

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 type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
			<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 checked="" 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).

Proposed Rule Change by NASD Relating to Amendment to Article VIII of the By-Laws of NASD Regulation, Inc. Relating to District Committees and District Nominating Committees.

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 Vice President Associate 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”), 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 Article VIII (District Committees and District Nominating Committees) of the By-Laws of NASD Regulation, Inc. to clarify the qualification requirements for candidates to NASD District Committees and District Nominating Committees and to establish procedures for the nomination and election of an alternate candidate who will replace, in an uncontested election, a candidate nominated by the District Nominating Committee that withdraws from further consideration or is determined to be ineligible. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

ARTICLE VIII

**DISTRICT COMMITTEES AND DISTRICT NOMINATING
COMMITTEES**

Sec. 8.1 No change.

Composition of District Committees

Sec. 8.2 (a) A district created under Section 8.1 shall elect a District Committee pursuant to this Article. A District Committee shall consist of no fewer than five and no more than 20 members, unless otherwise provided by resolution of the Board. Subject to the limitation set forth in the immediately preceding sentence, the authorized number of members of a District Committee shall be determined from time to time by the Board;

provided, however, that no decrease in the authorized number of members of a District Committee shall shorten the term of office of any member thereof. Each District Committee member: (1) shall be [employed by] registered with an NASD member eligible to vote in the district for District Committee elections, and (2) work primarily from such NASD member's principal office or a branch office that is located within the district where the member serves on a District Committee. Members of the District Committees shall serve as panelists in disciplinary proceedings in accordance with the Rules of the Association. The District Committees shall consider and recommend policies and rule changes to the Board. The District Committees shall endeavor to educate NASD members and other brokers and dealers in their respective districts as to the objects, purposes, and work of the NASD and NASD Regulation in order to foster NASD members' interest and cooperation.

Sec. 8.3 to Sec. 8.8. No change.

Composition of District Nominating Committees

Sec. 8.9 (a) Each district created under Section 8.1 shall elect a District Nominating Committee pursuant to this Article. A District Nominating Committee shall consist of five members, unless the Board by resolution increases a District Nominating Committee to a larger number. Each District Nominating Committee member shall: (1) be [employed by] registered with an NASD member eligible to vote in the district for District Committee elections, and (2) work primarily from such NASD member's principal office or a branch office that is located within the district where the member serves on a District Nominating Committee, but shall not be a member of the District Committee. A majority of the members of the District Nominating Committee shall

include persons who previously have served on a District Committee or who are current or former Directors or current or former Governors of the NASD Board.

Sec. 8.10 to Sec. 8.16. No change

District Nominating Committee Slate

Sec. 8.17 (a) The District Nominating Committee shall review the background of proposed candidates and the description of the NASD membership provided by NASD Regulation staff and shall nominate a slate of candidates for the election. The slate shall include one candidate for each open position on the District Committee and the District Nominating Committee subject to election at the next annual election. The District Nominating Committee may also nominate one alternate candidate for the District Committee and one alternate candidate for the District Nominating Committee. In the event of an uncontested election pursuant to Section 8.19, the alternate candidate would replace any member of the nominated slate of candidates who withdrew or was determined to be ineligible. In nominating candidates for the office of member of the District Committee and the office of member of the District Nominating Committee, the District Nominating Committee shall endeavor to secure appropriate and fair representation on the District Committee and on the District Nominating Committee of the various sections of the district and various classes and types of NASD members engaged in the investment banking or securities business within the district. In nominating candidates for the office of member of the District Nominating Committee, a District Nominating Committee shall assure that the composition of the District Nominating Committee meets the standards in Section 8.9(a).

Notification of Nomination

Sec. 8.18 The District Director, acting on behalf of the District Nominating Committee, shall give a Notice to the Secretary of NASD Regulation of each candidate nominated by the District Nominating Committee and the office to which the candidate is nominated. If the District Nominating Committee chooses, in its discretion, to nominate an alternate candidate for either the District Committee or the District Nominating Committee, or an alternate candidate for each such Committee, the District Director shall give Notice to the Secretary of NASD Regulation of each alternate candidate nominated by the District Nominating Committee and the office to which each alternate candidate is nominated. On or before October 1 of each year, the Secretary of NASD Regulation shall give a Notice of the nominated candidates and any alternate candidate(s) to the Executive Representatives of NASD members and the District Committee.

