

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 Relating to Amendments to Rule 3012, Rule 3013, and IM-3013 to Change the Date by Which Members Must Submit the Initial Annual Report Required by Rule 3012 and Execute the Initial Certification Required by Rule 3013

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	<input type="text" value="Patricia"/>	Last Name	<input type="text" value="Albrecht"/>
Title	<input type="text" value="Assistant General Counsel"/>		
E-mail	<input type="text" value="patricia.albrecht@nasd.com"/>		
Telephone	<input type="text" value="(202) 728-8026"/>	Fax	<input type="text" value="(202) 728-8264"/>

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	<input type="text" value="10/14/2005"/>
By	<input type="text" value="Marc Menchel"/>
	(Name)
	<input type="text" value="Executive Vice President and General Counsel"/>
	(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 NASD Rule 3012 (Supervisory Control System), Rule 3013 (Annual Certification of Compliance and Supervisory Processes), and IM-3013 (Annual Compliance and Supervision Certification) to allow members, by no later than April 1, 2006, to submit the initial annual report required by Rule 3012 and to execute the initial annual certification required by Rule 3013 and IM-3013. NASD has selected the April 1st deadline because it is the same submission deadline for the Annual Report mandated in New York Stock Exchange (“NYSE”) Rule 342.30. Accordingly, this proposed rule change will not only extend members additional time to comply with the requirements of NASD rules with respect to the initial annual report required by Rule 3012 and the initial certification required by Rule 3013 and IM-3013, but will also help to ensure that members of both NASD and the NYSE (“dual members”) complying with the requirements of those NASD rules and NYSE Rule 342.30 can do so with minimal duplication of resources for the first year and each year thereafter. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

3012. Supervisory Control System

(a) General Requirements

(1) Each member shall designate and specifically identify to NASD one or more principals who shall establish, maintain, and enforce a system of supervisory control policies and procedures that (A) test and verify that the member's supervisory procedures are reasonably designed with respect to the activities of the member and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules and (B) create additional or amend supervisory procedures where the need is identified by such testing and verification. The designated principal or principals must submit to the member's senior management no less than annually, a report¹ detailing each member's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

(2) No change.

(b) Dual Member No change.

* * * * *

Rule 3013. Annual Certification of Compliance and Supervisory Processes

(a) Designation of Chief Compliance Officer No change.

¹ Rule 3012 became effective on January 31, 2005, which would require a member's first Rule 3012 report to be submitted by no later than January 31, 2006 and at least annually thereafter; however, a member may elect to submit its first Rule 3012 report by no later than April 1, 2006. Importantly, a member's first Rule 3012 report must encompass the period from January 31, 2005 (the effective date of Rule 3012) up to the submission date (or a reasonable period of time immediately preceding the submission date). Each ensuing Rule 3012 report may not be for a period greater than 12 months from the date of the preceding Rule 3012 report (but may be for a shorter time period if a member elects to prepare a report more frequently than annually).

(b) Annual Certification

Each member shall have its chief executive officer (or equivalent officer) certify annually,¹ as set forth in IM-3013, that the member has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable NASD rules, MSRB rules and federal securities laws and regulations, and that the chief executive officer has conducted one or more meetings with the chief compliance officer in the preceding 12 months to discuss such processes.

* * * * *

(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 (“Board”) and authorized for filing with the SEC pursuant to a delegation of authority granted by the Board at its meeting on January 23, 2003, to the General Counsel of NASD Regulatory Policy and Oversight (or his officer designee) to file, without further specific Board authorization, administrative, technical, conforming, and non-substantive changes to NASD rules (“Delegation of Authority”). The staff will advise the Board of any action taken pursuant to the Delegation of Authority. Counsel for The Nasdaq Stock

¹ Rule 3013 and IM-3013 became effective on December 1, 2004, which would require a member’s first certification to be executed by December 1, 2005 and annually thereafter; however, a member may elect to execute its first certification by no later than April 1, 2006 and annually thereafter.

Market and NASD Dispute Resolution have been provided an opportunity to consult with respect to the proposed rule change, pursuant to the Plan of Allocation and Delegation of Functions by NASD to its Subsidiaries. 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 and has requested that the Commission waive the 5-day pre-filing requirement and the 30-day period for the proposed rule change to become operative, in order to allow NASD members to have as much time as possible to adjust their procedures to the new submission dates for the initial Rule 3012 report and the initial certification required by Rule 3013 and IM-3013. The effective date and the implementation date will be the date of filing, October 14, 2005.

