

# NASD

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

## **notice to members 88-26**

April 12, 1988

TO: All NASD Members and Other Interested Persons

RE: Request for Comments on Proposed Amendments to Appendix A to Article III, Section 30 of the NASD Rules of Fair Practice

**LAST DATE FOR COMMENT: MAY 12, 1988.**

### **EXECUTIVE SUMMARY**

The NASD requests comments on proposed amendments to Appendix A to Article III, Section 30 of the NASD Rules of Fair Practice (Appendix A), which contains the NASD's margin maintenance rules. The proposed amendments will update the NASD's margin maintenance rules to be more responsive to current market and risk concerns.

The text of the proposed amendments is attached.

### **BACKGROUND**

Recently the New York Stock Exchange (NYSE) adopted substantial revisions to its Rule 431, entitled "Margin Requirements," and Rule 432, an accompanying recordkeeping rule, which the Securities and Exchange Commission (SEC) subsequently approved. <sup>1/</sup> The amendments to Rule 431 became effective on September 1, 1987.

The NASD Capital and Margin Committee reviewed Appendix A in an effort to make it as consistent as possible with amended NYSE Rule 431. The proposed amendments to Appendix A represent the most significant revisions to the NASD's margin rules in more than 10 years.

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<sup>1/</sup> Securities Exchange Act Release No. 34-24144.

## SUMMARY OF PROPOSED AMENDMENTS

The following summarizes the proposed changes to Appendix A:

### Section 1 - Exception

No change from the existing rule.

### Section 2 - Definitions

This new section contains 10 definitional terms, including the term "net tangible assets," which is not currently defined in Appendix A.

### Section 3 -Initial Margin

This section has been amended to include initial margin requirements for commitments as well as new securities transactions in customers' accounts. In addition, the margin deposit requirement will be the greater of four amounts. The current rule provides that the deposit requirement is sufficient if it is consistent with any of three alternatives.

### Section 4 - Valuation of Securities

This section is being amended to provide that securities included in the NASDAQ National Market System, shall, for margin purposes, be valued at current market prices in the same manner as securities listed on a national securities exchange.

### Section 5 - Minimum Margin Maintenance Requirements

Several amendments are proposed to this section.

The term "market value" has been amended to use the concept of "current market value," which is defined in Section 2.

Proposed new subsection (b) has been added to require members to establish certain written procedures for reviewing credit extensions and formulating firm-imposed margin requirements.

Current subsection (b), which deals with exceptions to the rule, is redesignated as subsection (c). Subsection (c)(2)(A), entitled "Obligations of the United States," includes two new margin requirement categories that modify the current margin percentage requirement for U.S. government obligations having 10 or more years to maturity as follows:

10 but less than 20 years to maturity	5%
20 years or more to maturity	6%

These two categories are identical to the NYSE rule.

Percentages for maturity categories of 10 years or less differ from the NYSE rule by 1/2 percent to 1 percent. The NASD is retaining the current rule's margin percentages, which range from 1/2 percent to 3 percent, compared to the

NYSE percentage ranges of 1 percent to 4 percent. The NASD Capital and Margin Committee concluded that sufficient data did not exist to support changing the NASD's percentages since it has not incurred regulatory problems with U.S. government securities with maturities of less than 10 years.

Proposed subsection 5(c)(2)(B) deals exclusively with GNMA TBAs and Standbys. These new provisions are consistent with the NYSE rule.

New subsection 5(c)(2)(C) changes the minimum margin to be maintained for exempt securities, other than obligations of the United States, to the greater of 7 percent of the principal amount or 15 percent of the current market value. Currently, the percentages are 15 percent and 25 percent, respectively, whichever amount is lower. Although the proposed changes will lower the maintenance requirement percentages, they will not greatly reduce the dollar-amount requirement because of the changeover from the "lower" to the "greater" amount. This could result in an increased maintenance requirement for deep-discounted bonds.

Section 5(c)(5) deals with specialists' and market makers' accounts and establishes the requirement that these types of accounts are subject to the margin maintenance requirements of the rule.

The margin treatment of restricted securities in subsection 5(c)(8)(C) permits members to extend greater amounts of credit on control and restricted securities subject to certain net capital deductions.

Subsection 5(c)(8)(D)(iii) provides an additional category exemption of restricted securities not found in the amended NYSE margin rules.

### **Section 6 - Puts, Calls, and Other Options**

Current Section 7 has been redrafted to provide definitions for certain option terms. In addition, the proposed rule more clearly establishes initial, maintenance, and minimum margin requirements for option transactions by placing those requirements in a matrix format.

### **Section 7 - When-Issued and When-Distributed Securities**

Current Section 5 has been expanded to provide requirements for these securities in cash accounts as well as margin accounts. These provisions are similar to the NYSE rule.

### **Section 8 - Guaranteed Customer Accounts**

The proposed amendment will limit the amount of a margin-account deficiency being guaranteed to 10 percent or less of the carrying member's excess net capital. The amount in excess will be the margin amount required of the guaranteed account(s).

### **Section 9 - Consolidation of Accounts**

### **Section 10 - Deferred Payment Prohibited**

### **Section 11 - Recordkeeping Requirements**

The proposed changes to these sections include language clarification and do not contain substantive changes.

**Section 12 - Prompt Payment Required**

The proposed changes to this section establish a 15-day limit to obtain any margin deposit on required mark-to-market amounts. The footnote clarifies that the 15-day period is not an automatic extension or a minimum period, but should apply only in unusual circumstances.

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The proposed amendments to Appendix A were reviewed and approved by the NASD Board of Governors. The Board believes that, to the extent the proposed amendments would generate margin maintenance calls in accounts that meet the current requirements for positions existing as of the effective date, such positions should be grandfathered.

The NASD encourages all members to comment on the proposed amendments, particularly on the areas in which the rules differ from current requirements or from NYSE Rule 431.

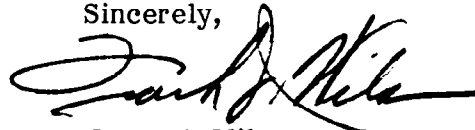
Comments should be directed to:

Mr. Lynn Nellius  
Secretary  
National Association of Securities Dealers, Inc.  
1735 K Street, N.W.  
Washington, D.C. 20006-1506

Comments and suggestions must be received no later than May 12, 1988. Comments and suggestions received by this date will be considered by the NASD Capital and Margin Committee and the NASD Board of Governors. If the proposed amendments are approved by the Board, they must be filed with and approved by the SEC before becoming effective.

Questions concerning this notice can be directed to Walter Robertson, Associate Director, NASD Financial Responsibility Section, at (202) 728-8236 or T. Grant Callery, Associate General Counsel, NASD Office of General Counsel, at (202) 728-8285.

Sincerely,



Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Attachment

**AMENDMENTS TO NASD RULES OF FAIR PRACTICE  
ARTICLE III, SECTION 30  
APPENDIX A**

**Note:** New language is underlined; deleted language is in brackets.

**Section 1**

**Exception**

Members of the American Stock Exchange, Chicago Board Options Exchange, Midwest Stock Exchange, New York Stock Exchange, Pacific Stock Exchange, and the Philadelphia Stock Exchange are exempt from the provisions hereof.

**Section 2**

**Definitions**

(a) For purposes of this Rule, the following terms shall have the meanings specified below:

(1) current market value - the total cost or net proceeds of a security on the day it was purchased or sold. At any other time, securities listed on the NASDAQ National Market System or on a national securities exchange shall be valued at current market prices as reported by the NASDAQ National Market System or the exchange; other OTC marginable securities listed on NASDAQ shall be valued at the current representative market reflected on that system; marginable securities not listed on the NASDAQ National Market System, NASDAQ, or on a national securities exchange shall be valued at current market prices as determined by a reasonable and consistent method;

(2) customer - any person for whom securities are purchased or sold or to whom securities are purchased or sold whether on a regular way, when issued, delayed or future delivery basis. This includes any person for whom securities are held or carried and to or for whom a member or member organization extends, arranges or maintains any credit. The term will not include a broker or dealer from whom a security has been purchased or to whom a security has been sold for the account of the member organization or its customers;

(3) designated account - the account of a broker-dealer, bank, trust company, investment company, investment trust, insurance company, charitable or non-profit educational institution or similar fiduciary type account or of any person (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934), having net tangible assets of sixteen million dollars (\$16,000,000) or more;

(4) equity - the customer's ownership interest in the account, computed by adding the current market value of all securities "long" and the amount of any credit balance and subtracting the current market value of all securities "short" and the amount of any debit balance;

(5) exempted securities - has the meaning stated in Section 3(a)(12) of the Securities Exchange Act of 1934;

(6) margin - the amount of equity required to be maintained on a security position held or carried in an account;

**[Sec. 14.**

**Margin Account Defined]**

(7) ["M]margin account["] - [shall mean] every account established pursuant to Regulation T of the Board of Governors of the Federal Reserve System (hereinafter "Regulation T") in which a broker-dealer creditor extends or maintains credit, except as otherwise provided by the Association[.];

(8) net tangible assets - means total assets less liabilities and intangible assets (i.e., goodwill, organizational costs, etc.);

(9) person - has the meaning stated in Section 3(a)(9) of the Securities Exchange Act of 1934;

(10) tentative net capital - means the "net capital" of a broker or dealer before the application of subparagraph (c)(2)(vi) of SEC Rule 15c3-1 or of Appendix A thereof.

