

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 86-16**

March 4, 1986

TO: All NASD Members and Other Interested Persons

RE: Amendments to SEC Rule 10b-10

On March 17, 1986, several amendments to SEC Rule 10b-10, the customer confirmation rule, will become effective. The amendments will require broker-dealers to report on customer confirmations trade prices and mark-ups and mark-downs in principal transactions in reported securities. "Reported securities" include NASDAQ National Market System (NASDAQ/NMS) securities and listed securities meeting New York or American Stock Exchange listing requirements.

### **PREVIOUS REQUIREMENTS**

Rule 10b-10 presently requires a broker-dealer executing a transaction with a customer to provide to the customer a written confirmation at or before completion of the transaction disclosing information concerning the transaction. For transactions in which the broker-dealer acts as agent, the confirmation must disclose the transaction price and the commission. For transactions in which the broker-dealer acts as principal, Rule 10b-10 currently requires the broker-dealer to confirm only the "net" price to the customer. However, in the case of "riskless principal" transactions in which the broker-dealer is not a market maker, the confirmation must disclose the transaction price and the "amount of any mark-up, mark-down or similar remuneration."

### **AMENDED REQUIREMENTS**

Under the recent amendments to Rule 10b-10, a broker-dealer executing customer transactions as principal in reported securities will be required to disclose on the confirmation to its customer three items of information:

- (1) "the trade price reported";
- (2) "the price to the customer in the transaction"; and
- (3) the "difference, if any, between the reported trade price and the price to the customer in the transaction."

These requirements will also apply to "riskless principal" transactions in reported securities in which the broker-dealer is a market maker in the security. If the broker-dealer is not a market maker in a "riskless principal" transaction, the existing requirements continue to apply, i.e., the confirmation must disclose the

transaction price and the "amount of any mark-up, mark-down or similar remuneration."

For NASDAQ/NMS securities and listed securities traded off-board, the reported trade price is the price required to be reported under the NASD's real-time, last sale reporting requirements contained in Part X of Schedule D of the NASD By-Laws.

### EXAMPLES

The following examples may be helpful in assisting members to comply with the new disclosure requirements under Rule 10b-10:

1. Buy as principal 100 shares from a customer at 39 7/8, which includes a 1/8 mark-down.

**Report:** Buy of 100 shares at 40.

**Disclosure to customer:** Reported price of 40;  
Net price to customer of 39 7/8;  
Commission equivalent of 1/8.

2. Buy as principal 100 shares from a customer at 40 with no mark-down.

**Report:** Buy of 100 shares at 40.

**Disclosure to customer:** Reported price of 40;  
Net price to customer of 40;  
Commission equivalent — none.

3. Sell as principal 10,000 shares to an institution at 39 7/8 with no mark-up.

**Report:** Sale of 10,000 shares at 39 7/8.

**Disclosure to customer:** Reported price of 39 7/8;  
Net price to customer of 39 7/8;  
Commission equivalent — none.

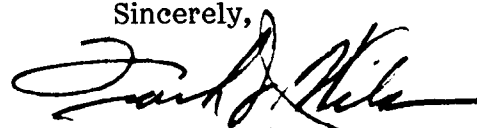
4. Sell as principal 500 shares to a customer at 40 1/8, which includes a 1/8 mark-up.

**Report:** Sale of 500 shares at 40.

**Disclosure to customer:** Reported price of 40;  
Net price to customer of 40 1/8;  
Commission equivalent of 1/8.

Questions concerning the new reporting requirements under amended SEC Rule 10b-10 may be directed to Bill Hotchkiss, NASD Surveillance Department, at (202) 728-8235.

Sincerely,



Frank J. Wilson  
Executive Vice President  
and General Counsel



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 86-17**

March 5, 1986

**TO:** All NASD Members and Other Interested Persons

**ATTN:** Training Directors and Registration Personnel

**RE:** Availability of New Outline for the Series 7 General Securities Representative Examination; Updating of Margin Questions on Option Principal Examinations

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The purpose of this notice is twofold:

- Part I announces the availability in mid-March of study outlines for a revised Series 7 General Securities Representative Qualification Examination. Pending SEC approval, it is expected that this new version of the test will be introduced at the June 1986 administration.

- Part II addresses the margin requirement changes that were approved by the SEC in September 1985 for mandatory use after January 31, 1986. Margin calculations for short options positions using the new standards will be reflected in questions on the option principal examinations, Series 4 and Series 8, beginning March 16, 1986.

## **PART I**

### **Background**

The Series 7 examination was adopted as an industry-wide general securities representative qualification examination in 1974. In the years since its inception, several new securities products have been conceived, existing product mixes within general securities firms have been redefined and, generally, the job of the registered representative has been modified slightly as firms offered an ever wider range of financial services.

In October 1983, staff members of the American Stock Exchange, the Chicago Board Options Exchange, the Municipal Securities Rulemaking Board, the Philadelphia Stock Exchange, the National Association of Securities Dealers and the New York Stock Exchange met to begin a fundamental review of the material tested

in the Series 7 examination and to make the changes necessary to update the test to reflect today's registered representatives' general securities activities.

In accomplishing this modification, the regulators received invaluable help from an experienced group of securities industry professionals. These volunteers worked both in the project studies that led to the creation of the new outline and in the writing and review of new test questions. The Series 7 project is now completed and a new outline will be available within the next few weeks. The NASD will soon file the new outline and test specifications with the SEC and, pending approval, begin administering this new version of the test in June 1986.

### **Structure and Content of the New Series 7 Test**

The examination will remain a six-hour, two-part, 250-question (four-option, multiple-choice) paper and pencil test. Its purpose also remains unchanged: to determine whether candidates are capable of functioning as entry-level representatives in a general securities environment working under reasonable supervision. For this reason, there should be little change in the overall level of difficulty of the Series 7 examination.

All the financial product areas covered on the present Series 7 test will also be covered on the revised test. In addition, several new products will be added to the test's content, including Index Options, Interest Rate Options and Foreign Currency Options. Direct Participation Programs will receive a more thorough treatment on the revised test, both in terms of subject content and the number of questions in each test form. All the questions used on the present test are being reviewed for inclusion on the revised test. In addition, four regionally based, industry-staffed teams are writing new test questions based on the revised exam's subject content. These new questions place less emphasis on factual recall and more emphasis on application, evaluation and analysis.

To provide member organizations' training departments with detailed information on the revised test, two initiatives have been undertaken. First, a new study outline (see the order form attached) is available for \$8.10 per copy, including postage. It contains a new job-related presentation of all subject areas covered in the revised Series 7 examination along with the weightings of those areas on each form of the test. Information on score reporting and a series of model questions for question-format familiarization are also included. For course developers, a revised bibliography of source material has been included. Second, four seminars will be held during March 1986 in four financial centers throughout the country (see the attached schedule and reservation form). These seminars are intended to provide opportunities for those involved in training Series 7 candidates to ask questions of regulatory staff members and industry representatives about the revised examination.

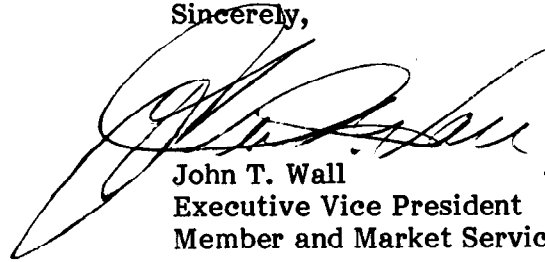
## **PART II**

In January 1986, the options industry adopted the new SEC-approved margin requirements for short option positions. The new requirement for a short put or call equity option is 100 percent of the option premium, plus 15 percent of the market value of the underlying security, less any out-of-the-money amount, to a minimum of the option proceeds plus 5 percent of the underlying security value. Accordingly, option margin questions on the Series 4 Registered Options Principal Qualification Examination and in Section 5 of the Series 8 General Securities Sales

Supervisor Qualification Examination will be changed on March 16, 1986, to reflect the new requirements.

