



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

March 2, 1973

TO: All NASD Members

RE: Frank & Drake, Inc.
120 Wall Street
New York, NY 10005

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of a SIPC Trustee for Frank & Drake, Inc., a New York located firm. Members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code.

Please refer to Section 59(h) for the detailed procedures.

Questions as to money differences and other matters of business should be directed to the trustee.

SIPC Trustee: Daniel F. Callahan, Esq.
Whitman & Ransom
522 Fifth Avenue
New York, NY 10036
Telephone (212) TN 7-1700

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, NY 10004, (212) 269-6393.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full application of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 9, 1973

TO: All NASD Members

Attention: Dealers doing business exclusively
in exempted securities

Municipal Departments

RE: Application of Rules to All Members Regardless of
Nature of Business

The Securities Investor Protection Act of 1970, which created the Securities Investor Protection Corporation (SIPC), requires that the Association advise SIPC promptly of the names of members which are in or are approaching financial difficulty. SIPC protects in the event of business failure the funds and securities of customers held by broker/dealers to the extent of \$20,000 and \$50,000, respectively. This obligation to notify SIPC of members' financial difficulties underscores the primary responsibility of the Association to monitor the financial and operational soundness of its members. Implementation of this monitoring process necessitates that there be appropriate capital standards applicable to the entire membership and that all rules be uniformly applied, to the extent appropriate, to all members.

Members of the Association who deal exclusively in "exempted securities" as defined in Section 3(a)(12) of the Securities Exchange Act of 1934, including U.S. Government and municipal securities, generally take the position that because transactions in "exempted securities" are exempt from all but the fraud provisions of the securities laws, the net capital, record-keeping and other rules and regulations of the Association and the Securities and Exchange Commission do not apply to them. Also, the Association's By-Laws are presently unclear as to

whether, by virtue of these firms' membership in the Association, those rules and regulations apply to them. The Association's Board of Governors is of the opinion, and has so determined, that all rules and regulations should apply equally to all members regardless of the type of business they engage in. It has therefore clarified the By-Laws in that respect. The necessity for this position becomes paramount in view of the added responsibilities the Association has to the Securities Investor Protection Corporation to protect its financial resources by monitoring the operational and financial soundness of members' businesses regardless of the nature of the business engaged in.

The Association's Board has, therefore, adopted the attached resolution, the thrust of which is that applicants who plan to deal, or members who deal, exclusively in exempted securities must as a qualification for, or continuance in membership in the Association execute an agreement to abide, and shall abide, by the SEC net capital and record-keeping rules, and any and all other rules and regulations promulgated pursuant to any of the various securities acts, or by the Association, which are applicable to members generally, unless specifically exempted therefrom by action of the Association's Board of Governors.

Present members whose securities business is restricted exclusively to transactions in exempted securities will, therefore, be required to execute by April 1, 1973, an agreement to abide by the above-referenced rules. Our District staffs will contact those firms which, according to Association's records, are required to sign such an agreement, but it will be the responsibility of each member whose activities are limited to exempted securities to so advise the appropriate District Office in any event. Failure to execute the referred to agreement or to conform business activities as described herein shall result in a forfeiture of membership. Applicants for membership who plan to do a business only in exempted securities will not be admitted to membership until they have executed an agreement to abide by all of the referred to rules and regulations.

The intent of the referred to resolution is also that members engaging in the general securities business, who also execute exempted securities transactions, shall be required to conform their operations in exempted securities, to the extent that they deviate, to all appropriate rules and regulations of general application. In this connection, it has become a practice in certain parts of the country to record transactions in municipal securities only after the securities are delivered out to or

received from the customer on settlement date. This will no longer be permissible after April 1, 1973. Henceforth such transactions must be recorded as of the date of the commitment. In respect to "when issued securities", the practice has been not to record such until issuance of the bonds. Such will be considered a permissible practice subject to further review by the Association.

Please direct any inquiries regarding this matter to your local NASD District Director.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Frank J. Wilson".

Frank J. Wilson
Senior Vice President
Regulation

RESOLUTION OF THE BOARD OF GOVERNORS

January 19, 1973

Resolved pursuant to the provisions of Article I, Section 2(d) of the By-Laws, the Board of Governors hereby deems it necessary and desirable as a basis for qualification for membership in the Association to require that all members, notwithstanding that they may deal solely in securities exempted from the provisions of the various securities acts, shall be subject to the provisions of Rule 15c3-1, Rule 17a-3, and Rule 17a-4 under the Securities and Exchange Act of 1934, and any other rule or regulation of general application to other members of the Association, unless specifically exempted therefrom by action of the Board of Governors of the Association; and

Be It Further Resolved, that an applicant for membership in the Association who intends to deal in such exempted securities prior to being accepted for membership in the Association be required to execute an agreement with the Association pursuant to which it shall undertake to abide by all such rules and regulations; and

Be It Further Resolved, that all present members of the Association who deal exclusively in exempted securities shall, as a qualification for continued membership in the Association, be required to execute such an agreement within thirty days after the passage of this resolution; and

Be It Further Resolved, that Schedule C of the By-Laws be amended to reflect this action.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

March 14, 1973

NOTICE

TO: All NASD Members and Interested Persons

- RE:
1. Proposed New Article III, Section 35 of the Rules of Fair Practice Concerning Underwriter Inquiry Standards Respecting Distributions of Issues of Securities to the Public;
 2. Proposed Amendment to Article III, Section 2 of the Rules of Fair Practice Concerning Suitability of Recommendations to Customers; and
 3. Proposed Amendment to Schedule "C" of Article I, Section 2 (d) of the By-Laws Embodying the Concept of and Requirements for a Qualified Underwriter Principal.

The Board of Governors of the Association has proposed a new Rule of Fair Practice, an amendment to an existing Rule of Fair Practice and an amendment to the Association's By-Laws which have as their purpose the establishment of a system of regulation in the areas of underwriter inquiry and investigation respecting distributions of issues of securities to the public, customer suitability standards for certain new issues, and the creation of a new category of registration, "qualified underwriter principal", with specified requirements to qualify for such. These proposals are being published by the Board at this time to enable all interested persons an opportunity to comment thereon. Other proposals bearing on the bona fides of certain public offerings of securities are part of an overall package and shall be published for comment in the near future. Comments on the proposals submitted herewith must be submitted in writing and be received by the Association by April 13, 1973, in order to receive consideration. After the comment period has expired, the proposals must again be reviewed by the Board. Thereafter, the proposed rule and rule amendment must be submitted to the membership for a vote. If approved,

they and the proposed By-Law amendment must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Explanation of Proposals

These proposals have resulted from the Securities and Exchange Commission's request of July 26, 1972, to the Association that it consider the establishment of appropriate standards in the areas of underwriter inquiry standards and customer suitability rules respecting first-time public offerings, among other things.

As a result of its Public Investigation in the Matter of the Hot Issues Securities Markets, the Commission determined that two significant problems relating to due diligence procedures of managing underwriters existed. First, the Commission noted that there was a diversity in due diligence practices among underwriters. Further, there appeared to be some disagreement among underwriters as to which statements in a registration statement must be verified, the extent to which such verification should be carried, and the methods and means by which such verification should be conducted. Secondly, the Commission also found that in some cases the due diligence practices of underwriters were inadequate to satisfy the reasonable investigation requirement of Section 11 of the Securities Act of 1933. That section is the basis of underwriters' so-called due diligence obligation in connection with its investigation of a company for which it is offering to the public an issue of securities. In light of the Commission's findings, it requested the Association to consider formulating minimum standards for underwriters to follow in connection with their due diligence investigations.

The Association's Board of Governors established an Ad Hoc Committee to Study New Issue Rules to review the Commission's requests. After several meetings, that Committee made certain recommendations to the Board which are the basis for the proposals here being made. In respect to underwriters' inquiry standards, the Board determined that the best approach would be to require that underwriters establish their own inquiry or "due diligence standards" for the investigation of an issuer prior to a public offering of securities and that they be required to follow the procedures they have thus established. These requirements are contained in a proposed Rule of Fair Practice, Article III, Section 35, attached hereto. The details of that proposed rule are delineated below. This approach follows the concept adopted in the past by the Association of requiring members to establish written supervisory procedures and to follow the procedures

established, i. e., Article III, Section 27 of the Rules of Fair Practice.

The Board also concluded that important to a consideration of underwriter inquiry standards are the qualification of persons engaged in underwriting activities. Thus, it has proposed a new category of registration, "qualified underwriter principal", and requirements for qualifying as such, for those individuals engaged in the distribution of securities offerings to the public.

Experience in investment banking activities would be required to qualify as would successful passage of a qualification examination: measuring competence in at least the three following areas, among others: (1) accounting and financial analysis; (2) regulations of the SEC and NASD pertaining to securities distributions; and (3) preparation of registration statements. These concepts are embodied in a proposed amendment to Schedule "C" to Article I, Section 2 (d) of the Association's By-Laws.