Sec. 8.19. No change

Designation of Additional Candidates

Sec. 8.20 If an officer[,]or director[,]of, or [employee of]individual who is registered with, an NASD member who meets the qualifications of Section 8.2 or 8.9, as applicable, is not nominated by the District Nominating Committee as a candidate or an alternate and wants to be considered for election to the District Committee or the District Nominating Committee, he or she shall deliver a written notice to the District Director within 14 calendar days after the Secretary of NASD Regulation gives the Notice of nominated candidates pursuant to Section 8.18. The District Director shall make a written record of the time and date of the receipt of the officer's, director's, or [employee's]registered person's notice. The officer, director, or [employee]registered person shall be designated as an "additional candidate."

Sec. 8.21 to Sec. 8.33 No change

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by Action of the Executive Committee of the Board of Governors of NASD on June 10, 2005, 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. Section 1(a)(ii) of Article VII of the NASD By-Laws permits the Board of Governors of NASD to adopt amendments to NASD Rules without recourse to the membership for approval.

NASD has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing, July 5, 2005.

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

(a) Purpose

Article VIII of NASD Regulation By-Laws (“By-Laws”) sets forth provisions relating to the operation of District Committees and District Nominating Committees (collectively, “Committees”), including specifically, provisions regarding Committee meetings, vacancies and elections. Under Article VIII, the role of the District Committee members includes serving as panelists in disciplinary proceedings in accordance with NASD Rules, recommending policy and rule changes to the Board, educating members in their district, and selecting members of the regional District Committee and District

Nominating Committees in a manner consistent with Article VIII of the By-Laws. The role of the District Nominating Committee includes nominating candidates to serve on the District Committee and District Nominating Committee for that region. Currently, there are 11 District Committees, divided by geographic region. Article VIII of the By-Laws sets forth provisions governing the annual District Committee and District Nominating Committee Elections.

In the 2004 District Committee election, potential candidates sought clarification of the qualification requirements set forth in Article VIII, Sections 8.2 and 8.9 of the By-Laws. Specifically, questions arose as to the meaning of the language in such Sections requiring that potential candidates for election to, respectively, a District Committee or District Nominating Committee, be “employed by” a member eligible to vote in that district. To clarify the term, NASD is proposing to replace these references in Sections 8.2 and 8.9, and the reference to “employee” in Section 8.20, with the term “registered with” and “registered person,” respectively, thereby making it clear that any person associated and registered with the member is eligible for election to the District Committee or District Nominating Committee irrespective of whether such person is, as a legal matter, employed by such member.¹

In addition, in the 2004 District Committee election, a candidate nominated by the District Nominating Committee for District 10 withdrew from further consideration

¹ Any person who engages in the investment banking or securities business of a member must be registered with NASD and be an associated person of that member. There is no requirement that associated persons be employees. They may, in fact, operate for employment law purposes as independent contractors. NASD believes the requirement of being “registered with” as opposed to

following the September 2004 *Special Notice to Members* announcing the nominees for District 10 and prior to the distribution of the contested election ballot. As a result, procedures were implemented to allow the District Nominating Committee for District 10 to amend the slate of nominees to include an alternate nominee to replace the withdrawing nominee.

To add flexibility to the nomination process and avoid potential delays, NASD is proposing to amend Section 8.17(a) to permit the District Nominating Committee, at the time it nominates its slate of candidates for the District Committee and the District Nominating Committee, to identify one alternate candidate for each such Committee. The alternate candidate would, in the context of an uncontested election, replace a nominated candidate who withdraws or is otherwise determined to be ineligible. In addition, NASD is proposing to amend Section 8.17(a) to provide that in an uncontested election, if any of the nominees for the District Committee or the District Nominating Committee withdraws or is determined to be ineligible before being declared duly elected, the withdrawing/ineligible nominee would be replaced by the alternate candidate. In an uncontested election, candidates are deemed duly elected 14 days after the Secretary of NASD Regulation provides notice of the nominated candidates to the Executive Representatives of NASD members and the District Committee and no additional candidate has come forward pursuant to Section 8.20 of the By-Laws. If a Committee member withdraws after the Committee members are duly elected, the vacancy provisions of the By-Laws, Sections 8.4 and 8.11, would apply. The proposed

“employed by” the member more accurately aligns the candidacy requirements with the qualification of persons who may represent a member.

By-Law amendments contemplate that an alternate candidate will replace a candidate on the slate only when an election is uncontested.

NASD has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing, July 5, 2005.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed rule change will clarify and streamline the election processes governing NASD District Committees and District Nominating Committees and also will clarify the qualification requirements of candidates to serve on a District Committee or District Nominating Committee.

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, as amended.

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

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder, in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. In accordance with Rule 19b-4, NASD submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing. In addition, NASD has requested that the Commission waive the requirement that the rule change not become operative for 30 days after the date of filing, as set forth in Rule 19b-4(f)(6)(iii) to allow NASD's proposed rule change to be in effect prior to the start of the 2006 District Committee and District Nominating Committee election cycle. If such waiver is granted by the Commission, the proposed rule change is effective and operative upon filing pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder.

