

Proposed Rule Change by National Association of Securities Dealers
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

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 officer.

Date
 By Senior Vice President and Deputy General Counsel
 (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 EFFS 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

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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

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Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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 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 establish Interpretive Material 1013-1 (“IM-1013-1”), a membership waive-in process for certain New York Stock Exchange (“NYSE”) member organizations, and Interpretive Material Section 4(e) to Schedule A of the By-Laws, a membership application fee waiver for those NYSE member organizations that apply for membership pursuant to IM-1013-1. The proposed rule change is submitted in furtherance of the pending proposal to consolidate the member firm regulatory functions of NASD and NYSE Regulation, Inc. (“NYSE Regulation”) (“the Transaction”).²

The Waive-In Membership Application is attached as Exhibit 3. The text of the proposed rule change is attached as Exhibit 5.

(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.

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 55495 (March 20, 2007); 72 FR 14149 (March 26, 2007) (File No. SR-NASD-2007-023).

The effective date of the proposed rule change will be the date of approval by the Commission. The proposed rule change will not become effective if the Transaction does not close.

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

(a) Purpose

On November 28, 2006, NASD and the NYSE Group announced a plan to consolidate their member regulation operations into a combined organization that will be the sole U.S. private-sector provider of member firm regulation for securities firms that do business with the public. Upon closing of the Transaction, NASD will adopt the new corporate name Financial Industry Regulatory Authority (“FINRA”). The consolidation will streamline the broker-dealer regulatory system, combine technologies, permit the establishment of a single set of rules and group examiners with complementary areas of expertise in a single organization—all of which will serve to enhance oversight of U.S. securities firms and help ensure investor protection. Moreover, the new organization will be committed to reducing regulatory costs and burdens for firms of all sizes through greater regulatory efficiency.

NASD anticipates that NYSE will be filing a separate rule change requiring its member organizations to become members of FINRA to achieve the Transaction’s goal to eliminate duplicative member firm regulation (“Mandatory FINRA Membership filing”). Currently, there are approximately 95 NYSE member organizations that are not also NASD members that will be required to become FINRA members. In furtherance of the consolidation, the proposed rule change would establish a waive-in process for these

firms to become members of FINRA. The proposed rule change would apply to firms that, as of July 25, 2007 (1) are approved NYSE member organizations or (2) have submitted an application to become an NYSE member organization and are subsequently approved for NYSE membership (together “NYSE-only member organizations”), provided that such firms were not also NASD members as of the closing of the Transaction.

NASD recognizes that NYSE has a comprehensive membership application and review process based on similar principles and standards to that of NASD. As such, those NYSE-only member organizations that will become FINRA members already have been subjected to an extensive screening process. Therefore, the proposed rule change would establish IM-1013-1, a process that would make such firms eligible to automatically become a FINRA member and to automatically register all associated persons whose registrations are approved with NYSE in registration categories recognized by FINRA upon submission to FINRA’s Member Regulation Department (“the Department”) of a signed waive-in membership application (“Waive-In Application”).

The Waive-In Application would require the following information:

(1) General company information, including Central Registration Depository (CRD[®]) Number and contact person.

(2) An attestation that all information on the applicant’s CRD form, as of the date of submission of the Waive-In Application is accurate and complete and fully reflects all aspects of the applicant’s current business, including, but not limited to, ownership structure, management, product lines and disclosures.

(3) The identity of the firm's Executive Representative.

(4) Completed and signed Entitlement Forms.

(5) A signed FINRA Membership Agreement.

(6) Representations that the applicant's Uniform Application for Broker-Dealer Registration (Form BD) will be amended as needed to keep current and accurate; that all individual and entity registrations with FINRA will be kept current; and that all information and statements contained in the Waive-In Application are current, true and complete.

The proposed rule change would require the Department to review the Waive-In Application within three (3) business days of receipt and, if complete, issue a letter notifying the applicant that it has been approved for membership. The Membership Agreement would become effective on the date of such notification letter.³

As set forth in proposed IM-1013-1, the NYSE-only member organizations admitted pursuant to proposed IM-1013-1 would be subject to the NYSE rules incorporated by FINRA, FINRA's By-Laws and Schedules to By-Laws, including Schedule A (Assessments and Fees), and the NASD Rule 8000 (Investigations and Sanctions) and Rule 9000 (Code of Procedure) Series, provided that their securities business is limited to floor brokerage on the NYSE, or routing away to other markets orders that are ancillary to their core floor business under NYSE Rule 70.40 ("permitted

³ NASD understands that the Mandatory FINRA Membership filing would extend the NYSE-only member organizations a 60-day grace period within which they must apply for and be approved for FINRA membership.

floor activities”).⁴ If an NYSE-only member organization admitted pursuant to proposed IM-1013-1 seeks to expand its business operations to include any activities other than the permitted floor activities, such firm must apply for and receive approval to engage in such business activity pursuant to NASD Rule 1017. Upon approval of such business expansion, the firm would become subject to all NASD rules, in addition to those NYSE rules incorporated by FINRA.