In its Public Investigation, the Commission noted that the enormous demand for securities in a hot issue market might create pressures upon broker-dealers to hastily sell securities to their customers regardless of the investment merits of the securities or the customer's individual circumstances. Within that framework, the Commission requested the Association consider the development of suitability standards to guide its membership in selling securities issued by companies engaged in an initial distribution of securities to public investors. In this area, the Board, upon recommendation of the Ad Hoc Committee, determined that higher than normal suitability standards should be required in connection with the distribution of securities of companies in the promotional, exploratory or development stage with no history of earnings. These new requirements would not apply to an established private company distributing its securities to the public for the first time. The proposed new suitability requirements are contained in a proposed amendment to Section 2 of the Association's Rules of Fair Practice. The amendment would require a member to maintain in its files the basis for and reasons upon which it made its determination of suitability as to a particular customer's purchase of securities of a promotional-type company in an initial public distribution.

A second-by-section analysis of the three proposals follows:

Proposed Article III, Section 35 of the Rules of Fair Practice

Paragraph (a) of proposed Section 35 would require every member engaged in investment banking activities, as defined, as a managing underwriter, as defined, to establish and maintain written procedures which it

would be required to follow in its inquiry and investigation of an issuer for whom it is acting in the planned distribution of an issue of securities to the public. Sixteen areas of inquiry which would be required to be included in a member's procedures are stated in the rule. They are not intended to be exclusive of others which would be required depending upon the nature of a particular member's investment banking activities; rather, they are intended to represent minimum standards of inquiry. Sub-paragraphs (a) (1) through (15) have particular reference to managing underwriters engaged in the distribution of corporate securities to the public. Subparagraphs (a) (16) (i) through (iv) require certain additional standards in connection with the distribution of tax-sheltered programs to the public.

The definition of "managing underwriter" in relation to paragraph (a) is important and it should be studied by all members. That term is defined for purposes of the rule in a manner different from the commonly understood meaning of the term so as to insure (when combined with paragraph (b)) that proper inquiry and investigation has been made by a member of the Association of all issues of securities distributed by members regardless of whether there is a managing underwriter in the context of the commonly understood meaning of that term. The term "managing underwriter" is defined for purposes of the rule as the:

member originating the distribution and/or the primary distributor of the issue in question, or the member who made the required filing with the Association pursuant to the provisions of the Interpretation of the Board of Governors Concerning the Review of Corporate Financing.

Thus, all members who underwrite, act as the primary distributor or file an issue of securities with the Association for review pursuant to the Corporate Financing Interpretation are subject to the obligations of paragraph (a).

Paragraph (b) would cover situations where a corporate issue is "self-underwritten" by the issuer itself or a tax-sheltered program is distributed to the public by the "program issuer" or its affiliate utilizing NASD members. Many times these offerings are filed for review with the Association by the issuer itself which intends, if the review is favorable, to subsequently solicit NASD members for purposes of distribution. This has been permissible conduct but the Association's Board is concerned about the adequacy of disclosure in such situations because of the absence of an independent inquiry and investigation. Henceforth, therefore, pursuant to paragraph (b), members participating

in such distributions would be subjected to the same paragraph (a) obligations of proper inquiry and investigation as members falling within the definition of "managing underwriters". If one of several distributors has assumed and met paragraph (a) obligations, the requirements of paragraphs (a) and (b) will be considered to have been met in connection with that offering. While paragraph (b) would appear to impose new requirements upon NASD members participating in the distribution of such corporate self-underwritten or tax-sheltered issues, it should be noted that such standards are applicable to such members since they could possibly already be considered underwriters under the Securities Act of 1933.

Paragraph (c) of Section 35 would require a managing underwriter prior to the effective date of a securities distribution to certify in the agreement among underwriters that it had both established adequate inquiry and investigation procedures as detailed in paragraph (a) of the proposed rule, and had followed such procedures with respect to the underwriting in question. Paragraph (c) would also require the managing underwriter to make such a certification to all selling group members prior to the offering date of a securities distribution in those cases where an agreement among underwriters does not exist. In those cases where neither an agreement among underwriters exists nor a selling group has been established, nor where the required inquiry and investigation is performed by a member subject to the provisions of paragraph (b), the certification must be contained in the prospectus.

Paragraph (d) would require each managing underwriter to maintain, keep and preserve written documentation evidencing compliance with the provisions of proposed Section 35. These records would be required to be maintained for a period of five years, the first two years in an easily accessible place. This retention requirement is similar in scope to the requirement of Securities and Exchange Commission Rule 17a-4 respecting records to be preserved by broker-dealers. This documentation will be reviewed by the Association in the course of its inspection program of members' offices.

Paragraph (e) defines the words "investment banking", "managing underwriter", "prospectus", and "tax-sheltered program", used in Section 35. The term "managing underwriter" has been discussed above. The other definitions are self-explanatory.

Proposed Amendment to Article III, Section 2 of the Rules of Fair Practice

Paragraph (a) of Section 2 would be changed only by a technical amendment made necessary by proposed new paragraph (b). Thus, the

Association's existing suitability standards would continue to apply in respect to all transactions (except those regulated by Schedule "E" to Article IV, Section 2 (c) of the By-Laws) not covered by paragraph (b).

Paragraph (b) would impose more stringent suitability requirements in connection with recommendations to customers by members of certain unseasoned securities. That paragraph would require a member who recommends to customers the purchase of a security which is part of an initial public offering of a company in the promotional, exploratory or developmental stage, as defined, to maintain written documentation detailing the basis for and the reasons upon which such determination was established. The suitability of the recommendation would be required to be judged by the member based on information furnished by the customer concerning his investment objectives, financial needs and situation, and other pertinent information known to the member.

Paragraph (c) would define the phrase, "promotional, exploratory or developmental stage", as used in paragraph (b) as being a company incorporated or organized within one year prior to the date of the filing of the registration statement for the issue to be distributed and which has not had net income resulting from operations of the character for which the company was formed; or a company incorporated or organized more than one year prior to the date of the filing of the registration statement for the issue to be distributed and has not had net income resulting from operations of the character for which the company was formed in at least one of the two fiscal years immediately preceding the filing of the registration statement or in at least one fiscal year if the company was organized less than two years prior to the filing of the registration statement. These criteria are similar to those contained in Rule 253 under the Securities Act of 1933 dealing with Regulation A offerings.

Proposed Amendment to Part I of Schedule "C" to Article I,
Section 2 (d) of the Association's By-Laws

Subparagraph (a) (1) of proposed Section (4) of Schedule "C" to Article I, Section 2 (d) of the Association's By-Laws applies to new members and would in subparagraph (a) (i) require each firm whose membership becomes effective after the adoption of the proposed amendment, and who intends to engage in investment banking activities, to designate with the Association at least one person as a "Qualified Underwriter Principal". The duties of such individual would include the organization and/or supervision of any participation in the origination or distribution of offerings of securities by a member whether as an underwriter or selling group member.

Subparagraph (a) (ii) would require, prior to the time the new member could engage in investment banking activities, as defined, the individual designated by the firm as a "Qualified Underwriter Principal" to pass both a Qualification Examination for Principals and the new Qualification Examination for Qualified Underwriter Principals. If such individual is not required to pass the Qualification Examination for Principals as per the provisions of subparagraph 1 (c) of Schedule "C", because he had previously passed that examination or was "grandfathered", he would be required nonetheless to pass the examination for Qualified Underwriter Principal.

Subparagraph (a) (iii) would establish an experience requirement which would have to be met before a person could be designated by a member as a Qualified Underwriter Principal. Thus, the person so designated would have to have been associated with a member actively engaged in the distribution of offerings of securities for a period of at least three years prior to such designation and he must demonstrate that his duties during such employment entailed involvement by him with the member's investment banking activities. Subparagraph (a) (iii) also provides for a waiver of the experience requirement in exceptional cases upon written application to the President of the Association. The burden of justification of all waivers would be upon the applicant.

Paragraph (b) to proposed Section (4) applies to existing members of the Association. Subparagraph (b) (1) thereof would require each such member engaged in investment banking activities whose membership became effective prior to the adoption of the proposed amendment to designate with the Association at least one Qualified Underwriter Principal. Such member would not be permitted to engage in investment banking unless such designation had been made and approved by the Association. Subparagraph (b) (1) would also require, with certain exemptions contained in subparagraph (b) (iv), such designated person to pass both a Qualification Examination for Principals (unless such were previously taken) and a Qualification Examination for Qualified Underwriter Principals.

Subparagraph (b) (ii) would require every person becoming registered as a principal of a member after the effective date of the rule whose duties do or will involve the organization and/or supervision of any participation in the origination or distribution of offerings of securities by the member whether as an underwriter or selling group member to be designated as a Qualified Underwriter Principal. These individuals would be required to pass both the Qualification Examination for Principals (if it had not already been passed) and the Qualification

Examination for Qualified Underwriter Principals. It should be noted that a selling group member is defined as a member engaged in a distribution whose participation exceeds 10% or more of the entire securities offering.

Subparagraph (b) (iii) would require any registered principal whose duties are changed after the adoption of this proposed amendment to Schedule "C" to involve the organization and/or supervision of any participation in the origination or distribution of offerings of securities by the member whether as an underwriter or selling group member to pass the Association's Qualification Examination for Qualified Underwriter Principals.

