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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. **NASD**
1735 K STREET NORTHWEST • WASHINGTON D.C. 20004 **REGULATION**

MAIL VOTE

IMPORTANT!

OFFICERS * PARTNERS * PROPRIETORS

TO: Members of the National Association of Securities Dealers, Inc.

DATE: May 4, 1973

RE: Mail Vote Concerning Proposed Amendments to Article IV, Sections 6 and 12, and Proposed New Sections 20, 21, 22, 23, 24 and 25

LAST VOTING DATE IS June 3, 1973.

Enclosed herewith are the proposed Amendments to Article IV, Sections 6 and 12, and Proposed New Sections 20, 21, 22, 23, 24 and 25 which, pursuant to the provisions of Article IX of the Association's By-Laws, must be approved by the membership before they can become effective.

On January 12, 1973, the Board of Governors of the Association circulated to the membership for comment certain proposed amendments to the Association's By-Laws regarding the election of members of District Committees and the Board of Governors, as well as the procedure for selection of Nominating Committees.

The Committee on Election Procedures reviewed the comments received; and submitted the amendments, as originally circulated for comment with one minor drafting change, to the Board of Governors. The Board reviewed the proposed changes and approved the amendments to the By-Laws as submitted to it. If the proposed amendments are approved by the membership, the proposals must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Explanation of Proposed Amendments to
Article IV, Sections 6 and 12 of the
By-Laws

The amendments to these sections of the By-Laws would extend from twenty (20) days to thirty (30) days the time within which members may nominate an additional candidate or candidates for positions on District Committees and the Board of Governors. The amendments would also conform these sections to the new election procedure for Nominating Committees described below.

Explanation of Proposed New Sections 20,
21, 22, 23, 24 and 25 of Article IV of
the By-Laws

The proposed new sections to Article IV of the By-Laws would establish a new procedure for the election of Association Nominating Committees and more clearly prescribe the duties and responsibilities of such Committees and the members thereof, as well as the manner in which they must operate. Each of the Association's thirteen Districts has a Nominating Committee which has responsibility for nominating candidates to serve on the District Committee and the Board of Governors.

The election of Nominating Committees would be governed by proposed new Section 22 to Article IV of the By-Laws. At the present time, pursuant to the provisions of Section 12 of Article IV, Nominating Committees are appointed each year by the Chairman of the District Committee with the approval of a majority of the members of the District Committee. The persons appointed must be members having a place of business in the particular District and cannot be members of the District Committee. Under proposed subsection (a) of new Section 22, each year the nomination of candidates to the Nominating Committee to fill offices which are about to expire would be made by the existing Nominating Committee. Subsection (b) of proposed Section 22 provides that, upon action by ten percent or more of the members having places of business within the District, an additional candidate or candidates to the Nominating Committee may be nominated within thirty (30) days from notice to the membership of the Nominating Committee's candidates. Where additional candidates to the

Nominating Committee are nominated, subsection (c) establishes a procedure for obtaining a vote of members having places of business in the District.

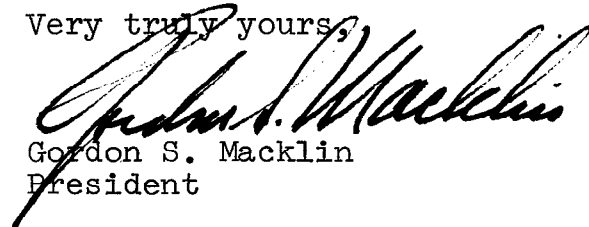
Proposed Section 20 (a) makes clear that every District must have a Nominating Committee of five members and restates the existing requirement of present Section 12 of Article IV that the members of Nominating Committees must be members having places of business within the District and cannot be members of the District Committee. Proposed Section 20 (b) establishes a new procedure for removal from office of a member of a Nominating Committee for refusal, failure, neglect or inability to discharge his duties. Proposed Section 21 specifies the term of office of members of Nominating Committees and proposed Section 23 establishes the procedure for filling vacancies on Nominating Committees. Under this procedure, the candidate to fill the vacancy must be elected as nearly as practicable in conformity with the election procedures of proposed Section 22 unless the unexpired term is less than six months, in which case the candidate is appointed by the remaining members of the Nominating Committee.

Proposed Section 24 provides that at meetings of Nominating Committees, a quorum shall constitute a majority and authorizes such Committees to vote either in person, by mail, telegraph or telephone. Under proposed Section 25, every Nominating Committee would be required to designate one member to act as Chairman.

These changes to the Association's By-Laws are important and merit your immediate attention. Please mark your ballot according to your convictions and return it in the enclosed stamped envelope to "the Corporation Trust Company." Ballots must be postmarked no later than June 3, 1973.

The Board of Governors believes these changes are necessary and appropriate and recommends that members vote their approval.

Very truly yours,



Gordon S. Macklin
President

Text of Proposals

New Material indicated by underlining
Deleted Material indicated by striking out

1. Proposed Amendments to Article IV, Sections 6 and 12 of the Association's By-Laws

Election of Board Member

Section 6 - The elected members of the Board of Governors shall be chosen as follows:

Procedure for Nominations by Nominating Committees

- (a) Before June 1 of each year, the Secretary of the Corporation shall cause notice to be given to the Chairmen of the respective District Committees of the expiration of the term of office of any member of the Board of Governors elected under Section 3 (a) through ~~(d)~~ (e) of this Article which will expire during the next year. The said Chairman shall thereupon notify the Nominating Committee ~~appointed~~ elected for such District pursuant to the provisions of Section ~~12-(a)~~ 22 of this Article and such Nominating Committee shall proceed to nominate a candidate from such District for the office of each such member of the Board of Governors whose term is to expire. Nominating Committees in nominating candidates for the office of member of the Board of Governors shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the Board of Governors of all classes and types of firms engaged in the investment banking and securities business; no Nominating Committee shall nominate an incumbent member of the Board of Governors to succeed himself unless it first takes appropriate action (by a written ballot sent to the entire membership within the District) to ascertain that such nomination is acceptable to a majority of the members voting on such ballot in the District. Each candidate nominated by the Nominating Committee shall be certified to the District Committee by September 1 and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation having a place of business in the District. Such candidate shall be designated the "regular candidate."

Nomination of additional candidates

- (b) Ten percent or more of the members of the Corporation having places of business in the District may nominate an additional candidate or candidates for the office or any member elected under Section 3 (a) through ~~(d)~~ (c) of this Article, and whose term is to expire, if notice thereof in writing, signed by the required number of members, is filed with the District Committee within twenty thirty days from the date of the notice to members of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such twenty thirty-day period, the candidate or candidates nominated by the Nominating Committee shall be considered duly elected, and the District Committee shall certify the election to the Board of Governors.

Election of District Committeemen

Section 12 - Members of the District Committee shall be elected as follows:

Procedures for Nominations by Nominating Committee

- (a) Before June 1 of each year, the Secretary of the Corporation shall cause notice to be given to the Chairmen of the respective District Committees of the expiration of the term of office of any member of that District Committee which shall expire during the next year. The said Chairman, ~~with the approval of a majority of the members of such District Committee,~~ shall thereafter, but not later than July 1, ~~appoint~~ advise the Nominating Committee ~~of five members (who shall be members of the Corporation having places of business in the District but not members of the District Committee),~~ which shall proceed to nominate a candidate from their District for the office of each member of the District Committee whose term is to expire. Nominating Committees in nominating candidates for the office of member of the District Committee shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the District Committee of the various sections of the District and of all classes and types of firms engaged in the investment banking or securities business within such District; and no Nominating Committee shall nominate an incumbent member of the District Committee to succeed himself unless it first takes appropriate action (by a

written ballot of the entire membership within the District) to ascertain that such nomination is acceptable to a majority of the members in the District. Each candidate nominated by the Nominating Committee shall be certified to the District Committee by September 1, and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation having a place of business in the District. Such candidate shall be designated the "regular candidate."

Nomination of additional candidates

- (b) Ten percent or more of the members of the Corporation having places of business in the District may nominate an additional candidate for the office of any member whose term is to expire or for any new office created by the District Committee pursuant to Section 10 of this Article, if notice thereof in writing, signed by the required number of members, is filed with the District Committee within ~~twenty~~ thirty days from the date of the notice to members of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such ~~twenty~~ thirty-day period, then the candidate or candidates nominated by the Nominating Committee shall be considered duly elected and the District Committee shall certify the election to the Board of Governors.