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

(a) Purpose

Rule 3013 requires that each member's chief executive officer ("CEO"), or other equivalent officer, certify annually according to the terms set forth in IM-3013 that the member has in place processes to establish, maintain, review, test and modify its written supervisory procedures. The first annual certification is currently due by December 1, 2005.¹ Before a CEO can complete the annual certification requirement, IM-3013

¹ Each ensuing annual certification must be effected no later than on the anniversary date of the previous year's certification. *See* IM-3013, n.1.

requires, among other things, that the CEO, chief compliance officer (“CCO”), and any other necessary officers review a report that evidences the member’s processes.

Rule 3012(a)(1) requires, among other things, that each member submit to its senior management no less than annually a report detailing its supervisory controls system that will test and verify the adequacy of its supervisory procedures, the summary of the test results, and any additional or amended supervisory procedures created in response to the test results. Currently, members must complete and submit the report by January 31, 2006 and at least annually thereafter.²

Since the enactment of these rules, NASD has received a number of inquiries from members regarding whether the reports required by Rule 3012 and IM-3013 could be combined. Although NASD has advised members that they may combine the Rule 3012 report with the report required by IM-3013 as long as all of the required elements of the respective reports are addressed and clearly identified, members have indicated that it would be difficult to combine the reports since the first annual certification required by Rule 3013 must be executed by December 1, 2005 (and thus the related report must be prepared in advance of, but reasonably close in time to, such execution), while the Rule 3012 report is not required to be submitted until January 31, 2006.

In addition, dual members have inquired whether they can combine the reports

² See *Notice to Members 04-71* (October 2004) (announcing, among other things, the effective date of January 31, 2005); see also Transcript of December 16, 2004 Call-in Workshop (“Transcript”) reminding members that Rule 3012 Report is due within one year of the January 31, 2005 effective date and at least annually thereafter. The Transcript is available at www.nasd.com/SupervisoryControl.

required by Rule 3012 and IM-3013 with the Annual Report required by NYSE Rule 342.30, which is due by April 1st of each year. As support for their request, dual members have noted that the NYSE Rule 342.30 Annual Report mandates similar, though not identical, requirements as the Rule 3012 report. Dual members have also noted that IM-3013 specifically provides that the IM-3013 report may be combined with any other compliance or other similar report required by another self-regulatory organization. Dual members assert that being able to complete one report instead of being required to complete three reports that could cover overlapping topics and issues would prevent the duplication of significant resources. However, because of the disparate dates by which the three reports must be completed, the dual members have indicated that it would be nearly impossible to combine the reports.³

Accordingly, NASD is filing this proposed rule change to address those issues. Specifically, the proposed rule change will amend Rule 3012 to provide that a member may submit its initial Rule 3012 report by no later than April 1, 2006. The proposed rule change explains that due to Rule 3012's January 31, 2005 effective date, a member choosing to rely on any date after January 31, 2005 through April 1, 2006 as the submission deadline for its initial Rule 3012 report will have to encompass the period

³ It should be noted that Rule 3012(b) provides that any dual member electing to comply with the substantially similar requirements of the NYSE shall be deemed in compliance with the provisions of Rule 3012. A dual member must comply with all of the NYSE's substantially similar requirements to be considered in compliance with Rule 3012. Accordingly, any dual member electing to comply with the substantially similar requirements of the NYSE would comply with Rule 3012's reporting requirement by completing the NYSE Rule 342.30 Annual Report. The member, however, would still be required to complete the report required by IM-3013 prior to the initial certification date required by Rule 3013 and IM-3013.

from January 31, 2004 up to that submission date (or a reasonable period of time immediately preceding the submission date). Each ensuing Rule 3012 report must encompass the 12 months following the previous Rule 3012 report (or such shorter time period if a member elects to prepare a report more frequently than annually).

Additionally, the proposed rule change will amend Rule 3013 and IM-3013 to provide that a member may execute its first annual certification by no later than April 1, 2006 and annually thereafter. Member should keep in mind that the report required by IM-3013 that evidences the member's processes must be prepared in advance of, but reasonably close in time to, April 1, 2006.

As a result of these proposed changes members will be able, if they so choose, to combine the respective reports, provided the single report clearly identifies and addresses all of the requirements set forth in Rule 3012, Rule 3013 and IM-3013. The proposed rule change will also allow dual members to comply with the respective reporting requirements of Rule 3012, Rule 3013, IM-3013, and NYSE Rule 342.30 without undue duplication of effort.