Subparagraph (b) (iv) would permit those principals who were actively engaged in the distribution or underwriting of issues of securities and had been employed by a member or a series of members for a period of at least three years prior to the effective date of the proposed amendment to be qualified with the Association as a "Qualified Underwriter Principal" without taking the Qualification Examination for Underwriter Principals. Principals unable to qualify under this exemptive provision would be required to pass the Qualified Underwriter Principals examination testing a person's investment banking knowledge.

Subparagraph (b) (v) would require any individual whose status as a registered principal with the Association has been terminated for a period of at least two years immediately preceding his application as a "Qualified Underwriter Principal" to pass the Qualification Examination for Underwriter Principals prior to his assumption of duties relating to the organization and/or supervision of any member's investment banking activities notwithstanding the length of his previous experience in investment banking.

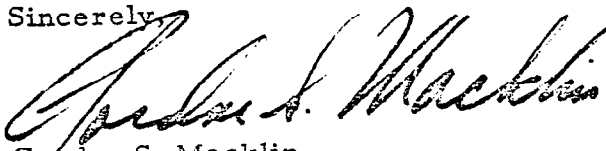
Paragraph (c) would prohibit any officer, director, general partner, owner of ten percentum or more of the voting securities or a controlling person of any Association member for whom a trustee has been or is subsequently appointed pursuant to the Securities Investor Protection Act from engaging in any phase of investment banking activities until such individual has passed the Qualification Examination for Principals and the Qualification Examination for Underwriter Principals. Therefore, after the adoption of this proposed amendment to Schedule "C" of the Association's By-Laws, no person previously or subsequently associated in the enumerated capacities with an Association member which had been or subsequently is placed in a SIPC trusteeship will be permitted to be responsible for the organization and/or supervision

of any member's investment banking activities until such individual has qualified for such responsibility through the Association's experience and examination process.

Subparagraph (d) defines the "investment banking" and "selling group member" for purposes of Schedule "C". Those definitions are self-explanatory.

All comments should be addressed to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 "K" Street, N. W., Washington, D. C. 20006, on or before April 13, 1973. All communication will be considered available for inspection.

Sincerely,



Gordon S. Macklin
President

PROPOSED ARTICLE III, SECTION 35 OF RULES OF FAIR PRACTICE
CONCERNING UNDERWRITER INQUIRY AND INVESTIGATION STANDARDS
RESPECTING DISTRIBUTIONS OF ISSUES OF SECURITIES TO THE PUBLIC

Obligation to Establish and Maintain Written Procedures

(a) Every member engaged in investment banking activity as a managing underwriter shall establish and maintain written procedures which shall be followed by it in its inquiry and investigation of any issuer for whom it is acting in connection with the distribution of an issue of securities to the public. Such procedures shall include, but not necessarily be limited, to the following:

- (1) Review by underwriters' counsel of the issuer's corporate charter, by-laws, and corporate minutes;

- (2) Examination of the audited and unaudited financial statements of the issuer, including footnotes, for the preceding ten year period or for the entire period of the issuer's existence if less than ten years;
- (3) Review of all changes in auditors by the issuer within the preceding ten year period if applicable and the reasons therefor;
- (4) Review, with the issuer's auditors, of the financial statements which will appear in the prospectus or offering circular;
- (5) Review of the issuer's budgets, budgeting procedures, and order/backlog figures;
- (6) Review of internal projects of the issuer, including the intended use of the proceedings of the offering;
- (7) Review of all pertinent marketing, scientific and/or engineering studies or reports concerning the issuer or its products during the previous ten year period or for the term of the issuer's existence if less than ten years;
- (8) Consideration as to the necessity of third party review of appropriate portions of the inquiry if the issuer is a promotional organization or engaged in marketing high technology or previously unmarketed products;
- (9) Investigation of the issuer's current and past relationships with banks, creditors, suppliers, competitors and trade associations;
- (10) Communication with key company officials and appropriate marketing and operating personnel regarding the nature of the issuer's business and the role of each of the above individuals in the business operation;
- (11) Inspection of the issuer's property, plant and equipment;
- (12) Examination of business protection devices and related data such as trademarks, patents, copyrights and production obsolescence, among others;

- (13) Review of available information with respect to the issuer's position within its industry;
- (14) Review of pertinent management techniques, organization of management and the background of the management personnel of the issuer;
- (15) Preparation and maintenance of memoranda pertaining to all meetings and/or conversations regarding the issuer held during the member's performance by it of its obligation of adequate inquiry;
- (16) Tax-Sheltered Program - In addition to the above, when considered appropriate, written procedures relating to inquiry and investigation of tax-sheltered programs shall include but not necessarily be limited to, the following:
 - (i) Investigation to determine that the management of a tax-sheltered investment program has experience and a working knowledge of tax-sheltered investments sufficient for the proper handling of investment monies and the maintenance of the tax-sheltered program.
 - (ii) Physical inspection of all properties described in the prospectus as being acquired by the tax-sheltered program, a review of all documents pertaining to such acquisitions and an examination of the facilities of any servicing function performed by the tax-sheltered management, if any.
 - (iii) Examination of applicable partnership agreements.
 - (iv) Review of available information with respect to the issuer's position within its industry including:
 - (i) Examination for proper disclosure of all conflicts of interest of the sponsor of the tax-sheltered program; and
 - (ii) Examination of all records submitted by appraisers, engineers, financial consultants, and other independent consultants with emphasis respecting the procedures utilized in the formulation of their analysis of the tax-sheltered investment, and study

of all tax aspects of the tax-sheltered program to insure that the described or anticipated tax benefits will, in fact, accrue to the investor.

Obligation of Inquiry and Investigations in Issuer
Distributed Offerings of Tax-Sheltered Programs

(b) At least one member participating in the distribution to the public of an issue of securities for which there is no managing underwriter must assume the obligation of establishing, maintaining and following written procedures concerning inquiry and investigation of the issuer as delineated in paragraph (a) hereof and those obligations of certification and record keeping contained in paragraphs (c) and (d) hereof.

Certification as to Adequate Inquiry

(c) On or prior to the effective date of the distribution of an issue of securities to the public, the managing underwriter shall certify in the agreement among underwriters that it had established adequate inquiry procedures in accordance with the provisions of subsection (a) hereof, and that in respect to the underwriting which is the subject of the agreement, it had followed procedures thus established. In the event there is no agreement among underwriters, the said certification shall be made to all selling group members. If there is no selling group, or if the required inquiry and investigation is performed by a member subject to the provisions of paragraph (b), the certification shall be made in the prospectus.

Maintenance and Retention of Written Documentation

(d) Every member subject to the provisions of paragraph (a) or (b) hereof shall keep and preserve appropriate written documentation demonstrating compliance with paragraphs (a) and (c) hereof. These records shall be preserved for a period of not less than five years, the first two years in an easily accessible place.

Definitions

(i) "Investment Banking Activity" - shall mean the business carried on by a member of underwriting or distributing issues of securities for which documents and other information are required to be filed with the Association pursuant to the provisions of the Interpretation of the Board of Governors Concerning the Review of Corporate Financing.

(ii) "Managing Underwriter" - for purposes of this Section 35

shall, where necessary in view of the context within which it is used, mean that member originating the distribution and/or the primary distributor of the issue in question, or the member who made the required filing with the Association pursuant to the provisions of the Interpretation of the Board of Governors Concerning the Review of Corporate Financing.

(iii) "Prospectus" - shall have the meaning given to that term by Section 2 (10) of the Securities Act of 1933; provided, however, that such term as used herein shall also include an offering circular filed with the Securities and Exchange Commission pursuant to Rule 256 of the General Rules and Regulations under the Securities Act of 1933 and, in the case of an intrastate offering, any document, by whatever name known, filed and/or distributed as part of the registration or similar process by whatever name known for an issue of securities pursuant to the laws or regulations of any state.

(iv) "Tax Sheltered Program" - a program which provides for flow-through tax benefits regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate syndications (except real estate investment trusts), citrus grove developments, cattle programs and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof.

PROPOSED AMENDMENT TO ARTICLE III, SECTION 2
OF THE RULES OF FAIR PRACTICE

New Material Indicated by Underlining
Deleted Material Indicated by Striking Out

Section 2

(a) Except as provided in paragraph (b) hereof, 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 the facts, if any, disclosed by such customer as to his other security holdings and to his financial situation and needs.

(b) In recommending to a customer the purchase, sale or exchange of any security which is part of the initial public offering of a company in the promotional, exploratory or developmental stage, a

member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of information furnished by the customer concerning the customer's investment objectives, financial situation and needs, and any other information known by the member. In connection with all such determinations, the member must maintain in its files the basis for and the reasons upon which it reached its determination.

(c) Definitions

(i) Promotional, Exploratory, Developmental Stage - shall mean a company incorporated or organized within one year prior to the filing of the registration statement for the offering to be distributed and which has not had a net income from operations of the character for which the company was formed; or a company which was incorporated or organized more than one year prior to the filing of the registration statement for the issue to be distributed and has not had a net income from operations of the character for which the company was formed for at least one of the two fiscal years immediately preceding the filing of the registration statement.