Any questions regarding this notice may be directed to David Uthe, NASD Qualifications Department, at (202) 728-8138.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Wall", is written over the typed name and title.

John T. Wall  
Executive Vice President  
Member and Market Services

Attachments

**ORDER FORM**  
**REVISED SERIES 7 EXAM**  
**STUDY OUTLINE**

**NASD**

Book Order Department  
1735 K Street, N.W.  
Washington, D.C. 20006

I wish to order \_\_\_\_\_ copies of the Revised Series 7 Exam Study Outline at \$8.10 per copy, which includes shipping and handling charges.

FROM: \_\_\_\_\_  
Firm \_\_\_\_\_  
Name \_\_\_\_\_  
Business Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Phone Number \_\_\_\_\_

All orders must be prepaid.  
Telephone orders are not  
accepted. Orders are shipped  
via first-class mail.

QUANTITY	COST	AMOUNT
	\$8.10 Each	
Enclose check for this amount →		

**Make check payable to NATIONAL ASSOCIATION OF SECURITIES DEALERS.**

SHIPPING LABEL MUST BE FILLED IN

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SHIP TO:  
Company \_\_\_\_\_  
Name \_\_\_\_\_  
Street \_\_\_\_\_  
City/State/Zip \_\_\_\_\_

National Association of Securities Dealers, Inc.  
1735 K Street, N.W.  
Washington, D.C. 20006

**March 1986 Seminars  
For Training Series 7 Candidates**

I wish to attend the seminar in: \_\_\_\_\_

<b>City</b>	<b>Location</b>	<b>Date</b>
<input type="checkbox"/> Chicago	Chicago Board Options Exchange LaSalle at Van Buren Auditorium - 4th Floor	March 18, 1986 2 p.m.
<input type="checkbox"/> San Francisco	Stock Exchange Club 155 Sansome Street 11th Floor	March 21, 1986 2:30 p.m.
<input type="checkbox"/> Dallas	Dean Witter Reynolds 500 North Akard Suite 2300	March 25, 1986 2 p.m.
<input type="checkbox"/> New York	New York Stock Exchange 11 Wall Street Board Room -- 6th Floor	March 27, 1986 2 p.m.

Name \_\_\_\_\_

Title \_\_\_\_\_

Firm \_\_\_\_\_

Business Address \_\_\_\_\_

Phone Number \_\_\_\_\_

**MAIL PROMPTLY TO:** National Association of Securities Dealers, Inc.  
Qualifications Department  
1735 K Street, N.W.  
Washington, D.C. 20006

**Please respond by March 14, 1986.**

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 86-18**

March 10, 1986

**TO:** All NASD Members and Level 2 and Level 3 Subscribers

**RE:** NASDAQ National Market System Grows to 2,277 Securities With 20 Voluntary Additions on March 18, 1986

On Tuesday, March 18, 1986, 20 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,277. These 20 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 20 issues scheduled to join NASDAQ/NMS on Tuesday, March 18, 1986, are:

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
AERO	Aero Services International, Inc.	Teterboro, NJ
ANUC	American Nuclear Corporation	Casper, WY
AMNU	American Nucleonics Corporation	Westlake Village, CA
CBNK	Centerbank Savings Association	St. Petersburg, FL
CCCOA	Century Communications Corp. (CI A)	New Canaan, CT
CVGI	Congress Video Group, Inc. (The)	New York, NY
CVGIW	Congress Video Group, Inc. (The) (Wts)	New York, NY
CRAN	Crown Anderson, Inc.	Peachtree City, GA
FWNC	Fort Wayne National Corporation	Fort Wayne, IN
GCBK	Great Country Bank	Ansonia, CT

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\* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.



<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
HCSB	Home and City Savings Bank	Albany, NY
HOME	International American Homes, Inc.	Union, NJ
IMMCP	International Mobile Machines Corporation (Pfd)	Philadelphia, PA
IMMCW	International Mobile Machines Corporation (Wts)	Philadelphia, PA
IVTC	Iverson Technology Corporation	McLean, VA
KREN	Kings Road Entertainment, Inc.	Los Angeles, CA
LNER	Linear Films, Inc.	Tulsa, OK
LUSK	Luskin's, Inc.	Baltimore, MD
PIPR**	Piper Jaffray Incorporated	Minneapolis, MN
STRSV	Sprouse-Reitz Stores, Inc. (WI)	Portland, OR

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

#### **Pending Additions**

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
MSFT	Microsoft Corporation	Seattle, WA
TROW	T. Rowe Price Associates, Inc.	Baltimore, MD
TPPS	Top Markets, Inc.	Buffalo, NY

#### **NASDAQ/NMS Interim Additions**

<b>Symbol*</b>	<b>Company</b>	<b>Date of Entry</b>
ABSB	Alex. Brown Incorporated	2/28/86
VWRXV	VWR Corporation (WI)	3/03/86
CRCC	Craftmatic/Contour Industries, Inc.	3/05/86
FFAM	First Family Group, Inc.	3/06/86
TUES	Tuesday Morning, Inc.	3/07/86

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\*\* This issue is scheduled to commence trading in the NASDAQ System concurrent with its designation as a NASDAQ/NMS security on March 18, 1986.

**Special Note**

Gemcraft, Inc. (GEMH) did not enter NASDAQ/NMS on March 4, 1986, as previously announced. The firm's entrance into NASDAQ/NMS has been postponed.

The following changes to the list of NASDAQ/NMS securities occurred since February 21, 1986:

**NASDAQ/NMS Symbol\* And/Or Name Changes**

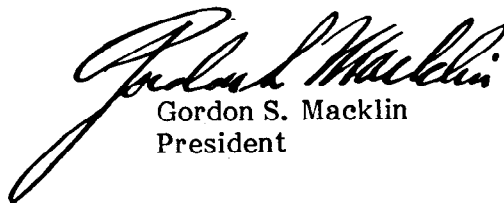
<b>New/Old Symbol*</b>	<b>New/Old Security Name</b>	<b>Date of Change</b>
TMPO/SSSN	Tempo Enterprises, Inc./Satellite Syndicated Systems, Inc.	3/03/86
TYSNA/TYSN	Tyson Foods, Inc. (C1 A)/Tyson Foods, Inc.	3/03/86

**NASDAQ/NMS Deletions**

<b>Symbol*</b>	<b>Security Name</b>	<b>Date</b>
NCTYP	National City Corporation, Pfd.	2/24/86
PCCM	Price Communications Corporation	2/24/86
OXCO	Oxoco, Inc.	2/26/86
ALGA	Alpine Group, Inc., (The)	3/05/86
CRDS	Cardis Corporation	3/05/86
KAPA	Kappa Networks, Inc.	3/07/86

Any questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Sharon Belanger, Market Surveillance, at (202) 728-8206.

Sincerely,



Gordon S. Macklin  
President



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 86-19**

March 11, 1986

TO: All NASD Members and Other Interested Persons

RE: Treasury Department Amends the Currency Transaction Report

The Department of the Treasury is amending Form 4789, the Currency Transaction Report, which is used by broker-dealers to report cash transactions of more than \$10,000, as required by SEC Rule 17a-8 and the Currency and Foreign Transactions Reporting Act of 1970.

The new form becomes effective on July 1, 1986.

## **BACKGROUND**

The Currency and Foreign Transactions Reporting Act of 1970 (the "Currency Act") was enacted as a means of requiring certain financial institutions, including broker-dealers, to create records of currency transactions that may be useful in criminal, tax or other regulatory investigations. The Currency Act authorizes the Treasury Department to implement and administer the Act's reporting and recordkeeping requirements. With respect to broker-dealers, however, the Treasury Department delegated its responsibility to the SEC. SEC Rule 17a-8, which became effective on January 18, 1982, requires broker-dealers to file reports and make and preserve records pursuant to the Currency Act and the regulations adopted thereunder.