2. Proposed Amendments to Association By-Laws Concerning Nominating Committees

Nominating Committee

Section 20

- (a) Each of the Districts created under Section 1 of this Article shall elect a Nominating Committee, as provided in Section 22 hereafter: Each such Nominating Committee shall consist of five members; provided, however, that the Board of Governors by resolution may increase any such Nominating Committee to a larger number. Members of the Nominating Committee in each District shall be members of the Corporation having places of business in the respective District, but shall not be members of the District Committee.
- (b) In the event of the refusal, failure, neglect or inability of any member of any Nominating Committee to discharge his duties, or for any cause effecting the best interest of the Corporation, the sufficiency of which shall be decided by the Nominating Committee, the Nominating

Committee shall have the power by the affirmative vote of 3/5 of the members of the Nominating Committee then in office, to remove such member and declare his position vacant and that it shall be filled in accordance with the provisions of Section 22 of this Article; provided, however, that any member of any Nominating Committee who has had his position declared vacant in the manner provided herein shall have the right to appeal the determination of the Nominating Committee to the Board of Governors within 30 days after the date he is notified of the action of the Nominating Committee. The Board of Governors shall thereafter have the authority to affirm, reverse or modify the determination of the Nominating Committee. A vote of 2/3's of the Governors then in office shall be required to reverse or modify the action of the Nominating Committee.

Term of Office of Nominating Committeemen

Section 21

Each regularly elected member of a Nominating Committee shall hold office for a term of one (1) year, and until his successor is elected and qualified, or until his death, resignation or removal.

Election of Nominating Committees

Section 22 - Members of the Nominating Committee shall be elected as follows:

Procedures for Nominations by Nominating Committees

- (a) Before June 1 of each year the Secretary of the Corporation shall cause notice to be given to the Chairmen of the respective District Committees as to those members of the District Nominating Committee who were elected for the present year and as to the offices of that Committee that are to be filled by the next election. The said Chairman shall thereupon notify the Nominating Committee elected for such District and the Nominating Committee shall proceed to nominate a candidate from such District for the offices of that Committee which are to be filled by the next election. The Nominating Committee in nominating candidates for the office of member of the Nominating Committee shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the Nominating Committee of the various sections of the District and of all classes and types of firms engaged in the investment banking or securities business within such District; and no Nominating Committee shall nominate more than two incumbent members of the Nominating Committee to succeed themselves. No member of any Nominating Committee may serve more than two consecutive terms. Each candidate

nominated by the Nominating Committee shall be certified to the District Committee, by September 1, and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation having a place of business in the District. Such candidate shall be designated the "regular candidate."

Nomination of Additional Candidates

- (b) Ten percent or more of the members of the Corporation having places of business in the District may nominate an additional candidate for the office of any member whose term is to expire or for any new office created by the Board of Governors pursuant to Section 20 (a) of this Article, if notice thereof in writing, signed by the required number of members, is filed with the District Committee within thirty (30) days from the date of the notice to the members of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such thirty-day period, then the candidate or candidates nominated by the Nominating Committee shall be considered duly elected and the District Committee shall certify the election to the Board of Governors.

Contested Elections

- (c) If any additional candidate or candidates are nominated, as provided in paragraph (b) of this section, the District Committee shall forthwith cause the names of the regular candidate for any contested office and of all other candidates for such to be placed upon a ballot, which shall be sent to all members of the Corporation having places of business in the District. Each member of the Corporation having its principal place of business in the District shall be entitled to one vote, and each member having one or more registered branch offices in the District shall be entitled to vote as provided in Section 10 of Article I. The District Committee shall fix the date before which ballots must be returned to be counted. All ballots shall be opened by such officer or employee of the District Committee as its Chairman may designate, and in the presence of a representative of each of the candidates, if such representation is requested in writing by any candidate voted upon. The candidate for each office to be filled receiving the largest number of votes cast shall be declared elected to membership on the Nominating Committee and certification thereof shall be made forthwith to the Board of Governors. In the event of a tie, there shall be a run-off election. In all elections held under this Section, voting shall be by secret mail ballot, the procedure for which shall

be prescribed by the Board of Governors.

Filling of Vacancies for Nominating Committees

Section 23 - All vacancies in any Nominating Committee other than those caused by the expiration of a member's term of office shall be filled as follows:

- (a) If the unexpired term of the member causing the vacancy is for less than six months, such vacancy shall be filled by appointment by the remaining members of the Nominating Committee of some member of the Corporation having a place of business in the same District.
- (b) If the unexpired term of the member causing the vacancy is for six months or more, such vacancy shall be filled by election, which shall be conducted as nearly as practicable in accordance with the provisions of Section 22 of this Article.

Meetings of Nominating Committees

Section 24

Meetings of each Nominating Committee shall be held at such times and places, upon such notice, and in accordance with such procedure as each Nominating Committee in its discretion may determine. A quorum of a Nominating Committee shall consist of a majority of its members, and any action taken by a majority at any meeting at which a quorum is present, except as otherwise provided in the By-Laws, shall constitute the action of the Committee. Action by a Nominating Committee may be taken by mail, telephonic or telegraphic vote, in which case any action taken by a majority of the Committee shall constitute the action of the Committee. Any action taken by telephonic vote shall be confirmed in writing.

Election of Chairmen and Other Nominating Committee Officers

Following the annual election of members of the Nominating Committees pursuant to Section 22 of this Article, each Nominating Committee shall elect from its members a Chairman and such other officers as it deems necessary for the proper performance of its duties under these By-Laws.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION

IMPORTANT: THIS NOTICE APPLIES TO ALL NASD MEMBERS

DUPLICATE AS NEEDED

TO: All NASD Members

ATTN: Fail-Control and Buy-in Personnel, Cashier, Operations Manager,
Trading Department

Amendments to Buy-in Procedures
Contained in NCC Operating Rules and NASD Uniform Practice Code

This important release concerns the effectiveness on May 1, 1973 of changes in the buy-in procedures provided for in NCC Operating Rule 9 and Section 59 of the NASD's Uniform Practice Code. It is imperative that fail-control and buy-in personnel, as well as all individuals affected by the changes, become familiar with the amendments to the rules. The text of the amendments is attached.

The changes made offer solutions to problems encountered by the brokerage community due to procedural and timing conflicts between Section 59 of the Uniform Practice Code and Operating Rule 9 of National Clearing Corporation's Continuous Net Settlement System. These solutions recognize that the Uniform Practice Code and NCC's Operating Rules deal with two vastly diverse methods of clearing securities transactions and the virtual improbability of solving every problem created by conflict of the two sets of rules.

However, until full implementation of NCC's Continuous Net Settlement System is completed, the desired end effect of the changes is to provide a uniform set of procedures for all NASD member firms for the initiation and execution of buy-ins under both clearing methods.

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The changes are a result of a review by NCC's Buy-in Advisory Committee, an ad hoc committee composed of member firm representatives and NCC operational and NASD staff members, which was created to evaluate existing procedures and recommend solutions when required.

Among other things, the Committee earmarked the timing pattern existing under the rules as a serious problem. By example, Section 59 allowed for closing of contracts 24 hours subsequent to notification while Rule 9 allows closing of contracts two full business days after notification. Also considered was the fact that under the two rules "re-transmittals" were not permitted against buy-ins submitted via the opposite method.

An explanation of the changes in Section 59 of the Uniform Practice Code and Rule 9 of the Operating Rules follow. (References to appropriate sections appear in parentheses.)

- (Sec. 59) In order to establish continuity of execution dates, the notification date has been changed from one business day (24 hours) to two full business days preceding the proposed execution date. By extending such date, NCC members (who must clear transactions under both rules) will be able to synchronize their buy-in procedures and non-NCC members will be assured of sufficient time for re-transmittal of an NCC originated notice of buy-in. Further, the execution date can be made the same under both rules and one execution will close-out all contracts against which either type of buy-in has been sent.
- (Sec. 59) Another change will allow a member to obtain one seven (7) calendar day "stay" or deferment of the execution of the buy-in sent under the provisions of Section 59 when the receiving member only has as its source, securities due from National Clearing Corporation.
- (Rule 9) Similar to the above, a new section has been added to Rule 9 of the Operating Rules which requires the same continuity of execution date and indication of an NCC "buy-in reference number" and extensions granted.
- (Rule 9) Language which further provides for the continuity of the execution date also disallows subsequent extensions due to stock in transfer or transit when that provision has been previously invoked under Section 59.

