

For Your Information

Market Regulation Compliance Report Cards

On September 24, 1998, staff of the Market Regulation Department (Market Regulation) of NASD Regulation began making available quantitative reports for each NASD member firm concerning its compliance with trade reporting, firm quote, and best execution. The reports are being provided to firms as a compliance aid to assist them in ensuring that they are submitting transaction reports in a timely manner, handling SelectNetSM liability orders in compliance with the firm quote rule, providing best execution to their customers, and, if necessary, taking appropriate measures to improve their performance in these areas. Each report contains information for the previous calendar month and is available on the 24th of each month or the first business day after the 24th if that day falls on a week-end or holiday.

The reports are available to view at www.nasdaqtrader.com, however, given the proprietary nature of the firm-specific reports, a firm must subscribe to the Proprietary Trading Data section of the Web Site to access any of the reports. For a detailed description of each of the reports and subscription information, please call Nasdaq Subscriber Services at (800) 777-5606.

Although these reports are designed and intended to be a preventive compliance tool, the information contained in these reports may indicate the existence of rule violations that may be pursued by Market Regulation staff depending on the circumstances. If you have any questions concerning the trade reporting report card, call Patricia Casimates at (301) 590-6447. If you have any questions concerning the firm quote compliance or best execution report cards, call Joe McDonald at (301) 212-3835.

Exemptive Letter Issued

On April 26, 1999, NASD Regulation staff issued an exemptive letter under the NASD Rule 9600 Series concerning the application of the Free-Riding and Withholding Interpretation, IM-2110-1 (Interpretation), to purchases of hot issues by state government employee pension, benefit, or retirement plans. Specifically, the letter exempts from the Interpretation purchases by government employee pension, benefit, and retirement plans to the same extent that plans qualified under the Employee Retirement Income Security Act (ERISA) are exempted by paragraph (f)(3) of the Interpretation. The letter explains that although state government employee benefit plans are not "qualified under ERISA," they are subject to separate state and municipal regulation, they are not sponsored by entities typically engaged in financial services, and they often include thousands or hundreds of thousands of participants.

The exemptive letter may be found on the NASD Regulation Web Site (www.nasdr.com) in the section listing Interpretive Letters.

Announcement - Upcoming District 4 And District 7 Compliance Seminars

District 4 Membership Preventive Compliance Program

The 1999 District 4 Membership Preventive Compliance Program will be held on Wednesday, September 29, 1999. Members of the NASD Regulation staff, as well as selected industry speakers, will discuss current industry issues and offer insights and best practices on regulatory and compliance matters. Some of the topics to be discussed include the Central Registration Depository (CRDSM) system, communications with the public, continuing education,

on-line trading, written supervisory procedures, and more. CLE credits will be offered for this program.

The program will be held at the Radisson Plaza Hotel in Minneapolis, Minnesota and the registration fee is \$150. For more information on the program, contact Cheryl Hackathorn, NASD Regulation, District 4 Office, at (816) 421-5700.

District 7 Compliance Seminar

On August 26 to 27, 1999, the 1999 District 7 Compliance Seminar will be held in Atlanta. Members of the NASD Regulation staff from Atlanta and Washington, as well as selected industry speakers, will discuss current industry issues and offer insights and best practices on regulatory and compliance matters.

The seminar will be held at the Ritz-Carlton Buckhead Hotel in Atlanta; the registration fee is \$225. For more information, contact the District 7 Office at (404) 239-6117.

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