## **SUMMARY OF REPORTING REQUIREMENTS**

The reports that broker-dealers are required to file under the Currency Act are as follows:

- (1) Reports of Currency Transactions - Within 15 days following the payment, receipt or transfer of currency of \$10,000 or more, a report must be filed with the Commissioner of the Internal Revenue Service (Department of the Treasury, IRS Form 4789 - Currency Transaction Report).
- (2) Reports of International Transportation of Currency or Monetary Instruments - Those who import or export currency or other monetary instruments in an aggregate

amount exceeding \$5,000 and those who receive U.S. currency or other monetary instruments in an aggregate amount exceeding \$5,000, on any one occasion from any place outside the United States, are required to file reports with the Commissioner of Customs. In the case of the former, the report is generally required to be filed at the time of entry into the United States or at the time of departure, mailing or shipping from the United States. In the case of the latter, the report is to be filed within 30 days after receipt of the currency or other monetary instruments (Department of the Treasury, Customs Form 4790 - Report of International Transportation of Currency or Monetary Instruments).

- (3) Reports of Foreign Bank and Financial Accounts - Any resident or citizen of the United States, or person doing business with the United States, having a financial interest in, or other authority over, a bank, securities account or other financial account situated in a foreign country must report that relationship, as well as other pertinent information, each calendar year on or before June 30 (Department of the Treasury Form 90-22.1 - Report of Foreign Bank and Financial Accounts).

\* \* \*

A copy of revised Form 4789 is attached for your convenience in making necessary computer programming or procedural changes. Members can obtain a supply of the new form by sending a request to the following:

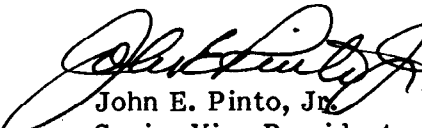
IRS Data Center  
Currency and Banking Report Division  
1300 John C. Lodge Freeway  
Detroit, MI 48226

Until July 1, 1986, the effective date of the new form, members should continue to file their reports of currency transactions exceeding \$10,000 on the existing Form 4789. Additional copies of the existing form can still be ordered from IRS forms distribution centers.

Questions concerning the Currency and Foreign Transactions Reporting Act of 1970 or the applicable Treasury regulations may be directed to Robert Stankey, Office of Enforcement, U.S. Treasury Department, at (202) 566-5630.

Questions with respect to this notice or SEC Rule 17a-8 may be directed to Susan Lang, NASD Surveillance Department, at (202) 728-6969.

Sincerely,

  
John E. Pinto, Jr.  
Senior Vice President  
Compliance

Attachment

**How to order Form 4789:**

If you need to order Form 4789, please use the order blank provided below. Send your order to the IRS Forms Distribution Center list for your state.

Alabama—Caller No. 848, Atlanta, GA 30370  
 Alaska—P.O. Box 126, Fresno, CA 93778  
 Arizona—P.O. box 12626, Fresno, CA 93778  
 Arkansas—P.O. Box 2924, Austin, TX 78769  
 California—P.O. Box 12626, Fresno, CA 93778  
 Colorado—P.O. Box 2924, Austin, TX 78769  
 Connecticut—P.O. Box 1040, Methuen, MA 01844  
 Delaware—P.O. Box 25866, Richmond, VA 23260  
 District of Columbia—P.O. Box 25866, Richmond, VA 23260  
 Florida—Caller No. 848, Atlanta, GA 30370  
 Georgia—Caller No. 848, Atlanta, GA 30370  
 Hawaii—P.O. Box 12626, Fresno, CA 93778  
 Idaho—P.O. Box 12626, Fresno, CA 93778  
 Illinois—6000 Manchester Trafficway Terrace, Kansas City, MO 64130  
 Indiana—P.O. Box 636, Florence, KY 41042  
 Iowa—6000 Manchester Traffic Terrace, Kansas City, MO 64130  
 Kansas—P.O. Box 2924, Austin, TX 78769  
 Kentucky—P.O. Box 636, Florence, KY 41042  
 Louisiana—P.O. Box 2924, Austin, TX 78769  
 Main—P.O. Box 1040, Methur . MA 01844  
 Maryland—P.O. Box 25866, .chmond, VA 23260  
 Massachusetts—P.O. Box 1040, Methuen, MA 01844  
 Michigan—P.O. Box 636, Florence, KY 41042

Minnesota—6000 Manchester Trafficway Terrace, Kansas City, MO 64130  
 Mississippi—Caller No. 848, Atlanta, GA 30370  
 Missouri—6000 Manchester Trafficway Terrace, Kansas City, MO 64130  
 Montana—P.O. Box 12626, Fresno, CA 93778  
 Nebraska—6000 Manchester Trafficway Terrace, Kansas City, MO 64130  
 Nevada—P.O. Box 12626, Fresno, CA 93778  
 New Hampshire—P.O. Box 1040, Methuen, MA 01844  
 New Jersey—P.O. Box 25866, Richmond, VA 23260  
 New Mexico—P.O. Box 2924, Austin, TX 78769  
 New York—  
 Western New York—P.O. Box 240, Buffalo, NY 14201  
 Eastern New York (Including NY City)—P.O. Box 1040, Methuen, MA 01844  
 North Carolina—Caller No. 848, Atlanta, GA 30370  
 North Dakota—6000 Manchester Trafficway Terrace, Kansas City, MO 64130  
 Ohio—P.O. Box 636, Florence, KY 41042  
 Oklahoma—P.O. Box 2924, Austin, TX 78769  
 Oregon—P.O. Box 12626, Fresno, CA 93778  
 Pennsylvania—P.O. Box 25866, Richmond, VA 23260

Rhode Island—P.O. Box 1040, Methuen, MA 01844  
 South Carolina—Caller No. 848, Atlanta, GA 30370  
 South Dakota—6000 Manchester Trafficway Terrace, Kansas City, MO 64130  
 Tennessee—Caller No. 848, Atlanta, GA 30370  
 Texas—P.O. Box 2924, Austin, TX 78769  
 Utah—P.O. Box 12626, Fresno, CA 93778  
 Vermont—P.O. Box 1040, Methuen, MA 01844  
 Virginia—P.O. Box 25866, Richmond, VA 23260  
 Washington—P.O. Box 12626, Fresno, CA 93778  
 West Virginia—P.O. Box 636, Florence, KY 41042  
 Wisconsin—6000 Manchester Trafficway Terrace, Kansas City, MO 64130  
 Wyoming—P.O. Box 2924, Austin, TX 78769

**Foreign Addresses**—Taxpayers with mailing addresses in foreign countries should send their requests for forms and publications to: Internal Revenue Service P.O. Box 25866 Richmond, VA 23260  
**Puerto Rico**—Director's Representative, U.S. Internal Revenue Service, Federal Office Building, Chardon Street, Hato Rey, PR 00918.  
**Virgin Islands**—Department of Finance, Tax Division, Charlotte Amalie, St. Thomas, VI 00801.

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 Detach At This Line  
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**Internal Revenue Service**

Form Number	Quantity
4789	

Name
Number and street
City or town, State and Zip code

# Currency Transaction Report

OMB No. 1545-0183  
 Expires: 10-31-88  
 If amended report, see instructions and check here

► **File a separate report for each transaction.** ► **Please type or print.**  
 ► **For Paperwork Reduction Act Notice, see page 3.**  
 (Complete all applicable parts—See instructions)

## Part I Identity of individual who conducted this transaction with the financial institution

1 If multiple individuals involved, see instructions and check here

2 Last name	3 First name	4 Middle initial	5 Social security number
6 Address (number and street)			7 Occupation, profession, or business
8 City	9 State	10 ZIP code	11 Country (if not U.S.)