**Sec.]tion [2.]3**

**Initial Margin**

(a) For the purpose of effecting and carrying new securities transactions and commitments, the customer shall be required to deposit, no later than the settlement date or time specified in Regulation T, margin in cash and/or securities in the account which shall be at least the greater of [the following provisions shall apply]:

[(a) any member who effects a securities transaction, including transactions in "when issued" securities for a customer in a margin account must obtain from the customer no later than the settlement date initial margin in an amount consistent with]

(1) the [provisions of] amount specified in Regulation T [of the Board of Governors of the Federal Reserve System]; or

(2) [and] the amount specified in Section [4]5 hereof[.]; or

(3) [Every margin account shall have] a minimum equity [deposit in the account] of at least \$2,000, except that cash need not be deposited in excess of the cost of any security purchased[.] (this minimum equity and cost of purchase provision shall not apply to "when distributed" securities in a cash account); or

(4) such greater amount as the Association may from time to time require for specific securities.

(b) Withdrawals of cash or securities [in accordance with Regulation T may be made from any account provided that such withdrawal does not reduce the equity in the account below \$2,000 or the amount required by Section 4 hereof, whichever is greater.] may be made from any account that has a debit balance, "short" position, or commitments, provided it is in compliance with Regulation T and, after such withdrawal, the equity in the account is at least the greater of \$2,000 or

an amount sufficient to meet the maintenance margin requirements of this Rule. [Provided, however, Special Subscriptions Accounts and Special Equity Funding Accounts maintained in accordance with Sections 4(h) and 4(k), respectively, of Regulation T shall be exempt from the \$2,000 minimum equity requirement.]

#### **Section [3.] 4**

##### **Valuation of Securities**

Active securities dealt in on a national securities exchange or traded on the NASDAQ National Market System, shall, for margin purposes, be valued at current market prices. Other securities shall be valued conservatively in view of current market prices and the amount that might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried in "long" or "short" positions are subject to unusually rapid or abrupt changes in value, or do not have an active market on a national securities exchange or on the NASDAQ National Market System, or where the amount carried is such that the position(s) cannot be promptly liquidated.

[For purposes of this Appendix, securities shall be valued at current market prices determined by a reasonable and consistent method. Securities listed on a national securities exchange shall be valued at current market prices as reported by the exchange. OTC marginable securities listed on NASDAQ shall be valued at the current representative market reflected on that system.

Substantial additional margin may be required by the Association when the margin account being carried has any security in such concentrated quantities that its liquidation cannot be accomplished promptly in relation to the volume of trading in the security or if the security is subject to unusually rapid or violent changes in value.]

#### **Section [4] 5**

##### **Minimum Margin Maintenance Requirements**

(a) The minimum margin to be maintained in the margin account of a customer shall be as follows:

(1) 25% of the current market value of all securities "long" in the account, except securities exempted under [Section 2(g) of] Regulation T; and,

(2) \$2.50 per share or 100% of the current market value, whichever is greater, of each stock "short" in the account [with a market value] selling at less than \$5.00 per share; and,

(3) \$5.00 per share or 30% of the current market value, whichever is greater, of each stock "short" in the account [with a market value] selling at \$5.00 per share or above; and,

(4) [(5)] 5% of the principal amount or 30% of the current market value, whichever is greater, of each debt security "short" in the account, except securities exempted under [Section 2(g) of] Regulation T.; and,]

##### **Additional Margin Requirements**

(b) Written procedures shall be established by member firms to:

- (1) review limits and types of credit extended to all customers;
- (2) formulate their own margin requirements, and
- (3) review the need for instituting higher margin requirements, mark to markets and collateral deposits than are required by this Rule for individual securities or customer accounts.

**Exceptions to the Rule**

(c) [(b)] Notwithstanding the provisions of paragraph (a) [hereof] above, the minimum margin to be maintained in a margin account shall be [10% of the market value of the "long" securities in the following situations] as follows:

(1) **Offsetting "Long" and "Short" Positions**

(A) When a security carried in a "long" position is exchangeable or convertible within a reasonable time, [and] without restriction other than the payment of money, into a security carried in a "short" position; or] for the same customer, the margin to be maintained on such positions shall be 10% of the current market value of the "long" securities.

(B)[(2)] When there are offsetting "long" and "short" positions in the same security[,] for the same customer, the margin to be maintained on such positions shall be 5% of the current market value of the "long" securities.

(C) In [such cases] determining such margin requirements "short" positions must be marked to the market. [in determining the required minimum margin]

(2) **Exempted Securities and Marginable Corporate Debt Securities**

(A) **Obligations of the United States**

(i) On net "long" or net "short" positions in obligations (including zero coupon bonds, i.e., bonds with coupons detached or non-interest bearing bonds) issued or guaranteed as to principal or interest by the United States Government or issued or guaranteed by corporations in which the United States has a direct or indirect interest as shall be designated for exemption by the Secretary of the Treasury, the margin to be maintained shall be the percentage of the current market value of such obligations as specified in the applicable category below:

(1) Less than <u>one [1] year to maturity</u>	1/2%
1 [to] <u>but less than 2 years to maturity</u>	1%
2 [to] <u>but less than 3 years to maturity</u>	1 1/2%
3 [to] <u>but less than 4 years to maturity</u>	2%
4 [to] <u>but less than 5 years to maturity</u>	2 1/2%
5 [to] <u>but less than 10 years to maturity</u>	3%
<u>10 but less than 20 years to maturity</u>	5%
<u>20 years or more to maturity</u>	6%

(2) Notwithstanding the above, on zero coupon bonds with five years or more to maturity the margin to be maintained shall not be less than 3% of the principal amount of the obligation.



(3) When such obligations other than United States Treasury bills are due to mature in 30 calendar days or less, a member, at its discretion, may permit the customer to substitute another such obligation for the maturing obligation and use the margin held on the maturing obligation to reduce the margin required on the new obligation, provided the customer has given the member irrevocable instructions to redeem the maturing obligation.

[(7) 5% of the principal amount of each long or short position in obligations issued or unconditionally guaranteed as to principal or interest by the United States Government or any agency thereof; and,

(8) Notwithstanding the provisions of paragraphs (1), (6) and (7) of this subsection (a), minimum maintenance requirements for securities exempted under Section 2(g) of Regulation T and for certain corporate debt securities shall be as follows concerning:

(i) obligations issued or unconditionally guaranteed as to principal or interest by the U.S. Government or any agency thereof with 10 years or less to maturity;

(B) GNMA TBAs and Standbys

(i) For purposes of this sub-section, the terms below are defined as follows:

(1) GNMA's are mortgage pass-through obligations guaranteed as to timely payment of principal and interest by the Government National Mortgage Association.

(2) A Mortgage Banker is the actual issuer of GNMA mortgage-backed pass-through securities.

(3) TBAs (to be announced) are delayed delivery and "when-issued" type transactions in GNMA's generally, where pool numbers are not announced or assigned on the trade date of the transaction.

(4) Standbys are commitments which represent the equivalent of a short put position in a customer account, which gives the broker-dealer the right to deliver to the customer against payment a specific amount of GNMA's on a specified date.

(5) An "exempt account" shall have the same meaning as a "designated account" as defined in Section 2(a)(3) of this Rule. In addition, for purposes of this sub-section only, an exempt account may also include:

(a) all independently audited entities with both more than \$1.5 million of net current assets, which may include in the case of Mortgage Bankers a 3/4 of 1% maximum allowance on loan servicing portfolios, and with more than \$1.5 million of net worth; and

(b) GNMA brokers who act only as agents where the member carrying the account independently confirms at least monthly such GNMA brokers are acting on behalf of exempt accounts only.

(c) In evaluating loan servicing portfolios, the generalized 3/4 of 1% allowance is not necessarily appropriate. Consideration must also be given to such factors as the loan balance, servicing fee, remaining life of loan, probability of loan survival, delinquency rate, geographic relationships, cost of foreclosure and servicing costs.

(ii) The margin maintenance requirements on transactions in TBAs and standbys are as follows:

(1) Exempt Accounts - On any transaction in TBAs and standbys, margin shall be required in an amount equal to the percentage of any unrealized loss at the market based on the length of time from trade date to contract maturity date or delivery date as specified below:

<u>TBAs</u>			<u>Standbys</u>		
<u>0 to</u> <u>120 days</u> <u>10%</u>	<u>121 days to</u> <u>1 1/2 years</u> <u>25%</u>	<u>Over</u> <u>1 1/2 years</u> <u>100 %</u>	<u>0 to</u> <u>1 year</u> <u>15%</u>	<u>Over 1 year</u> <u>to 2 years</u> <u>25%</u>	<u>Over</u> <u>2 years</u> <u>100%</u>

In addition, margin shall be required in an amount equal to the mark-to-market deficit in each such account or accounts controlled by such persons that exceeds 5% of the carrying member's tentative net capital, but shall not exceed 100% of the total mark-to-market deficit.

(2) Non-Exempt Accounts Other Than Mortgage Bankers - On any transaction in TBAs and standbys, other than TBAs with less than 121 days from trade date to contract maturity date or delivery date, margin shall be required in an amount equal to 5% of the current market value, plus the total amount of any unrealized loss at the market. On any transaction in TBAs with less than 121 days from trade date to contract maturity date or delivery date margin shall be required in an amount equal to the total unrealized loss at the market.

(3) Non-Exempt Mortgage Bankers - On any transaction in standbys, margin shall be required in an amount equal to the total unrealized loss at the market. On any transaction in TBAs, margin shall be required in an amount equal to the unrealized loss at the market based on the length of time from trade date to contract maturity date or delivery date as specified below:

<b>TBAs</b>		
<b>0 to</b> <b>120 days</b> <b>25%</b>	<b>121 days to</b> <b>1 1/2 years</b> <b>50%</b>	<b>Over</b> <b>1 1/2 years</b> <b>100%</b>

In addition, margin shall be required in an amount equal to the mark-to-market deficit in each such account or accounts controlled by such persons that exceeds 5% of the carrying member's Tentative Net Capital, but shall not exceed 100% of the total mark-to-market deficit.

