouth also did not file required statistical and summary information on customer complaints with NASD Regulation on time.

"Broker/dealer firms must be especially vigilant and ensure that customers who purchase mutual funds on the premises of banks understand the risks and rewards of those investments," said NASD Regulation President Mary Schapiro. "We are continuing our efforts to safeguard investor interests by focusing our investigations on these important issues and by initiating disciplinary actions when appropriate. Our recent rule proposals concerning the conduct of our member firms who sell securities on the premises of financial institutions is a significant effort to focus on disclosure and investor protection issues."

AmSouth has agreed to a compliance audit of internal policies and procedures by an independent party. The firm will also develop a revised

Supervision and Compliance Manual, which will include a clearly defined organization structure and indicate various areas of supervisory responsibility. The revised manual will be subject to review by the independent party. The audit results and the revised manual are subject to review by NASD Regulation.

The disciplinary action was authorized by NASD Regulation's District 5 Business Conduct Committee. Schapiro praised the cooperative investigative efforts of the District 5 Office and the Alabama Securities Commission, which conducted a joint investigation. "This is an excellent example of NASD Regulation's commitment to coordinate enforcement efforts with state regulators," Schapiro said.

NASD Regulation Obtains \$1 Million-Plus In Restitution For Investors From H.J. Meyers

NASD Regulation, Inc. (NASD Regulation) obtained more than \$1 million in restitution for about 3,000 customers who were charged unfair prices in seven securities traded by H.J. Meyers & Co., Inc., between 1990 and 1993.

NASD Regulation fined the firm and 22 of its current and former managers and sales representatives a total of nearly \$500,000 in connection with the three-year unfair pricing practice. H.J. Meyers was also censured by NASD Regulation.

This restitution is one of the largest refunds ever obtained for investors by the NASD, and reinforces our commitment to customer protection, said NASD Regulation President Mary L. Schapiro. Individual sales representatives and senior management share equally the responsibility to ensure that customers are treated honestly and receive fair market prices.

Based in Rochester, NY, H.J. Meyers employs more than 700 people, including 480 brokers, in 15 offices throughout the country.

The overcharging at H.J. Meyers was uncovered after a lengthy investigation by NASD Regulation's Enforcement Department in Washington and its District 8 Office in Cleveland.

The settlements with the firm and the 22 individual brokers—in which they consented to NASD Regulation's findings without admitting or denying the allegations—requires the firm to make restitution of \$1,025,000 to the almost 3,000 customers who were overcharged. H.J. Meyers will notify each investor who is entitled to restitution, and make all necessary payments within 120 days.

The \$1 million-plus restitution is in addition to the almost \$517,000 H.J. Meyers has already credited to certain customers accounts. The final amount of restitution may increase significantly, based on the results of a full accounting that is still in progress. H.J. Meyers has agreed to make additional restitution payments if needed.

The firm will also pay a \$250,000 fine to NASD Regulation and must improve its oversight function by, among other things, hiring an independent consultant to review and monitor for one year the firm's trading policies and procedures.

Michael L. Vanechanos, the firm's head trader, was fined \$100,000, suspended for six months from acting in any principal or supervisory capacity, including a 45-day suspension from acting in any capacity at all, and censured.

The firm's President, James A. Villa, was fined \$25,000, suspended for 20 business days in all capacities, and censured.

NASD Regulation found that H.J. Meyers, acting through Vanechanos, dominated and controlled the trading in seven securities (in some cases stocks and warrants of the same issuer) to such an extent that there was no active, competitive market. The securities involved were: Acqua Group, Inc., common stock and warrants; Vision Ten, Inc., common stock; Xerographic Laser Images Corp., common stock and warrants; and Integrated Security Systems, Inc., common stock and warrants.