12 Method used to verify identity:  
 a Describe ► .....  
 b Issued by ► ..... c Number ► .....

13 Reason items 2-12 are not completed:  
 a  Armored car service (enter name) ► .....  
 b  Mail deposit/shipment ..... c  Night deposit or ATM transaction d  Multiple transactions (see instructions)

## Part II Individual or organization for whom this transaction was completed

14 If multiple individuals or organizations are involved, see instructions and check here

15 Individual's last name	16 First name	17 Middle initial	18 Social security number
19 a Name of organization		b Check if: (1) <input type="checkbox"/> broker/dealer in securities, or (2) <input type="checkbox"/> financial institution (see instructions)	
20 Employer identification number			21 Address (number and street)
22 Occupation, profession, or business			23 City
24 State	25 ZIP code	26 Country (if not U.S.)	

## Part III Customer's account number(s) affected by transaction

27  Savings ► .....  Securities ► .....  CD/Money market ► .....  
 Checking ► .....  Loan ► .....  Other (specify) ► .....

## Part IV Type of transaction. Check applicable boxes to describe transactions

28  Currency exchange (currency for currency)

29 CASH IN:  
 D  Deposit F  CD/Money market purchased  
 G  Security purchased H  For wire transfer  
 P  Check purchased K  Other cash in (specify) ► .....

30 CASH OUT:  
 C  Check cashed R  CD/Money market redeemed  
 T  Security redeemed U  From wire transfer  
 W  Withdrawal B  Shipment abroad  
 Y  Other cash out (specify) ► .....

31 Total amount of currency transaction (in U.S. dollars). ► \$	32 Amount in Item 31 in \$100 bills or higher \$	33 Date of transaction (month, day, and year)
34 If other than U.S. currency is involved, please furnish the following information: a Exchange made <input type="checkbox"/> for or <input type="checkbox"/> from U.S. currency		
b Currency name	c Country	d Total amount of each foreign currency (in U.S. dollars) . . . ► \$
35 If a check or wire transfer was involved in this transaction, please furnish the following information (see instructions):		
a If more than one check or wire transfer is involved, see instructions and check here . . . . . <input type="checkbox"/>		
b Date of check or wire transfer	c Amount of check or wire transfer (in U.S. dollars) \$	d Payee
e Drawer of check		f Drawee bank and MICR number

## Part V Financial institution where currency transaction took place

36 Check applicable box to indicate type of financial institution  
 a  Bank (enter code number from instructions here) ► .....  
 b  Savings and loan association c  Credit union d  Security broker/dealer e  Other

37 Name of financial institution	38 Employer identification number		
39 Address (number and street)	40 Social security number		
41 City	42 State	43 ZIP code	44 MICR number
45 Signature (preparer)	46 Title	47 Date	
48 Type or print preparer's name	49 Approving official (signature)	50 Date	

**Sign Here** ►

**Multiple Transactions**

(Complete applicable parts below if box 1, 14, or 35a on page 1 is checked)

**Part I Continued—Complete if box 1 on page 1 is checked**

<b>2</b> Last name	<b>3</b> First name	<b>4</b> Middle initial	<b>5</b> Social security number
<b>6</b> Address (number and street)		<b>7</b> Occupation, profession, or business	
<b>8</b> City	<b>9</b> State	<b>10</b> ZIP code	<b>11</b> Country (if not U.S.)
<b>12</b> Method used to verify identity:			
<b>a</b> Describe ▶		<b>c</b> Number ▶	
<b>b</b> Issued by ▶			

<b>2</b> Last name	<b>3</b> First name	<b>4</b> Middle initial	<b>5</b> Social security number
<b>6</b> Address (number and street)		<b>7</b> Occupation, profession, or business	
<b>8</b> City	<b>9</b> State	<b>10</b> ZIP code	<b>11</b> Country (if not U.S.)
<b>12</b> Method used to verify identity:			
<b>a</b> Describe ▶		<b>c</b> Number ▶	
<b>b</b> Issued by ▶			

**Part II Continued—Complete if box 14 on page 1 is checked**

<b>15</b> Individual's last name	<b>16</b> First name	<b>17</b> Middle initial	<b>18</b> Social security number
<b>19 a</b> Name of organization		<b>b</b> Check if: (1) <input type="checkbox"/> broker/dealer in securities, or (2) <input type="checkbox"/> financial institution (see instructions)	
<b>20</b> Employer identification number			
<b>21</b> Address (number and street)			<b>22</b> Occupation, profession, or business
<b>23</b> City	<b>24</b> State	<b>25</b> ZIP code	<b>26</b> Country (if not U.S.)

<b>15</b> Individual's last name	<b>16</b> First name	<b>17</b> Middle initial	<b>18</b> Social security number
<b>19 a</b> Name of organization		<b>b</b> Check if: (1) <input type="checkbox"/> broker/dealer in securities, or (2) <input type="checkbox"/> financial institution (see instructions)	
<b>20</b> Employer identification number			
<b>21</b> Address (number and street)			<b>22</b> Occupation, profession, or business
<b>23</b> City	<b>24</b> State	<b>25</b> ZIP code	<b>26</b> Country (if not U.S.)

**Part IV Continued—Complete if box 35a on page 1 is checked**

<b>35 b</b> Date of check or wire transfer	<b>c</b> Amount of check or wire transfer (in U.S. dollars) \$	<b>d</b> Payee
<b>e</b> Drawer of check		<b>f</b> Drawee bank and MICR number

<b>35 b</b> Date of check or wire transfer	<b>c</b> Amount of check or wire transfer (in U.S. dollars) \$	<b>d</b> Payee
<b>e</b> Drawer of check		<b>f</b> Drawee bank and MICR number

## General Instructions

**Note:** Beginning with this revision, file Form 4789 with the IRS Data Center in Detroit. See *When and Where to File* below.

**Paperwork Reduction Act Notice.**—The Paperwork Reduction Act of 1980 says we must tell taxpayers why we are collecting this information, how we will use it, and whether you have to give it to us.

The requested information is useful in criminal, tax, and regulatory investigations. In addition to directing the Federal Government's attention to unusual or questionable transactions, the reporting requirement discourages the use of currency in illegal transactions. Financial institutions are required to provide the information under 31 CFR 103.22, 103.26, and 103.27.

**Who Must File.**—Each financial institution other than a casino must file a Form 4789 for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to the financial institution, which involves a transaction in currency of more than \$10,000. Multiple transactions by or for any person which in any one day total more than \$10,000 should be treated as a single transaction, if the financial institution is aware of them.

**Exemptions.**—See 31 CFR 103.22(b) for exemptions from the filing requirements by banks on certain customers.

**When and Where to File.**—File this form by the 15th day after the date of the transaction with the Internal Revenue Service Data Center, P.O. Box 32621, Detroit, MI 48232 ATTN: CTR, or hand carry it to your local IRS office. Keep a copy of each Form 4789 for 5 years from the date you file it.

**Penalties.**—Civil and criminal penalties (up to \$500,000) are provided for failure to file a report or to supply information, and for filing a false or fraudulent report. See 31 CFR, sections 103.47 and 103.49.

## Definitions

**Bank.**—See 31 CFR 103.11 for the definition of a bank.

**Currency.**—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes, and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

**Financial Institution.**—Each agency, branch, or office in the United States of any person doing business in one or more of the capacities listed below:

- (1) a bank;
- (2) a broker or dealer in securities, registered or required to be registered with SEC under the Securities Exchange Act of 1934;
- (3) a person who engages as a business in dealing in or exchanging currency (for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks);

- (4) a person who engages as a business in issuing, selling, or redeeming traveler's checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;
- (5) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

**Person.**—An individual, corporation, partnership, trust or estate, joint stock company, association, syndicate, joint venture, or other unincorporated organization or group, and all entities treated as legal personalities.