(iii) The category, 0 to 120 days for TBAs, may include all transactions which provide for a settlement date no later than the last calendar day of the month in which the 120th day after trade date falls.

(iv) Reverse repurchase agreements in securities exempted under Section 3(a)(12) of the Securities Exchange Act of 1934 shall be maintained in a special cash account subject to the provisions of this sub-section of the Rule.

(v) Unrealized profits in one GNMA TBA transaction may offset any loss from another GNMA TBA transaction in the same customer account and the amount of net unrealized profits may be used to reduce margin requirements. Only profits (in-the-money amounts), if any, on long GNMA standbys are recognized.

(vi) All margin requirements based on unrealized loss at the market or specified in this sub-section of the Rule must be obtained within five (5) business days after they arise.

(C)[(6)] All Other Exempted Securities

On any positions in securities exempted under Regulation T other than obligations of the United States, the minimum margin to be maintained shall be 7% [15%] of the principal amount or 15% [25%] of the current market value of such obligation, whichever amount is greater. [lower, on each long and short position in securities exempted under Section 2(g) of Regulation T, except as covered in subsection (7); and,]

(D) Non-Convertible Corporate Debt Securities

On any positions in non-convertible corporate debt securities, which are listed or traded on a registered national securities exchange or qualify as an "OTC margin bond", as defined in Section 220.2(r) of Regulation T, the margin to be maintained shall be 20% of the current market value or 7% of the principal amount, whichever amount is greater, except on mortgage related securities as defined in Section 3(a)(41) of the Securities Exchange Act of 1934 the margin to be maintained for a designated account (as defined in Section 2(a)(3) of this Rule) shall be 5% of the current market value.

(E) Special Provisions

[Sec. 15 - Accrued Interest]

[(a) Accrued interest may not be credited to an account except as provided in paragraph (b).] Notwithstanding the foregoing in this sub-section (c)(2) above,

(i)[(b)] A member may, at its discretion, [credit to a customer's account] permit the use of accrued interest [in obligations issued or unconditionally guaranteed by the U.S. Government or any agency thereof] as a credit in a margin account provided: [that such]

(1) the securities in the account are registered in the member's name or that of its nominee or, in the case of bearer [bonds] securities, are in the possession of the member; and,

(2) [provided further,] that on a concurrent basis, accrued interest on the outstanding debit balance in the [that] account is entered as of the same date.

(ii) The Association may authorize lower margin maintenance requirements upon written application, on a case-by-case basis. [other securities exempted under Section 2(g) of Regulation T and non-convertible corporate debt securities with 5 years or less to maturity which are in the first three ratings (e.g., AAA, AA, A,) according to a nationally known statistical service, the Association may authorize lower requirements upon application].

**[Sec. 6.**

**Certain Purchases in Special Cash Accounts**

Transactions of the following types in special cash accounts are subject to the margin requirements hereof except when the account is that of a broker-dealer, bank, trust company, investment company, investment trust, insurance company, charitable or non-profit educational institution, or similar fiduciary type account]

**(F) Cash Transactions With Customers**

(i)[(a)] When a customer p[P]urchases [of] an issued securit[ies] exempted under [Section 2(g) of] Regulation T from or through a member in a cash account, full payment shall be made promptly. If, however, delivery or [when] payment therefor is not made promptly after the trade date, [presentation of the securities to the customer] a deposit shall be required as if it were a margin transaction unless it is a transaction with a designated account, as defined in Section 2(a)(3) of this Rule. The \$2,000 minimum equity requirement shall not apply to transactions in such securities.

(ii) On any position resulting from a transaction in an issued security exempted under Regulation T for a member or a designated account, as defined in Section 2(a)(3) of this Rule, margin shall be required in an amount equal to the unrealized loss at the market in such position.

(iii) [provided however,] [t]The Association may waive or extend the above requirements upon application by the creditor made in good faith and in exceptional circumstances.[;]

**(3) Joint Accounts in Which the Carrying Member or a Partner or Stockholder Has an Interest**

(A) In the case of a joint account carried by a member, in which the member, allied member, any partner or any stockholder (other than a holder of freely transferable stock only) of such member participates with others, each participant other than the carrying member shall maintain an equity with respect to such interest pursuant to the minimum margin maintenance provisions of this Rule as if such interest were in a separate account.

(B) The Association will consider requests for exemption from the provisions of this sub-section (c)(3)(A), provided:

(i) the account is confined exclusively to transactions and positions in securities exempted under Regulation T; or

(ii) the account is maintained as a Market Functions Account conforming to the conditions of Section 220.12(e) of Regulation T (Odd-lot dealers); or

(iii) the account is maintained as a Market Functions Account conforming to the conditions of Section 220.12(c) of Regulation T (Underwritings and distributions)

and each other participant margins his share of such account on such basis as the Association may prescribe.

**(4) International Arbitrage Accounts**

International arbitrage accounts for non-member foreign brokers or dealers who are members of a foreign securities exchange are not subject to the margin maintenance requirements of this Rule.

**[Sec. 12]**

**(5) Specialists' and [OTC] Market Makers' Accounts**

(A) [The account of a] A member shall carry the account of an "approved specialist or market maker", which account is limited to specialist or market making transactions [in which are effected only transactions in securities in which he is an "OTC Market Maker", as defined in Rule 17a-12 to the Securities Exchange Act of 1934, may be carried,] in accordance with the margin maintenance requirements of this Rule. [upon a margin basis which is mutually agreeable to the market maker and the carrying member]

(B) For the purpose of paragraph (c)(5)(A) above, the term "approved specialist or market maker" means either:

(i) a specialist or market maker who is deemed a specialist for all purposes under the Securities Exchange Act of 1934 and who is registered pursuant to the rules of a national securities exchange; or

(ii) an OTC market maker or third market maker, who meets the requirements of Section 220.12(d) of Regulation T.

(C) In the case of a joint account carried by a member in accordance with paragraph (c)(5)(A) above in which the member participates, the equity maintained in the account by the other participants must be in accordance with the margin maintenance requirements of this Rule.

**(6) Broker-Dealer Accounts**

A member shall carry the proprietary account of another broker-dealer, which is registered with the Securities and Exchange Commission, in accordance with the margin maintenance requirements of this Rule.

**(7) Nonpurpose Credit**

(A) In a nonsecurities credit account, a member may extend and maintain nonpurpose credit to or for any customer, provided:

(i) the account is recorded separately and confined to the transactions and relations specifically authorized by Regulation T;

(ii) the account is not used in any way for the purpose of evading or circumventing any regulation of the Association or of the Board of Governors of the Federal Reserve System; and

(iii) the account is properly margined in accordance with the margin maintenance requirements of this Rule.

(B) The term "nonpurpose credit" means an extension of credit other than "purpose credit," as defined in Section 220.2(u) of Regulation T.

**(8) Shelf-Registered, Control and Restricted Securities**

(A) Shelf-Registered Securities - The equity to be maintained in margin accounts of customers for securities which are the subject of a current and effective registration for a delayed offering (i.e., "shelf-registered securities") shall be at least the amount of margin required by Section 5(a) of this Rule, provided the member:

(i) obtains a current prospectus in effect with the Securities and Exchange Commission, meeting the requirements of Section 10 of the Securities Act of 1933, covering such securities;

(ii) has no reason to believe the Registration Statement is not in effect or that the issuer has been delinquent in filing such periodic reports as may be required of it with the Securities and Exchange Commission and is satisfied that such registration will be kept in effect and that the prospectus will be maintained on a current basis; and

(iii) retains a copy of such Registration Statement, including the prospectus, in an easily accessible place in its files.

Shelf-registered securities which do not meet all the conditions prescribed above shall have no value for purposes of this Rule (Also see, paragraph (c)(8)(C)).

(B) Control and Restricted Securities - The equity in accounts of customers for control securities and other restricted securities of issuers who continue to maintain a consistent history of filing annual and periodic reports in timely fashion pursuant to the formal continuous disclosure system under the Securities Exchange Act of 1934, which are subject to Rule 144 or 145(d) of the Securities Act of 1933, shall be 40% of the current market value of such securities "long" in the account, provided the member:

(i) in computing net capital, deducts any margin deficiencies in customers' accounts based upon a margin requirement as specified in sub-paragraph (C)(iv) of this sub-section (c)(8) for such securities and values only that amount of such securities which are then saleable under Rule 144 or 145(d) of the Securities Act of 1933 in conformity with all of the applicable terms and conditions thereof, for purposes of determining such deficiencies; and

(ii) makes volume computations necessary to determine the amount of securities then saleable under Rule 144 or 145(d) of the Securities Act of 1933 on a weekly basis or at such frequency as the member and/or the Association may deem appropriate under the circumstances (Also see, paragraph (c)(8)(C)).

(C) Additional Requirements on Shelf-Registered, Control and Restricted Securities - A member extending credit on shelf-registered, control and other restricted securities in margin accounts of customers shall be subject to the following additional requirements:

(i) The Association may at any time require reports from members showing relevant information as to the amount of credit extended on shelf-registered, control and restricted securities and the amount, if any, deducted from net capital due to such security positions.

(ii) The aggregate credit agreed to be and actually extended to all customers on control and restricted securities of any one issue that exceeds 10% of the member's excess net capital shall be deducted from net capital for purposes of determining the member's status under Article III, Section 38 of the Association's Rules of Fair Practice (hereinafter referred to as "Section 38"). The amount of such aggregate credit extended, which has been deducted in the computation of net capital, need not be included in this calculation. The Association, upon written application, may reduce the deduction to net capital under Section 38 to 25% of such aggregate credit extended on those positions that exceed 10% but are less than 15% of the member's excess net capital.