PROPOSED AMENDMENT TO SCHEDULE "C" OF
ARTICLE I, SECTION 2 (d) OF THE ASSOCIATION'S BY-LAWS

(4) Registration of Qualified Underwriter Principal

(a) New Members

(i) Effective _____, every applicant for membership who intends to engage in investment banking activity shall designate with the corporation at least one person as a Qualified Underwriter Principal, the duties of whom shall include, but not necessarily be limited to, the organization and/or supervision of any participation in the origination or distribution of offerings of securities by a member whether as an underwriter or selling group member.

(ii) Before a member may engage in investment banking activity, the designated Qualified Underwriter Principal shall successfully complete Parts I and III of a three-part Qualification Examination for Principals. If a person is qualified to be registered as a principal pursuant to Part I hereof, such individual shall be required to pass only Part III of the Qualification Examination for Principals.

(iii) Only those persons who have three years of experience

with a member actively engaged in the origination of the underwriting of offerings of securities and who can demonstrate that a significant part of their individual business experience with the member entailed involvement with investment banking activities may be designated and qualified as a Qualified Underwriter Principal. In an exceptional case, when the business background and experience of the designated individual justifies such, the experience requirement imposed herein may be waived by the President of the corporation upon written request of the designated Qualified Underwriter Principal. In all such cases the burden of justification for such waiver shall be upon the applicant.

(b) Existing Members

(i) Every member of the corporation engaged in investment banking activity shall as of _____ designate at least one person as a Qualified Underwriter Principal whose duties shall include, but not necessarily be limited to, the organization and/or supervision of any participation in the origination and distribution of offerings of securities by a member whether as an underwriter or selling group member. Except as otherwise provided in subparagraph (iv) herein, such person shall be required to take and successfully pass Parts I and III of the three-part Qualification Examination for Principals.

(ii) Every person becoming registered as a principal after _____, whose duties do or will involve the organization and/or supervision of any participation in the origination or distribution of offerings of securities by a member whether as an underwriter or selling group member shall be designated a Qualified Underwriter Principal. All persons so designated shall be required to pass Parts I and III of the three-part Qualification Examination for Principals.

(iii) Any registered principal whose duties with a member are changed after _____ to involve the organization and/or supervision of any participation in the origination or distribution of offerings of securities by a member whether as an underwriter or selling group member, shall be designated a Qualified Underwriter Principal and shall be required to pass Part III of a three-part Qualification Examination for Principals unless such individual is exempt from such requirement in accordance with the provision of subsection (iv) herein.

(iv) Any person designated as a Qualified Underwriter Principal who has been registered with a member or members as a principal for a period of at least three years prior to _____ and

who was actively engaged in the origination of underwriting issues of securities shall not be required to take Part III of the three-part Qualification Examination for Principals. A registered principal who does not meet the stated experience requirement may be registered with the corporation as a Qualified Underwriter Principal upon passing Part III of the Qualification Examination for Principals.

(v) A principal whose registration has been terminated for a period of two years or more immediately preceding the filing of an application for Qualified Underwriter Principal may not engage in the organization and/or supervision of any participation in the origination or distribution of an offering of securities until he has passed Part III of the Qualification Examination for Principals notwithstanding the length of his previous experience in investment banking activity.

(c) Prohibition

(i) Notwithstanding the provisions of paragraphs (a) and (b) hereof, any officer, director, general partner, owner of 10 percentum or more of the voting securities, or controlling person of any broker or dealer for whom a trustee has been or is hereafter appointed pursuant to the provisions of the Securities Investor Protection Act of 1970 may not engage in the organization and/or supervision of any participation in the origination or distribution of an offering of securities after unless such individual subsequent to the appointment of the trustee takes and successfully completes Part III of the Qualification Examination for Principals.

(d) Definitions - for the purpose of Section 4, the following words shall have the stated meanings:

(i) "Investment Banking Activity" - shall mean the business carried on by a member of underwriting or distributing issues of securities for which documents and other information are required to be filed with the Association pursuant to the provisions of the Interpretation of the Board of Governors Concerning the Review of Corporate Financing.

(ii) "Selling Group Member" - shall mean a member of the Association engaged in a distribution of an offering of securities which distribution amounts to 10 percentum or more of the entire securities offering.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

March 15, 1973

TO: All NASD Members

RE: Morgan, Kennedy & Co., Inc.
5 Hanover Square
New York, NY 10004

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of a Temporary Receiver for Morgan, Kennedy & Co., Inc., a New York located firm. Members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code.

Please refer to Section 59(h) for the detailed procedures.

Questions as to money differences and other matters of business should be directed to the temporary receiver.

Temporary Receiver: Eugene L. Bondy
Royall, Koegel & Wells
200 Park Avenue
New York, NY 10017
Telephone (212) 972-7000

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, NY 10004, (212) 269-6393.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full application of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 15, 1973

NOTICE

TO: All NASD Members

RE: Clarification of Notice to Members 73-16
Concerning Application of Rules to Dealers
in Exempted Securities (Municipal Dealers).

On March 9, 1973, the Association issued Notice to Members 73-16 concerning a recent resolution of the Board of Governors relating to the application of the Association's and the Securities and Exchange Commission's rules and regulations to dealers doing business exclusively in exempted securities.

There has been some misunderstanding of the Notice in that there have been inquiries as to whether the Association intended to attempt to impose regulation in respect to securities transactions in contravention of the provisions of Section 15A (m) of the Maloney Act which provides as follows:

"Nothing in this section shall be construed to apply with respect to any transaction by a broker or dealer in any exempted security." (Emphasis added)

Generally speaking, "exempted security" is defined in Section 3 (a) (12) of the Securities Exchange Act of 1934 as U. S. Government or municipal securities, among others.


It is not the intent of the Association to contravene the provisions of the Maloney Act quoted above. Rather, the thrust of the Board of Governors' action announced in Release 73-16 is to impose upon NASD member dealers in exempted securities the same financial and record keeping requirements which are applicable to members generally. Thus, as a qualification for membership, such dealers would be required to adhere to such rules since they do not involve a transaction which is what

the above quoted prohibition reaches. Those rules relate to conducting a business in a financially sound way and keeping books and records so a firm can be aware of its exact financial situation.

In addition to the net capital and books and records rules, the Board's resolution states that such members dealing exclusively in exempted securities would be subject to "any other rule or regulation of general application to other members of the Association, unless specifically exempted therefrom by action of the Board of Governors of the Association." The intent of that provision was to allow administrative discretion in respect to applying other rules of general application, as distinguished from rules relating directly to "transactions", as the need for their application became apparent. However, in view of questions which have been received indicating confusion in this area, the only specific application of rules at this time shall be of the net capital rule (Rule 15c3-1), the customer protection rule (Rule 15c3-3), and the books and records rules (Rules 17a-3 and 17a-4) unless the Association gives a specific notice to the contrary as to any other rule or rules.

Notice to Members 73-16 also relates to a lesser degree to members engaging in the general securities business who also execute exempted transactions and states that they shall be required to conform their operations in respect to such, to the extent they deviate, to all appropriate rules and regulations of general application. That sentence too broadly states the intent of the Board. By way of clarification, therefore, the thrust of Notice to Members 73-16 shall be that record keeping for exempted securities shall be the same as for general securities. Again, it was not intended that rules relating to the execution of transactions would apply in the case of transactions in exempted securities. If it is ascertained that any other rules of general application are not but should be followed in connection with exempted securities, the membership shall be specifically notified of such. Until such time, Notice to Members 73-16 and this clarification shall govern.

Very truly yours,



Frank J. Wilson
Senior Vice President
Regulation



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

March 19, 1973

TO: All NASD Members
 RE: Good Friday Closing - Settlement Dates

Securities markets and the NASDAQ system will be closed on April 20 in observance of Good Friday. Transactions made on the business days immediately preceding that day will be subject to the schedule of settlement dates below (for "regular-way" transactions).

April 20 shall not be considered as a business day in determining the day for settlement of a transaction, the day on which stock shall be quoted ex-dividend, or in computing interest on bond transactions.

Schedule for "regular-way" transactions

<u>Trade Date</u>	<u>Settlement Date</u>
April 13	April 23
16	24
17	25
18	26
19	27

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, NY 10004, (212) 269-6393.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full application of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

March 23, 1973

To: All NASD Members

Effective Monday, March 26, 1973, the New York City offices of the NASDAQ Department and the Dividend Department of the NASD will be located at Two Broadway, 8th Floor.*

The following is a list of new telephone numbers:

NASDAQ Department	952-4100
	952-4101
	952-4102
	952-4128
	952-4129

Dividend Department	952-4194
	952-4195
	952-4196
	952-4197

The Uniform Practice Division of the National Clearing Corporation (formerly the Uniform Practice Department of the NASD) has been located at Two Broadway for the past six months. The following is a list of new telephone numbers:

952-4018
952-4019
952-4028
952-4029

* Members please note that the Arbitration Department of the NASD remains at 17 Battery Place, Suite 810, with the following telephone numbers:

943-8400
943-8401
943-8402
269-6392

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

March 26, 1973

I M P O R T A N T

PLEASE DUPLICATE AND REFER A COPY OF THIS NOTICE
AND THE ATTACHED BOOKLET TO ALL
TRADERS AND INTERESTED INDIVIDUALS IN YOUR FIRM

TO: NASD Members and Branch Offices
SUBJ: NASDAQ Volume Reporting Procedures

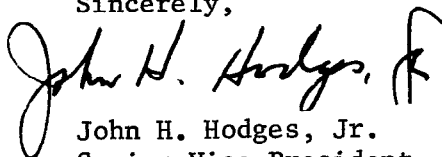
There have been two major changes to the NASDAQ volume reporting procedures regarding daily volume and monthly block volume requirements. The changes will become effective April 1, 1973, and are as follows:

1. The daily volume reporting procedures have been amended to include single transactions of 1,000 shares or more for one customer at one price at the same time in which the NASDAQ registered market maker acted as agent and transacted with another who is not a NASDAQ registered market maker in the issue. Transactions of this type are to be entered into the System as both a buy and a sell; and
2. A NASDAQ block transaction has been redefined as 10,000 shares and \$100,000. All members should note that this change in the definition of a block applies to the monthly Block Volume Report and the weekly NASDAQ Non-Market Maker Report.

