

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

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

<input type="checkbox"/> Exhibit 2 Sent As Paper Document	<input type="checkbox"/> Exhibit 3 Sent As Paper Document
---	---

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	<input type="text" value="Brant"/>	Last Name	<input type="text" value="Brown"/>
Title	<input type="text" value="Counsel"/>		
E-mail	<input type="text" value="brant.brown@nasd.com"/>		
Telephone	<input type="text" value="(202) 728-6927"/>	Fax	<input type="text" value="(202) 728-8034"/>

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="12/15/2005"/>
By	<input type="text" value="Patrice Gliniecki"/>
	(Name)
	<input type="text" value="Senior Vice President and Deputy 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

Add Remove View

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

Exhibit 1 - Notice of Proposed Rule Change

Add Remove View

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

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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.

On May 23, 2005, NASD filed SR-NASD-2005-066 with the Securities and Exchange Commission (“SEC”) to amend Rule 3011 and adopt new related interpretive material IM-3011-1 and IM-3011-2. The proposed rule change was published for notice and comment on July 6, 2005.¹ NASD filed a response to comments on December 15, 2005. Based upon comments from the SEC staff, NASD is filing this Partial Amendment No. 1 to the proposed rule change as discussed below.

On page 9 of the original filing, please replace footnote 2 with the following: “This exception is primarily intended to accommodate small firms that, absent the exception, could not use internal personnel to conduct an independent test of the firm’s AML program. For example, assume that all the small firm’s employees, even those who do not perform any AML functions, report to the firm’s AML compliance officer who is also the sole compliance officer of the firm. The member could elect to use qualified internal personnel who do not perform AML functions to conduct the independent test, even though they report to the AML compliance officer, provided all the conditions set forth in proposed IM-3011-1(c)(3) have been met. NASD conducts routine exams of member firms to test the adequacy of AML compliance programs with the objective of determining whether member firms’ AML compliance programs are reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act and applicable Treasury, SEC, and NASD rules. During any such exam, firms that elect to rely on the exception must be able to demonstrate that they have complied with the conditions set forth in proposed IM-3011-1(c)(3).”

On page 20 of the original filing, please replace footnote 4 with the following: “This exception is primarily intended to accommodate small firms that, absent the exception, could not use internal personnel to conduct an independent test of the firm’s AML program. For example, assume that all the small firm’s employees, even those who do not perform any AML functions, report to the firm’s AML compliance officer who is also the sole compliance officer of the firm. The member could elect to use qualified internal personnel who do not perform AML functions to conduct the independent test, even though they report to the AML compliance officer, provided all the conditions set forth in proposed IM-3011-1(c)(3) have been met. NASD conducts routine exams of member firms to test the adequacy of AML compliance programs with the objective of determining whether member firms’ AML compliance programs are reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act and applicable Treasury, SEC, and NASD rules. During any such exam, firms that elect to rely on the exception must be able to demonstrate that they have complied with the conditions set forth in proposed IM-3011-1(c)(3).”

¹ See Securities Exchange Act Release No. 51935 (June 29, 2005), 70 Fed. Reg. 38990 (July 6, 2005)