(iii) The aggregate credit extended on all control and restricted securities reduced by the amount of credit extended which has been deducted in computing net capital shall be deducted from net capital on the following basis for purposes of determining a member's status under Section 38:

(1) To the extent such net amount of credit extended does not exceed 50% of a member's excess net capital, 25% of such net amount of credit extended, and

(2) 100% of such net amount of credit extended which exceeds 50% of a member's excess net capital.

(iv) Concentration Reduction - A concentration exists whenever the aggregate position in control and restricted securities of any one issue exceeds (1) 10% of the outstanding shares or (2) 100% of the average weekly volume during the preceding three month period. Where a concentration exists, for purposes of computing sub-paragraph (B)(i) of this sub-section (c)(8), the margin maintenance requirement on such securities shall be based on the greater of (1) or (2) above, as specified below:

<u>Percent of Outstanding Shares</u>	<u>or</u>	<u>Percent of Average Weekly Volume</u>	<u>Margin Requirement</u>
<u>Up to 10%</u>		<u>Up to 100%</u>	<u>25%</u>
<u>Over 10% and under 15%</u>		<u>Over 100% and under 200%</u>	<u>30%</u>
<u>15% and under 20%</u>		<u>200% and under 300%</u>	<u>45%</u>
<u>20% and under 25%</u>		<u>300% and under 400%</u>	<u>60%</u>
<u>25% and under 30%</u>		<u>400% and under 500%</u>	<u>75%</u>
<u>30% and above</u>		<u>500% and above</u>	<u>100%</u>

(v) The amount to be deducted from net capital for purposes of determining a member's status under Section 38 pursuant to this paragraph (c)(8)(C), shall not exceed 100% of the aggregate credit extended reduced by any amount deducted in computing net capital.

(D) Restricted Securities - Securities either:

(i) held by non-affiliates of the issuer which are then saleable by the non-affiliate pursuant to the terms and conditions of Rule 144(k) under the Securities Act of 1933, or

(ii) which have been acquired by non-affiliates of the issuer in connection with a Rule 145(a) transaction under the Securities Act of 1933 which are then saleable by such non-affiliate pursuant to the terms and conditions of Rule 145(d)(2) or (d)(3) under said Act, or

(iii) pledged as collateral, in the event of the pledgor's default, provided the member is not an affiliate of the issuer at the time of sale by the member, and had not been an affiliate of the issuer during the preceding three months, and the combined holding periods of the pledgor and the member is at least three years,

shall not be subject to the provisions of this sub-section (c)(8), provided that the issuer continues to maintain a consistent history of filing annual and periodic reports in timely fashion pursuant to the formal continuous disclosure system under the Securities Exchange Act of 1934.

### **Special Initial and Margin Maintenance Requirements**

(d) Notwithstanding the foregoing, [(3)] the Association may, for specific securities, when it deems circumstances warrant, either at the time of establishing the [special] initial margin or thereafter, require special initial margin of up to 100% of the current market value of such security [to] be deposited in all margin accounts as follows:

- (1) on new transactions, within 5 business days of the trade date; and
- (2) at any other time, when the Association deems it necessary.

Sec.]tion [7.]6

### **Puts, [and] Calls and Other Options**

(a) (1) Except as provided below, no put or call carried for a customer shall be considered of any value for the purpose of computing the margin to be maintained in the account of such customer.

(2) The issuance, guarantee or sale (other than a "long" sale) for a customer of a put or a call shall be considered a security transaction subject to Section 3 of this Rule.

(3) For purposes of this Section 6, obligations issued by the United States Government shall be referred to as United States Government obligations. Mortgage pass-through obligations guaranteed as to timely payment of principal and interest by the Government National Mortgage Association shall be referred to as



GNMA obligations. The terms "current market value" or "current market price" of an option shall mean the total cost or net proceeds of the option contract on the day the option was purchased or sold and at any other time shall be the preceding business day's closing price of that option (times the appropriate unit of trading or multiplier) as shown by any regularly published reporting or quotation service. [t]The term "exercise settlement amount" shall mean[s] the difference between the "aggregate exercise price" and the "aggregate current index value" (as such terms are defined in [Article XVII of] the pertinent By-Laws of [OCC] the Options Clearing Corporation).

[(3) The term "aggregate current index value" means the current index value times the index multiplier, the term "aggregate exercise price" means the exercise price times the index multiplier; and]

(4) The term "stock option (contract)" shall mean an option contract on a single stock. The term "index stock group option (contract)" shall mean an option contract on an index stock group.

(5) A "registered clearing agency" shall mean a clearing agency as defined in Section 3(a)(23) of the Securities Exchange Act of 1934 that is registered with the Securities and Exchange Commission pursuant to Section 17A(b)(2) of the Act.

(b)[(4)] The minimum margin maintenance requirements for any put or call issued, guaranteed or carried "short" in a customer's account shall be:

(1) Uncovered Listed Put and Call Options [(i) Listed Stock Options. (iii) Market Index Options. (iv) Industry Index Options. (v) Foreign Currency Options. (vi) Treasury Security Options.]

(A) In the case of puts and calls [listed or traded on a registered national securities exchange, or displayed in the NASDAQ System, or] issued by a registered clearing [corporation] agency, [and representing options on a(n) market index, industry index, foreign currencies, U.S. Treasury Securities carried in a short position in an account,] 100% of the current market value of the option contract plus the percentage [15%, 5%, 15%, 4%, .35%, 3%, 3.5%] of the current [product of, underlying] market [index group,] value [principal amount] of the [and, in] underlying security or index specified in column II of sub-section (C) below. [equivalent number of shares of the underlying security, multiplier applicable to the option contract, underlying foreign currency at the current spot market price, the case of options on Treasury Bills with a maturity of 95 days or less, Treasury Notes and Treasury Bonds.]

(B) Notwithstanding [; provided, however, that] the margin required below, the minimum margin [required] on [each such option contract] any put or call issued, guaranteed or carried "short" in a customer's account may be reduced by any "out-of-the-money" amount (as defined in sub-section (D) below) but shall not be less than 100% of the current market value of the option contract plus the percentage [5%, 2%, 3/4%, 1/20%, 1/2%] of the current market value [product,] of the underlying security or index specified in column III of sub-section (C) below. [equivalent number of shares of the underlying security. Current index group value and the applicable index multiplier, foreign currency, principal amount in the case of Treasury Bills with a maturity of 95 days or less and Treasury Notes and Bonds.]

(C)

<u>I</u> <u>Security</u> <u>or</u> <u>Index</u>	<u>II</u> <u>Initial and/or</u> <u>Maintenance</u> <u>Margin Required</u>	<u>III</u> <u>Minimum</u> <u>Margin</u> <u>Required</u>	<u>IV</u> <u>Underlying</u> <u>Component Value</u>
<u>(i) Stock</u>	<u>15%</u>	<u>5%</u>	<u>The equivalent number of shares at current market prices</u>
<u>(ii) Industry index stock group</u>	<u>15%</u>	<u>5%</u>	<u>The product of the current index group value and the applicable index multiplier</u>
<u>(iii) Broad index stock group</u>	<u>5%</u>	<u>2%</u>	<u>The product of the current index group value and the applicable index multiplier</u>
<u>(iv) U.S. Treasury bills - 95 days or less to maturity</u>	<u>.35%</u>	<u>1/20%</u>	<u>The underlying principal amount</u>
<u>(v) U.S. Treasury amount</u>	<u>3%</u>	<u>1/2%</u>	<u>The underlying notes principal</u>
<u>(vi) U.S. Treasury bonds</u>	<u>3.5%</u>	<u>1/2%</u>	<u>The underlying principal amount</u>
<u>(vii) Foreign currencies</u>	<u>4%</u>	<u>3/4%</u>	<u>The product of units per foreign currency contract and the closing spot price</u>

(D) For purposes of this sub-section (b)(1)(B), "out-of-the-money" amounts are determined as follows: [In each case, the amount shall be decreased by]

<u>Option Issue</u>	<u>Call</u>	<u>Put</u>
<u>Stock options</u>	Any excess of the aggregate exercise price of the option over the current market value of the equivalent number of shares of the underlying security. [in the case of a call, or]	Any excess of the current market value of the equivalent number of shares of the underlying security over the aggregate exercise price of the option. [in the case of a put]
<u>U.S. Treasury options</u>	Any excess of the aggregate exercise price of the option over the current market value of the underlying principal amount. [in the case of a call, or]	Any excess of the current market value of the underlying principal amount over the aggregate exercise price of the option. [in the case of a put]

<u>Index stock group options</u>	Any excess of the aggregate exercise price of the option over the product of the current index group value and the applicable [index] multiplier. [in the case of a call, or]	Any excess of the product of the current index group value and the applicable [index] multiplier over the aggregate exercise price of the option. [in the case of a put]
Foreign currency options	Any excess of the aggregate exercise price of the option over the <u>product [value] of units per [the underlying] foreign currency contract and [at] the closing [current] spot [market] prices.</u> [in the case of a call, or]	[Any excess of the value of the underlying] <u>The product of units per foreign currency contract and [at] the [current] spot [market] prices</u> over the aggregate exercise price of the option. [in the case of a put]

(E) If the option contract provides for the delivery of obligations with different maturity dates or coupon rates, the computation of the "out-of-the-money" amount, if any, where required by this Rule, shall be made in such a manner as to result in the highest margin requirement on the "short" option position.

(F) In the case of puts and calls listed or traded on a registered national securities exchange, displayed in the NASDAQ System or issued by a registered clearing agency which represent options on GNMA obligations in the principal amount of \$100,000, 130% of the current market value of the option plus \$1,500, except that the margin required need not exceed \$5,000 plus the current market value of the option.