- (Sec. 59) This important change states that a buy-in originated under Section 59 expires at the close of business on the day specified instead of permitting such buy-in to remain in force for fourteen (14) calendar days. Presently, a member due securities from NCC who receives a buy-in under Section 59 remains open to the liability for execution of such notice for 14 calendar days without recourse to the Clearing Corporation, unless, the member resubmits a notice of buy-in to NCC each day.
- (Rule 9) New language to Rule 9 provides for the execution of the buy-in from a member's long position and/or from customer's accounts maintained with such member.
- (Rule 9) An additional provision to Rule 9 indicates that if a clearing member has a contract closed by an execution of a Section 59 notice of "buy-in"; such execution may be passed on to the NCC, provided, acceptable proof of execution is presented to NCC.
- (Sec. 59 and Rule 9) Changes to both rules have been made to insure more timely and reliable notification required under the rules than previously provided for.

The changes explained above demand your closest attention and study.

More information concerning the rule changes is expected to be distributed.

Questions regarding this notice may be directed to National Clearing Corporation, Two Broadway, 8th Floor, New York, N.Y. 10004, attention Charles M. Viviano - Clearing Member Liaison (212) 952-4160, James R. Yore, Jr. - Uniform Practice Division (212) 952-4018 and Richard Fiorentino - Buy-in Department (212) 952-4103.

Attachments/

-4-
AMENDMENTS
UNIFORM PRACTICE CODE

Section 59. A contract which has not been completed by the seller according to its terms may be closed by the buyer ~~after the first~~ not sooner than the third business day following the date delivery was due, in accordance with the following procedure:

NOTICE OF "BUY-IN"

(a) Written notice of "buy-in" shall be delivered to the seller at his office not later than 12 noon, his time, ~~of the day~~ two business days preceding the execution of the proposed "buy-in." Attached to or accompanying each notice of "buy-in" shall be a copy of the original comparison or other written statement of the broker/dealer to be "bought-in," evidencing the contract to be closed out.

INFORMATION CONTAINED IN "BUY-IN" NOTICE

(b) 1. Every notice of "buy-in" shall state the date of the contract to be closed, and the quantity and contract price of the securities covered by said contract, and shall state further that unless delivery is effected at or before a certain specified time, which may not be prior to 11:30 a. m. local time in the community where the buyer maintains his office, the security may be "bought-in" on the date specified for the account of the seller. Every notice of buy-in issued pursuant to an NCC issued buy-in must contain the NCC "buy-in reference number," which number shall be assigned by the NCC. This number, if preceded by the letters "EXT" will also indicate that the buy-in has already been extended seven (7) calendar days past its original proposed execution date pursuant to Section 59(g) of the UPC. Each "buy-in" notice shall also state the name of the individual

with whom further discussions concerning the "buy-in" may be carried on or the telephone extension where an individual authorized to pursue further discussions can be reached.

2. Notice may be redelivered immediately to another broker/dealer from whom the securities involved are due in the form of a re-transmitted notice ("re-transmit"). ~~The originator shall be immediately notified, via telephone, telegraph or other comparable media, that the "buy-in" notice is to be re-transmitted. Upon receiving such notice, the originator may not "buy-in" until 24 hours after the time indicated on the original "buy-in" notice. Such 24 hour extension shall not be further extended by subsequent re-transmittals.~~ Re-transmitted notice of buy-in must be delivered to subsequent broker/dealers not later than one business day preceding the time and date of execution of the proposed buy-in.

3. A broker/dealer "re-transmitting" to another broker/dealer an NCC issued buy-in must, in order to do so, re-transmit the buy-in pursuant to the time period set forth in sub-section (a) hereof, using the same time and execution date as appears on the NCC buy-in notice. Subsequent "re-transmittals" of such NCC issued buy-ins will be treated in the manner prescribed in sub-section (b)2. Also, any subsequent re-transmittals of such a buy-in must contain the "NCC buy-in reference number" as provided in sub-section (b)1 hereof.

SELLER'S FAILURE TO DELIVER AFTER RECEIPT OF NOTICE

(c) On failure of the seller to effect delivery in accordance with the "buy-in" notice, or to obtain a stay as hereinafter provided, the buyer may close the contract by purchasing for "cash" in the best available market, or

at the option of the buyer for guaranteed delivery not later than five (5) business days after the regular settlement date, for the account and liability of the party in default all or any part of the securities necessary to complete the contract.

Such execution will also operate to close-out all contracts covered under re-transmitted notices of buy-in issued pursuant to the original notice of buy-in.

A "buy-in" may be executed by a member from its long position and/or from customers' accounts maintained with such member. In all cases, members must be prepared to defend the price at which the "buy-in" is executed relative to the current market at the time of the "buy-in."

"BUY-IN" NOT COMPLETED

(d) In the event that a buy-in is not completed pursuant to the provisions of subsection (b) hereof on the day specified in the notice of "buy-in," or as such date may be extended pursuant to the provisions of ~~subsection (b) of subsections (f) or (g) hereof~~, said notice shall ~~remain in force for fourteen (14) calendar days thereafter; provided however, that the buyer may close the contract as provided in subsection (e) of this section on any such succeeding day of the fourteen (14) calendar day period, between 9:00 a.m. and 5:00 p.m.;~~ local time in the community where the buyer maintains his office expire at the close of business on the day specified in the notice of buy-in.

PARTIAL DELIVERY BY SELLER

(e) Prior to the closing of a contract on which a "buy-in" notice has been given, the buyer shall accept any portion of the securities called for by the contract, provided the portion remaining undelivered at the time the buyer

proposes to execute the "buy-in" is not an amount which includes an odd-lot which was not part of the original transaction.

SECURITIES IN TRANSIT

(f) 1. If prior to the closing of a contract on which a "buy-in" notice has been given, the buyer receives from the seller written notice stating that the securities are in transfer or in transit or are being shipped that day, and giving the certificate numbers, then the buyer may not execute the "buy-in" for a period not exceeding seven (7) calendar days from the date delivery was due under the "buy-in." Upon request of the seller, an additional extension of seven (7) calendar days may be granted by the Committee provided the stock is in transfer and, due to the transfer agent, transfer is delayed.

(f) 2. Such seven (7) calendar day extensions as provided in this subsection will not be granted on a notice of "buy-in" or a re-transmitted notice of "buy-in" for that portion of the "buy-in" which has an NCC issued "buy-in," (as explained in subsection (b)3 hereof), as its source, and upon which a seven (7) calendar day extension has been put into effect pursuant to subsection (g) hereof.

SECURITIES DUE FROM NATIONAL CLEARING CORPORATION

(g) 1. If by the date proposed for the execution of a "buy-in" a member has not been able to fully satisfy the "buy-in" via the following steps:

- (i) deliver securities on hand to settle all or part of the transaction,
- (ii) obtain a 7 calendar day "stay" or deferment pursuant to subsection (f) hereof, and

(iii) re-transmit the "buy-in" against "ex-clearing house" fails-to-receive for all or part of the amount pursuant to subsection (b) hereof.

and such member, receiving an original or re-transmitted notice of intent to "buy-in", has an open long position due from the National Clearing Corporation as indicated on his Net Position and Accounting Report of the same date, a 7 calendar day "stay" or deferment of the execution of the "buy-in" may be obtained for that portion of the "buy-in" due from NCC by giving the presenter of the notice of intent to "buy-in," written notice that the securities are due from the National Clearing Corporation.

2. The written notice of a "stay" or deferment pursuant to this subsection need not contain the certificate numbers of the securities due from the National Clearing Corporation.

3. Members obtaining a "stay" or deferment pursuant to this subsection must, prior to 10:00 a. m. on the day of the proposed execution, submit to the National Clearing Corporation written notice of intent to "buy-in" pursuant to the Operating Rules of the National Clearing Corporation.

4. A calendar day "stay" or deferment granted under this subsection cannot be further extended due to subsequent re-transmissions.