In response to several requests from members, we have prepared a booklet of the NASDAQ volume reporting procedures. The NASDAQ volume reporting requirements, applicable under certain circumstances to all NASD members, are set forth in the attached booklet in addition to the revisions noted above. Therefore, this booklet should be studied carefully and retained for future reference.

Questions with regard to the volume reporting procedures may be directed to NASDAQ, New York, Telephone (212) 269-6393; 269-6394; 747-0482; 747-0483; 747-0484 and 747-0485, or to Washington, D. C., Telephone (202) 833-7210 and 833-7211.

Sincerely,



John H. Hodges, Jr.
Senior Vice President
Member Services

NASDAQ VOLUME REPORTING PROCEDURES

APRIL, 1973

Note: This booklet includes changes in volume reporting procedures relating to the inclusion of certain agency transactions and to the definition of a block transaction. Both changes are to be made effective April 1, 1973.

A. DAILY VOLUME REPORTING PROCEDURES FOR NASDAQ MARKET MAKERS:

The following procedures are discussed in this section as they apply to registered NASDAQ market makers in reporting daily volume.

1. A revision to the current procedure to include certain agency transactions involving 1,000 shares or more;
2. Review the types of transactions included in the daily volume;
3. The technique and rationale used in NASDAQ volume calculations for newspaper publications;
4. Availability of NASDAQ daily volume data;
5. The types of aggregate and summary daily volume information available;
6. Procedures for reporting "as of" and "cancelled" transactions and other error transactions; and
7. Procedure for reporting ADR and foreign security daily volume.

Types of Transactions Included in Volume Figures:

Every NASDAQ registered market maker is required to enter into the NASDAQ System his daily volume figures in each of the issues in which he is registered. The types of transactions that NASDAQ registered market makers are required to report are listed below:

1. The NASDAQ Committee has amended the volume reporting procedures to *include single transactions of 1,000 shares or more for one customer at one price at the same time in which the NASDAQ registered market maker acted as agent and transacted with another who is not a NASDAQ registered market maker in the issue.* Transactions of this type are to be entered into the System as *both* a buy and a sell.
2. Transactions in which the NASDAQ registered market maker effected an agency cross (i.e., dual agency trade) for two public customers of the firm.

Transactions of this type are to be entered into the System as both a buy and a sell.
3. Transactions in which the NASDAQ registered market maker acted as principal, *either* on the buy or sell side as appropriate.

Note: In all of the above reportable transactions, the NASDAQ registered market maker is required to enter the exact number of shares involved *including odd lots.* (For stocks, enter the exact number of shares. For convertible debentures, enter the face amount of the bonds rounded to the closest thousand.)

Types of Transactions not to be Included in Volume Figures:

- Transactions in a NASDAQ issue in which a NASDAQ registered market maker is in no way involved; and
- Transactions of less than 1,000 shares in which one party to the trade is a NASDAQ registered market maker acting as agent and the party on the other side of the transaction is someone other than a NASDAQ registered market maker.

In tabular form, the definition of reportable NASDAQ volume may be displayed as follows:

NASDAQ VOLUME REPORTED ON A DAILY BASIS

<u>Capacity in which Registered Market Maker Acts</u>	<u>Person on Opposite Side of Trade</u>	<u>Is Trade Reported</u>
1. Principal Buy	*Public	Yes as a buy
2. Principal Sell	*Public	Yes as a sell
3. Principal Buy	Another NASD member not a NASDAQ registered market maker.	Yes as a buy
4. Principal Sell	Another NASD member not a NASDAQ registered market maker.	Yes as a sell
5. Principal Buy	Another NASDAQ market maker.	Yes as a buy
6. Principal Sell	Another NASDAQ market maker.	Yes as a sell
7. Buy as agent and sell as agent for public customers. (cross)	*Public	Yes as buy and sell.
8. Buy as agent for public or non-market maker broker/dealer.	Public or another NASD member that is not a NASDAQ registered market maker in the issue.	Yes as buy and sell but only for transactions of 1,000 shares or more.
9. Sell as agent for public or non-market maker broker/dealer.	Public or another NASD member that is not a NASDAQ registered market maker in the issue.	Yes as buy and sell but only for transactions of 1,000 shares or more.
10. Buy as agent for public or other broker/dealer.	Another NASDAQ registered market maker in the issue.	No—not reported
11. Sell as agent for public or other broker/dealer.	Another NASDAQ registered market maker in the issue.	No—not reported

* In the above, the term "public" denotes any person other than a NASD member.

Handling of Foreign Shares and ADR's:

The same volume reporting procedures that apply to domestic securities also apply to ADR's and foreign shares with the exception that for ADR's market makers should report only those transactions in *American owned ADR's* and in the case of foreign shares of a foreign issue, only those trades which are Interest Equalization Tax "clean."

Handling of "As Of" and "Cancelled" Trades:

The NASDAQ Committee has also more clearly delineated the volume reporting procedures in the case of "as of" and "cancelled" transactions and other errors as follows:

1. If the original *discrepancy in the issue* was for less than 1,000 shares, the market maker should not enter any volume correction through his terminal nor is written communication to the NASDAQ Department in New York necessary; and
2. If the original *discrepancy in the issue* was for 1,000 shares or more, the market maker should not enter any correcting entries through his terminal but *is required instead to submit the following in writing on the day the discrepancy is noted: the issue in question; the date of the discrepancy; and, the correct entry, i.e., the entry that should have been made.*

This information should be directed to the NASDAQ Department, NASD, 17 Battery Place, New York, New York 10004, Attention: Volume Correction. With this information, corrections to the historical volume information stored in NASDAQ computers may be made.

It should be noted that even though errors of less than 1,000 shares need not be reported to the System, carelessness in entering volume into the System may subject the firm to NASDAQ complaint action.

Rationale and Technique for NASDAQ Volume Calculations:

The major objective underlying the publication of volume data for NASDAQ issues is to make available to the public and the financial community the number of shares of an issue that changed ownership during a business day. To achieve this objective, the NASD and the SEC jointly developed a technique designed to accurately reflect OTC volume and alleviate the possibility of inflating volume figures.

Some duplication, or inflation, of volume figures may still occur if two registered market makers in a given issue both acted as principal in the transaction. (Refer to points 5 & 6 on page 4.) In this case, both registered market makers would enter volume; and duplication of volume figures may result. Conversely, some volume may not be recorded under the technique. As described on page 4, points 8 & 9 require that registered market makers enter volume incurred in transactions of these types of 1,000 shares or more. Transactions of the type noted in points 8 & 9 of less than 1,000 shares would not be reported and therefore missed in the volume figure.

The technique considers shares to have changed ownership if: (1) there is a difference between the number of shares in a NASDAQ registered market maker's inventory at the beginning of a business day compared to the number of shares in his inventory at the close of business that day; (this difference reflects a change in ownership); and (2) if shares are both purchased and sold by a market maker during the day, i.e., flow through his inventory. By adding the net change in inventory to the number of shares which the RMM both bought and sold during the day, the NASDAQ System computes the firm's daily volume figure for that security.

For example, a market maker opens the day with an inventory of 5,000 shares of XYZ, Inc. During the day, he buys 2,000 additional shares and sells 4,000 shares, leaving a closing inventory of 3,000 shares. The difference between his opening and closing inventory is 2,000 shares. These

2,000 shares are considered as having changed ownership. An additional 2,000 shares flowed through the market maker's inventory, that is, they can be counted as having been both a buy and sell. The 2,000 share net change in inventory is added to the 2,000 shares that flowed through the inventory, resulting in a total volume of 4,000 shares in XYZ, Inc., for the market maker.

The same process is repeated by the NASDAQ computers for each market maker in the security so that a single volume figure for the security will be released for publication and display by the NASDAQ System shortly after 4:30 P.M. Eastern Time.

The NASDAQ computers calculate the volume figure by summing the higher of the buy or sell figures as entered by each NASDAQ market maker. If the same number of shares are both bought and sold, the computer includes one side only in the calculation. This processing technique will yield a volume figure which is identical to that obtained by adding the change between opening and closing inventories to the number of shares that "flowed through" a NASDAQ registered market maker.