As noted in Item 2 of this filing, NASD has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the 5-day pre-filing requirement and the 30-day period for the proposed rule change to become operative, in order to allow NASD members to have as much time as possible to adjust their procedures to the new submission dates for the initial Rule 3012 report and the initial certification required by Rule 3013 and IM-3013. The effective date and the implementation date will be the date of filing, October 14, 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. NASD believes that synchronizing the date of the report required by Rule 3012 and the date of execution of the certification required by Rule 3013 and IM-3013 will reasonably serve to minimize duplication of effort on the part of members, while still ensuring the protection of investors.

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. NASD has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the 5-day pre-filing requirement and the 30-day period for the proposed rule change to become operative, in order to allow NASD members to have as much time as possible to adjust their procedures to the new submission dates for the initial Rule 3012 report and the initial certification required by Rule 3013 and IM-3013.

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

The proposed rule change is being made, in part, to help ensure that dual members complying with the requirements of Rule 3012, Rule 3013, and IM-3013 and NYSE Rule 342.30 can do so with minimal duplication of resources for the first year and each year thereafter.

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-2005-121)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Amendments to Rule 3012, Rule 3013, and IM-3013 to Change the Date by Which Members Must Submit the Initial Annual Report Required by Rule 3012 and Execute the Initial Certification Required by Rule 3013

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. 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.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASD is proposing to amend NASD Rule 3012 (Supervisory Control System), Rule 3013 (Annual Certification of Compliance and Supervisory Processes), and IM-3013 (Annual Compliance and Supervision Certification) to allow members, by no later than April 1, 2006, to submit the initial annual report required by Rule 3012 and to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4.

execute the initial annual certification required by Rule 3013 and IM-3013. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

3012. Supervisory Control System

(a) General Requirements

(1) Each member shall designate and specifically identify to NASD one or more principals who shall establish, maintain, and enforce a system of supervisory control policies and procedures that (A) test and verify that the member's supervisory procedures are reasonably designed with respect to the activities of the member and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules and (B) create additional or amend supervisory procedures where the need is identified by such testing and verification. The designated principal or principals must submit to the member's senior management no less than annually, a report¹ detailing each member's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

¹ Rule 3012 became effective on January 31, 2005, which would require a member's first Rule 3012 report to be submitted by no later than January 31, 2006 and at least annually thereafter; however, a member may elect to submit its first Rule 3012 report by no later than April 1, 2006. Importantly, a member's first Rule 3012 report must encompass the period from January 31, 2005 (the effective date of Rule 3012) up to the submission date (or a reasonable period of time immediately preceding the submission date). Each ensuing Rule 3012 report will only need to encompass the 12 months prior to the date of the preceding Rule 3012 report (or such shorter time period if a member elects to prepare a report more frequently than annually).

(2) No change.

(b) Dual Member No change.

* * * * *

Rule 3013. Annual Certification of Compliance and Supervisory Processes

(a) Designation of Chief Compliance Officer No change.

(b) Annual Certification

Each member shall have its chief executive officer (or equivalent officer) certify annually,¹ as set forth in IM-3013, that the member has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable NASD rules, MSRB rules and federal securities laws and regulations, and that the chief executive officer has conducted one or more meetings with the chief compliance officer in the preceding 12 months to discuss such processes.

* * * * *

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.

¹ Rule 3013 and IM-3013 became effective on December 1, 2004, which would require a member's first certification to be executed by December 1, 2005 and annually thereafter; however, a member may elect to execute its first certification by no later than April 1, 2006 and annually thereafter.

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

1. Purpose

Rule 3013 requires that each member's chief executive officer ("CEO"), or other equivalent officer, certify annually according to the terms set forth in IM-3013 that the member has in place processes to establish, maintain, review, test and modify its written supervisory procedures. The first annual certification is currently due by December 1, 2005.⁴ Before a CEO can complete the annual certification requirement, IM-3013 requires, among other things, that the CEO, chief compliance officer ("CCO"), and any other necessary officers review a report that evidences the member's processes.

Rule 3012(a)(1) requires, among other things, that each member submit to its senior management no less than annually a report detailing its supervisory controls system that will test and verify the adequacy of its supervisory procedures, the summary of the test results, and any additional or amended supervisory procedures created in response to the test results. Currently, members must complete and submit the report by January 31, 2006 and at least annually thereafter.⁵

Since the enactment of these rules, NASD has received a number of inquiries from members regarding whether the reports required by Rule 3012 and IM-3013 could be combined. Although NASD has advised members that they may combine the Rule

⁴ Each ensuing annual certification must be effected no later than on the anniversary date of the previous year's certification. *See* IM-3013, n.1.