(2) [(ii) **Uncovered Unlisted Puts and Calls [Stock Options]**

(A) In the case of puts and calls which are not listed or traded on a registered national securities exchange, displayed in the NASDAQ System, or issued by a registered clearing [corporation] agency representing stock options or index stock group options, 100% of the [current market value of the] option [contract] premium received plus 45% of the current market value of the equivalent number of shares of the underlying security,[,] or the product of the current index group value of the underlying index stock group and the applicable index multiplier, reduced by any "out-of-the-money" amounts as defined in sub-section (b)(1)(D) above for stock and index stock group options. [In each case, the amount shall be decreased by any excess of the aggregate exercise price of the option over the current market value of the equivalent number of shares of the underlying security in the case of a call, or any excess of the current market value of the equivalent number of shares of the underlying securities over the aggregate exercise price of the option in the case of a put.] In either case, [provided, however, that] the minimum margin required [on each such option contract] shall not be less than 100% of the [current market value of the] option [contract] premium received plus 10% of the current market value of the equivalent number of shares of the underlying security,[,] or the product of the current index group value of the underlying index stock group and the applicable index multiplier.

**(3) Value of Options**

(A) [(a)] Each put or call shall be margined separately. Any difference between the current market [price] value of the underlying security, underlying foreign currency or the current index group value of the underlying index stock group and the exercise price of a put or call [will] shall be of value only in providing the amount of margin required on that particular put or call. Substantial additional margin must be required on options issued, guaranteed or carried "short" with an unusually long period of time to expiration (generally, more than six months and ten days), or written on securities which are subject to unusually rapid or abrupt changes in value, or which do not have an active market, or when the securities subject to the option cannot be liquidated promptly.

(B) No margin need be required on any "covered" put or call.

**(4) Straddle Positions in Put and Call Options**

(A) [(b)(2)] If both a put and call for the same number of shares of the same [In the case of accounts carrying positions in short put index options which are offset by positions in short call index options for the] underlying security, the same principal amount of the same United States Government obligation, the same number of units of the same underlying foreign currency or the same index multiplier for the same index stock group [with the same index multiplier,] are issued, guaranteed or carried "short" for a customer, the amount of margin required shall be the greater of that required on either the put or the call [for the short put option contract or the margin required for the short call option contract (pursuant to subparagraphs (iii) and (iv) of this Rule), whichever is greater, as determined by (iii) and (iv) above,] pursuant to Section (b)(1) above, increased by the amount of any unrealized loss on the other option contract, if any. The minimum margin requirement, however, shall not apply to the other option. [except that:

(i) The \$250 minimum margin requirement shall apply to only one of the options, and

(ii) if there is unrealized loss on the other option, the amount of margin required shall include that unrealized loss.]

[The requirements set forth in paragraphs (iii) and (iv) hereof are subject to the following exceptions, which in each case may be applied at the discretion of the member organization with which the account is maintained]

(B) If both a put and a call for the same GNMA obligation in the principal amount of \$100,000 are issued, guaranteed or carried "short" for a customer, the amount of margin required shall be the greater of that required on either the put or the call pursuant to sub-section (b)(1)(F) above, plus the current market value of the other option.

**(5) Spread Positions in Put and Call Options**

(A) [(c)] When a call that is listed or traded on a registered national securities exchange, [or] displayed in the NASDAQ [s]System or issued by a registered clearing agency is carried "long" for a customer's account and the account is also "short" a call listed or traded on a registered national securities exchange, [or] displayed in the NASDAQ [s]System or issued by a registered clearing agency,

expiring on or before the date of expiration of the "long" listed call and [written on] specifying the same number of shares of the same security, the same principal amount of the same United States Government obligation, the same number of units of the same underlying foreign currency, or the same index multiplier for the same index stock group, the margin required on the "short" call shall be the lower of:

[(1) In the case of long call index options (or long put index options) which are offset by positions in short call index options (or short put index options) for the same underlying index with the same index multiplier, provided that the expiration date of the long calls (or long puts) is the same as or subsequent to the expiration date of the offsetting short calls (or short puts), the treatment shall be as follows]

(i) the margin required pursuant to sub-section (b)(1) [Section 4(a)(4)(ii)] above, in the case of stock options, United States Government obligations, foreign currency options or index stock group options, or

(ii) the amount, if any, by which the exercise price of the "long" call exceeds the exercise price of the short call.

[(A) When the exercise price of the long call index option (or short put index option) is less than or equal to the exercise price of the offsetting short call index option (or long put index option), no margin is required.

(B) When the exercise price of the long call index option (or short put index option) is greater than the exercise price of the offsetting short call index option (or long put index option) margin is required equal to the difference in aggregate exercise prices.]

(B)[(d)] When a put that is listed or traded on a registered national securities exchange, [or] displayed in the NASDAQ [s]System, or issued by a registered clearing agency is carried "long" for a customer's account and the account is also "short" a put listed or traded on a registered national securities exchange, [or] displayed in the NASDAQ [s]System, or issued by a registered clearing agency expiring on or before the date of expiration of the "long" listed put and [written on] specifying the same number of shares of the same underlying security, the same Principal amount of the same United States Government obligation, the same number of units of the same underlying foreign currency or the same index multiplier for the same index stock group the margin required on the "short" put shall be the lower of:

(i) the margin required pursuant to sub-section (b)(1) [Section 4(a)(4)(ii)] above, [or] in the case of stock options, United States Government obligations, foreign currency options or index stock group options, or

(ii) the amount, if any, by which the exercise price of the "short" put exceeds the exercise price of the "long" put.

(C) When a call that is issued by a registered clearing agency is carried "long" for a customer's account and the account is also "short" a call issued by a registered clearing agency, expiring on or before the date of expiration of the "long" listed call and written on the same GNMA obligation in the principal amount of \$100,000, the margin required on the "short" call shall be the lower of:

(i) the margin required pursuant to sub-section (b)(1)(F) above, or

(ii) the amount, if any, by which the exercise price of the "long" call exceeds the exercise price of the "short" call multiplied by the appropriate multiplier factor set forth below.

(D) When a put that is issued by a registered clearing agency is carried "long" for a customer's account and the account is also "short" a put issued by a registered clearing agency, expiring on or before the date of expiration of the "long" listed put and written on the same GNMA obligation in the principal amount of \$100,000, the margin required on the "short" put shall be the lower of:

(i) the margin required pursuant to sub-section (b)(1)(F) above, or

(ii) the amount, if any, by which the exercise price of the "short" put exceeds the exercise price of the "long" put multiplied by the appropriate multiplier factor set forth below.

(E) For purposes of this sub-section (b)(5)(C) and (D), the multiplier factor to be applied shall depend on the then highest qualifying rate as defined by the rules of the national securities exchange or national securities association on or through which the option is listed or traded as follows:

<u>Qualifying Rate</u>	<u>Multiplier Factor</u>
<u>Less than 8%</u>	<u>1</u>
<u>8% but less than 10%</u>	<u>1.2</u>
<u>10% but less than 12%</u>	<u>1.4</u>
<u>12% but less than 14%</u>	<u>1.5</u>
<u>14% but less than 16%</u>	<u>1.6</u>
<u>16% to 18%</u>	<u>1.7</u>

The multiplier factor or factors for higher qualifying rates shall be established by the Association as required.

**(6) Covered Positions in Put and Call Options**

(A)[(e)] When a call is issued, guaranteed or carried "short" against an existing net "long" position in the security under option or in any security immediately exchangeable or convertible, other than warrants, into the security under option [within a reasonable time] without restrictions [other than] including the payment of money, no margin need be required on the call, provided:

(i) such net "long" position is adequately margined in accordance with this Rule, and

(ii) the right to exchange or convert the net "long" position does not expire on or before the date of expiration of the "short" call.

[(iii) the conversion price of the exchangeable or convertible security does not exceed the exercise price of the call.]

[(f) When a call is issued, guaranteed or carried short against a net "long" position in an exchangeable or convertible security, as outlined above, margin

shall be required on the call equal to any amount by which the conversion price of the "long" security exceeds the exercise price of the call.]

(B)(g) When a put is issued, guaranteed or carried "short" against an existing net "short" position in the security under option, no margin need be required on the put, provided such net "short" position is adequately margined in accordance with this Rule.

(C) When a call representing stock options is issued, guaranteed or carried "short" against an existing net "long" position in a warrant convertible into the underlying security under option, margin shall be required on the call equal to any amount by which the conversion price of the "long" warrant exceeds the exercise price of the call, provided:

(i) such net long position is adequately margined in accordance with this Rule, and

(ii) the right to convert the net "long" position does not expire on or before the date of expiration of the "short" call.

However, when a payment of money is required to convert the "long" warrant, such warrant shall have no value for purposes of this Rule.

(D)(h) When determining net "long" and net "short" positions for purposes of sub-section (b)(5) above, offsetting "long" and "short" positions in exchangeable or convertible securities (including warrants) or in the same security, as discussed in Section 5 paragraph (c)(1) of this Rule, shall be deducted. When computing margin on such an existing net security [stock] position carried against a put or call, the current market price used shall not be greater than the exercise [call] price in the case of a call or less than the current market [put] price in the case of a put and the required margin shall be increased by any unrealized loss. [If a payment of money is required to exchange or convert the net "long" security, such security shall have no value for the purposes of this Rule]

(E)(j) An exchangeable or convertible security shall cease to have margin value [purposes] as of its expiration date and cannot be used thereafter for purposes of this Rule.

