

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2007 - 038

Amendment No.

Proposed Rule Change by National Association of Securities Dealers

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial ☒	Amendment ☐	Withdrawal ☐	Section 19(b)(2) ☐	Section 19(b)(3)(A) ☒	Section 19(b)(3)(B) ☐
			Rule		
			☒ 19b-4(f)(1) ☐ 19b-4(f)(4)		
			☐ 19b-4(f)(2) ☐ 19b-4(f)(5)		
			☐ 19b-4(f)(3) ☐ 19b-4(f)(6)		

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

The proposal amends the Arbitration Codes to clarify that, for purposes of the Codes, the term member includes any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Codes and/or be treated as members of NASD for purposes of the Codes.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date By
(Name)

(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

Add

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

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Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

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Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ the National Association of Securities Dealers, Inc. ("NASD") is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to amend NASD Rules 12100 and 13100 of the NASD Code of Arbitration Procedure for Customer Disputes ("Customer Code") and the NASD Code of Arbitration Procedure for Industry Disputes ("Industry Code") (together, the "Codes"), respectively, to clarify that, for purposes of the Codes, the term "member" includes any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Codes and/or to be treated as members of NASD for purposes of the Codes. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

CUSTOMER CODE

12100. Definitions

Unless otherwise defined in the Code, terms used in the Code and interpretive material, if defined in the NASD By-Laws, shall have the meaning as defined in the NASD By-Laws.

Paragraphs (a) through (n) unchanged.

(o) Member

For purposes of the Code, the term "member" means any broker or dealer admitted to membership in NASD, whether or not the membership has been terminated or

¹ 15 U.S.C. 78s(b)(1).

cancelled; and any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Code and/or to be treated as members of NASD for purposes of the Code, whether or not the membership has been terminated or cancelled.

Remainder unchanged.

* * * *

INDUSTRY CODE

13100. Definitions

Unless otherwise defined in the Code, terms used in the Code and interpretive material, if defined in the NASD By-Laws, shall have the meaning as defined in the NASD By-Laws.

Paragraphs (a) through (n) unchanged.

(o) Member

For purposes of the Code, the term "member" means any broker or dealer admitted to membership in NASD, whether or not the membership has been terminated or cancelled; and any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Code and/or to be treated as members of NASD for purposes of the Code, whether or not the membership has been terminated or cancelled.

Remainder unchanged.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Governors of NASD ("NASD Board") at its meeting on November 21, 2006, which authorized the filing of the rule change with the SEC. No other action by NASD is necessary for the filing of the proposed rule change.

NASD has filed the proposed rule change for immediate effectiveness. The effective date shall be the date of filing.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

NASD is amending its Customer Code and Industry Code to clarify that, for purposes of the Codes, the term "member" includes any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Codes and/or to be treated as members of NASD for purposes of the Codes. Such members would, like NASD members, be treated as members whether or not their membership has been terminated or cancelled.

The proposed rule change will codify current practice under which NASD has assumed, by agreement, the arbitration and mediation functions of several self-regulatory organizations that closed their dispute resolution forums.²

² The NASD Code of Arbitration Procedure applies not only to NASD members and their associated persons, but also to members and associated persons of the Municipal Securities Rulemaking Board (MSRB), the Philadelphia Stock Exchange (Phlx), the American Stock Exchange (Amex), International Securities Exchange, and The Nasdaq Stock Market LLC, pursuant to agreements under which members of those self-regulatory organizations for which the NASD administers the arbitration process will be treated as "members" of the NASD for purposes of the NASD Code of Arbitration Procedure. Exchange Act Release No. 39378 (Dec. 1, 1997), 62 Fed. Reg. 64417 (Dec. 5, 1997) (MSRB); Exchange Act Release No. 40517 (Oct. 1, 1998), 63 Fed. Reg. 54177 (Oct. 8, 1998) (Phlx); Exchange Act Release No. 40622 (Oct. 30,

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³ which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed rule change will make explicit NASD's jurisdiction with respect to members of other self-regulatory organizations that, with NASD consent, have required their members to arbitrate pursuant to the Codes and/or to be treated as members of NASD for purposes of the Codes and clarify that one set of arbitration rules and administration procedures will apply to these other self-regulatory organizations.

4. Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

1998), 63 Fed. Reg. 59819 (Nov. 5, 1998) (Amex); Exchange Act Release No. 45094 (November 21, 2001), 66 Fed. Reg. 60230 (December 3, 2001) (ISE) (File No. SR-ISE-00-17); and Exchange Act Release No. 53128 (January 13, 2006), 71 Fed. Reg. 3550 (January 23, 2006) (Nasdaq) (File No. 10-131). See also Exchange Act Release No. 55818 (May 25, 2007), 72 Fed. Reg. 30898 (June 4, 2007) (SR-NYSE-2007-048) (NYSE's proposed rule change to provide guidance regarding new and pending arbitrations in light of the consolidation of NYSE Regulation's arbitration department with that of NASD Dispute Resolution.)

³ 15 U.S.C. 78o-3(b)(6).

6. Extension of Time Period for Commission Action

NASD does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁴

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A)(i) of the Act⁵ and Rule 19b-4(f)(1) thereunder,⁶ NASD has designated this proposal as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule, which renders the proposed rule change effective immediately upon filing. The proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of NASD in that it clarifies current practice of the forum with respect to conducting and administering arbitration claims involving members of other self-regulatory organizations.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

⁶ 15 U.S.C. 78s(b)(2).

⁵ 15 U.S.C. 78s(b)(3)(A)(i).