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2005-086)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Association of Securities Dealers, Inc.
Relating to Amendments to the Article VIII of the By-Laws of NASD Regulation, Inc.
relating to District Committees and District Nominating Committees

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 July ____, 2005, 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. NASD has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ 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

NASD is proposing to amend Article VIII (District Committees and District Nominating Committees) of the By-Laws of NASD Regulation, Inc. to clarify the qualification requirements for candidates to NASD District Committees and District

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4.

Nominating Committees and to establish procedures for the nomination and election of an alternate candidate who will replace, in an uncontested election, a candidate nominated by the District Nominating Committee that withdraws from further consideration or is determined to be ineligible. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

ARTICLE VIII

DISTRICT COMMITTEES AND DISTRICT NOMINATING COMMITTEES

Sec. 8.1 No change.

Composition of District Committees

Sec. 8.2 (a) A district created under Section 8.1 shall elect a District Committee pursuant to this Article. A District Committee shall consist of no fewer than five and no more than 20 members, unless otherwise provided by resolution of the Board. Subject to the limitation set forth in the immediately preceding sentence, the authorized number of members of a District Committee shall be determined from time to time by the Board; provided, however, that no decrease in the authorized number of members of a District Committee shall shorten the term of office of any member thereof. Each District Committee member: (1) shall be [employed by] registered with an NASD member eligible to vote in the district for District Committee elections, and (2) work primarily from such NASD member's principal office or a branch office that is located within the district where the member serves on a District Committee. Members of the District Committees shall serve as panelists in disciplinary proceedings in accordance with the

Rules of the Association. The District Committees shall consider and recommend policies and rule changes to the Board. The District Committees shall endeavor to educate NASD members and other brokers and dealers in their respective districts as to the objects, purposes, and work of the NASD and NASD Regulation in order to foster NASD members' interest and cooperation.

Sec. 8.3 to Sec. 8.8. No change.

Composition of District Nominating Committees

Sec. 8.9 (a) Each district created under Section 8.1 shall elect a District Nominating Committee pursuant to this Article. A District Nominating Committee shall consist of five members, unless the Board by resolution increases a District Nominating Committee to a larger number. Each District Nominating Committee member shall: (1) be [employed by] registered with an NASD member eligible to vote in the district for District Committee elections, and (2) work primarily from such NASD member's principal office or a branch office that is located within the district where the member serves on a District Nominating Committee, but shall not be a member of the District Committee. A majority of the members of the District Nominating Committee shall include persons who previously have served on a District Committee or who are current or former Directors or current or former Governors of the NASD Board.

Sec. 8.10 to Sec. 8.16. No change

District Nominating Committee Slate

Sec. 8.17 (a) The District Nominating Committee shall review the background of proposed candidates and the description of the NASD membership provided by NASD Regulation staff and shall nominate a slate of candidates for the election. The slate shall include one candidate for each open position on the District Committee and the District Nominating Committee subject to election at the next annual election. The District Nominating Committee may also nominate one alternate candidate for the District Committee and one alternate candidate for the District Nominating Committee. In the event of an uncontested election pursuant to Section 8.19, the alternate candidate would replace any member of the nominated slate of candidates who withdrew or was determined to be ineligible. In nominating candidates for the office of member of the District Committee and the office of member of the District Nominating Committee, the District Nominating Committee shall endeavor to secure appropriate and fair representation on the District Committee and on the District Nominating Committee of the various sections of the district and various classes and types of NASD members engaged in the investment banking or securities business within the district. In nominating candidates for the office of member of the District Nominating Committee, a District Nominating Committee shall assure that the composition of the District Nominating Committee meets the standards in Section 8.9(a).

Notification of Nomination

Sec. 8.18 The District Director, acting on behalf of the District Nominating Committee, shall give a Notice to the Secretary of NASD Regulation of each candidate nominated by the District Nominating Committee and the office to which the candidate is

nominated. If the District Nominating Committee chooses, in its discretion, to nominate an alternate candidate for either the District Committee or the District Nominating Committee, or an alternate candidate for each such Committee, the District Director shall give Notice to the Secretary of NASD Regulation of each alternate candidate nominated by the District Nominating Committee and the office to which each alternate candidate is nominated. On or before October 1 of each year, the Secretary of NASD Regulation shall give a Notice of the nominated candidates and any alternate candidate(s) to the Executive Representatives of NASD members and the District Committee.