(7) **Letter of Guarantee [Market Index Option Escrow Receipts <sup>1/</sup>]**

(A)(vi) Where a put or call is carried "short" in the account of a customer against a [no margin is required in respect of a call option contract on a market index carried in a short position where the customer has delivered promptly, after the options are written, to] letter of guarantee [Market Index Option Escrow

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[1/ This section had been approved by the SEC for a one-year pilot period commencing August 13, 1985. During the pilot period, the Board of Governors may, pursuant to its normal rulemaking procedures, at any time on its own initiative, or at the discretion of the Securities and Exchange Commission or the Board of Governors of the Federal Reserve System, suspend, terminate or otherwise modify the provisions of this section.]

Receipt] in a form satisfactory to the Association, issued by a bank or trust company (the "guarantor"), pursuant to specific authorization from the customer, which letter of guarantee is held in the account by the member [organization] with which such position is maintained at the time the put or call is written, or is received in the account promptly thereafter, no margin need be required on the put or call.

(i) In the case of a call on a broad index stock group, the letter of guarantee must certify[ies] that the guarantor [issuer of the agreement] holds for the account of the customer as collateral for the letter either:

- (1) cash,
- (2) cash equivalents,
- (3) one or more qualified [equity] securities, or

(4) any [a] combination thereof, [; that such deposit has] having an aggregate market value, as of the close of business on the day the call [at the time the option] is written, of not less than 100% of the aggregate current index value[;] computed at the same time and that the guarantor [issuer] will promptly pay the member [organization] the exercise settlement amount in the event the account is assigned an exercise notice.

(ii)[(7)] The letter of guarantee may provide for substitution of qualified securities [When one or more securities are substituted for securities] held as collateral by the bank or trust company, provided the substitution does [should] not cause [impair] the value of the collateral [held by the bank at the time the substitution is made] to be diminished.

(iii) In the case of a call on any other option contract, the letter of guarantee must certify that the guarantor holds for the account of the customer as collateral for the letter, the underlying security (or a security immediately convertible into the underlying security without the payment of money) or foreign currency and that the guarantor will promptly deliver to the member the underlying security or foreign currency in the event the account is assigned an exercise notice.

(iv) In the case of a put on an option contract (including a put on a broad index stock group), the letter of guarantee must certify that the guarantor holds for the account of the customer as collateral for the letter, cash or cash equivalents which have an aggregate market value, as of the close of business on the day the put is written, of not less than 100% of the aggregate exercise price of the put and that the guarantor will promptly pay the member the exercise settlement amount (in the case of a put on a broad index stock group) or the aggregate exercise price (in the case of any other put on an option contract) in the event the account is assigned an exercise notice.

(B)[(1)] Association approved letters of guarantee [broad-based index option escrow receipts] are those that are provided by the Options Clearing Corporation ("OCC"). From time to time the Association may approve additional forms provided they do not differ substantively from the OCC form. [An acceptable index option escrow receipt must stipulate the following:

(A) A certification that the bank/trust company is holding (1) cash, (2) cash equivalents, (3) one or more qualified equity securities, or (4) any combination thereof; and that such deposit has an aggregate market value, at the



time the option is written, of not less than 100% of the aggregate current index value for each contract covered by the receipt.

(B) A commitment from the bank/trust company to pay the exercise settlement amount plus all applicable commissions out of the collateral or the proceeds thereof.

(C) Each deposited security is traded on a national securities exchange or is traded Over-the-Counter and is included on the Federal Reserve Board's List of Over-the-Counter Margin Stocks.

(D) The customer or its agent has duly authorized the bank to liquidate any securities included in the collateral to the extent necessary to perform the bank's obligations; and the bank maintains a written affirmation from the customer or its agent stating that all index call options written for the customer's account and covered by index option escrow receipts issued by the bank are written against a diversified stock portfolio.

(E) The bank shall not subject nor permit the customer to subject the collateral or any portion thereof to any lien or encumbrance.

(F) When one or more securities are substituted for securities held by the bank or trust company, the substitution shall not impair the value of the collateral held by the bank at the time the substitution is made.

(G) Should the collateral value drop below 55% of the aggregate current index value, the bank shall notify the customer or its agent and promptly obtain additional collateral. OCC and the broker-dealer shall be immediately notified by the bank should the collateral's value fall below 50% of the current underlying index value.

(2) Upon notification that the collateral value is deficient, an index option escrow receipt is no longer deemed to be an acceptable deposit in lieu of the margin required to be maintained by the broker-dealer. If the collateral is not promptly supplemented to a level in excess of 55% of the aggregate current index value, the broker-dealer must take steps to promptly liquidate the short index call(s) covered by the receipt.]

(C)[(4)] For purposes of Appendix A, Section 6(b)(7)[4(a)(4)(vi)], a bank or trust company is qualified to issue a letter of guarantee [Market Index Option Escrow Receipt] if it is a corporation organized under the laws of the United States or a State thereof and is regulated and examined by federal or state authorities having regulatory authority over banks or trust companies. The issuing bank or trust company must be approved by OCC if letters of guarantee [Market Index Option Escrow Receipts] are to be forwarded to OCC for the purpose of meeting margin requirements.

(D)[(5)] A qualified security means: [security is qualified if]

(i) an equity security (with the exception of warrants, rights and options) designated as a National Market System security; or

(ii)(A) Exchange securities: it is] an equity security (with the exception of warrants, rights and options) traded on the New York or American Stock

Exchanges, or on another national securities exchange and it substantially meets the listing standards of the New York [Stock Exchange] or the American Stock Exchanges; or

(iii)[(B) OTC Securities: it is] an equity security (with the exception of warrants, rights and options) listed in [on] the current [l]"List of [Over-the-Counter] Marginable OTC Stocks" published by the Board of Governors of the Federal Reserve System.

(E)[(6)] The term "cash equivalent" is defined in [Regulation T,] Section 220.8(a)(3)(ii) of Regulation T to mean securities issued or guaranteed by the United States or its agencies, negotiable bank certificates of deposit, or banker's acceptances issued by banking institutions in the United States and payable in the United States with one year or less to maturity.

(8)[(i)] When a member issues or guarantees an option to receive or deliver securities or foreign currencies for a customer, such option shall be margined as if it were a put or call.

(9) Securities, including options, shall be valued conservatively in light of current market prices and the amount which might be realized upon liquidation. Substantial additional margin may be required in all cases where the securities carried:

(A) are subject to unusually rapid or abrupt changes in value including volatility in the expiration months of options,

(B) do not have an active market, or

(C) in one or more or all accounts, including proprietary accounts combined, are such that they cannot be liquidated promptly or represent undue concentration of risk in view of the carrying member's Net Capital and its overall exposure to material loss.

(10) The Association may at any time impose higher margin requirements in respect to any option position(s) when it deems such higher margin requirements are appropriate.

## **Section [5]7**

### **"When Issued" and "When Distributed" Securities**

#### **(a) Margin Accounts**

(1) [For purposes of this Appendix,] T[t]he [minimum amount of] margin to be maintained on any transaction or net position in each "when issued" security shall be the same as if such security were issued.

(2)[(b)] Each position in a "when issued" security must be [computed] margined separately, and any unrealized profit shall be [applied] of value only [to] in providing the amount of margin required on the position in the particular security.

(3)[(c)] When an account has both a "short" position in a "when issued" security and a "long" position in the securities [with respect to] upon which the "when

issued" security may be issued, such "short" position must be marked to the market and the balance in the account adjusted for any unrealized loss.

(b) Cash Accounts

(1) On any transaction or net position resulting from contracts for a "when issued" security in an account other than a "designated account" as defined in Section 2(a)(3) of this Rule, equity must be maintained equal to the margin required were such transaction or position in a margin account.

(2) On any net position resulting from contracts for a "when issued" security made for or with a non-member broker-dealer, no margin need be required, but such net position must be marked to the market.

(3) On any net position resulting from contracts for a "when issued" security made for or with a "designated account" as defined in Section 2(a)(3) of this Rule, margin shall be required in an amount equal to the unrealized loss at the market in such position.

(4)(b) Transactions in "when issued" securities when payment is not made promptly unless,] The provisions of this sub-section shall not apply to any position resulting from contracts on a "when issued" basis in a security,

(A)(i) [such] which is the subject of a primary distribution in connection with a bona fide offering by the issuer to the general public for "cash," or

(B)(ii) [such] which is exempt by the Association as involving a primary distribution or a registered secondary offering.

(c) The term "when issued" as used herein also means "when distributed."

**Section 8.]**

**Guaranteed Customer Accounts**

(a) Any account guaranteed by another account [of a public customer in writing,] may be consolidated with the other account and the [required] margin to be maintained may be computed on the net position of both accounts if the guarantee is in writing and permits the member carrying the accounts, without restriction to use the money and securities in the guaranteeing account to carry the guaranteed account or to pay any deficit therein; provided, however, [a] the guaranteeing account [shall] is not [be] owned directly or indirectly by (1)(a) a partner or a stockholder in the organization carrying the account, or (2)(b) a [member] partner or member, allied member or any stockholder (other than a holder of freely transferable stock only) therein having a definite arrangement for participating in the commissions earned on the guaranteed account. However, the [The] guarantee of a limited partner or of a [stockholder] holder of nonvoting stock if based upon his resources other than his capital contribution to, or other than his interest in a member organization [shall] is not [be] affected by the foregoing prohibition, and such a guarantee may be taken into consideration in computing margin to be maintained in the guaranteed account.

(b) A guarantor of one or more accounts may only guarantee any margin deficiency in such account(s) in an amount equal to or less than 10% of the carrying

member's excess net capital. Any margin deficiency in excess of 10% of the carrying members excess net capital in such guaranteed account(s) shall be considered margin required of the guaranteed account(s).

### **Sec.]tion 9[.]**

#### **Consolidation of Accounts**

When two or more accounts are carried for the same customer [person or entity], the [required] margin to be maintained may be computed on the net position of such accounts, provided the customer has consented in writing that the money and securities in each of the accounts may be used to carry or pay any deficit in all such accounts.