As a result, H.J. Meyers and Vanechanos were able to charge retail customers unfair markups and markdowns that ranged from five percent to as much as 50 percent over the prevailing market price for the seven securities. NASD Regulation found there were a total of 4,824 separate transactions, almost two-thirds of which, or 3,206, were fraudulent because the markup or markdown exceeded 10 percent. Generally, markups or markdowns of more than 10 percent are considered fraudulent under NASD Regulation rules.

NASD Regulation also found that H.J. Meyers and Villa failed to implement and/or enforce the firms written supervisory procedures concerning markups and markdowns.

Troy M. Peters of Poway, California, a former H.J. Meyers branch manager, was fined \$5,000 by NASD Regulation, suspended for three business days, and censured. Peters was cited for failure to supervise. To re-enter the securities industry as a principal or supervisor, Peters must requalify by examination.

In separate settlements, an additional 19 brokers were fined, suspended,

and censured. NASD Regulation found that these individuals were also responsible for overcharging retail customers because they accepted excessive gross commissions or sales credits in sales of Xerographic and/or Integrated securities.

Their specific sanctions follow:

Michael Hall, Lake Forest, California (\$7,500 fine, ten-day suspension, censure)

Richard Van Steen, Boca Raton, Florida (\$5,000 fine, ten-day suspension, censure)

Louis P. Arena, Holmdel, New Jersey (\$5,000 fine, five-day suspension, censure)

Joseph J. Olmsted, Denver, Colorado (\$5,000 fine, five-day suspension, censure)

Kraig Kuchukian, Vernon Hills, Illinois (\$5,000 fine, five-day suspension, censure)

Matt C. Moniak, San Diego, California (\$5,000 fine, five-day suspension, censure)

Richard J. Monello, Scottsdale, Arizona (\$5,000 fine, three-day suspension, censure)

John Michael Johnson, San Diego, California (\$5,000 fine, three-day suspension, censure)

Robert D. Luecke, San Diego, California (\$5,000 fine, three-day suspension, censure)

William Manzullo, New York, New York (\$5,000 fine, three-day suspension, censure)

Robert P. Rifkin, Irvine, California (\$2,500 fine, five-day suspension, censure)

Allen W. Branam, North Richland Hills, Texas (\$2,500 fine, five-day suspension, censure)

Patrick T. Donahue, Hamburg, New York (\$2,500 fine, three-day suspension, censure)

Robert J. Fiore, Jr., Pompano Beach, Florida (\$2,500 fine, three-day suspension, censure)

Patrick J. Donelan, Delray Beach, Florida (\$2,500 fine, three-day suspension, censure)

Howard H. Thomson, Long Beach, California (\$2,500 fine, three-day suspension, censure)

John M. Hurley, Monmouth Beach, New Jersey (\$2,500 fine, three-day suspension, censure)

John B. Flanagan, Boca Raton, Florida (\$2,500 fine, three-day suspension, censure)

George F. Mucci, III, Sicklerville, New Jersey (three-day suspension, censure)

All of these violations occurred at Thomas James Associates, Inc., which later acquired H. J. Meyers, and operates under that name today.

The terms of these settlements were accepted by the District Business Conduct Committee for District 8, in Chicago, and approved by the National Business Conduct Committee.

FOR YOUR INFORMATION

NASD Information/Publications Available Electronically

Members and the general public now have several ways to obtain information about the NASD, NASD Regulation, Inc., and The Nasdaq Stock Market, Inc. Those with Internet access can check out the Nasdaq® homepage at <http://www.nasdaq.com> or NASD Regulation's homepage at <http://www.nasdr.com>. The NASD's homepage is scheduled to be launched in early September at <http://www.nasd.com>.

Another option for accessing NASD materials is through MeadData's online service—Lexis. Lexis contains the *NASD Manual*, *Notices to Members*, and *Disciplinary Actions*. Users with Lexis accounts can go to the **Fedsec** library and type in the filename **NASD**. The documents can then be accessed by typing the individual filename:

- **Manual** for the *NASD Manual*;
- **Notice** for *Notices to Members*; and
- **Discip** for the *Disciplinary Actions*.