**Transaction in Currency.**—A transaction involving the physical transfer of currency from one person to another. A transaction in currency does not include a transfer of funds by means of bank check, bank draft, wire transfer, or other written order that does not include the physical transfer of currency.

## Specific Instructions

**Amended report.**—If this amends a previously filed report, check the box in the upper right corner. Staple a copy of the previously filed report to this amended report and complete only those entries which you are correcting on the amended report.

**Part I—Identity of individual who conducted the transaction.**—This part must always be completed. If the individual conducts the transaction for another person, be sure to complete Part II also.

**Box 1—Multiple individuals.**—If two or more individuals conduct a transaction, check Box 1. All individuals must be positively identified. Enter information in Part I for one of the individuals. Complete the entry spaces on the back of the form for the other individuals. For example, a check made out to John Doe and Thomas Smith may be presented for payment at a financial institution. Both of the joint payees are present. Complete Part I on the front of the form for John Doe, and complete Part I on the back for Thomas Smith.

**Items 2, 3, and 4—Name of person conducting transaction.**—Enter the last name in Item 2, the first name in Item 3, and the middle initial in Item 4.

**Item 5—Social security number.**—A social security number must be provided if an individual is conducting the transaction for himself or herself. If the individual is conducting a transaction for another person or is a nonresident alien who does not have a social security number, write NONE in the space and complete Item 12.

**Items 6, 8, 9, 10, and 11—Address.**—Enter the permanent address, including ZIP code, of the individual who entered the financial institution to conduct the transaction. A P.O. Box number is not a street address.

**Item 7—Occupation, profession, or business.**—Fully identify the occupation, profession or business of the individual conducting the transaction; for example, secretary, carpenter, attorney, etc. Do not use nondescriptive terms such as merchant, self-employed, businessman, etc.

**Item 12—Method used to verify identity.**—All individuals (except employees of armored car services) conducting a currency transaction for themselves or for another person must be positively identified. For individuals who are established customers, identifying information previously obtained from the customer and in the financial institution's records may be provided. Statements such as "known customer" are not sufficient as identifying information. For U.S. citizens, ask to see and inspect a driver's permit or any other written identification document acceptable to the financial institution in normal check cashing operations. For an alien, ask to see and inspect his or her passport, alien ID card, or other official document showing nationality or residence. Enter the type of document in Item a, such as driver's license, signature card, charge card, passport, etc. Enter in Item b, the name of the state issuing the driver's permit, the name of the bank or store issuing the charge card, etc. Enter the number of the license, account, card, etc., in Item c.

**Item 13—Reason items 2-12 not completed; armored car service, mail, night deposit, or ATM transaction.**—Check Box a if the transaction was a delivery by an armored car service licensed by a state or local government. Enter the name of the armored car service in the space provided.

Check Box b if the currency was received or shipped through the U.S. Postal Service.

Check Box c if the transaction was a night deposit or an ATM (automated teller machine) transaction.

Check Box d if this report involves multiple transactions that when totalled became a reportable transaction and the individual(s) who conducted the transactions cannot be identified.

If you check Box a, b, c, or d, you do not have to complete any other entries in Part I. However, be sure to complete Parts II, III, IV, and V.

**Part II—Individual or organization for whom transaction was completed.**—If the individual in Part I is conducting the transaction for himself or herself, do not complete Part II. In all other cases, including armored car service, mail, night deposit, or ATM transactions, complete Part II.

**Box 14—Multiple individuals or organizations.**—If this transaction is being conducted for more than one individual or organization, check Box 14, and complete the applicable entries on the back of the form. Do this also if the individual in Part I conducts a transaction that involves both himself or herself and another individual or organization.



**Items 15, 16, and 17—Name of individual.**—Enter the last name in Item 15, first name in Item 16, and middle initial in Item 17, of the individual for whom the transaction was completed.

**Item 18—Social security number.**—Enter the social security number of the individual for whom the transaction was completed. You will have this in your records. If the individual is a nonresident alien and does not have a social security number, write NONE in the space for the number.

**Items 19 and 20—Organization's name and EIN.**—If the transaction involves a business, show the business name in Item 19a, and the employer identification number (EIN) in Item 20. This is a 9-digit number shown as 00-0000000. If the organization does not have an EIN, write NONE in Item 20.

Check Box 19b(1) if the individual or organization is a broker or dealer in securities. Check Box 19b(2) if the individual or organization is a financial institution described in item (3), (4), or (5) under the *Definitions of a Financial Institution* on page 3.

**Items 21, 23, 24, 25, and 26—Address.**—Enter the permanent address including the ZIP code of the individual or organization for whom the transaction is completed in the appropriate boxes. If the address is outside the U.S., be sure to show the country in Item 26. A P.O. Box number is not a street address.

**Item 22—Occupation, profession, or business.**—Fully identify the occupation, profession, or business of the individual or organization for whom the transaction was completed. Use descriptive terms, such as securities broker, attorney, auto dealer, etc. Do not use nondescriptive terms, such as self-employed, merchant, businessman, etc.

**Part III—Customer's account number affected by the transaction.**

**Box 27—Type of account and account number.**—Check the boxes and enter the account numbers of the accounts affected by the transaction. If a deposit or withdrawal is made from a savings, checking, share, or other account, check the appropriate box and enter the account number. Other accounts would include all accounts with broker-dealers. If the transaction does not affect any account, make no entry in Part III. For example, a cashier's check purchased with cash may not affect any account and does not require any entry in this part. Please note that the code letters before the boxes are for IRS processing purposes.

**Part IV—Type of transaction.**—Check the boxes that describe the transaction. For international transactions with foreign financial agencies (banks, currency exchange dealers, securities dealers, etc.)

involving receipts of currency for deposit, purchases of currency, withdrawal, shipments of currency for deposit, or sales of currency, check the appropriate box "Receipts from abroad" or "Shipments abroad" in Item 29 or 30.

**Box 28—Currency exchange.**—Check this box if currency was exchanged for currency. This includes exchanging U.S. currency for foreign currency (be sure to complete Item 34) and vice versa. It also includes exchanging small denomination bills of U.S. currency for large denomination bills of U.S. currency, or vice versa.

**Box 29—Cash in.**—Check the appropriate box(es) when currency is received by the financial institution as part of a transaction.

**Box 30—Cash out.**—Check the appropriate box(es) when the financial institution pays out currency as part of a transaction.

**Item 31—Total amount of currency.**—Enter the total amount of currency in the transaction. If a transaction involves both currency and checks, such as a deposit transaction, enter only the amount of the currency.

**Item 32—Amount in \$100 bills or higher.**—Enter the amount of the total currency transaction reported in Item 31 that is in denominations of U.S. currency of \$100 or higher. For example, if the total currency transaction is \$100,000 and \$50,000 is in U.S. currency of \$100 or higher denominations, enter \$100,000 in Item 31 and \$50,000 in Item 32.

**Item 33—Date.**—Enter the month, day, and year of the currency transaction. Use the actual calendar date, not the banking day date.

**Item 34—Foreign currency.**—If the currency transaction involves a foreign currency, enter the information in the appropriate spaces. Enter the name of the currency in Item b, the country in Item c, and the total amount of the foreign currency in U.S. dollars in Item d. Check the appropriate box in Item a, if foreign currency was exchanged for U.S. currency or U.S. currency was exchanged for foreign currency. For example, a currency transaction involving Italian lira being deposited would have lira entered in Item b, Italy entered in Item c, and the amount, converted into U.S. dollars, entered in Item d. Since currency was not exchanged, no entry is made in Item a. If currency of two or more foreign countries is involved in the transaction, attach a separate sheet of paper that clearly identifies the individual or organization for whom the transaction was completed (Items 15 through 20) and report the information for each foreign currency required by Item 34.