NOTICE OF EXECUTED "BUY-IN"

(g)(h) The party executing the "buy-in" shall immediately as promptly as possible on the day of upon execution via telegram TWX, Telex, hand delivery or other comparable written media, having the same immediate receipt capabilities,

notify the broker/dealer for whose account the securities were bought as to the quantity purchased and the price paid. ~~and shall promptly mail or deliver formal confirmation of purchase.~~ If TWX, Telex or hand delivery are not available the telephone shall be used for the purpose of immediate notification, and written notice via telegram or mail-o-gram must also be sent out simultaneously. In either case formal confirmation of purchase along with a billing or payment, (depending upon which is applicable), should be mailed or delivered as promptly as possible after the execution of the buy-in. Immediate similar notification of the execution of a "buy-in" shall be given to succeeding broker/dealers to whom a re-transmitted notice was given under subsection (b). If a re-transmitted "buy-in" is executed, it will operate to close-out all contracts covered under the re-transmitted notices.

"CLOSE-OUT" UNDER COMMITTEE OR EXCHANGE RULINGS

(*) (1) (1) When a National Securities Exchange makes a ruling that all open contracts with a particular member, who is also a member of this Association, should be closed-out immediately (or any similar ruling), members may close-out contracts as directed by the Exchange.

(2) Whenever the Committee ascertains that a court has appointed a receiver for any member because of its insolvency or failure to meet its obligations, or whenever the Committee ascertains, based upon evidence before it, that a member cannot meet its obligations as they become due and that such action will be in the public interest, the Committee may, in its discretion, issue notification that all open contracts with the member in question may be closed-out immediately.

(3) Within the meaning of this section, to close-out immediately shall mean that (i) "buy-ins" may be executed without prior notice of intent to "buy-in" and without regard to the "cash" or "guaranteed delivery" requirements contained in subsection (c) and ~~(e)~~ hereof; and (ii) "sell-outs" may be executed without making prior delivery of the securities called for.

(4) All close-outs executed pursuant to the provisions of this subsection shall be executed for the account and liability of the member in question. Notification of all close-outs shall immediately be sent to such member pursuant to the confirmation provisions of Section 9 of this Code.

"BUY-IN" FOR WARRANTS, RIGHTS, CONVERTIBLE AND CALLED SECURITIES

~~(i)~~(j) Contracts for warrants, rights, convertible securities or other securities which have been called for redemption or are due to expire or on which a call or expiration date is impending, may be "bought-in" without notice during the normal trading hours on the day of expiration or call. "Buy-ins" executed in accordance with this subsection shall be for the account and risk of the defaulting broker/dealer.

CONTRACTS MADE FOR CASH

~~(j)~~(k) Contracts made for "cash," or made for or amended to include guaranteed delivery on a specified date may be "bought-in" without notice during the normal trading hours on the day following the date delivery is due on the contract. "Buy-ins" executed in accordance with this subsection shall be for the account and risk of the defaulting broker/dealer.

INFORMATION ON NOTICES

~~(k)~~(l) Notices of "buy-in" and "re-transmitted buy-in" shall include all information contained in the sample forms prescribed by the Association.

"BUY-IN" DESK REQUIRED

~~(l)~~(m) Members shall have a "buy-in" section or desk adequately staffed to process and research all "buy-ins."

BUY-IN OF ACCRUED SECURITIES

~~(m)~~(n) Securities in the form of stock, rights or warrants which accrue to a purchaser shall be deemed due and deliverable to the purchaser on the payable date. Any such securities remaining undelivered at that time shall be subject to the "buy-in" procedures as provided under Section 59.

AMENDMENTS
NCC OPERATING RULES

RULE 9 Close-Out Procedure: Buying-In

(a) In the event that a Clearing Member due a security from the Clearing Center, as shown on its Net Position and Accounting Report has not received said security on Settlement Date, said Clearing Member may demand immediate delivery on the first full business day following the date the delivery was due (the Settlement Date) by filing with the Clearing Center a written notice of intention to "buy-in," in the form approved by the Clearing Corporation, which notice shall state that unless delivery is effected at or before 12:00 noon on a specified date, which date shall be no earlier than two full business days after delivery of such notice, the security may be "bought-in" for the firm or firms failing to deliver such securities to the Clearing Center. Such written notice shall be delivered to the Clearing Center not later than 10:00 a.m. local time.

(b) If such notice of buy-in shall be the result of a notice of buy-in originated or re-transmitted under the provisions of Section 59 of the Uniform Practice Code and the Clearing Member shall have invoked the provisions of Section 59(g), extending the execution date of all or a portion of such Section 59 buy-in, the notice of buy-in form submitted to the Clearing Center shall contain:

- (i) a statement indicating the use of such provision, and
- (ii) such extended execution date as the date of execution for

for the proposed buy-in.

In such event, execution of the buy-in by the Clearing Member may not take place prior to such extended date, and subsequent re-transmittals by the

Clearing Center shall contain:

- (i) notification of such extension,
- (ii) the same execution date, and
- (iii) the Clearing Center "buy-in reference number."

In addition, if the execution date of a notice of buy-in has previously been extended under the provisions of Section 59(g) of the Uniform Practice Code, no further extensions will be granted and the Clearing Member must submit its notice of buy-in to the Clearing Center:

- (i) with an execution date established under (a) hereof, and
- (ii) indicating the original Clearing Center "buy-in reference number."

Further, if the provisions of Section 59(g), extending the execution date, are invoked subsequent to the re-transmittal by the Clearing Center of a notice of intention to buy-in, such extension shall act to extend the execution date of all prior buy-in notices.

(b)(c) The Clearing Center shall, within a reasonable time not to exceed the same business day of receipt, "re-transmit" by telegraph or other comparable media the notice of "buy-in" to all Clearing Members who are short or failing to deliver the security involved specifying the total amount called for in said "buy-in" indicating the "buy-in reference number" and demanding delivery of each such Clearing Member's position as shown on such Clearing Member's Net Position and Accounting Report on the date of receipt of such notice and shall also re-transmit such notice to every other Clearing Center. However, if a Clearing Member's open position exceeds the total amount called for in the "buy-in", such Clearing Member shall only be liable for the amount called

for in said "buy-in." During the period prior to the time fixed in the notice for execution of the "buy-in," or in any event, up to and until execution of the "buy-in," the Clearing Center may, in its discretion, borrow on behalf of or allocate to the Buyer all or any portion of the securities called for by the "buy-in." All costs incurred incident to borrowing, allocating or processing the "buy-in" notice for such securities may be charged pro rata among all of the Clearing Members failing to deliver the security involved at the time of receipt of the notice of "buy-in."

~~(c)~~ (d)(1) Prior to the execution of a "buy-in" by the originator, the Buyer must accept and pay for any portion or all of the securities called for by the "buy-in" delivered to it and the portion remaining undelivered on the date designated for execution may be purchased for cash in the best available market or at the option of the Buyer for guaranteed delivery no later than five (5) business days after the regular Settlement Date. A "buy-in" may be executed by the originator from its long position and/or from customer's accounts maintained with such member. In all cases, the Clearing Member so executing must be prepared to defend as reasonable the price at which the "buy-in" is executed.

(ii) The originator of a "buy-in" should, immediately upon execution via TWX, TELEX, hand delivery or other comparable written media having the same immediate receipt capabilities, notify the Clearing Corporation as to the quantity purchased and the price paid for the securities which were bought.
When TWX, TELEX or hand delivery are not available, the telephone shall

be used for the purpose of immediate notification, and written notice via telegram or mail-o-gram must also be sent out simultaneously. When telephone notification is used, any discrepancies shall be the responsibility of the originator. In either case, formal confirmation of purchase should be mailed or delivered as promptly as possible after execution of the buy-in. If a "buy-in" is executed it will operate to close-out all contracts.