Finally, the proposed rule change would create Interpretive Material Section 4(e) of Schedule A of the NASD By-Laws, which would exempt the applicants from the assessment of a FINRA membership application fee. NASD believes the exemption is appropriate, since NYSE is mandating FINRA membership in furtherance of the Transaction and because the waive-in application process will not require the same resources by the Department as when a new applicant that is not already a member of NYSE seeks membership.

As noted in Item 2 above, the effective date of the proposed rule change will be the date of Commission approval.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of

⁴ For purposes of this filing, activities that are ancillary to a Floor broker’s core business include (i) routing orders in NYSE-traded securities to an away market for any reason relating to their ongoing Floor activity, including regulatory compliance or meeting best-execution obligations, or (ii) provided that the majority of transactions effected by the firm are effected on the NYSE, sending to other markets orders in NYSE-traded or non-NYSE-traded securities and/or futures if such orders relate to hedging positions in NYSE-traded securities, or are part of arbitrage or program trade strategies that include NYSE-traded securities.

Section 15A of the Act, including Section 15A(b)(6) of the Act,⁵ in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade and, in general, to protect investors and the public interest. The proposed rule change will facilitate the consolidation of member regulation functions under a single self-regulatory organization, resulting in more effective and efficient regulation of brokers and dealers, thereby enhancing investor protection, while also ensuring that those NYSE-only member organizations eligible for the waive-in process meet suitable standards for admission into FINRA.

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.⁶

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.

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.⁷

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

Not applicable.

⁵ 15 U.S.C. 78o-3(b)(6).

⁶ 15 U.S.C. 78a.

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

A condition precedent to the proposed rule change is approval by the Commission of a proposed rule change by NYSE to require all of its member organizations to become members of FINRA. NASD anticipates that NYSE will file its proposed rule change with the Commission contemporaneously with this filing.

9. Exhibits

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

Exhibit 3. Waive-In Membership Application.

Exhibit 5. Proposed text of IM-Section 4(e) to Schedule A of the NASD By-Laws. Exemption from Membership Application Fee for Certain New York Stock Exchange Member Organizations and IM-1013-1. Membership Waive-In Process for Certain New York Stock Exchange Member Organizations.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2007-056)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change to Establish a Membership Waive-In Process for Certain NYSE Member 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 on , the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. 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

NASD is proposing to adopt Interpretive Material 1013-1 (“IM-1013-1”), a membership waive-in process for certain New York Stock Exchange (“NYSE”) member organizations, and Interpretive Material Section 4(e) to Schedule A of the By-Laws, a membership application fee waiver for those NYSE member organizations that apply for membership pursuant to IM-1013-1. The proposed rule change is submitted in furtherance of the pending proposal to consolidate the member firm regulatory functions

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

of NASD and NYSE Regulation, Inc. (“NYSE Regulation”) (“the Transaction”).³ Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

The Waive-In Membership Application is attached as Exhibit 3. The text of the proposed rule change is attached as Exhibit 5.

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

1. Purpose

On November 28, 2006, NASD and the NYSE Group announced a plan to consolidate their member regulation operations into a combined organization that will be the sole U.S. private-sector provider of member firm regulation for securities firms that do business with the public. Upon closing of the Transaction, NASD will adopt the new corporate name Financial Industry Regulatory Authority (“FINRA”). The consolidation will streamline the broker-dealer regulatory system, combine technologies, permit the establishment of a single set of rules and group examiners with complementary areas of

³ Securities Exchange Act Release No. 55495 (March 20, 2007); 72 FR 14149 (March 26, 2007) (File No. SR-NASD-2007-023).

expertise in a single organization—all of which will serve to enhance oversight of U.S. securities firms and help ensure investor protection. Moreover, the new organization will be committed to reducing regulatory costs and burdens for firms of all sizes through greater regulatory efficiency.

NASD anticipates that NYSE will be filing a separate rule change requiring its member organizations to become members of FINRA to achieve the Transaction's goal to eliminate duplicative member firm regulation ("Mandatory FINRA Membership filing"). Currently, there are approximately 95 NYSE member organizations that are not also NASD members that will be required to become FINRA members. In furtherance of the consolidation, the proposed rule change would establish a waive-in process for these firms to become members of FINRA. The proposed rule change would apply to firms that, as of July 25, 2007 (1) are approved NYSE member organizations or (2) have submitted an application to become an NYSE member organization and are subsequently approved for NYSE membership (together "NYSE-only member organizations"), provided that such firms were not also NASD members as of the closing of the Transaction.