⁶ 17 C.F.R. 240.19b-4(f)(1).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

Release No. 34-_____; File No. SR-NASD-2007-038

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. to Amend the Customer Code and the Industry Code of Arbitration Procedure to Clarify NASD's Jurisdiction Concerning Members of Other Self-Regulatory Organizations

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that the National Association of Securities Dealers, Inc. ("NASD"), through its wholly owned subsidiary, NASD Dispute Resolution, Inc. ("NASD Dispute Resolution") filed with the Securities and Exchange Commission ("SEC" or "Commission") on June 13, 2007, the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Dispute Resolution. NASD has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization under Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE TERMS OF SUBSTANCE OF THE PROPOSED RULE CHANGE

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

NASD Dispute Resolution is proposing to amend NASD Rules 12100 and 13100 of the NASD Code of Arbitration Procedure for Customer Disputes (“Customer Code”) and the NASD Code of Arbitration Procedure for Industry Disputes (“Industry Code”) (together, the “Codes”), respectively, to clarify that, for purposes of the Codes, the term “member” includes any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Codes and/or to be treated as members of NASD for purposes of the Codes. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * *

Customer Code

12100. Definitions

Unless otherwise defined in the Code, terms used in the Code and interpretive material, if defined in the NASD By-Laws, shall have the meaning as defined in the NASD By-Laws.

Paragraphs (a) through (n) unchanged.

(o) Member

For purposes of the Code, the term "member" means any broker or dealer admitted to membership in NASD, whether or not the membership has been terminated or cancelled; and any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Code and/or to be treated as members of NASD for purposes of the Code, whether or not the membership has been terminated or cancelled.

Remainder unchanged.

* * * *

Industry Code

13100. Definitions

Unless otherwise defined in the Code, terms used in the Code and interpretive material, if defined in the NASD By-Laws, shall have the meaning as defined in the NASD By-Laws.

Paragraphs (a) through (n) unchanged.

(o) Member

For purposes of the Code, the term "member" means any broker or dealer admitted to membership in NASD, whether or not the membership has been terminated or cancelled; and any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Code and/or to be treated as members of NASD for purposes of the Code, whether or not the membership has been terminated or cancelled.

Remainder unchanged.

* * * *

II. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE PURPOSE OF, AND STATUTORY BASIS FOR, THE PROPOSED RULE CHANGE

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

NASD is amending its Customer Code and Industry Code to clarify that, for purposes

of the Codes, the term "member" includes any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Codes and/or to be treated as members of NASD for purposes of the Codes. Such members would, like NASD members, be treated as members whether or not their membership has been terminated or cancelled.

The proposed rule change will codify current practice under which NASD has assumed, by agreement, the arbitration and mediation functions of several self-regulatory organizations that closed their dispute resolution forums.⁵

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁶ which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the

⁵ The NASD Code of Arbitration Procedure applies not only to NASD members and their associated persons, but also to members and associated persons of the Municipal Securities Rulemaking Board (MSRB), the Philadelphia Stock Exchange (Phlx), the American Stock Exchange (Amex), International Securities Exchange, and The Nasdaq Stock Market LLC, pursuant to agreements under which members of those self-regulatory organizations for which the NASD administers the arbitration process will be treated as "members" of the NASD for purposes of the NASD Code of Arbitration Procedure. Exchange Act Release No. 39378 (Dec. 1, 1997), 62 Fed. Reg. 64417 (Dec. 5, 1997) (MSRB); Exchange Act Release No. 40517 (Oct. 1, 1998), 63 Fed. Reg. 54177 (Oct. 8, 1998) (Phlx); Exchange Act Release No. 40622 (Oct. 30, 1998), 63 Fed. Reg. 59819 (Nov. 5, 1998) (Amex); Exchange Act Release No. 45094 (November 21, 2001), 66 Fed. Reg. 60230 (December 3, 2001) (ISE) (File No. SR-ISE-00-17); and Exchange Act Release No. 53128 (January 13, 2006), 71 Fed. Reg. 3550 (January 23, 2006) (Nasdaq) (File No. 10-131). See also Exchange Act Release No. 55818 (May 25, 2007), 72 Fed. Reg. 30898 (June 4, 2007) (SR-NYSE-2007-048) (NYSE's proposed rule change to provide guidance regarding new and pending arbitrations in light of the consolidation of NYSE Regulation's arbitration department with that of NASD Dispute Resolution.)

⁶ 15 U.S.C. 78o-3(b)(6).

public interest. The proposed rule change will make explicit NASD's jurisdiction with respect to members of other self-regulatory organizations that, with NASD consent, have required their members to arbitrate pursuant to the Codes and/or to be treated as members of NASD for purposes of the Codes and clarify that one set of arbitration rules and administration procedures will apply to these other self-regulatory organizations.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received by NASD.

III. DATE OF EFFECTIVENESS OF THE PROPOSED RULE CHANGE AND TIMING FOR COMMISSION ACTION

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act and paragraph (f) of Rule 19b-4 thereunder.⁷ At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

⁷ 17 CFR 240.19b-4(f)(1).

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2007-038 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-NASD-2007-038. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the principal office of NASD. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to the File Number SR-NASD-2007-038 and should be submitted on or before [insert date 21 days from publication in the Federal

Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Florence E. Harmon
Deputy Secretary

Action as set forth or recommended herein
APPROVED pursuant to authority delegated by
the Commission under Public Law 87-592.

For the Division of Market Regulation

by:_____

(DATE)

⁸ 17 CFR 200.30-3(a)(12).