(d)-(e) If prior to the execution of the "buy-in," the Clearing Corporation, based either on its own information or on written notice which contains certificate numbers from Clearing Members short or failing to deliver the securities, advises the Buyer that the securities are in transfer or in transit or are being shipped that day, then the Buyer may not execute the "buy-in" for a period not exceeding seven (7) calendar days from the date delivery was due under Section (a) of this Rule 9. However, if the amount of the security in transfer or in transit or being shipped that day is less than the total amount for which the "buy-in" was initiated, the originating member may execute a "buy-in" within the time prescribed in paragraph (a) of this Rule for that portion of the original "buy-in" which remains unfilled. An additional extension of seven (7) calendar days may be granted by the Clearing Center provided the Clearing Member failing to deliver gives written notice that the security is in transfer, and, due to the Transfer Agent, transfer is delayed. Such seven (7) calendar day extensions, as provided above, will not be granted on notices of buy-in which have been previously granted a seven (7) calendar day extension under the provisions of Section 59(g) of the Uniform Practice Code. If the

securities reported to be in transfer or in transit are not timely tendered to the Clearing Center, the Clearing Member who gave such written notice to the Clearing Center shall be fully liable for its original portion of any loss incurred as if it had not guaranteed delivery. Such charge to the Clearing Member so failing to tender its securities to the Clearing Center on a timely basis shall, as soon as practicable, be credited to those other Clearing Members previously charged. If a profit shall result from a "buy-in," the Clearing Member so failing to tender its securities to the Clearing Center on a timely basis shall not share in such profit. The guarantee of delivery under this paragraph ~~(d)~~ (e) shall not prevent the originating Member from executing the full amount of its "buy-in" if such Member would, at the time specified for execution, be unable to execute for an amount less than that called for in the original "buy-in."

~~(e)~~ (f) In the event that sufficient securities are not delivered to the Clearing Center to satisfy the total amount demanded by the "buy-in," any loss (profit) resulting from the unsettled balance shall be charged (credited) pro rata among all Clearing Members of the Clearing Center in which the intention to "buy-in" was filed, who show a short position on their Net Position and Accounting Report on the date of receipt by the Clearing Center of the notice of "buy-in" as adjusted, with respect to any Clearing Member, for deliveries by that Clearing Member of the security involved which shall be applied against its pro rata portion of the loss, and Clearing Members of other Clearing Centers, who show

a short position on their Net Position and Accounting Report on the date of receipt by the Clearing Center of the notice of "buy-in" as adjusted, with respect to any Clearing Member, for deliveries by that Clearing Member of the security involved which shall be applied against its pro rata portion of the loss, to the extent of their Clearing Center's liability to the initiating Clearing Center. However, to the extent of their deliveries to the Clearing Corporation, those members who guarantee delivery of part or all of their total short position shall not be included in the class of "failing" members to whom the pro rata assessment is made under this paragraph ~~(e)~~ (f) provided delivery is completed within the time specified in paragraph ~~(d)~~ (e) of this Rule. Such pro rata assessment shall be to the next higher unit of trading, common to the security involved, by age of the position, the oldest being first, and shall be to those Members showing a short position on their Net Position and Accounting Report on the date of receipt by the Clearing Center of the notice of "buy-in" as adjusted, with respect to any Clearing Member, for deliveries by that Clearing Member of the security involved which shall be applied against its pro rata portion of the loss. However, if the "failing" broker's short position is insufficient to satisfy the pro rata assessment to the next higher unit of trading, such charge to the "failing" broker shall be to the next lower unit of trading.

In addition, when a notice of buy-in presented to a Clearing Center is the result of a notice of buy-in under the provisions of Section 59 of the Uniform Practice Code and such Section 59 buy-in is subsequently executed against the Clearing

Member, the Member may, upon presentation of proof acceptable to the Clearing Center, treat such execution as the execution of its pending buy-in presented to the Clearing Center.

~~(f)~~(g) In the event that the Clearing Center is unable to make delivery due to improper denominations, the Clearing Member originating the notice of "buy-in" shall accept:

(i) transfer to its name of security involved, or

(ii) an over delivery of securities not to exceed the next highest round lot. Such over delivery shall be treated as a short to the Clearing Center and shall be valued at the current Mark to the Market price.

~~(g)~~(h) In addition to the procedures specified in Section ~~(e)~~(f) of this Rule 9, above, the Clearing Corporation may, of its own accord, institute "buy-in" and/or sell out procedures against Clearing Members under the provisions of Rule 12 (b) (Tender Offers), Rule 13 (Suspension of a Clearing Member) of these Rules, Rule 14 (Financial Impairment of a Clearing Member) and, in the discretion of the Clearing Corporation, for any open short position which has been open for more than 30 calendar days.

~~(h)~~(i) In the event that a notice of "buy-in" is presented and sufficient securities are not delivered by the date of execution and subsequently such "buy-in" is not executed by the originating Clearing Member, a charge may be levied against such non-executing Clearing Member in an amount fixed by schedules published in accordance with Rule 20.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION *

May 10, 1973

TO: All NASD Members

RE: Schreiber Bosse & Co., Incorporated
800 Superior Avenue
Cleveland, Ohio 44114

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

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

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

SIPC Trustee: Mr. B. James Sheedy
Squire Sanders & Dempsey
1800 Union Commerce Building
Cleveland, Ohio 44115
Telephone (216) 696-9200

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

May 11, 1973

To: All NASD Members

Re: Stolen Securities

The Association has recently been informed that the following bonds were stolen from an individual in Crowley, Louisiana:

\$3,000	Grant Parish, Louisiana Gas Utility District No. 3 Gas Utility Revenue 4.60% Bonds; Dated 10/1/65 #188 due 10/1/86; #207 & #210 due 10/1/87. With 10/1/73 & SCA.
\$5,000	Town of Jeanerette, Louisiana Waterworks Utility Revenue 3.70% Bonds; Dated 11/1/64; #141,142,143,145,146 due 11/1/79. With 5/1/73 & SCA.
\$3,000	Village of Moreauville, Louisiana Public Utility Revenue Refunding 4.00% Bonds; Dated 3/1/65; #275/77 due 3/1/86. With 9/1/73 & SCA.
\$3,000	Pointe Coupee Parish, Louisiana Gas Utility District No. 2, Gas Utility 4.00% Revenue Bonds; Dated 1/1/65; #317/19 due 1/1/81. With 7/1/73 & SCA.
\$8,000	Ascension St. James Bridge and Ferry Authority 4.45% Bonds; Dated 11/1/61; #3461/68 due 11/1/2001. With 5/1/73 & SCA.
\$5,000	Louisiana State Board of Education Louisiana Polytechnic Institute Student Union and Housing System Revenue 5% Bonds; Series 1966; Dated 4/1/66; #266 due 10/1/87. With 10/1/73 & SCA.
\$5,000	Louisiana Board of Education Northwestern State College Housing Revenue 3.80% Bonds; Dated 4/1/65; #291 due 10/1/84. With 10/1/73 & SCA.
\$10,000	Iberville Parish, Louisiana Industrial Revenue 5.75% Bonds Series 1967 (Hercules, Inc.). Dated 2/1/67; #2614, #1455 due 2/1/87. With 8/1/73 & SCA.

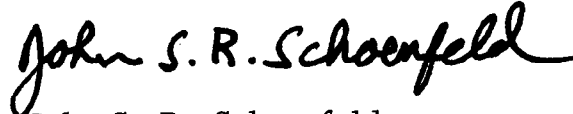
- more -

\$20,000

City of Natchitoches, Louisiana Series ST-1 7% Bonds.
Dated 8/1/70; #282/85 due 12/1/88. With 6/1/73 & SCA.

If any NASD members should come into the possession of any of the above listed bonds, or receives any information concerning these bonds, he should contact: Ladd Dinkins & Company, 646 National Bank of Commerce Building, New Orleans, Louisiana 70112, (504) 525-9081. The bonds were stolen from a customer of Ladd Dinkins & Company.

Sincerely,

A handwritten signature in black ink that reads "John S. R. Schoenfeld". The signature is written in a cursive style with a long, sweeping tail on the final letter.

John S. R. Schoenfeld
Executive Vice President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

May 25, 1973

IMPORTANT

ANTI-RECIPROCAL RULE DECLARED EFFECTIVE

TO: Members of the National Association of Securities Dealers, Inc.

RE: Adoption of Amendment to Article III, Section 26 of Rules of Fair Practice Adding New Subsection (k) Re: Execution of Investment Company Portfolio Transactions by Members Who Sell Investment Company Shares. (Anti-Reciprocal Rule.)

Adoption of Interpretation of Subsection (k) of Section 26 of Article III of Rules of Fair Practice.

Enclosed herewith is an amendment to Article III, Section 26 of the Rules of Fair Practice, and an Interpretation of the Board of Governors with respect thereto, which have been declared effective by the President of the Association as of July 15, 1973.