Types of Issues on Which NASDAQ Volume is Available and Technique of Disseminating Information:

Registered market makers are required to enter their daily volume into the System by 4:30 P.M. Eastern Time at which time the NASDAQ computers begin the calculation of the volume figures as described above. From 4:35 P.M. until System close time at 6:30 P.M. Eastern Time, and the following morning from 9:00 A.M. to 9:55 A.M. Eastern Time, NASDAQ Level 2 and Level 3 subscribers may obtain volume information on any NASDAQ issue by activating the "Security Volume" (XV) call as described in a Notice to Level 2 and Level 3 subscribers dated July 18, 1972. Additionally, these figures are transmitted to the newswire services which, in turn, disseminate the information in accordance with the desires of their respective newspaper clients.

Currently, volume figures on approximately 3,400 NASDAQ issues are displayed on NASDAQ and released by the NASDAQ System to the various newswire services on a daily basis. Included in the newswire transmissions at present are volume figures on all NASDAQ issues with the exception of warrants, convertible debentures and units, although these figures are available in Level 2 and Level 3 terminals.

NASDAQ Aggregate and Summary Information:

In addition to the release of volume figures on individual securities on a daily basis, the NASDAQ System will also calculate and release to the newswire services certain daily, weekly, monthly and yearly volume statistics. Such aggregate and summary figures are presently not available on Level 2 and Level 3 terminals.

The daily "Market Summary" includes the following information:

1. Total volume for all NASDAQ issues with the exception of warrants, convertible debentures and units;
2. Number of NASDAQ issues that make up the total volume figures released (point 1 above);
3. The number of issues that make up the total volume figures released for which the closing representative bid price advanced, declined or remained unchanged from the previous day's close;
4. The number of issues that make up the total volume figure released for which the day's reported volume exceeded, decreased or remained unchanged from the prior day's volume figure; and
5. The ten most active securities in the System listed in descending order by volume.

Summary statistics are released to wire services and newspapers by the System on a weekly, monthly and yearly basis and include information similar to that noted above.

B. MONTHLY BLOCK VOLUME REPORTING PROCEDURE FOR NASDAQ REGISTERED MARKET MAKERS:

Monthly block volume data is used mainly for regulatory and NASD statistical purposes and is not released for newspaper publication. All members should note that for NASDAQ purposes, the definition of a block has been redefined as 10,000 shares and \$100,000.

What To Report

Monthly block volume reports must be entered through the NASDAQ Level 3 terminals. The report covers volume only for those stock transactions of 10,000 shares and \$100,000 or more, or those convertible debenture transactions of \$100,000 face amount or more. (For example, a transaction of 1,000 shares and \$100,000 would not be included in the monthly block volume report because the transaction involved less than 10,000 shares.) Transactions of 10,000 shares and \$100,000 are included in this report even though the transactions were included in the firm's daily volume report.

(Note: The *NASDAQ User Guide Level 2/Level 3* defines a "block transaction" as any single transaction whose value exceeds \$25,000. Subsequent to the printing of the guide, a "block" was redefined as 10,000 shares and \$100,000 or more for common stocks and \$100,000 face amount for convertible debentures.)

For each stock in which the firm is a NASDAQ registered market maker, you must include the sum of the following types of transaction of block size:

1. Transactions As Principal (Both Inter-Dealer and Retail)

- (a) Number of block buy transactions;
- (b) Aggregate number of shares involved in buy transactions of block size;
- (c) Number of block sell transactions;
- (d) Aggregate number of shares involved in sell transactions of block size.

2. Agency Crosses Between Two Public Individuals or Institutional Accounts

- (a) Number of agency crosses of block size (report as both a buy and a sell);
- (b) Aggregate number of shares involved in agency crosses of block size (report as both buy volume and sell volume);

- 3. Transactions effected as agent, on one side only with another who was not a NASDAQ registered market maker in the issue—report (a), (b), (c) and (d) in 1 above.

When To Report

Monthly block reports must be entered into the System between the 1st and 5th business day of each month before 6:30 P.M. New York time and cover the previous month's block transactions. Monthly block reports entered other than between the 1st and 5th business day of the month will be rejected by the System.

How To Report

Refer to the *NASDAQ User Guide* for a description of the keys that should be depressed for entering monthly block volume reports.

If your Level 3 terminal(s) should malfunction so that you cannot enter your monthly block volume report in a NASDAQ security in which you are a registered market maker, contact by telephone NASDAQ, New York (212) 269-6393 or NASD, Washington, D. C. (202) 833-7210.

C. WEEKLY BLOCK VOLUME REPORTING PROCEDURES WHERE FIRM IS NOT A NASDAQ REGISTERED MARKET MAKER IN A SECURITY:

The following procedures apply to all NASD members where they are not registered as a market maker in a NASDAQ security. Please note that firms must follow the previously outlined procedures in those securities where they are registered as NASDAQ market makers and the following procedures in other NASDAQ securities where they are not making a market through the NASDAQ System.

Volume data submitted by non-registered firms will be used only for regulatory and NASD statistical purposes.

What To Report

Non-registered market makers will only report volume involved in principal or agency transactions of block sizes effected with others who at the time of execution of the transaction were not registered market makers in securities included in the NASDAQ System. For this purpose, "block" in the case of a stock has been defined as a transaction involving 10,000 shares and \$100,000 or more. (For example, a transaction of 40,000 shares and \$40,000 would not be reported because the transaction involved less than \$100,000.)

A "block" in the case of a convertible debenture has been defined as \$100,000 face amount, or more.

For each transaction that meets or exceeds the above definition of "block," a firm shall report the following information:

- (1) Trade date
- (2) Security name and NASDAQ symbol
- (3) Either the name of the contra-broker/dealer, or, if with a retail account, the symbol "RA"
- (4) Whether buy or sell as principal, or agency cross between two retail accounts, or agency trades with a non-registered market maker.

When To Report

Non-market maker volume reports must be mailed at the close of the last trading day of each week in which a "block" transaction was effected. Reports should be mailed to the NASDAQ Department, NASD, 1735 "K" Street, N.W., Washington, D. C. 20006. A report need not be filed if no block transaction was effected during that week.

How To File

The required information should be filed on the form entitled, "NASDAQ Non-Market Maker Report."

Questions with regard to the volume reporting procedures may be directed to NASDAQ, New York, Telephone (212) 269-6393; 269-6394; 747-0482; 747-0483; 747-0484 and 747-0485 or to NASDAQ, Washington, D. C., Telephone (202) 833-7210 and 833-7211.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

March 27, 1973

To: All NASD Members

Re: Missing Certificates - Municipal Bonds, Common Stock, Corporate Bonds

The Association has recently been notified by the Atlanta office of The Robinson-Humphrey Company, Inc., of the apparent theft of approximately four million dollars worth of municipal bonds. The firm believes the theft took place on Thursday evening, March 15, 1973. Attached to this notice is a listing of the missing certificates.

The Robinson-Humphrey Company, Inc., is offering a \$10,000 reward to the first person or persons giving information leading to the recovery of the missing bonds.

If any NASD member comes into the possession of any of the certificates designated on the attached list, or receives any information concerning these certificates, he should notify the nearest office of the FBI.

*

*

*

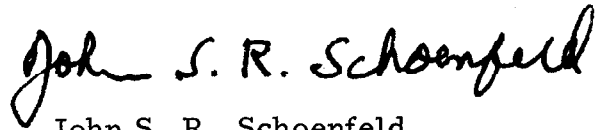
The NASD has also recently been notified that the following certificates of common stock and corporate bonds were reported lost in the mails by the National Central Bank, Lancaster, Pennsylvania.

<u>Security</u>	<u>Certificate Number</u>
300 shares Warner Lambert	N441726/28
1,000 shares Armstrong Cork	PC62939/48
\$15,000 Brown Group Inc., 6 1/2%, due 4/15/78	RB925
\$10,000 Household Finance Co., 6 3/8%, due 1/1/88	RX3675
54 shares Sun Oil Co.	12 shares - PX273422
	11 shares - PX232058
	9 shares - PX192446
	11 shares - PX359556
	11 shares - A 51707

- more -

All of securities reported missing by the National Central Bank were endorsed, but had the brokers' name stamped in the attorney blank. If any NASD member comes into the possession of any of these certificates, or receives any information concerning these certificates, he should notify: Robert E. Horn, Trust Investment Division, National Central Bank, Lancaster, Pennsylvania 17604 - Telephone: (717) 397-7411.

Sincerely,



John S. R. Schoenfeld
Executive Vice President

Attachment

Note: Due to a limited supply of the list of missing municipal bonds, a small portion of the Association's mailing list will not receive a copy of this list.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 29, 1973

NOTICE

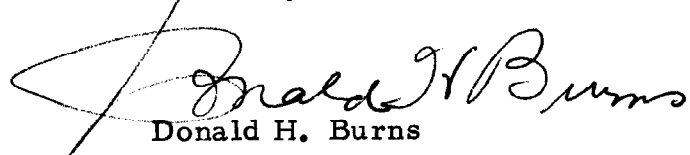
To: All NASD Members and Branch Offices

Re: INTEREST EQUALIZATION TAX

The Interest Equalization Tax Act is due to expire on March 31, 1973. It is anticipated that the Congress will soon extend the Act with retroactive effect but that such action may not occur until after the present Act has expired.