NASD recognizes that NYSE has a comprehensive membership application and review process based on similar principles and standards to that of NASD. As such, those NYSE-only member organizations that will become FINRA members already have been subjected to an extensive screening process. Therefore, the proposed rule change would establish IM-1013-1, a process that would make such firms eligible to automatically become a FINRA member and to automatically register all associated persons whose registrations are approved with NYSE in registration categories

recognized by FINRA upon submission to FINRA's Member Regulation Department ("the Department") of a signed waive-in membership application ("Waive-In Application").

The Waive-In Application would require the following information:

(1) General company information, including Central Registration Depository (CRD[®]) Number and contact person.

(2) An attestation that all information on the applicant's CRD form, as of the date of submission of the Waive-In Application is accurate and complete and fully reflects all aspects of the applicant's current business, including, but not limited to, ownership structure, management, product lines and disclosures.

(3) The identity of the firm's Executive Representative.

(4) Completed and signed Entitlement Forms.

(5) A signed FINRA Membership Agreement.

(6) Representations that the applicant's Uniform Application for Broker-Dealer Registration (Form BD) will be amended as needed to keep current and accurate; that all individual and entity registrations with FINRA will be kept current; and that all information and statements contained in the Waive-In Application are current, true and complete.

The proposed rule change would require the Department to review the Waive-In Application within three (3) business days of receipt and, if complete, issue a letter

notifying the applicant that it has been approved for membership. The Membership Agreement would become effective on the date of such notification letter.⁴

As set forth in proposed IM-1013-1, the NYSE-only member organizations admitted pursuant to proposed IM-1013-1 would be subject to the NYSE rules incorporated by FINRA, FINRA's By-Laws and Schedules to By-Laws, including Schedule A (Assessments and Fees), and the NASD Rule 8000 (Investigations and Sanctions) and Rule 9000 (Code of Procedure) Series, provided that their securities business is limited to floor brokerage on the NYSE, or routing away to other markets orders that are ancillary to their core floor business under NYSE Rule 70.40 ("permitted floor activities").⁵ If an NYSE-only member organization admitted pursuant to proposed IM-1013-1 seeks to expand its business operations to include any activities other than the permitted floor activities, such firm must apply for and receive approval to engage in such business activity pursuant to NASD Rule 1017. Upon approval of such business expansion, the firm would become subject to all NASD rules, in addition to those NYSE rules incorporated by FINRA.

Finally, the proposed rule change would create Interpretive Material Section 4(e) of Schedule A of the NASD By-Laws, which would exempt the applicants from the

⁴ NASD understands that the Mandatory FINRA Membership filing would extend the NYSE-only member organizations a 60-day grace period within which they must apply for and be approved for FINRA membership.

⁵ For purposes of this filing, activities that are ancillary to a Floor broker's core business include (i) routing orders in NYSE-traded securities to an away market for any reason relating to their ongoing Floor activity, including regulatory compliance or meeting best-execution obligations, or (ii) provided that the majority of transactions effected by the firm are effected on the NYSE, sending to other markets orders in NYSE-traded or non-NYSE-traded securities and/or futures if such orders relate to hedging positions in NYSE-traded securities, or are part of arbitrage or program trade strategies that include NYSE-traded securities.

assessment of a FINRA membership application fee. NASD believes the exemption is appropriate, since NYSE is mandating FINRA membership in furtherance of the Transaction and because the waive-in application process will not require the same resources by the Department as when a new applicant that is not already a member of NYSE seeks membership.

The effective date of the proposed rule change will be the date of Commission approval.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A of the Act, including Section 15A(b)(6) of the Act,⁶ in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade and, in general, to protect investors and the public interest. The proposed rule change will facilitate the consolidation of member regulation functions under a single self-regulatory organization, resulting in more effective and efficient regulation of brokers and dealers, thereby enhancing investor protection, while also ensuring that those NYSE-only member organizations eligible for the waive-in process meet suitable standards for admission into FINRA.

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.⁷

⁶ 15 U.S.C. 78o-3(b)(6).

⁷ 15 U.S.C. 78a.

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.

III. **Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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:

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-2007-056 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC

20549-1090.