### **Sec.]tion 10[.]**

#### **Deferred Payment Prohibited**

(a) When a "margin call", as defined in Section 220.2(1) of Regulation T, is required in a customer's account, [No] no member shall permit a customer to [effect transactions requiring margin and then] either defer the deposit of cash or securities [payment of margin] beyond the time specified in Regulation T [regular settlement date], or meet [such demand for] the margin required by the liquidation of the same or other commitments in the account. [, except that the provisions of this section shall not apply to any account maintained for another broker-dealer in which are carried only the commitments of public customers of the other broker-dealer, provided that the latter has agreed in writing that he will maintain a record in accordance with Section 11 hereof.]

(b) This prohibition on deferred payments and liquidations shall only apply to those accounts that, at the time of deferment or liquidation are not in compliance with the equity to be maintained pursuant to the provisions of this Rule.

### **Sec.]tion 11[.]**

#### **Recordkeeping Requirements**

Any member carrying securities margin accounts for customers shall make a daily record of each case in which, pursuant to Association Rules or Regulation T, initial or additional margin must be deposited in a customer's account [because of transactions in the account on that day]. The record shall show, for each account, the amount of margin so required and the [time] date when, and the manner in which [such margin is obtained] cash or securities are deposited or the margin requirements were otherwise complied with.

### **Sec.]tion [13.]12**

#### **Prompt Payment Required**

The amount of margin, deposit, or "mark to market" required by any provision of this [r]Rule shall be obtained as promptly as possible, but in no event later than 15 business days, unless, upon written application by the member organization, the Association has specifically granted the member organization additional time.

**Note:** This provision should not be interpreted as granting member organizations license to consistently use the 15-business-day period provided for in this section. The 15-business-day period should be used only in unusual circumstances, which the member organization may be called upon to justify.

# NASD

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

## **notice to members 88-27**

April 13, 1988

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

**RE:** NASDAQ National Market System Totals 2,994 Securities With 11 Additions  
on April 19, 1988

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On Tuesday, April 19, 1988, the following 11 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,994:

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
BMEEF	Belmoral Mines Ltd.	Toronto, Canada
DKEY	Datakey, Inc.	Burnsville, MN
DRTK	Duratek Corporation	Greenbelt, MD
FFHS	First Franklin Corporation	Cincinnati, OH
FWCH	First World Cheese, Inc.	South Orange, NJ
FWCHW	First World Cheese, Inc. (Wts)	South Orange, NJ
RVEE	Holiday RV Superstores, Incorporated	Orlando, FL
IBCP	Independent Bank Corporation	Ionia, MI
MOTO	Moto Photo, Inc.	Dayton, OH
MOTOP	Moto Photo, Inc. (Pfd)	Dayton, OH
MOTOZ	Moto Photo, Inc. (Wts)	Dayton, OH

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

### **NASDAQ/NMS Pending Additions**

The following issues have filed for inclusion in NASDAQ/NMS upon effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
CNNR	Conner Peripherals, Inc.	San Jose, CA
CLFI	Country Lakes Foods, Inc.	Saint Paul, MN
GFCT	Greenwich Financial Corporation	Greenwich, CT

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

The registration statements of the following issues were declared effective by the SEC or other appropriate regulatory authority. The issues commenced trading in NASDAQ/NMS since March 28, 1988.

<b>Symbol*</b>	<b>Security</b>	<b>Date of Entry</b>
MFBZ	Mutual Federal Savings Bank, A Stock Corporation	3/29/88
AVDL	Avondale Industries, Inc.	3/30/88
PFLY	Polifly Financial Corporation	3/30/88
ALTR	Altera Corporation	3/31/88
USWNA	US West NewVector Group, Inc. (Cl A)	4/06/88

### **NASDAQ/NMS Symbol\* and/or Name Changes**

The following changes to the list of NASDAQ/NMS securities occurred since March 28, 1988.

<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
ABQC/AMWS	ABQ Corporation/AmeriWest Financial Corporation	4/11/88

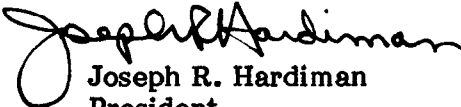
### **NASDAQ/NMS Deletions**

<b>Symbol*</b>	<b>Security</b>	<b>Date</b>
SUST	Sunstates Corporation	3/28/88
SUSTP	Sunstates Corporation (Pfd)	3/28/88

CGRP	Chase Medical Group, Inc.	3/29/88
SAGA	Software AG Systems, Inc.	3/31/88
VLVL	Video Library, Inc.	3/31/88
ESSAC	Essex Communications Corporation (C1 A) 4/04/88	
MCRP	Marine Corporation	4/04/88
OCCN	Occidental/Nebraska Federal Savings Bank	4/04/88
CECI	California Energy Company, Inc.	4/06/88
AARN	Aaron Brothers Art Marts, Inc.	4/08/88

Questions regarding this notice can be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules can be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,

  
Joseph R. Hardiman  
President

# NASD

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

## notice to members 88-28

April 15, 1988

TO: All NASD Members and Other Interested Persons

RE: Quarterly Check List of NASD Notices to Members

The following are NASD Notices to Members issued during the first quarter of 1988. Requests for copies of any notice should be accompanied by a self-addressed mailing label and directed to: NASD Administrative Services, 1735 K Street, N.W., Washington, D.C. 20006-1506.

Notice Number	Date	Topic
88-1	January 4, 1988	Proposed Amendments to NASD By-Laws And Rules of Fair Practice, and Proposed New Government Securities Rules
88-2	January 5, 1988	Martin Luther King, Jr's Day: Trade Date-Settlement Date Schedule
88-3	January 7, 1988	Amendment to Section 64 of the NASD Uniform Practice Code Regarding Acceptance and Settlement of COD Orders, Effective February 11, 1988
88-4	January 14, 1988	NASDAQ National Market System Totals 3,040 Securities With Four Additions on January 19, 1988
88-5	January 14, 1988	Request for Comments on Proposed NASD Rule of Fair Practice Regarding Outside Business Activities
88-6	January 15, 1988	SEC Approves NASD New Order Confirmation Transaction (OCT) Service
88-7	January 15, 1988	Year-End Check List of NASD Notices to Members



<b>Notice Number</b>	<b>Date</b>	<b>Topic</b>
88-8	January 20, 1988	Request for Comments on Proposed New Section 3 to Article VII and an Amendment to Article XI, Section 4 of the NASD By-Laws
88-9	January 28, 1988	NASDAQ National Market System Totals 3,040 Securities With Six Additions on February 2, 1988
88-10	February 1, 1988	Relocation of NASD New York Offices
88-11	February 8, 1988	Proposed Amendments to Article III, Section 27 of the NASD Rules of Fair Practice Regarding Supervision and the Definitions of "Office of Supervisory Jurisdiction" and "Branch Office"
88-12	February 8, 1988	Presidents' Day: Trade Date-Settlement Date Schedule
88-13	February 10, 1988	NASDAQ National Market System Totals 3,030 Securities With Nine Additions on February 16, 1988
88-14	February 10, 1988	Additional Arbitration Filing Fee and Advertising Service Charge
88-15	February 24, 1988	Amendment to Schedule A to the NASD By-Laws Concerning an Increased Application Fee for Member Firms With Statutorily Disqualified Individuals
88-16	February 24, 1988	NASDAQ National Market System Totals 3,004 Securities With Six Additions on March 1, 1988
88-17	March 1, 1988	Request for Comments on Proposed Amendments to NASD Rules of Fair Practice to Prohibit Non-Cash Compensation in Connection with Sales of Investment Company and Variable Contract Products
88-18	March 4, 1988	Extension of Comment Period: Proposed Amendments to Article III, Section 27 of The NASD Rules of Fair Practice Regarding Supervision and the Definitions of "Office of Supervisory Jurisdiction" and "Branch Office"

<b>Notice Number</b>	<b>Date</b>	<b>Topic</b>
88-19	March 10, 1988	Proposed Amendment to Article VII of The NASD By-Laws Authorizing Mandatory Reporting of Trade Information
88-20	March 14, 1988	Request for Comments on Proposed Amendment to Article III, Section 35 of The NASD Rules of Fair Practice Relating to Advertising and Sales Literature For Investment Company Securities
88-21	March 14, 1988	Good Friday: Trade Date-Settlement Date Schedule
88-22	March 11, 1988	NASDAQ National Market System Totals 2,996 Securities With 11 Additions on March 15, 1988
88-23	March 23, 1988	SIPC Trustee Appointed Windsor Equity Corporation 330 S. Executive Drive Brookfield, Wisconsin 53005
88-24	March 30, 1988	Registration of Persons Soliciting on Behalf of Members
88-25	March 30, 1988	NASDAQ National Market System Totals 2,994 Securities With 13 Additions on April 5, 1988

# NASD

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

## **notice to members 88-29**

April 28, 1988

TO: All NASD Members

RE: Proposed New Section 3 to Article VII and Amendment to Article XI,  
Section 4 of the NASD By-Laws Concerning Emergency Authority of the  
NASD Board of Governors

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**LAST VOTING DATE IS MAY 28, 1988**

### **EXECUTIVE SUMMARY**

NASD members are invited to vote on new Section 3 to Article VII of the NASD By-Laws, which grants emergency authority to the NASD Board of Governors and a committee consisting of the Chairman of the Board (or Vice Chairman in his absence), the NASD President, and a member of the Executive Committee—to take various actions in the event of extraordinary market conditions. These actions pertain to the operations of various NASD systems, including quotation, execution, and other systems and the participation therein of any person or the trading therein of any security.