Accordingly, the Executive Committee of the Board of Governors of the Association has adopted a resolution requiring members to comply with the provisions of the Act and Section 28 of the Association's Uniform Practice Code pertaining to the Interest Equalization Tax. Violation of the provisions of the resolution shall constitute conduct inconsistent with just and equitable principles of trade and shall be subject to appropriate disciplinary sanctions.

Sincerely,



Donald H. Burns
Secretary

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

March 29, 1973


To All NASD Members:

On March 16, 1973, the Board of Governors declared that the Emergency Rules of Fair Practice Nos. 70-1, 70-2 and 70-3 will continue in effect. The full text of these Emergency Rules can be found on page 2005 of the NASD Manual.

Although the Board agrees there has been significant improvement in the areas which gave rise to the original declaration of emergency, the conditions have not changed sufficiently to justify a change in procedures at this time. In addition, the Board has under consideration a proposal to incorporate certain of the provisions of the Emergency Rules into a permanent Rule of Fair Practice.

The Emergency Rules were effective on March 22, 1973 and will remain in effect for a six-month period unless rescinded earlier by action of the Board of Governors.

Sincerely,


Donald H. Burns
Secretary



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

March 30, 1973

TO: All NASD Members

RE: Lexington Capital Corp.
50 Broadway
New York, NY 10004

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of a Temporary Receiver for Lexington Capital Corp. Members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code.

Please refer to Section 59(h) for the detailed procedures.

Questions as to money differences and other matters of business should be directed to the temporary receiver.

Temporary Receiver: Peter Morrison
Morrison, Paul, Stillman & Bailey
110 East 59th Street
New York, NY 10022
Telephone (212) 593-0100

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, NY 10004, (212) 952-4019.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

April 3, 1973

TO: All NASD Members

RE: Pacific Western Securities
One Wilshire Building - Suite 700
Los Angeles, California 90017

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of a SIPC Trustee for Pacific Western Securities. Members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code.

Please refer to Section 59(h) for the detailed procedures.

All money differences and other matters of business should be taken up with the trustee.

SIPC Trustee: Edwin M. Lamb
Arthur Young Co.
515 South Flower Street
Los Angeles, California 90017
Telephone (213) 977-3200

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y., 10004, (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

April 3, 1973

To: All NASD Members

Re: Quarterly Check-List of Notices to Members

Listed below are the Notices to Members which have been issued during the first quarter of 1973. Requests for additional or missing copies should be addressed to the Office Services Administrator at the Executive Office (202 - 833-7332).

<u>Serial No.</u>	<u>Subject</u>	<u>Date</u>
73-1	Serialization of Notices to Members	1/4/73
73-2	SEC Release Regarding Interpretations of Rule 15c3-3	1/8/73
73-3	Job Performance Data for Mutual Funds/ Variable Annuity Registered Representatives	1/8/73
73-4	Proposed New Regulations and Amendments to Existing Regulations	1/12/73
73-5	Schedule of Examination Centers	1/15/73
73-6	1973 Schedule of Holidays	1/19/73
73-7	Settlement Dates Re Lincoln's Birthday	2/6/73
73-8	Appointment of SIPC Trustee for Provident Securities, Inc.	2/9/73
73-9	Mark-Ups in Transactions Involving Low Priced Securities	2/9/73
73-10	Buy-In Requirements Under SEC Rule 15c3-3	2/13/73

- more -

<u>Serial No.</u>	<u>Subject</u>	<u>Date</u>
73-11	SEC Releases Concerning Rule 15c3-3	2/13/73
73-12	Functional Directory - Membership Division	2/15/73
73-13	Requirement to Compute and Maintain Reserves per Rule 15c3-3	2/27/73
73-14	Identification at Examination Centers	2/28/73
73-15	Appointment of SIPC Trustee for Frank & Drake, Inc.	3/2/73
73-16	Application of Rules to All Members Regardless of Nature of Business	3/9/73
73-17	Proposed Article III, Section 35 of Rules of Fair Practice; proposed Amendment, Article III, Section 2, Rules of Fair Practice; proposed Amendment, Schedule C, Article I, Section 2(d), By-Laws	3/14/73
73-18	Appointment of Temporary Receiver for Morgan, Kennedy & Co., Inc.	3/15/73
73-19	Clarification of Notice No. 73-16, Concerning Application of Rules to Dealers in Exempted Securities (Municipal Dealers).	3/15/73
73-20	Settlement Dates Re Good Friday Holiday	3/19/73
73-21	NASDAQ New York offices move to Two Broadway	3/23/73
73-22	NASDAQ Volume Reporting Procedures	3/26/73
73-23	Missing Certificates	3/26/73
73-24	Interest Equalization Tax	3/29/73
73-25	Extension of Emergency Rules of Fair Practice to September 22, 1973	3/29/73
73-26	Appointment of Temporary Receiver for Lexington Capital Corp.	3/30/73

Sincerely,



John S. R. Schoenfeld
Executive Vice President



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

April 6, 1973

TO: All NASD Members

RE: Dixon, Dolce & Co., Inc.
25 Broadway
New York, NY 10004

The Uniform Practice Division has determined that members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code for the above referenced firm.

Please refer to Section 59(h) for the detailed procedures.

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, NY 10004, (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 6, 1973

To: All NASD Members
Re: Missing Bond Forms

The NASD has recently been notified by the American Bank Note Company that the following unattested bond form numbers of ACF Industries, Incorporated, 7.95% Fund Equipment Trust Certificates, due March 15, 1988 (Series B), have been either lost or stolen during air freight shipment:

RM 1 through RM 3000 at \$1,000 denomination
RV 1 through RV 3000 at \$5,000 denomination
RX 1 through RX 3000 at \$10,000 denomination
RU 1 through RU 3000 - undenominated

All forms are printed on blue borders with blue denominating panels.

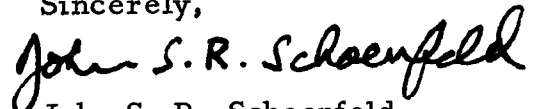
As contrasted with the missing bond forms, the validly issued bonds are printed in light brown and bear the following numbers:

RM 3001 through RM 6000 for \$1,000 denomination
RV 3001 through RV 6000 for \$5,000 denomination
RX 3001 through RX 6000 for \$10,000 denomination
RU 3001 through RU 6000 - undenominated

Mercantile Safe Deposit and Trust Company is the Trustee under the issue.

If any NASD member comes into the possession of any of the missing bond forms, or receives any information concerning these forms, he should notify: Mr. L. T. Hindenlang, Vice President and Secretary-Treasurer, American Bank Note Company, 70 Broad Street, New York, N.Y. 10004, (212 - 944-6200).

Sincerely,



John S. R. Schoenfeld
Executive Vice President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 10, 1973

To: All NASD Members
Re: Missing Certificates - Otis Oil and Gas Corporation

The Association has recently been notified that the following common stock certificates of the Otis Oil and Gas Corporation have been stolen:

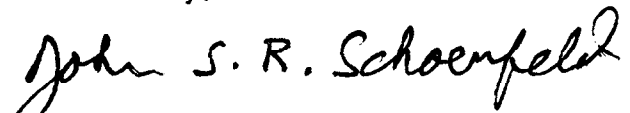
Certificate Numbers: 22001 through 23000

When stolen, these certificates did not bear any denomination. The Otis Oil and Gas Corporation is located at 1680 Easton Road, Willow Grove, Pennsylvania 19090.

Some of the certificates have turned up in Tucson, Arizona, bearing the signature of J. Jewel as transfer agent. This is an unauthorized signature. The correct transfer agent for the Otis Oil and Gas Corporation is American Registrar and Transfer Co.

If any NASD member comes into the possession of any of the above certificates or has any information regarding these certificates, he should contact the local office of the Federal Bureau of Investigation.

Sincerely,



John S. R. Schoenfeld
Executive Vice President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 13, 1973

NOTICE

TO: All NASD Members and Interested Persons

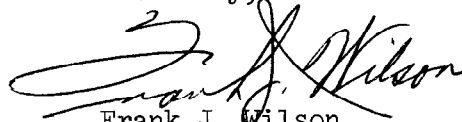
RE: Notice to Members 73-17

On March 14, 1973, we forwarded to you proposed regulations under Notice to Members 73-17 which consisted of the following:

- (1) Proposed New Article III, Section 35 of the Rules of Fair Practice Concerning Underwriter Inquiry Standards Respecting Distributions of Issues of Securities to the Public;
- (2) Proposed Amendment to Article III, Section 2 of the Rules of Fair Practice Concerning Suitability of Recommendations to Customers; and
- (3) Proposed Amendment to Schedule "C" of Article I, Section 2(d) of the By-Laws Embodying the Concept of and Requirements for a Qualified Underwriter Principal.

The comment period for these proposals was announced at that time to end April 13, 1973. In view of the complexity of the proposals as well as many requests made for an extension of the comment period, the period has been extended to April 24, 1973.