**Item 35—Check or wire transfer.**—If multiple checks or wire transfers are involved in the transaction, check Box a and furnish the information for one of the instruments on the front of the form and for the other instruments on the back of the

form in the spaces provided. If you have to report more instruments than there are entry spaces, attach a sheet of paper that clearly identifies the individual or organization for whom the transaction is completed (Items 15 through 20) and furnish the information for Items b through f for each check or wire transfer.

**Date.**—Enter the date shown on the check or the wire transfer of funds in Item b.

**Amount.**—Enter the amount of the check or wire transfer in Item c. Show the amount in U.S. dollars only.

**Payee.**—Enter the name of the individual or organization to whom the check or wire transfer of funds is made payable in Item d.

**Drawer.**—Enter the name of the individual or organization that wrote the check or who wire transferred funds in Item e.

**Drawee bank and MICR number.**—Enter the name of the bank and MICR number on which the check or wire transfer of funds is drawn in Item f.

**Part V.—Financial institution where transaction took place.**

**Box 36—Type of financial institution.**—Check the box that describes the type of financial institution you are.

**Box 36a—Banks.**—Enter the appropriate code number for the Federal agency that performs examinations for compliance with the Bank Secrecy Act regulations:

Code 1—Comptroller of the Currency

Code 2—FDIC

Code 3—Federal Reserve System

Code 4—None of the above

**Items 37, 39, 41, 42, 43, and 44—Name, address, and MICR number.**—Enter the full legal name, street address, city, State, ZIP code, and MICR number of the financial institution where the transaction occurred. *If the transaction occurred at a branch office, enter the complete street address and MICR number of the branch, not the headquarter's address and MICR number.* A P.O. Box number is not a street address. Enter the MICR number in Item 44.

**Item 38—EIN.**—Enter the financial institution's employer identification number (EIN).

**Item 40—SSN.**—If the financial institution does not have an EIN, enter the financial institution owner's social security number.

**Items 45, 46, 47, and 48—Preparer's signature, title, and date.**—Form 4789 must be signed in Item 45 by an individual authorized or designated by the financial institution to sign it. His or her title should be shown in Item 46 and the date of signature entered in Item 47. This signer's name should be typed or printed legibly in Item 48.

**Items 49 and 50—Approving official's signature and date.**—The official who reviews and approves the information on the form must sign in Item 49 and enter the date of signing in Item 50.

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 86-20**

March 11, 1986

**TO:** All NASD Members and Other Interested Persons

**RE:** Request for Comment on Proposed Rule Requiring Supervisory Procedures  
on Limit Orders

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On February 15, 1985, the NASD issued Notice to Members 85-12 discussing members' obligations in handling limit orders in over-the-counter securities.\* That notice suggested that each member review its policies and procedures for handling limit orders and take steps to assure that salespeople, customers, and other members understand the way in which the firm handles limit orders. Notice 85-12 announced that the NASD would solicit comments on a proposed amendment to the Rules of Fair Practice that would require each member's internal supervisory procedures to specify whether the firm accepts limit orders and, if so, the procedures it follows in processing them. That proposed amendment is now being published for comment. The text of the amendment is attached.

The proposed amendment would add a new subsection to Article III, Section 27 of the Rules of Fair Practice. Section 27(a) requires that:

[e]ach member shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of each registered representative and associated person to assure compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder and with the rules of this Association.

The new subsection would require that those written procedures contain a statement indicating whether the member accepts limit orders. If so, the member must estab-

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\* In discussing legal principles affecting limit orders, that notice referred to Opper v. Hancock Securities Corporation, 250 F.Supp. 668 (1966), aff'd 367 F.2d 157 (2nd Circuit 1966), and incorrectly implied that the facts in Opper involved a limit order. In fact, the Court in Opper found the order to be a market order, but stated that its holding would have been the same for a limit order.

lish, maintain, and enforce written procedures setting forth the circumstances under which it accepts limit orders and the manner in which it will handle those orders. The member's written procedures would also be required to include a statement of the priorities that will be accorded limit orders relative to transactions for the firm's proprietary accounts.

\* \* \* \* \*

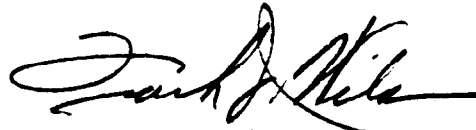
All members and other interested persons are invited to submit comments on the proposed amendment. Comments should be received no later than April 10, 1986, and should be directed to:

Mr. James M. Cangiano, Secretary  
National Association of Securities Dealers, Inc.  
1735 K Street, N.W.  
Washington, D.C. 20006

Comments received by the indicated date will be considered by the Ad Hoc Committee on Limit Orders and the Board of Governors. If the proposed amendment is approved by the Board, it must thereafter be submitted to the membership for a vote. Any rule change approved by the Board and the membership must be filed with and approved by the Securities and Exchange Commission before becoming effective.

Questions concerning this notice may be directed to Dennis C. Hensley, NASD Vice President and Deputy General Counsel, at (202) 728-8245 or T. Grant Callery, NASD Assistant General Counsel, at (202) 728-8285.

Sincerely,



Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Attachment

## **RULES OF FAIR PRACTICE**

Amend Article III, Section 27 as follows:

Subsection (a): No change

Add new subsection (b) as follows:

**(b) Limit Orders in Over-the-Counter Securities**

Each member shall state in its written supervisory procedures whether it accepts limit orders, and, if so, the member shall establish, maintain and enforce written procedures setting forth the circumstances under which it will accept limit orders from customers or other members and the manner in which it will handle those orders. These procedures shall include a statement of the priorities that will be accorded to limit orders relative to transactions for the firm's proprietary accounts.

Redesignate subsections (b) - (f) as (c) - (g)



National Association of Securities Dealers, Inc.  
 1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# notice to members 86-21

March 12, 1986

TO: All NASD Members and Municipal Securities Bank Dealers  
 ATTN: All Operations Personnel  
 RE: Holiday Settlement Schedule

Securities markets and the NASDAQ System will be closed on Good Friday, March 28, 1986. "Regular-way" transactions made on the business days immediately preceding that day will be subject to the following schedule.

Trade Date-Settlement Date Schedule  
For "Regular-Way" Transactions

<u>Trade Date</u>		<u>Settlement Date</u>		<u>Regulation T Date*</u>	
March	20	March	27	April	1
	21		31		2
	24	April	1		3
	25		2		4
	26		3		7
	27		4		8
	28	MARKETS CLOSED			-
	31		7		9

\* Pursuant to Sections 220.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Regulation T Date."

The foregoing settlement dates should be used by broker-dealers and municipal securities dealers for purposes of clearing and settling transactions pursuant to the NASD's Uniform Practice Code and Municipal Securities Rulemaking Board G-12 on Uniform Practice.

Questions regarding the application of these settlement dates to a particular situation may be directed to the NASD's Uniform Practice Department at (212) 839-6256.

\* \* \* \* \*

March 14, 1986

TO: All SOES Participants

RE: SOES Progress Report

The NASDAQ market's Small Order Execution System (SOES) was designed in 1984 by traders, operations personnel and senior management of NASD member firms to be a versatile and cost-effective system for the automated execution of small agency orders in NASDAQ securities.

Since the System's December 1984 start-up:

- The number of securities authorized for SOES trading has grown from the 25 most-active issues in the NASDAQ National Market System to the full complement of 4,745 securities now quoted in the NASDAQ System.
- The number of trades executed through SOES has grown from 12,500, representing 2.5 million shares, for the month of January 1985, to 133,000 trades accounting for 35 million shares in February 1986. As many as 8,000 trades representing 2.1 million shares have been executed through SOES in a single day.
- The number of NASD firms registered with SOES has grown from 131 to the current 262.
- The share limit for SOES executions in NASDAQ/NMS securities was increased from 500 to 1,000. (The share limit for orders in non-NMS NASDAQ securities remains at 500.)