New Subsection (k) of Article III, Section 26 of the Rules of Fair Practice (the Anti-Reciprocal Rule, hereinafter sometimes "the Rule") prohibits members from favoring or disfavoring the distribution of particular investment companies on the basis of brokerage commissions, soliciting or making promises of an amount or percentage of brokerage commissions in connection with the distribution of investment company shares, and seeking orders for the execution of portfolio transactions on the basis of their sales of investment company shares. The Interpretation is designed to make clear the intent of the Rule.

Background and Explanation

In its Statement on the Future Structure of the Securities Markets in February, 1972, the Securities and Exchange Commission stated that it was requesting the NASD to direct its members to discontinue the use of reciprocal portfolio brokerage for the sale of investment company shares. In a letter to the Association, the Commission's Chairman, on behalf of the full Commission, reiterated the conclusions of the Statement on Future Structure concerning the potential regulatory problems deemed to be created by this practice. The Commission's Chairman subsequently said that after the NASD moves to adopt such a rule, the Commission would adopt a companion SECO

rule to assure equality of treatment among all brokers. He further stated that the Commission intended to look at the extent to which others, not affected by NASD rules, engage in similar reciprocal practices.

The Association's Board of Governors accepts as a fact that it is customary for most investment companies whose shares are distributed by members of the Association to follow the policy publicly stated in their prospectuses of selecting for the execution of portfolio transactions brokers who are in a position to provide the best execution. It recognizes also that the selection of brokers among those equally qualified to provide the best execution frequently has been made on the basis of sales of shares of the investment company.

During the development of the Anti-Reciprocal Rule, the Association reviewed various alternatives for the implementation of the Commission's request. The Association determined that it is not in the public interest, nor in the best interests of investment company shareholders, to prohibit or to in any way inhibit, the execution of portfolio transactions by members who also sell shares of the investment company. The Association believes that an investment company should be permitted to select broker-dealers who may have sold its shares, so long as the selection is made on the basis of a broker's professional capability and not the volume of shares sold. Sales of investment company shares should not be a qualifying or disqualifying factor in the selection of a broker-dealer to execute portfolio transactions.

Thus, a proposed amendment and Interpretation were distributed to the membership for comment on July 27, 1972 and after changes were made by the Board of Governors, the proposed amendment was submitted for membership approval on November 29, 1972. It was thereafter approved by the membership and has been filed with and not disapproved by the Securities and Exchange Commission.

Section by Section Analysis

Paragraph (1) of Article III, Section 26 (k) provides that no member shall directly or indirectly favor or disfavor the distribution of shares of any investment company or group of investment companies on the basis of brokerage commissions received or expected by such members from any source. "Any source" includes any investment company or group of investment companies and any "covered account". The term "covered account" is defined in paragraph (6) as meaning (a) any other investment company or account managed by the investment adviser of such investment company, or (b) any other account from which brokerage commissions are received or expected as a result of the request or direction of any principal underwriter of such investment company or of any affiliated person of such investment company or of such principal underwriter, or of any affiliated person of an affiliated person of such investment company. Some of the activities prohibited by paragraph (1), and which are delineated in the Interpretation of subsection (k), are as follows:

1. Providing to salesmen, branch managers, or other sales personnel any incentive or additional compensation for sales of shares of specific investment companies based upon the amount of brokerage commissions received or expected from any source. This prohibition includes bonuses, preferred compensation lists, sales incentive campaigns or contests, or any other method of compensation which provides an incentive to sales personnel to favor or disfavor any investment companies based upon brokerage commissions. (See subsection (a) (1) of Interpretation.)
2. Recommending specific investment companies to sales personnel or establishing "recommended", "selected", or "preferred" lists of investment companies, regardless of the existence of any special compensation or incentives to favor or disfavor the shares of such companies in sales efforts, if such companies are recommended or selected on the basis of brokerage commissions received or expected from any source. (See subsection (a) (2) of Interpretation.)
3. Granting to salesmen, branch managers, or other sales personnel any participation in brokerage commissions received by such member from portfolio transactions of an investment company whose shares are sold by such member, or from any covered account, if such commissions are directed by or identified with such investment company or covered account. (See subsection (a) (3) of Interpretation.)

Paragraph (1) of the Rule permits a member to compensate its salesmen and branch managers based upon total sales of investment company shares attributable to such persons, whether by use of overrides, accounting credits, or other compensation methods if such compensation is not designed to favor or disfavor sales of shares of investment companies on a basis prohibited by the new subsection. (See subsection (a) (5) of Interpretation.)

Paragraph (2) of the Rule prohibits any member from, directly or indirectly, demanding, requiring, or soliciting an offer or promise of an amount or percentage of brokerage commissions from any source in connection with or as a condition to the sale of shares of an investment company. This paragraph not only prohibits a member from making the receipt of brokerage commissions a condition to the distribution of shares of an investment company but prohibits a member from using sales of investment company shares as a factor in negotiating the price of, or the amount of brokerage commissions to be paid on, a portfolio transaction of an investment company or covered account, whether such transaction is executed in the over-the-counter market or elsewhere. (See subsection (a) (4) of Interpretation.)

Paragraph (3) of the Rule prohibits a member from, directly or indirectly, offering or promising to another member, or requesting or arranging for the direction to any member, of an amount or percentage of brokerage commissions from any source as an inducement or reward for the sale of shares of an investment company. This paragraph, among other things, prohibits an underwriter member from suggesting, encouraging, or sponsoring any incentive campaign or special sales effort for another member with respect to the shares of any investment company which incentive or sales effort is, to the knowledge or understanding of such underwriter member, to be based upon, or financed by, brokerage commissions directed or arranged by the underwriter member. (See section (b) of Interpretation.)

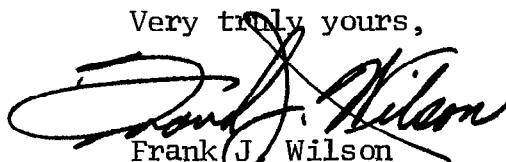
Paragraph (4) of the Rule prohibits members from circulating any information regarding the amount or level of brokerage commissions received by the member from an investment company or covered account to anyone other than management personnel who are required, in the overall management of the member's business, to have access to such information.

Paragraph (5) of the Rule states that nothing in subsection (k) shall be deemed to prohibit the execution of portfolio transactions of investment companies by members who also sell shares of the investment company. It permits members who sell shares of an investment company to execute portfolio transactions for that investment company and its covered accounts so long as they seek to obtain such orders for execution on the basis of the value and quality of their brokerage services and not on the basis of their sales of investment company shares.

Paragraph (5) of the Rule means that sales of investment company shares shall not be a qualifying or disqualifying factor in the selection of a broker-dealer to execute portfolio transactions. That choice must be made strictly on the basis of a broker-dealer's professional capability. This paragraph makes clear that a violation of the Rule could not be proven merely by demonstrating that a member has sold shares of an investment company for which it has executed transactions. Any investment company is justified in placing orders for portfolio transactions -- and any member in executing them -- on the basis of the value and quality of the brokerage services rendered.

Paragraph (6) of the Rule consists of two definitions. The first (the definition of "covered account") is discussed above in connection with paragraph (1) of the Rule. The term "brokerage commissions", as defined in paragraph (6) of the Rule, is not limited to commissions on agency transactions but also includes underwriting discounts or concessions and fees paid to members in connection with tender offers.

Very truly yours,



Frank J. Wilson
Senior Vice President
Regulation

New Subsection (k) of Article III,
Section 26 of the Rules of Fair Practice

Execution of Investment Company Portfolio Transactions

- (k) (1) No member shall, directly or indirectly, favor or disfavor the distribution of shares of any investment company or group of investment companies on the basis of brokerage commissions received or expected by such member from any source, including such investment company, or any covered account.
- (2) No member shall, directly or indirectly, demand, require, or solicit an offer or promise of an amount or percentage of brokerage commissions from any source in connection with, or as a condition to, the sale of shares of an investment company.
- (3) No member shall, directly or indirectly, offer or promise to another member, or request or arrange for the direction to any member, of an amount or percentage of brokerage commissions from any source as an inducement or reward for the sale of shares of an investment company.
- (4) No member shall circulate any information regarding the amount or level of brokerage commissions received by the member from any investment company or covered account to other than management personnel who are required, in the overall management of the member's business, to have access to such information.
- (5) Nothing herein shall be deemed to prohibit the execution of portfolio transactions of any investment company or covered account by members who also sell shares of the investment company; provided, however, that members shall seek orders for execution on the basis of the value and quality of their brokerage services and not on the basis of their sales of investment company shares.
- (6) Definitions
- a. Covered Account shall mean (i) any other investment company or other account managed by the investment adviser of such investment company, or (ii) any other account from which brokerage commissions are received or expected as a result of the request or direction of any principal underwriter of such investment company or of any affiliated person (as defined in the Investment Company Act of 1940) of such investment company or of such principal underwriter, or of any

affiliated person of an affiliated person of such investment company.