⁵ *See Notice to Members 04-71* (October 2004) (announcing, among other things, the effective date of January 31, 2005); *see also* Transcript of December 16, 2004 Call-in Workshop ("Transcript") reminding members that Rule 3012 Report is due within one year of the January 31, 2005 effective date and at least annually thereafter. The Transcript is available at www.nasd.com/SupervisoryControl.

3012 report with the report required by IM-3013 as long as all of the required elements of the respective reports are addressed and clearly identified, members have indicated that it would be difficult to combine the reports since the first annual certification required by Rule 3013 must be executed by December 1, 2005 (and thus the related report must be prepared in advance of, but reasonably close in time to, such execution), while the Rule 3012 report is not required to be submitted until January 31, 2006.

In addition, dual members have inquired whether they can combine the reports required by Rule 3012 and IM-3013 with the Annual Report required by NYSE Rule 342.30, which is due by April 1st of each year. As support for their request, dual members have noted that the NYSE Rule 342.30 Annual Report mandates similar, though not identical, requirements as the Rule 3012 report. Dual members have also noted that IM-3013 specifically provides that the IM-3013 report may be combined with any other compliance or other similar report required by another self-regulatory organization. Dual members assert that being able to complete one report instead of being required to complete three reports that could cover overlapping topics and issues would prevent the duplication of significant resources. However, because of the disparate dates by which the three reports must be completed, the dual members have indicated that it would be nearly impossible to combine the reports.⁶

Accordingly, NASD is filing this proposed rule change to address those issues.

⁶ It should be noted that Rule 3012(b) provides that any dual member electing to comply with the substantially similar requirements of the NYSE shall be deemed in compliance with the provisions of Rule 3012. A dual member must comply with all of the NYSE's substantially similar requirements to be considered in compliance with Rule 3012. Accordingly, any dual member electing to comply with the substantially similar requirements of the NYSE would comply with Rule 3012's reporting requirement by completing the NYSE Rule 342.30 Annual Report. The member, however, would still be required to complete the report required by IM-3013 prior to the initial certification date required by Rule 3013 and IM-3013.

Specifically, the proposed rule change will amend Rule 3012 to provide that a member may submit its initial Rule 3012 report by no later than April 1, 2006. The proposed rule change explains that due to Rule 3012's January 31, 2005 effective date, a member choosing to rely on any date after January 31, 2005 through April 1, 2006 as the submission deadline for its initial Rule 3012 report will have to encompass the period from January 31, 2004 up to that submission date (or a reasonable period of time immediately preceding the submission date). Each ensuing Rule 3012 report must encompass the 12 months following the previous Rule 3012 report (or such shorter time period if a member elects to prepare a report more frequently than annually).

Additionally, the proposed rule change will amend Rule 3013 and IM-3013 to provide that a member may execute its first annual certification by no later than April 1, 2006 and annually thereafter. Member should keep in mind that the report required by IM-3013 that evidences the member's processes must be prepared in advance of, but reasonably close in time to, April 1, 2006.

As a result of these proposed changes members will be able, if they so choose, to combine the respective reports, provided the single report clearly identifies and addresses all of the requirements set forth in Rule 3012, Rule 3013 and IM-3013. The proposed rule change will also allow dual members to comply with the respective reporting requirements of Rule 3012, Rule 3013, IM-3013, and NYSE Rule 342.30 without undue duplication of effort.

NASD has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the 5-day pre-filing requirement and the 30-day period for the proposed rule change to become operative, in order to allow NASD

members to have as much time as possible to adjust their procedures to the new submission dates for the initial Rule 3012 report and the initial certification required by Rule 3013 and IM-3013. The effective date and the implementation date will be the date of filing, October 14, 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. NASD believes that synchronizing the date of the report required by Rule 3012 and the date of execution of the certification required by Rule 3013 and IM-3013 will reasonably serve to minimize duplication of effort on the part of members, while still ensuring the protection of investors.

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; and
- (ii) impose any significant burden on competition;

it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. Because the Commission has waived the requirement that the rule change cannot become operative for 30 days from the date on which it was filed, the rule change has become operative on the filing date.

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 [insert SR-NASD- number] 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 20549-9303.

All submissions should refer to File Number SR-NASD-2005-121. 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 2005-121 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.⁷

Secretary

⁷ 17 CFR 200.30-3(a)(12).