Further, SOES has been technically enhanced so that:

- An order may be entered on behalf of another NASD member, i.e., the "give-up" capability. (See Subscriber Bulletin, Volume 4, Number 7, November 1985, page 1, and NASD Notice to Subscribers, November 19, 1985.)

- A market maker may enter exposure limits on both sides of his quotation for each security in which he is registered as a SOES market maker. The exposure limits, which are visible only to the responsible market maker, decline with each execution and are reported to the responsible market maker with execution reports. (See Subscriber Bulletin, Volume 4, Number 7, November 1985, page 1, and NASD Notice to Subscribers, December 18, 1985.)

The value of SOES to the NASDAQ market has been clearly demonstrated in the very active markets experienced during the past year. The SOES Users Committee believes that the System is merely on the threshold of what can be accomplished in meeting the needs of NASD firms for an automated system providing economical execution of small orders in NASDAQ securities.

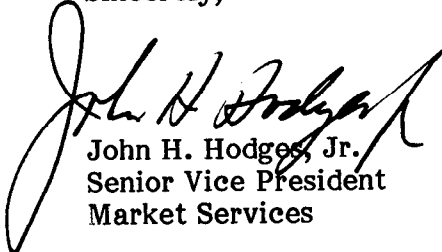
It is recognized by everyone that continued growth of SOES, however, is dependent upon (1) preserving the confidence of SOES market makers that all participants are observing the established rules; (2) enhancing the technical capabilities of the System; and (3) refining the System's rules as experience is gained.

SOES participants are, therefore, reminded that procedures are in place to quickly resolve any questions as to whether SOES users have complied with the rules of the System. **SOES market makers are urged to call the SOES Operations Center at (212) 839-6210 whenever they have a concern that an order may have been entered in violation of the SOES operating rules, e.g., entering firm was acting as principal rather than agent, order as originally received from customer was in excess of the 1,000/500 share limits, etc.** The caller may disclose his identity in confidence or, if preferred, remain anonymous. Upon notification of a possible rule violation, the NASD will determine whether an infraction has, in fact, occurred and, if so, bring it to the attention of the appropriate disciplinary committee.

Also, SOES firms are urged to communicate to the SOES Users Committee their thoughts with respect to future system technical enhancements and needed rule amendments. Members of the Committee, their firms and phone numbers are included on the attached sheet.

If you have any questions concerning this notice, please contact me at (212) 839-6326.

Sincerely,



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

Attachment



**NASD**  
**SOES USERS COMMITTEE**

Bernard L. Madoff, Chairman  
Bernard L. Madoff  
110 Wall Street  
New York, New York 10005  
(212) 825-3910

Peter DaPuzzo  
Shearson Lehman/American  
Express, Inc.  
Two World Trade Center  
New York, NY 10048  
(212) 321-6000

E. E. Geduld  
Herzog, Heine, Geduld, Inc.  
26 Broadway  
New York, New York 10004  
(212) 962-0300

Richard F. Lynch  
Thomson McKinnon Securities,  
Inc.  
One New York Plaza  
New York, New York 10011  
(212) 482-6300

Leonard Mayer  
Mayer & Schweitzer, Inc.  
30 Montgomery Street  
Jersey City, New Jersey 07302  
(201) 433-7744

Jeremiah A. Mullins  
Dean Witter Reynolds Inc.  
Two World Trade Center  
16th Floor  
New York, New York 10048  
(212) 524-3790

Glen R. Shipway  
Interstate Securities Corporation  
2700 NCNB Plaza  
Charlotte, North Carolina 28280  
(704) 379-9000

William H. Sulya  
A. G. Edwards & Sons, Inc.  
One N. Jefferson Avenue  
St. Louis, Missouri 63103  
(314) 289-3000

John N. Tognino  
Merrill Lynch, Pierce, Fenner &  
Smith, Inc.  
One Liberty Plaza, 165 Broadway  
New York, New York 10080  
(212) 637-7455

Kenneth J. Wessels  
Piper, Jaffray & Hopwood, Inc.  
222 South Main Street  
Minneapolis, Minnesota 55402  
(612) 342-6000

Paul R. Yednak  
E. F. Hutton & Company, Inc.  
One Battery Park Plaza  
New York, New York 10004  
(212) 742-5000



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 86-22**

March 24, 1986

**TO:** All NASD Members and Level 2 and Level 3 Subscribers

**RE:** NASDAQ National Market System Grows to 2,280 Securities With 11 Voluntary Additions on April 1, 1986

On Tuesday, April 1, 1986, 11 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,280. These 11 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 11 issues scheduled to join NASDAQ/NMS on Tuesday, April 1, 1986, are:

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
TWEN	20th Century Industries	Woodland Hills, CA
SKFRY	Aktiebolaget SKF	Goteborg, Sweden
HOSP	Hosposable Products, Inc.	Bound Brook, NJ
HOSPW	Hosposable Products, Inc. (Wts)	Bound Brook, NJ
INDQA	International Dairy Queen, Inc. (CI A)	Minneapolis, MN
INDQB	International Dairy Queen, Inc. (CI B)	Minneapolis, MN
WELL	LivingWell, Inc.	Houston, TX
NHCI	National Healthcare, Inc.	Dothan, AL
SPEK	Spec's Music, Inc.	Miami, FL
STRN	Sutron Corporation	Herndon, VA
SYGN	Synergen, Inc.	Boulder, CO

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\* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

**Pending Addition**

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
RYFL	Family Steak Houses of Florida, Inc.	Jacksonville, FL

**NASDAQ/NMS Interim Additions**

<b>Symbol*</b>	<b>Company</b>	<b>Date of Entry</b>
TPPS	Tops Market, Inc.	3/12/86
MSFT	Microsoft Corporation	3/13/86
SNDT	SunGard Data Systems, Inc.	3/13/86

The following changes to the list of NASDAQ/NMS securities occurred since March 7, 1986:

**NASDAQ/NMS Symbol\* and/or Name Change**

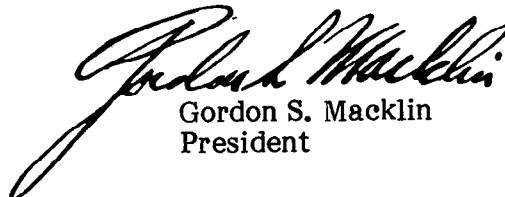
<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
MDIC/AUML	Medicore, Inc./Automated Medical Laboratories, Inc.	3/19/86

**NASDAQ/NMS Deletions**

<b>Symbol*</b>	<b>Security</b>	<b>Date</b>
CRLS	Carlsberg Corporation	3/10/86
TEQTQ	Technical Equities Corporation	3/12/86
SMNIW	Satellite Music Network, Inc. (Wts)	3/14/86
AFGN	AFG Industries, Inc.	3/17/86
FCBC	First Connecticut Bancorp, Inc.	3/17/86
MERB	Merrill Bankshares Company	3/17/86
CNON	Cannon Group, Inc. (The)	3/18/86
ITELW	Itel Corporation (Wts)	3/18/86
HYBR	Hybritech, Inc.	3/19/86

Any questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Sharon Belanger, Market Surveillance, at (202) 728-8206.

Sincerely,

  
Gordon S. Macklin  
President

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 86-23**

March 27, 1986

TO: All NASD Members and Other Interested Persons

RE: Request for Comments on Proposed Amendments to the NASD By-Laws and Code of Procedure to Accommodate Extended Hearings

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**LAST DATE FOR COMMENT: APRIL 27, 1986**

The National Association of Securities Dealers, Inc. (NASD), is publishing for comment by members and other interested persons proposed amendments to the NASD By-Laws and Code of Procedure that would establish procedures for extended hearings in disciplinary actions before the NASD. These amendments would permit the appointment of hearing subcommittees and review panels from among certain individuals who have retired from the securities industry within the preceding five years for hearings anticipated to extend over several days. Former members of NASD District Business Conduct Committees and the Board of Governors would be eligible to serve on district and market surveillance hearing subcommittees, and former members of the Board of Governors would be eligible to serve on Board review panels. The members of extended hearing subcommittees and review panels would be compensated at the same rate prescribed by the Board of Governors for arbitrators appointed under the Code of Arbitration Procedure.