Direct your questions about obtaining NASD information via Lexis to the Lexis/Nexis Customer Service Hotline at (800) 543-6862.

Compliance International, Inc., provides NASD information through its C-Text subscription service. C-Text allows access to the *NASD Manual*, *Notices to Members*, *Regulatory & Compliance Alert*, and the *NASD Guide to Rule Interpretations* through weekly updates by diskette.

Further information regarding the C-Text service can be obtained directly from Compliance International, at (201) 808-0955.

If you would prefer your NASD publication information in CD-ROM format, then Information Handling

Services (IHS) can provide monthly updates to you via their Securities Regulatory Library service. This CD-ROM service includes the *NASD Manual*, *Notices to Members*, the *NASD Guide to Rule Interpretations*, and *Regulatory & Compliance Alert*.

For more information, contact IHS at (800) 757-8670 or send an e-mail to financial@ihfinancial.com.

SEC Announces Adoption Of Order Execution Rules

Below is the text of the SEC's recent press release regarding its order execution rules.

Washington, DC, Wednesday, August 28, 1996—The U.S. Securities and Exchange Commission today acted to enhance the quality of public quotations for equity securities and to improve investor access to the best prices available for equity securities transactions. The Commission's actions require the public display of the prices and size of customer limit orders (orders to buy or to sell at a specified price) and the display of prices of orders entered by market makers in certain private trading systems.

The Commission adopted a Limit Order Display Rule that requires the public display of customer limit orders priced better than an exchange specialist's or market maker's quote. The rule also requires that specialists and market makers add limit orders priced at their quote to the size associated with their quote when that quote represents the best market-wide price. The rule will set standard display requirements for limit orders in all markets. The rule represents a major change for the handling of limit orders in the Nasdaq market where such orders have never been displayed. The Commission believes that the new rule will benefit investors because the publication of

trading interest at prices that improve specialists' and market makers' quotes presents investors with improved execution opportunities and improved access to best prices when they buy or sell securities.

The Commission also adopted amendments to its Quote Rule to ensure that all investors are fully informed of the best price at which specialists or market makers are willing to trade a security. Currently, specialists and market makers may privately display a better price than their public quotations through certain private trading systems in which priced orders are invisible and inaccessible to investors at large. The amendment to the rule benefits investors by bringing into public view the better prices in these systems and by allowing all investors to trade at such prices. In addition, the rule was amended to require that substantial market makers for any security listed on an exchange publish their quotations for such security.

This benefits investors by enhancing the public availability of prices for all listed securities, some of which were not published before.

Finally, the Commission is deferring action on a proposed rule that would have required that customer market orders (unpriced orders) be given an opportunity to obtain a better price than the best price available when the order was received. The Commission continues to believe that the execution of market orders at the best possible price is a worthwhile goal. Many market participants responding to the Commission's proposal indicated their belief that the new Limit Order Display Rule and Quote Rule amendments adopted today will achieve the objectives of the proposed rule by causing better prices for customer market orders. Accordingly, the Commission will monitor the effect of today's regulatory initiatives to determine the need for further action regarding price improvement for market orders.

During the meeting in which the Commission voted to adopt these regulatory initiatives, SEC Chairman Arthur Levitt stated: "These rules are intended to empower all investors, by placing orders on a level playing field, and by providing the disclosure needed to make informed decisions."

SEC's Implementation Plan

The Limit Order Display Rule (for exchange-listed securities and 1,000 of the most liquid Nasdaq securities) and Quote Rule Amendments will become effective 120 days after the date of adoption (i.e., publication in the Federal Register). The next 1,500 and 2,000 Nasdaq securities will be phased-in over two three-month intervals, respectively, with the remaining Nasdaq securities to be covered on the first anniversary of the Rule's adoption. A later Notice providing additional information will be sent to members prior to effectiveness.