

Notice to Members

DECEMBER 2002

SUGGESTED ROUTING

Legal & Compliance
Registration
Senior Management

KEY TOPICS

Central Registration Depository
Mediation Fees

INFORMATIONAL

Mediation Filing Fees

NASD to Deduct Unpaid Mediation Filing Fees from CRD Accounts

Executive Summary

Effective February 14, 2003, NASD will begin to deduct unpaid mediation filing fees owed by member firms from members' Central Registration Depository (CRD) accounts. NASD will use the same procedures as are now used to collect delinquent arbitration fees owed by members. These procedures include sending a written invoice informing the member that the fees are due, and deducting delinquent mediation filing fees from funds maintained in a member's CRD account if the mediation filing fees are not paid within 60 calendar days after the date of the notice. If a member was represented by outside counsel in the underlying mediation, the single invoice will be sent only to the outside counsel.

This policy becomes effective on February 14, 2003.

Questions/Further Information

Questions regarding this *Notice* may be directed to Elizabeth McCoy, Assistant Director of Mediation, at (212) 858-4341 or elizabeth.mccoy@nasd.com.

Discussion

Under Rule 10407(a) of the NASD Code of Arbitration Procedure (Code), each party to a matter submitted directly to mediation administered by NASD must pay a mediation filing fee according to the schedule provided in the Code, unless the Director of Mediation waives the fee. In addition, Rule 10407(b) provides that when a matter is initially filed in arbitration and is subsequently submitted

to mediation, each party in cases involving more than \$25,000 in dispute must pay a mediation filing fee, unless the Director of Mediation waives the fee.

Effective February 14, 2003, NASD will begin using the same procedures to collect unpaid mediation filing fees owed by member firms as are currently used to collect arbitration fees owed by member firms, including deducting delinquent fees from members' CRD accounts.

At the conclusion of a mediation, parties will receive a final written invoice for outstanding mediation filing fees. If the member is represented by outside counsel that is the counsel of record, the member's invoice will be sent only to the member's counsel of record. If a member does not pay the fees it owes within 60 days after the date of the invoice, NASD will deduct the fees owed by the member from the member's CRD account. Written confirmation of each deduction will be provided to the member's compliance officer. If there are insufficient funds on deposit in the member's CRD account to cover the outstanding mediation filing fees owed by the member, and the member has not made other arrangements for payment, NASD will pursue cancellation or suspension of the member's membership pursuant to

Article VI, Section 3 of NASD's By-Laws. Members are responsible for replenishing the funds on deposit to ensure that there are no delays in processing registration applications or any other CRD-related obligation.

Beginning February 14, 2003, this policy will apply to all delinquent mediation filing fees for which an invoice has been sent, the 60-day period has passed, and full payment has not been received.

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