- b. Brokerage Commissions as used herein, or in any Interpretation hereof by the Board of Governors, shall not be limited to commissions on agency transactions but shall include underwriting discounts or concessions and fees paid to members in connection with tender offers.

Interpretation of the Board of Governors

Pursuant to the provisions of Article IV, Section 2 (b) and Article VII, Section 3 (a) of the By-Laws, the following Interpretation has been adopted by the Board of Governors:

It shall be deemed conduct inconsistent with just and equitable principles of trade and in violation of Article III, Sections 1 and 26 (k) of the Rules of Fair Practice, for any member, subsequent to the effective date of this Interpretation, to engage in any of the following activities:

- (a) With respect to a member's retail sales of shares of investment companies:
 - (1) To provide to salesmen, branch managers or other sales personnel any incentive or additional compensation for the sale of shares of specific investment companies based on the amount of brokerage commissions received or expected from any source including such investment companies or any covered accounts (as defined in Section 26 (k) of Article III of the Rules of Fair Practice) of such investment companies. Included in this prohibition are bonuses, preferred compensation lists, sales incentive campaigns or contests, or any other method of compensation which provides an incentive to sales personnel to favor or disfavor any investment company or group of investment companies based on brokerage commissions.
 - (2) To recommend specific investment companies to sales personnel, or establish "recommended", "selected", or "preferred" lists of investment companies, regardless of the existence of any special compensation or incentives to favor or disfavor the shares of such company or companies in sales efforts, if such companies are recommended or selected on the basis of brokerage commissions received or expected from any source.

- (3) To grant to salesmen, branch managers or other sales personnel any participation in brokerage commissions received by such member from portfolio transactions of an investment company whose shares are sold by such member, or from any covered account, if such commissions are directed by, or identified with, such investment company or any covered account.
 - (4) To use sales of shares of any investment company as a factor in negotiating the price of, or the amount of brokerage commissions to be paid on, a portfolio transaction of an investment company or of any covered account, whether such transaction is executed in the over-the-counter market or elsewhere.
 - (5) Nothing herein shall prevent a member from compensating its salesmen and managers based on total sales of investment company shares attributable to such salesmen or managers, whether by use of overrides, accounting credits, or other compensation methods, provided that such compensation is not designed to favor or disfavor sales of shares of particular investment companies on a basis prohibited by this Interpretation.
- (b) With respect to a member's activities as an underwriter of investment company shares, to suggest, encourage, or sponsor any incentive campaign or special sales effort of another member with respect to the shares of any investment company which incentive or sales effort is, to the knowledge or understanding of such underwriter-member, to be based upon, or financed by, brokerage commissions directed or arranged by the underwriter-member.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION

June 5, 1973

TO: Members of the National Association of Securities Dealers, Inc.

RE: Appointment of SIPC Trustee for:

Weis Securities Inc.
17 Battery Place North
New York, NY 10004

It was previously announced on May 25, 1973 that member firms may use the "immediate close-out" procedures under Section 59(i) of the Uniform Practice Code for open contracts executed in the over-the-counter market with Weis Securities Inc., New York.

Earlier, on May 24, 1973, the Board of Directors of National Clearing Corporation acting under the provisions of NCC Operating Rule 14, determined that National Clearing Corporation would cease to act for Weis Securities Inc.

The below named has been appointed the trustee for Weis under the Securities Investor Protection Corp. (SIPC). All money differences and other matters of business should be directed to:

Edward S. Redington, Esq.
c/o Weis Securities Inc.
17 Battery Place North
New York, NY 10004
Telephone (212) 747-8000

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.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 5, 1973

To: All NASD Members

Re: Missing Bonds and Stock Certificates

The following bonds and stock certificates have been reported missing by the Crocker National Bank of San Francisco. The bonds are bearer bonds, and the stock certificates are accompanied by assignments, making them fully negotiable.

\$40,000 Alum Rock Union School District; County of Santa Clara; 5% due 4/1/83; dated 4/1/73; with coupons for 4/1/74 attached; Numbers A-60 through A-67, face value of \$5,000 each.

300 shares	Bristol Myers Certificate No. NU51644 - 200 shares Issued in name of Cede & Co.	Certificate No. S10166 - 100 shares Issued in name of Willin & Co.
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100 shares	General Foods Certificate No. $\frac{NC}{O}790072$ - 80 shares Issued in name of Estabrook & Co.	Certificate No. $\frac{NC}{O}649162$ - 20 shares Issued in name of Ruth Fuyat
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300 shares Crown Zellerbach
Certificate Nos. NY496049 - 100 shares
NYB24139 - 200 shares
Issued in name of Cede & Co.

500 shares A. C. Nielsen & Company, Class A stock
Certificate No. AU 3664, dated 3/12/73
Issued in name of Mem & Co.

If any NASD member comes into the possession of any of the above listed certificates or receives any information regarding these securities, he should contact Central Operations, Crocker National Bank, 111 Sutter Street, Room 1400, San Francisco, California 94104 - (415) 983-2395.

Sincerely,

John S. R. Schoenfeld

John S. R. Schoenfeld
Executive Vice President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 6, 1973

TO: All NASD Members and Interested Persons

RE: Proposed New Regulations and Amendments to Existing Regulations

1. Proposed new Rule of Fair Practice and Appendix thereunder concerning restrictions on securities "failed to deliver" and "failed to receive."
2. Amendments to Interpretation with respect to "Free-Riding and Withholding."

The Board of Governors of the Association has proposed two new regulations and amendments to existing regulations, as referenced above, which are being published by the Board at this time to enable all interested persons an opportunity to comment thereon. Such comments must be in writing and received by July 6, 1973 in order to receive consideration. After the comment period has closed the proposals must again be reviewed by the Board. Thereafter, the proposed new rules must be submitted to the membership for vote. If approved, the proposals must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Explanation of Proposed Amendments

1. Proposed new Rule of Fair Practice and Appendix thereunder concerning restrictions on securities "failed to deliver" and "failed to receive."

The proposed new Rule of Fair Practice would give the Board of Governors authority to establish rules, regulations and procedures to be followed by members in connection with domestic and foreign securities which are "failed to receive" and "failed to deliver." Such rules, regulations and procedures are to be incorporated into an Appendix which the Board of Governors could alter, amend, supplement or modify without recourse to the membership for approval. Any changes in the Appendix, however, would have to be submitted to and not disapproved by the Securities and Exchange Commission before becoming effective.

The Board of Governors has carefully examined the statistical data concerning the number of aged fails which currently exist in the industry and has concluded that the restrictions on fails contained in the Association's Emergency Rules (pages 2005 and 2006 of the Association's manual) are not, at this time, consistent with what the Board believes are reasonable periods of time within which members should be required to clear all aged fails. Accordingly, the Board proposes that these restrictions be strengthened. The Board has also taken into consideration that SEC Rule 15c3-3 requires a broker/dealer to obtain physical possession or control over all customer securities failed to receive over 30 days and that proposed SEC Rule 15c3-1 provides for a 100% haircut for all fails to deliver 30 days old or older.

Paragraph (a) of the Appendix provides that no member or person associated with a member may sell a security for his own account or buy a security as a broker for a customer (except exempt securities) if he has a fail to deliver in that security 60 days old or older with respect to domestic securities and 90 days old or older with respect to foreign securities (except American Depository Receipts and Canadian Securities). The present restrictions which are contained in the Emergency Rules are 90 days for domestic securities and 150 days for foreign securities unless more than 10% of the members' total dollar volume of fails to deliver are 60 days old or older, then in such case the restrictions are 60 days for domestic securities and 120 days for foreign securities.