The text of the proposed amendments is attached. A discussion of the background of the amendments and the proposed provisions follows.

### **BACKGROUND**

The NASD anticipates that most disciplinary hearings before District Business Conduct Committees, the Market Surveillance Committee, and the National Business Conduct Committee will continue to be no more than one or two days in length. However, the NASD also considers it prudent to provide for the possibility that future disciplinary actions may require more extensive hearings due to the length of expected testimony, the volume of documentary evidence or the complexity of the issues involved. While lengthy hearings may be necessary in such cases to ensure a full and fair presentation, they may also create difficulties for

committee members who are active in the securities industry and must attend to their businesses. To balance these interests, the NASD proposes to authorize the establishment of extended hearing committees composed of recent retirees from the industry.

### **ANALYSIS OF PROPOSED AMENDMENTS**

The proposed amendment to the NASD By-Laws would permit members of extended hearing committees to be compensated for their services. Article X, Section 6 of the By-Laws presently prohibits the receipt of compensation for services by any member of any NASD committee. Because serving on an extended hearing committee can be expected to involve substantial time and effort, it is reasonable to compensate such individuals in addition to reimbursing them for expenses. The amendment would exempt extended hearing committees from the prohibitions of Section 6.

The proposed amendments to the NASD Code of Procedure would authorize the appointment and describe the composition of extended hearing committees at the district and appeal levels. The terms "extended hearing" and "extended hearing committee" would be defined terms under Article I, Section 2. An "extended hearing" would be a hearing so designated by a District Committee, the Market Surveillance Committee, or the National Business Conduct Committee, as applicable. The definition of "committee" in Article I, Section 2(b) would be amended to include "extended hearing committees" so that all procedural provisions applicable to District Committee and Market Surveillance Committee hearings would apply to extended hearings.

The authority to determine that an extended hearing is necessary would be vested in the District Committee or Market Surveillance Committee with respect to initial hearings and in the National Business Conduct Committee with respect to appeals of decisions of those bodies. In making this determination, the respective committee would consider the length of expected testimony, the volume and complexity of documentary evidence and any other factors that it deemed material, such as the nature of the issues presented. Notice of extended hearings would be given to parties pursuant to the existing notice provisions in the Code of Procedure.

To ensure sufficiently recent experience in the industry, only individuals who have retired within the preceding five years would be eligible to serve on extended hearing committees. Further, only persons who served on District Committees or the Board of Governors would be eligible to participate in district-level hearings, and only former members of the Board of Governors would be eligible to hear matters on review. This will ensure that members of extended hearing committees will be familiar with the procedures applicable to the conduct of disciplinary hearings and appeals.

The Code of Procedure amendments would also provide for compensation of extended hearing committee members at the same rate in effect for arbitrators appointed under the Code of Arbitration Procedure. Finally, the term "extended hearing committee" would be added to several provisions of Article III so that extended hearings on review will be subject to the same procedural requirements as matters heard by members of the National Business Conduct Committee.

As presently structured, the proposed amendments provide that extended hearing committees would be composed exclusively of former District Committee or Board members. The NASD invites comments addressing the appropriateness of providing a means to include current members of District Committees or the Board of Governors on extended hearing committees.

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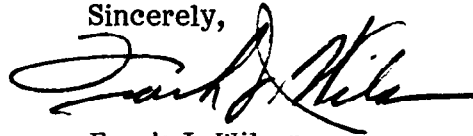
The NASD encourages all members and other interested persons to comment on these proposed amendments. Comments should be directed to:

Mr. James M. Cangiano  
Secretary  
National Association of Securities Dealers, Inc.  
1735 K Street, N.W.  
Washington, D.C. 20006

Comments must be received no later than April 27, 1986. All comments will be made available for public inspection. Comments received by the indicated date will be considered by the NBCC and the NASD Board of Governors. If the proposed amendments are approved by the Board, they will then be submitted to the membership for a vote. If approved by the membership, the amendments must be filed with and approved by the Securities and Exchange Commission before becoming effective.

Questions concerning this notice may be directed to Andrew McR. Barnes, Associate General Counsel, or Jacqueline D. Whelan, Attorney, Office of the General Counsel, at (202) 728-8294.

Sincerely,



Frank J. Wilson  
Executive Vice President  
and General Counsel

Attachment

**EXTENDED DISCIPLINARY HEARINGS**  
**PROPOSED NASD BY-LAWS AND CODE OF PROCEDURE AMENDMENTS 1/**

**NASD BY-LAWS**

Article X, Section 6:

No member of the Board of Governors (except the President of the Corporation or the President pro tem), no member of any District Committee and no member of any other committee, other than an Extended Hearing Committee as defined in Article I of the Corporation's Code of Procedure, shall be entitled to receive any compensation from the Corporation for any work done in connection with his duties as a member of the Board of Governors, any District Committee or any other committee. However, such persons shall be entitled to reimbursement for reasonable expenses incurred in connection with the business of the Corporation.

**NASD CODE OF PROCEDURE**

Article I, Section 2:

- (b) The term "Committee" used in the Code of Procedure shall mean either a District Business Conduct Committee, the Market Surveillance Committee, or an Extended Hearing Committee.
- (e) An "Extended Hearing" is a hearing under Article II, Section 4 or Article III, Section 2(a) of the Code of Procedure that is so designated by a Committee or the National Business Conduct Committee.
- (f) An "Extended Hearing Committee" is a committee constituted as provided in the Code of Procedure to sit as a hearing panel for an Extended Hearing.

Article II, Section 4: 2/

- (b) Upon consideration of the length of expected testimony, the volume and complexity of documentary evidence, and other factors it may deem material a Committee may determine that a complaint shall be set for an Extended Hearing. Notice of an Extended Hearing shall be given as provided in Section 4(a).

Article II, Section 6: 3/

- (c) In the event of an Extended Hearing, the Committee shall appoint an Extended Hearing Committee of three or more persons, all of whom shall

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1/ New language is underlined.

2/ Existing text would become subsection (a).

3/ Present subsections (c) through (e) would be redesignated subsections (d) through (f).

have retired from association with members of the Corporation within the preceding five years and shall also have served as members of a District Business Conduct Committee or the Board of Governors during the period of such association. Members of the Extended Hearing Committee shall be entitled to receive compensation at the rate then in effect for arbitrators appointed under the Code of Arbitration Procedure.

Article III, Section 2: 4/

- (b) Upon consideration of the length of expected testimony, the volume and complexity of documentary evidence, and other factors it may deem material, the National Business Conduct Committee may determine that a matter shall be set for an Extended Hearing. Notice of an Extended Hearing shall be given as provided in Section 2(a).
  
- (d) All Extended Hearings shall be held before an Extended Hearing Committee appointed by the National Business Conduct Committee consisting of two or more persons, all of whom shall have retired from association with members of the Corporation within the preceding five years and shall also have served as members of the Board of Governors during the period of such association. Members of the Extended Hearing Committee shall be entitled to receive compensation at the rate then in effect for arbitrators appointed under the Code of Arbitration Procedure.

In addition, the words "or Extended Hearing Committee" would be inserted after the words "hearing panel" in Article III, Sections 2(c) and 3(c). These are technical changes to bring Extended Hearing Committees within the coverage of the procedural provisions relating to NBCC hearings.

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4/ Present subsection (b) would be redesignated (c), and subsections (c) and (d) would be redesignated (e) and (f).