The NASD is also proposing a technical amendment to Article XI, Section 4 of the NASD By-Laws to clarify the procedure by which the Board delegates authority to the Executive Committee to act between meetings of the Board.

The texts of the proposed amendments are attached.

### **BACKGROUND**

Under Article XI, Section 4 of the NASD By-Laws, the Executive Committee of the Board of Governors is delegated the authority to exercise the powers of the Board between Board meetings. Generally, the Executive Committee acts via telephone conference calls or by mail. However, it is sometimes necessary to take action immediately to respond to volatile market conditions. Following the

market decline in October, the Board approved publishing for comment proposed new Section 3 to Article VII and an amendment to Article XI, Section 4 of the NASD By-Laws. These proposed amendments are now being submitted for membership approval. Prior to becoming effective, the rule changes must also be approved by the Securities and Exchange Commission.

### **PROPOSED AMENDMENTS**

Proposed new Section 3 to Article VII of the NASD By-Laws grants the Board—or between Board meetings, a committee consisting of the Chairman of the Board (or the Vice Chairman in his absence), the NASD President, and a member of the Executive Committee—the authority to take any action regarding:

1. Operation of NASD quotation, execution, and other systems, and the participation therein of any person or the trading therein of any security;
2. Operation of, or trading in, the over-the-counter (OTC) markets; and
3. Operation of firms' offices or systems.

The proposed amendment also provides that the exercise of such authority shall occur only if the NASD President, in his discretion, concludes that convening a meeting of the entire Board or Executive Committee is not practical or appropriate. It further provides that the President shall report immediately any emergency action taken by the Committee to the Executive Committee and to the Board of Governors.

The proposed amendment to Article XI, Section 4 of the NASD By-Laws is a technical amendment to clarify the procedure by which the Board delegates authority to the Executive Committee to act between Board meetings.

### **COMMENTS RECEIVED**

The proposed amendments were published for comment in NASD Notice to Members 88-8, dated January 20, 1988. The NASD received five comment letters. Three generally favored the proposed amendments and two requested clarification of the terms used in the amendments or expressed concern that the amendments were overly broad.

One commentator favoring the proposed amendments was in "wholehearted agreement." Another commentator strongly endorsed the proposal's adoption but recommended that the Board be given notice concurrent with any actions being taken. A third commentator stated that while he had "no problem" with emergency powers being delegated to a committee, the delegated power should be limited to operation of the OTC market, NASDAQ, or any related trading system and not extend to the operation of firms' offices or systems. This commentator also suggested that there should be a "time frame" within which the emergency directives issued by the committee pursuant to proposed Section 3 be in effect, and that beyond that time, the directives should be reviewed by the Board of Governors.

One commentator not endorsing the amendments said it would be helpful to understand what constitutes "highly volatile markets." Another commentator

expressed concern that the grant of authority in proposed Section 3 is too broad and recommended that a third member of the Executive Committee be included as a member of the proposed committee empowered to act in emergencies.

After considering the comments, the Board of Governors decided to approve the proposed amendments with two changes. First, the committee authorized to take emergency action is increased from two members to three. The third committee member would be selected from the Executive Committee. Second, the proposed amendments require that the President report immediately to the Executive Committee and to the Board any emergency action taken pursuant to proposed Section 3.

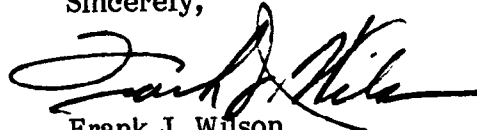
The Board believes that the proposed amendments to the NASD By-Laws are necessary and appropriate to promptly handle any emergency situations that may arise due to volatile market conditions and therefore recommends that members vote their approval.

\* \* \* \*

Please mark the attached 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 May 28, 1988.

Questions concerning this notice can be directed to Ms. Eneida Rosa, NASD Office of General Counsel, at (202) 728-8294.

Sincerely,



Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Attachment

## PROPOSED AMENDMENTS TO NASD BY-LAWS

(Amend Article VII of the By-Laws by redesignating Sections 3 through 9 as Sections 4 through 10 and adding new Section 3 as follows:)

### **Authority for Actions Affecting Over-the-Counter Market, Corporation Systems, and Member Offices**

**Sec. 3.** (a) The Board of Governors, or between meetings of the Board, a Committee consisting of the Chairman of the Board (or in his absence, a Vice Chairman of the Board), the President of the Corporation, and a member of the Executive Committee, in the event of an emergency or extraordinary market conditions, shall have the authority to take any action regarding (i) the trading in or operation of the over-the-counter securities market, the operation of any automated system owned or operated by the Corporation or any subsidiary thereof, and the participation in any such system of any or all persons or the trading therein of any or all securities and (ii) the operation of any or all member firms' offices or systems, if, in the opinion of the Board or the Committee hereby constituted, such action is necessary or appropriate for the protection of investors or the public interest or for the orderly operation of the marketplace or the system.

(b) The authority provided in Subsection (a) shall be exercised by the Committee only if the President, in his discretion, concludes that it is not practical or appropriate to convene a meeting of the Board of Governors or Executive Committee to consider the contemplated action.

(c) The President shall immediately report any action taken by the Committee pursuant to this Section to the Executive Committee and to the Board of Governors.

(Amend Article XI, Section 4 as follows:)\*

### **Executive Committee**

**Sec. 4.** By resolution passed not less than annually by a majority of the entire Board of Governors, there may be created an Executive Committee, consisting of five or more members of the Board. [which] The Executive Committee shall exercise such of the powers of the Board in the management of the Corporation between meetings of the Board of Governors as may be delegated to it from time to time by the Board. The Executive Committee created hereunder shall keep minutes of its meetings and shall report its proceedings to the Board of Governors at the next meeting thereof.

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\* New language is underlined; deleted language is in brackets.

# NASD

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

## **notice to members 88-30**

April 28, 1988

**TO:** All NASD Members and Level 2 and Level 3 Subscribers  
**RE:** NASDAQ National Market System Totals 2,976 Securities With Two Additions on May 3, 1988

On Tuesday, May 3, 1988, the following two issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,976:

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
AKRN	Akorn, Inc.	Abita Springs, LA
HMDY	Hemodynamics Incorporated	Boca Raton, FL

### **NASDAQ/NMS Pending Additions**

The following issues have filed for inclusion in NASDAQ/NMS upon effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

<b>Symbol*</b>	<b>Company</b>	<b>Location</b>
BFSI	BFS Bankorp, Inc.	New York, NY
NERX	NeoRx, Inc.	Seattle, WA

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

**NASDAQ/NMS Interim Additions**

The registration statements of the following issues were declared effective by the SEC or other appropriate regulatory authority. The issues commenced trading in NASDAQ/NMS since April 8, 1988.

<b>Symbol*</b>	<b>Security</b>	<b>Date of Entry</b>
CNNR	Conner Peripherals, Inc.	4/12/88
CLFI	Country Lake Foods, Inc.	4/14/88
GFCT	Greenwich Financial Corporation	4/15/88
CCXLA	Contel Cellular, Inc. (C1 A)	4/21/88

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

The following changes to the list of NASDAQ/NMS securities occurred since April 8, 1988.

<b>New/Old Symbol*</b>	<b>New/Old Security</b>	<b>Date of Change</b>
AAST/ACTA	Action Auto Stores, Inc./ Action Auto Stores, Inc.	4/11/88
HRIGV/HRSI	HRI Group, Inc. (WI)/Hal Roach Studies, Inc.	4/11/88
UTDMK/TKUNK	United Investors Management Company (Non-Voting)/TMK/ United, Inc. (Non-Voting)	4/19/88
CHMXW/CHMXW	Chemex Pharmaceuticals, Inc. (10/31/88 Wts)/Chemex Pharmaceuticals, Inc. (05/29/88 Wts)	4/22/88

**NASDAQ/NMS Deletions**

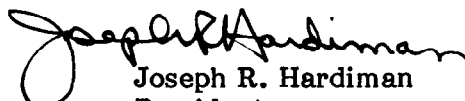
<b>Symbol*</b>	<b>Security</b>	<b>Date</b>
METR	Metrobank, N.A.	4/08/88
AMRF	Amerford International Corporation	4/12/88
BKNE	Bank of New England Corporation	4/12/88
BTGC	Bio-Technology General Corp.	4/12/88
HDGH	Hodgson Houses, Inc.	4/12/88
PRES	Precision Resources, Inc.	4/12/88
PBSB	Prudential Bancorporation	4/12/88
SPLF	Sporting Life, Inc. (The)	4/12/88
STOB	Standard Commercial Corporation	4/12/88



WPTSQ	Wespac Investors Trust II	4/12/88
BOYS	Boys Markets, Inc.	4/13/88
SINC	Seal, Inc.	4/13/88
VALF	Valley Forge Corporation	4/13/88
WRPS	Wearever-Proctor Silex, Inc.	4/13/88
CHIC	Chi-Chi's, Inc.	4/14/88
ORGS	Organogenesis, Inc.	4/15/88
BFSB	BFS Bancorp	4/18/88
EAGL	Eagle Financial Corporation	4/18/88
HADS	Hadson Corporation	4/18/88
NHER	National Heritage, Inc.	4/18/88
KEVX	Kevox Corp.	4/19/88
TSCC	Scott Cable Communications, Inc.	4/19/88
DKJC	DICKEY-john Corporation	4/20/88
FEXA	Florida Express, Inc.	4/20/88
LANA	Liquid Air Corporation	4/21/88
PGULF	Pegasus Gold, Inc.	4/21/88
ABNY	American Savings Bank, FSB	4/22/88
ABNYP	American Savings Bank, FSB (Pfd)	4/22/88

Questions regarding this notice can be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules can be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,

  
Joseph R. Hardiman  
President