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**VIA E-MAIL:** [pubcom@nasd.com](mailto:pubcom@nasd.com)

April 19, 2004

Barbara Z. Sweeney  
Office of the Corporate Secretary  
NASD  
1735 K Street, N.W.  
Washington, D.C. 20006-1500

Re: Request for Comment – Minor Rule Violation Plan and Inactive Disclosure Review Registration Status

Dear Ms. Sweeney:

Empire Corporate FCU appreciates the opportunity to comment on the National Association of Securities Dealers, Inc.'s (NASD) proposed rules to amend its Minor Rule Violation Plan (MRVP) to include failure timely to submit amendments to Form U5 and adopting a rule to create an Inactive Disclosure Review Registration Status.

Empire is proud to count as members over 1,000 credit unions. MemberTrade Financial Group, LLC (MT) is a wholly owned subsidiary of Empire and is currently registered with the both the NASD and the Securities and Exchange Commission.

The NASD is seeking comment on its proposed rules to amend its MRVP to include failure timely to submit amendments to the Form U5 and implement an "Inactive Disclosure Review" registration status for failure to meet a Form U4 reporting requirement. Both Empire and MT agree with these proposals. Specific comments are included below.

#### **MRVP**

NASD proposes to amend its MRVP to include failure timely to submit amendments to the Form U5, as required by Article V, Section 3(a) of the NASD By-Laws. Sanctions imposed pursuant to the proposed amendment to the MRVP would be in addition to late fees that currently are imposed for late filings.

Empire and MT support this proposal. This proposal is consistent with its current MRVP for amendments to Form U4 and Form BB. Thus, it will provide uniformity to the reporting structure. The entire securities

industry would benefit from making timely and accurate disclosures. The additional fines should provide an efficient means to deter violations for those firms who fail to make timely disclosures.

**Inactive Disclosure Review Registration Status**

NASD is proposing to implement an "Inactive Disclosure Review" registration status that would place the registration of a person whose firm has failed to meet a Form U4 reporting requirement, or to provide requested disclosure documentation, in an inactive status. As a result, such person would be prohibited from engaging in sales or other activities that require registration until the reporting deficiency is cured or information request is met.

Empire and MT also support this proposal. As firms are currently required to keep Form U4's current at all times, this is a way to enforce the existing rule. The proposed Inactive Disclosure Review process should provide for an effective process to ensure that firms update Form U4 in a timely fashion, as required by the NASD By-Laws. The proposed 30-day and additional 10-day notice provisions should provide firms with adequate time to respond.

Empire and MT appreciate the opportunity to comment on these issues. If you have any questions regarding our comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Christiane G. Hyland." The signature is written in a cursive style with a horizontal line underneath the name.

Christiane G. Hyland  
Enclosure

cc: Mike Canning, Executive Director, ACCU  
Mike Carter, Regulatory Advocacy Coordinator, NYSCUL  
Kimberly Dewey, Associate Director, Regulatory Affairs, NAFCU