All submissions should refer to File Number SR-NASD-2007-056. 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 in the Commission's Public Reference Room. Copies of such filing also 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 File Number SR-NASD-2007-056 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

Nancy M. Morris

Secretary

⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 3

**FINRA
Waive-In Membership Application Form**

To qualify for Waive-in Membership in FINRA, the Applicant must be an eligible NYSE-only member organization that was not also a member of NASD as of [insert date of closing of the transaction]. Such Applicant is eligible to automatically become a FINRA member and to automatically register all associated persons whose registrations are approved with NYSE in registration categories recognized by FINRA. To apply, please complete and submit this Waive-In Application Form and Membership Agreement and supporting documentation via certified or first class mail, courier or messenger service to:

**FINRA
One Liberty Plaza
New York, NY 10005
Attention: MAP Department**

Applicants are required to update any information submitted in this Application Form when and if it becomes inaccurate or incomplete after submission.

Part I

A. General Company Information

Firm Applicant Name

Date

Address

City State Zip

Central Registration Depository[®] (CRD) Number

Contact Name (For Questions Concerning this Application)

Contact Title

Telephone

Facsimile

Email

B. Nature of Business Activity with FINRA

Applicant hereby attests to the accuracy and completeness of all information that appears on its Form BD, as of the date of submission of this document, and that the information contained therein fully reflects all aspects of the Applicant's current business, including, but not limited to, ownership structure, management, product lines, and disclosures. If the Applicant seeks to engage in a business activity beyond floor brokerage on the NYSE or routing away to other markets orders that are ancillary to its core floor business under NYSE Rule 70.40,¹ such Applicant will be required, pursuant to NASD Rule 1017, to apply for approval to engage in such business activity.

C. Executive Representative

An Applicant must identify an Executive Representative as required by Article IV, Section 3 of the By-Laws of FINRA. Please provide the name and CRD number of the Executive Representative:

Identify the Executive Representative of the Firm.

Name

Title

Central Registration Depository (CRD) Number

D. Entitlement Forms

Complete the attached Entitlement Forms with this application.

http://www.nasd.com/web/groups/rules_regs/documents/regulatory_systems/nasdw_010901.pdf

¹ Activities that are ancillary to core businesses include (i) routing orders in NYSE-traded securities to an away market for any reason relating to their ongoing Floor activity, including regulatory compliance or meeting best-execution obligations, or (ii) provided that the majority of transactions effected by the firm are effected on the NYSE, sending to other markets orders in NYSE-traded or non-NYSE-traded securities and/or futures if such orders relate to hedging positions in NYSE-traded securities, or are part of arbitrage or program trade strategies that include NYSE-traded securities.

Part II

Registration Transfers

FINRA will effect an automatic registration, via CRD, of all Associated Persons whose registrations with the firm under current NYSE Rules are active in the following registration categories:

- *Series 6 (Limited Representative, Investment Company and Variable Contracts Products)*
- *Series 7 (General Securities Representative)*
- *Series 7A (Examination Module for Floor Members and Clerks Engaged in Public Business with Professional Customers)*
- *Series 9/10 (General Securities Sales Supervisor)*
- *Series 11 (Assistant Representative Order Processing)*
- *Series 12 (Securities Manager)*
- *Series 14 (Compliance Official)*
- *Series 14A (Compliance Official for Specialist Member Organization)*
- *Series 15 (Floor Broker)*
- *Series 16 Supervisory Analyst)*
- *Series 17 (United Kingdom - Limited General Securities Registered Representative)*
- *Series 21 (Front Line Specialist Clerk)*
- *Series 22 (Direct Participation Program Representative)*
- *Series 24 (General Securities Principal)*
- *Series 25 (Trading Assistant)*
- *Series 26 (Limited Principal, Investment Company and Variable Contracts Products)*
- *Series 27 (Financial and Operations Principal)*
- *Series 28 (Introducing Broker/Dealer Financial and Operations Principal)*
- *Series 37/38 (Canada - Limited General Securities Registered Representative)*
- *Series 52 (Municipal Securities Representative)*
- *Series 55 (Equity Trader)*
- *Series 62 (Corporate Securities Representative)*
- *Series 86/87 (Research Analyst)*

FINRA Membership Agreement

FIRM APPLICANT NAME AND CENTRAL REGISTRATION DEPOSITORY (CRD) NUMBER

In connection with this application for membership in FINRA, and in the event that this application is approved for FINRA membership, the Applicant hereby agrees to abide by the terms and conditions set forth below:

The Applicant agrees that if the Applicant seeks to engage in a business activity beyond floor brokerage on the NYSE or routing away to other markets orders that are ancillary to its core floor business under NYSE Rule 70.40, the Applicant will, pursuant to NASD Rule 1017, apply for approval to engage in such business activity.