Paragraph (b) of the Appendix provides that no member may have a "fail to deliver" or a "fail to receive" on its books (except exempt securities) which is 60 days old or older with respect to domestic securities and 90 days old or older with respect to foreign securities. The present restrictions contained in the Emergency Rules are 90 days for domestic securities and 150 days for foreign securities.

Paragraph (c) of the Appendix allows members to request exemptions from the rule for good cause shown and in exceptional circumstances.

It is the intention of the Board of Governors to reconsider the proposed restrictions in the Appendix, six months after the effective date of the rule. Specifically, the Board intends to consider further reducing the time periods in paragraphs (a) and (b) to 40 days with respect to domestic securities. The Board of Governors invites comments on the proposed rule and appendix as well as the foregoing further reduction.

2. Amendments to Interpretation with respect to "Free-Riding and Withholding"

The Board of Governors has proposed two amendments to the "Free-Riding and Withholding" Interpretation. The first amendment would totally prohibit members and persons associated with members from receiving shares of a "hot issue". Specifically, the amendment would prohibit a member from allocating securities of a "hot issue" to its own account or sell securities of a "hot issue" to those persons enumerated in paragraph (2) of the Interpretation, that is, any officer, director, general partner, employee or agent of any member of the Association or of any other broker/dealer. In addition, any member of the immediate family of such persons who receives support from them, ~~directly or indirectly, would be totally prohibited from purchasing "hot issues"~~. Further, pursuant to paragraph (5) of the Interpretation, any account in which such person or member had a beneficial interest would be totally prohibited from purchasing "hot issues."

Under the present Interpretation a member can withhold for its own account or sell securities of a "hot issue" to the account of persons enumerated in paragraph (2) if the member can establish that the sales were insubstantial, not disproportionate as compared to sales to members of the public and consistent with the normal investment practice of the account. The proposed amendment would discontinue this practice and place a total prohibition on members of the securities industry and their family members receiving support from them.

The second amendment to the Interpretation concerns the sale of "hot issues" to investment partnerships, investments corporations and other like accounts which are organized for the purpose of investment. A new paragraph is proposed to be added to the Interpretation which would prohibit a member from selling a "hot issue" to any investment partnership or corporation, domestic or foreign, unless the member receives from the account, prior to the execution of the transaction, the names and business connections of all persons having a beneficial interest in the account. This information is necessary in order for the member to determine whether a sale of a "hot issue" to such an account is consistent with paragraph (5) of the Interpretation which prohibits sales of a "hot issue" to an account in which a restricted person has a beneficial interest. Such beneficial interest would not only cover ownership interests, but every type of financial interest, including but not limited to, management fees and other fees based on the performance of the account. This requirement would apply to hedge funds,

investment clubs or any other account whose primary function consists of investing in securities and the information would be required to be updated as the participants in the account change. If this information was not received by the member, a sale of a "hot issue" to the account would constitute a violation of the Interpretation. Of course, if any person having a beneficial interest in the account is a restricted person enumerated in paragraphs (1) through (4) of the Interpretation, then the entire account is restricted and any sale of a "hot issue" to the account must comply with the provisions of the Interpretation.

The Board recognizes that in some cases, particularly with respect to foreign accounts, the partnership or corporation may be prohibited by law from disclosing the names of persons having a beneficial interest in the account. In such case, the amendment provides that the member must receive written assurance from the account that no person restricted under the Interpretation has a beneficial interest in the account.

Any 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 July 6, 1973. All communications will be considered available for inspection.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Donald H. Burns". The signature is written in dark ink and is positioned above the typed name and title.

Donald H. Burns
Secretary

Text of Proposals

New Material indicated by underlining
Deleted Material indicated by striking out

1. Proposed new Rule of Fair Practice and Appendix thereunder concerning restrictions on securities "failed to deliver" and "failed to receive"

PROPOSED ARTICLE III, SECTION

Sec. The Board of Governors shall have the authority to establish rules, regulations and procedures to be followed by members in connection with domestic and foreign securities which are "failed to receive" and "failed to deliver". The rules, regulations and procedures authorized hereby shall be incorporated into Appendix to be attached to and made part of this rule. The Board of Governors shall have the power to alter, amend, supplement or modify the provisions of Appendix from time to time without recourse to the membership for approval, as would otherwise be required by Article IX of the By-Laws. Appendix shall become effective as the Board of Governors may prescribe unless disapproved by the Securities and Exchange Commission.

Proposed Appendix to Article III, Section

(a) No member, or person associated with a member, shall sell a security for his own account, or buy a security as a broker for a customer (except exempt securities) if,

- (1) in respect to domestic securities, he has a fail to deliver in that security 60 days old or older; or
- (2) in respect to foreign securities (except American Depository Receipts and Canadian securities), he has a fail to deliver in that security 90 days old or older.

(b) No member shall have a "fail to deliver" or a "fail to receive" on its books (except exempt securities) which is not cleared by it within 60 days (90 days in the case of foreign securities except American Depository Receipts and Canadian securities).

(c) For good cause shown and in exceptional circumstances, a member may request exemption from the provisions of this rule by written request to the District Director of the District in which his principal office is located.

2. Amendments to Interpretation with respect to "Free-Riding and Withholding." (page 2041 of the Manual)

Provided, however, a member may ~~withhold for its own account, or~~ sell part of its securities acquired as described above to:

(a) persons enumerated in paragraphs (2), (3) or (4) ~~or~~ (5) hereof; and

(b) members of the immediate family of persons enumerated in paragraph (2) hereof provided that such person enumerated in paragraph (2) does not contribute directly or indirectly to the support of such member of the immediate family; and

(c) Any account in which any person specified under paragraphs (3) or (4) hereof has a beneficial interest;

~~part of the shares acquired as described above~~ if the member is prepared to demonstrate that the securities ~~withheld for its own account were withheld for bona fide investment in accordance with the members normal investment practice or~~ were sold to such other persons in accordance with their normal investment practice with the member, that the aggregate of the securities ~~so withheld and/or~~ sold is insubstantial and not disproportionate in amount as compared to sales to members of the public and that the amount ~~withheld and/or~~ sold to anyone of such persons is insubstantial in amount.

New Paragraph to be Added Under the "Scope and Intent of the Interpretation." (page 2043 of the Manual)

A member may not sell securities of a public offering which immediately after the distribution process is commenced, trade at a premium in the secondary market ("hot issue"), to the account of any investment partnership or corporation, domestic or foreign, (except companies registered under the Investment Company Act of 1940) including but not limited to, hedge funds, investment clubs, and other like accounts unless the member receives from such account, prior to the execution of the transaction, the names and business connections of all persons having any beneficial interest in the account; provided, however, that if the disclosure of such information by the account is prohibited by law, then in such case, the member must receive written assurance from the account that no person enumerated in paragraphs (1) through (4) hereof has a beneficial interest in such account.



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION

June 8, 1973

TO: All NASD Members
 RE: Appointment of SIPC Trustees

The National Association of Securities Dealers, Inc. and National Clearing Corporation have been advised of the appointment of SIPC Trustees for the below-named firms. Members may use the "immediate close-out" procedures under Section 59(i) of the Association's Uniform Practice Code to close-out open OTC contracts with the firms. (NOTE: Neither firm is a member of NCC.)

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

Questions as to money differences and other matters of business may be directed to the trustees.

<u>Firm</u>	<u>SIPC Trustee</u>
Glendale Securities Corp. 6651 Fresh Pond Road Ridgewood, New York 11227	Brian T. McNulty 80 Wall Street - Suite 614 New York, NY 10005 Telephone (212) 269-3445
Smith & Medford, Inc. 1606 Gas Light Tower 235 Peachtree Street Atlanta, Georgia 30303	William Green & Smith & Medford, Inc. 1606 Gas Light Tower 235 Peachtree Street Atlanta, Georgia 30303 Telephone (404) 688-7405

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.

DP



NATIONAL CLEARING CORPORATION

UNIFORM PRACTICE DIVISION

June 22, 1973

TO: All NASD Members

RE: Shaskan & Co., Inc.
67 Broad Street
New York, NY 10004

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

Please refer to Section 59(i) 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, N.Y., 10004, (212) 952-4018.

NASD Notice to Members: 73-48
NOT AVAILABLE AT THIS TIME

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