Sec. 8.19. No change

Designation of Additional Candidates

Sec. 8.20 If an officer[,]or director[,]of, or [employee of]individual who is registered with, an NASD member who meets the qualifications of Section 8.2 or 8.9, as applicable, is not nominated by the District Nominating Committee as a candidate or an alternate and wants to be considered for election to the District Committee or the District Nominating Committee, he or she shall deliver a written notice to the District Director within 14 calendar days after the Secretary of NASD Regulation gives the Notice of nominated candidates pursuant to Section 8.18. The District Director shall make a written record of the time and date of the receipt of the officer's, director's, or [employee's]registered person's notice. The officer, director, or [employee]registered person shall be designated as an "additional candidate."

Sec. 8.21 to Sec. 8.33 No change

* * * * *

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

Article VIII of NASD Regulation By-Laws (“By-Laws”) sets forth provisions relating to the operation of District Committees and District Nominating Committees (collectively, “Committees”), including specifically, provisions regarding Committee meetings, vacancies and elections. Under Article VIII, the role of the District Committee members includes serving as panelists in disciplinary proceedings in accordance with NASD Rules, recommending policy and rule changes to the Board, educating members in their district, and selecting members of the regional District Committee and District Nominating Committees in a manner consistent with Article VIII of the By-Laws. The role of the District Nominating Committee includes nominating candidates to serve on the District Committee and District Nominating Committee for that region. Currently, there are 11 District Committees, divided by geographic region. Article VIII of the By-Laws sets forth provisions governing the annual District Committee and District Nominating Committee Elections.

In the 2004 District Committee election, potential candidates sought clarification of the qualification requirements set forth in Article VIII, Sections 8.2 and 8.9 of the By-

Laws. Specifically, questions arose as to the meaning of the language in such Sections requiring that potential candidates for election to, respectively, a District Committee or District Nominating Committee, be “employed by” a member eligible to vote in that district. To clarify the term, NASD is proposing to replace these references in Sections 8.2 and 8.9, and the reference to “employee” in Section 8.20, with the term “registered with” and “registered person,” respectively, thereby making it clear that any person associated and registered with the member is eligible for election to the District Committee or District Nominating Committee irrespective of whether such person is, as a legal matter, employed by such member.⁴

In addition, in the 2004 District Committee election, a candidate nominated by the District Nominating Committee for District 10 withdrew from further consideration following the September 2004 *Special Notice to Members* announcing the nominees for District 10 and prior to the distribution of the contested election ballot. As a result, procedures were implemented to allow the District Nominating Committee for District 10 to amend the slate of nominees to include an alternate nominee to replace the withdrawing nominee.

To add flexibility to the nomination process and avoid potential delays, NASD is proposing to amend Section 8.17(a) to permit the District Nominating Committee, at the time it nominates its slate of candidates for the District Committee and the District

⁴ Any person who engages in the investment banking or securities business of a member must be registered with NASD and be an associated person of that member. There is no requirement that associated persons be employees. They may, in fact, operate for employment law purposes as independent contractors. NASD believes the requirement of being “registered with” as opposed to “employed by” the member more accurately aligns the candidacy requirements with the qualification of persons who may represent a member.

Nominating Committee, to identify one alternate candidate for each such Committee. The alternate candidate would, in the context of an uncontested election, replace a nominated candidate who withdraws or is otherwise determined to be ineligible. In addition, NASD is proposing to amend Section 8.17(a) to provide that in an uncontested election, if any of the nominees for the District Committee or the District Nominating Committee withdraws or is determined to be ineligible before being declared duly elected, the withdrawing/ineligible nominee would be replaced by the alternate candidate. In an uncontested election, candidates are deemed duly elected 14 days after the Secretary of NASD Regulation provides notice of the nominated candidates to the Executive Representatives of NASD members and the District Committee and no additional candidate has come forward pursuant to Section 8.20 of the By-Laws. If a Committee member withdraws after the Committee members are duly elected, the vacancy provisions of the By-Laws, Sections 8.4 and 8.11, would apply. The proposed By-Law amendments contemplate that an alternate candidate will replace a candidate on the slate only when an election is uncontested.

NASD has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing, July 5, 2005.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed rule change will clarify and streamline the election processes

governing NASD District Committees and District Nominating Committees and also will clarify the qualification requirements of candidates to serve on a District Committee or District Nominating Committee.

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.

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

Because the foregoing proposed rule change does not:

(i) significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

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:

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-2005-086 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-NASD- 2005-086. 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, 100 F Street, NE,

Washington, DC 20549. 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 the File Number SR-NASD-2005-086 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.⁵

Secretary

⁵ 17 CFR 200.30-3(a)(12).