The Applicant also agrees:

- A. To comply with the federal securities laws, the rules and regulations thereunder, applicable rules of FINRA and all rulings, orders, directions and decisions issued and sanctions imposed under applicable FINRA rules;
- B. To pay such dues, assessments and other charges in the manner and amount as from time to time shall be fixed pursuant to applicable FINRA rules; and
- C. That this Agreement has been executed on behalf of, and with the authority of, the above-named Applicant.

The Undersigned and Applicant represent that the information and statements contained within the application and other information filed are current, true, and complete. The undersigned and the Applicant further represent that to the extent that any information submitted is not amended, such information is currently accurate and complete and agree that the information contained in the Applicant's Uniform Application for Broker-Dealer Registration (Form BD) will be kept current and accurate by proper amending of the Form BD as changes occur. Applicant further represents that the registrations for waived-in Associated Persons registered with FINRA will be kept current by proper amending of Form U4 and Form U5.

This agreement becomes effective after review of the application materials by FINRA and upon the date that FINRA issues a letter to the Applicant indicating it has been approved for membership.

By:

PRINT NAME

TITLE

SIGNATURE DATE

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined.

* * * * *

SCHEDULE A TO NASD BY-LAWS

* * * * *

Section 1 through Section 4

No Change.

IM-Section 4(e) -- Exemption from Membership Application Fee for Certain New York Stock Exchange Member Organizations

The membership application fee set forth in Section 4(e) to Schedule A of the NASD By-Laws shall not be assessed on those NYSE member organizations that become members of FINRA pursuant to IM-1013-1. However, those firms will otherwise remain subject to FINRA's By-Laws and Schedules to By-Laws, including Schedule A.

Section 5 through Section 13

No Change.

* * * * *

1000. MEMBERSHIP, REGISTRATION AND QUALIFICATION REQUIREMENTS

* * * * *

1013. New Member Application and Interview

* * * * *

IM-1013-1. Membership Waive-In Process for Certain New York Stock Exchange Member Organizations

This Interpretive Material sets forth a membership waive-in process for certain New York Stock Exchange ("NYSE") member organizations to become members of

FINRA as part of the consolidation of the member firm regulatory functions of NASD and NYSE Regulation, Inc. (“NYSE Regulation”). It applies to firms that, as of the July 25, 2007 (1) are approved NYSE member organizations or (2) have submitted an application to become an NYSE member organization and are subsequently approved for NYSE membership (together “NYSE-only member organizations”), provided that such firms were not also NASD members as of [the date of closing of the Transaction]. Such firms are eligible to automatically become a FINRA member and to automatically register all associated persons whose registrations are approved with NYSE in registration categories recognized by FINRA upon submission to FINRA’s Member Regulation Department (“the Department”) of a signed waive-in membership application (“Waive-In Application”) with the following information:

(1) General company information, including Central Registration Depository (CRD[®]) Number and contact person.

(2) An attestation that all information on the applicant’s CRD form, as of the date of submission of the Waive-In Application is accurate and complete and fully reflects all aspects of the applicant’s current business, including, but not limited to, ownership structure, management, product lines and disclosures.

(3) The identity of the firm’s Executive Representative.

(4) Completed and signed Entitlement Forms.

(5) A signed FINRA Membership Agreement.

(6) Representations that the NYSE applicant’s Uniform Application for Broker-Dealer Registration (Form BD) will be amended as needed to keep current and accurate; that all individual and entity registrations with FINRA will be kept current; and that all

information and statements contained in the Waive-In Application are current, true and complete.

The Department shall review the Waive-In Application within three (3) business days of receipt and, if complete, issue a letter notifying the applicant that it has been approved for membership. The Membership Agreement shall become effective on the date of such notification letter.

Firms admitted pursuant to this Interpretive Material shall be subject to the NYSE rules incorporated by FINRA, FINRA's By-Laws and Schedules to By-Laws, including Schedule A, and the NASD Rule 8000 and Rule 9000 Series, provided that their securities business is limited to floor brokerage on the NYSE, or routing away to other markets orders that are ancillary to their core floor business under NYSE Rule 70.40 ("permitted floor activities"). If an NYSE-only member organization admitted pursuant to this Interpretive Material seeks to expand its business operations to include any activities other than the permitted floor activities, such firm must apply for and receive approval to engage in such business activity pursuant to NASD Rule 1017. Upon approval of such business expansion, the firm shall be subject to all NASD rules, in addition to those NYSE rules incorporated by FINRA.

Pursuant to IM-Section 4(e) to Schedule A of the NASD By-Laws, no membership application fee shall be assessed on a firm applying to waive in for membership pursuant to this Interpretive Material.