Sincerely,



Frank J. Wilson
Senior Vice President
Regulation

NOTICE TO MEMBERS: 73-33
NOT AVAILABLE AT THIS TIME



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

April 18, 1973

TO: All NASD Members

RE: J. Shapiro Co.
1740 Midwest Plaza
Minneapolis, Minn. 55402

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of a SIPC Trustee for J. Shapiro Co., Minneapolis, Minn. Members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code. The above firm has no connection with J. Shapiro Co., 610 Broadway, Bayonne, N.J. 07002.

Please refer to Section 59(h) for the detailed procedures.

Questions as to money differences and other matters of business should be taken up with the trustee.

SIPC Trustee: Mr. William Dolan
Linguist & Venum
4200 IDS Center
Minneapolis, Minn. 55402
Telephone (612) 335-6651

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y. 10004, (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

April 18, 1973

TO: All NASD Members

RE: P & H Associates
5 Hanover Square
New York, NY 10004

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of a SIPC Trustee for P & H Associates. Members may avail themselves of the "immediate close-out" procedures under Section 59(h) of the Uniform Practice Code.

Please refer to Section 59(h) for the detailed procedures.

Questions as to money differences and other matters of business should be taken up with the trustee.

SIPC Trustee: Edward Brodsky
Goldstein, Shames & Hyde
655 Madison Avenue
New York, NY 10021
Telephone (212) TE 8-3700

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y. 10004, (212) 952-4018.

* The Board of Directors of National Clearing Corporation has been delegated the authority to interpret and enforce the provisions of the Uniform Practice Code pending full implementation of NCC's national clearing system.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 19, 1973

To: All NASD Members
Re: Missing Stock Certificates

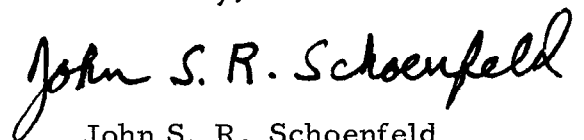
The NASD has recently been notified by the American Bank Note Company that the following unattested stock certificate forms of the Palmer Bank Corporation have been either lost or stolen during air freight shipment:

C 6001 through C13500 - at 100 shares

7001 through 9500 - blank shares (no denomination)

If any NASD member comes into the possession of any of the missing stock certificate forms, or receives any information concerning these forms, he should notify: Mr. L. T. Hindenlang, Vice President and Secretary-Treasurer, American Bank Note Company, 70 Broad Street, New York, New York 10004, (212) 944-6200.

Sincerely,



John S. R. Schoenfeld
Executive Vice President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 19, 1973

NOTICE

TO: All NASD Members

RE: Securities Exchange Act Release
Concerning Rule 15c3-3

For your information, reprinted below is an important Commission release pertaining to an indefinite extension of the temporary suspension of the requirements of paragraph (m) of SEC Rule 15c3-3 with regard to transactions in exempted securities.

RELEASE NO. 10093

April 10, 1973

Securities Exchange Act of 1934

Suspension of Paragraph (m) of Rule 15c3-3 Under
the Securities Exchange Act of 1934 with Respect to
Exempted Securities Continued Indefinitely

On January 30, 1973, in Securities Exchange Act Release No. 9974, the Commission suspended the operation of paragraph (m) of Rule 15c3-3 under the Securities Exchange Act of 1934 as to sell orders for exempted securities (e.g., U. S. government and municipal obligations) until March 1, 1973 ^{1/} and requested the comments of interested persons regarding the operational problems encountered by customers in making deliveries of exempted securities within the designated time frame of paragraph (m). The Commission has carefully

^{1/} The suspension was continued until April 10, 1973 (See Securities Exchange Act Release No. 10020, March 1, 1973.)

considered the comments received and has determined that due to representations made concerning possible operational hardships that may result from attempts to buy-in exempted securities, particularly municipal obligations, the Commission will continue the suspension of paragraph (m) with respect to exempted securities for an indefinite period. 2/

The Commission has been advised that primarily because of the very thin floating supply and numerous serial maturities of municipal obligations such securities may be difficult to buy-in and very often contracts to purchase such obligations may remain failing for long periods of time.

The Commission believes that the failure or inability of customers, whether they be public customers, financial institutions or banks, and broker-dealers to make timely delivery of such obligations is a problem requiring the Commission's continuing attention, particularly in light of the obligations of SIPC to complete the open contractual commitments of insolvent broker-dealers in which a customer has an interest and in light of the Commission's desire to improve the processing of securities transactions. The Commission believes that the problem requires further study before any final conclusions and determinations can be made. Therefore, the Commission has today sent a letter to all registered national securities exchanges and the National Association of Securities Dealers, Inc. (NASD) requesting them to adopt procedures for monitoring failing contracts and open transactions in exempted securities of both customers and broker-dealers and the methods by which such contracts and transactions are closed out.

The indefinite suspension of paragraph (m) with regard to exempted securities relieves a restriction within the meaning of 5 USC 553(d) and is effective immediately.

The following is the text of the letter sent to all registered national securities exchanges and the NASD:

To Presidents of Self-Regulatory Organizations:

On January 30, 1973, in Exchange Act Release No. 9974, the Commission suspended the buy-in provision found in paragraph (m) of Rule 15c3-3

2/ Broker-dealers are reminded that paragraph (m) remains in effect as to the sale transactions by all customers with regard to all securities other than exempted securities.

with respect to exempted securities until March 1, 1973 and requested comments from interested parties regarding the operational problems encountered by customers in making deliveries of exempted securities within the designated time frame of paragraph (m). In Exchange Act Release No. 10020, the Commission continued that suspension until April 10, 1973, and today has determined to continue the suspension until further notice. It has been represented to the Commission that the market in exempted securities, particularly municipals, is such that it is difficult to buy-in customers who fail to make timely delivery of their securities to a broker-dealer after sale. There are limited statistics as to the nature and extent of failing contracts and open transactions in exempted securities and the manner in which those failing contracts and transactions are eventually settled or closed out.

In order for the Commission to evaluate the extent of the problems associated with the failure of customers, financial institutions, banks, exempt dealers or broker-dealers to make timely settlements of exempted securities to fulfill the Commission's obligation to insure the expeditious processing of securities transactions, the Commission requests your organization to adopt procedures for monitoring such failing contracts and open transactions. It is suggested that the information regarding exempted securities should include the number of such failing contracts and open transactions in exempted securities and the dollar amount thereof whether due to or from customers, financial institutions, banks, exempt dealers or broker-dealers. The monitored data should also indicate the manner in which such transactions and contracts are eventually closed out. Such failing contracts and transactions should be aged to indicate those which have not been settled within 10 business days after settlement date and those which have not been settled within 30 calendar days after settlement date.

As this matter is of importance in the performance of the Commission's obligations under the federal securities laws to protect the integrity of customers' funds and securities and of the SIPC Fund and to improve the processing of securities transactions, we would appreciate it if you would act promptly to adopt such procedures.

If you have any further questions on this matter, please do not hesitate to contact us.

Sincerely,

Lee A. Pickard
Director

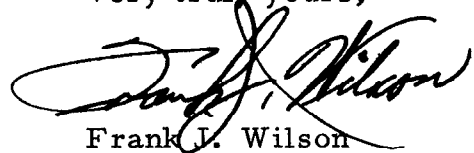
* * *

By the Commission.

Ronald F. Hunt

Any questions regarding the above release should be directed to Robert L. Smith at (202) 833-7356.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Frank J. Wilson". The signature is written in black ink and is positioned above the printed name.

Frank J. Wilson
Senior Vice President
Regulation

NASD

NOTICE TO MEMBERS: 73-38

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 26, 1973

PLEASE DUPLICATE THIS NOTICE
AND DISTRIBUTE TO TRADERS AND OTHER PERSONNEL
CONCERNED WITH THE NASDAQ SYSTEM IN YOUR FIRM

TO: Members and Branch Offices
SUBJ: Firm Quotations in NASDAQ System

The NASDAQ Committee has received a number of inquiries with respect to the relationship between the requirement that a registered market maker execute a transaction for a normal unit of trading at his prevailing quotations in the NASDAQ System and the right of a member to specify the manner of payment for securities upon delivery.

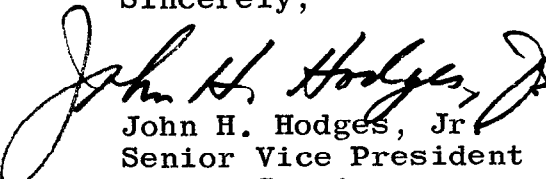
We wish to remind the membership of the availability of the procedures under Section 13 of the Uniform Practice Code (paragraph 3513, NASD Manual) which reads as follows:

The party making delivery shall have the right to require the purchase money to be paid upon delivery by certified check, cashier's check, bank draft or cash.

Thus, it is clear that a seller may demand payment by certified or cashier's check or bank draft.

Any questions concerning this Notice should be directed to Raymond J. Gustini, NASD, Washington, D. C. (Telephone (202) 833-7371).

Sincerely,


John H. Hodges, Jr.
Senior Vice President
Member Services

JHH/jm