

NASD® Press Release

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STATEMENT BY THE NASD ON SEC SETTLEMENT

The following is a statement by the National Association of Securities Dealers, Inc. (NASD) on its settlement with the Securities and Exchange Commission (SEC).

Today the NASD reached a settlement regarding certain matters with the SEC. The rigors of the SEC investigation, as well as the assessments of the NASD Select Committee on Structure and Governance, chaired by former U.S. Senator Warren Rudman, have been extremely constructive for the NASD. We have made significant regulatory and organizational changes, and will make many more. As a result, we are a very different, and stronger, organization than we were even a year or six months ago. We believe these changes effectively address the issues raised in the SEC Report.

For example, the NASD created a new subsidiary, NASD Regulation, Inc., which has primary responsibility for regulatory matters, while The Nasdaq Stock Market, Inc., subsidiary continues to operate The Nasdaq Stock Market. Unique among self-regulatory organizations, the NASD Board and its Audit Committee have non-industry majorities. In addition, the Boards of Directors of the subsidiaries and significant policy-making committees have 50 percent non-industry representation.

We have hired talented, experienced, and well-respected people to run the subsidiaries. Mary Schapiro joined the organization in January as President of the regulatory subsidiary, and has attracted many seasoned securities regulators to NASD Regulation, Inc. Alfred Berkeley joined us in June as President of The Nasdaq Stock Market, Inc. The parent company created two new offices (the Office of Ombudsman and the Office of Investor Services) to give voice to the interest of individual investors.

Motivated by ever-increasing market regulatory responsibilities, we expanded our regulatory and enforcement staff by 7 percent, adding more than 130 staff, primarily to the examination, enforcement, and surveillance programs. We are spending millions of dollars to enhance our automated market surveillance systems, including systems to improve detection of late trade reporting and violations of other market-making rules. Our

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Boards have committed to expend an additional \$100 million over the next five years on these programs. These significant expenditures demonstrate our shared commitment with the SEC for safe, fair, and liquid markets and a well-regulated securities industry.

All of us at the NASD, NASD Regulation, Inc., and The Nasdaq Stock Market, Inc., remain committed to operating and regulating the fairest and most efficient markets possible.

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