

## INFORMATIONAL

## Margin Disclosure Statement

### NASD Regulation Extends Deadline For Delivery Of Margin Disclosure Statement To Existing Non-Institutional Customers To **January 31, 2002**

## SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Executive Representatives
- Legal & Compliance
- Operations
- Senior Management

## KEY TOPICS

- Customer Disclosures
- Margin

As described in *NASD Notice to Members (NtM) 01-31* (May 2001), on April 26, 2001, the Securities and Exchange Commission (SEC) approved National Association of Securities Dealers, Inc. (NASD<sup>®</sup>) Rule 2341, which requires all NASD members to deliver to non-institutional customers a specified disclosure statement that discusses the operation of margin accounts and the risks associated with trading on margin (the "rule change").<sup>1</sup> The rule change requires that members deliver the margin disclosure statement in a separate document to non-institutional customers prior to or at the opening of a margin account. The rule change also requires that the margin disclosure statement or an abbreviated version of the disclosure statement, as specified in the rule, be provided to margin customers on an annual basis, either in a separate document or as part of other account documentation.

As provided in *NtM 01-31*, the rule change becomes effective on **June 4, 2001**. Accordingly, all non-institutional customers opening margin accounts on or after June 4, 2001 must be provided the initial margin disclosure statement prior to or at account opening.

However, as a result of member firm input, the deadline for initial delivery of the disclosure statement to **existing** margin customers (prior to June 4, 2001) has been extended to **January 31, 2002**.<sup>2</sup> Specifically, for those non-institutional customers who were margin customers of the firm prior to June 4, 2001, members are required to provide the disclosure statement or an *abbreviated version* of the disclosure statement, as specified in the rule, at the time of the next annual account statement to the customer, but no later than January 31, 2002.

The implementation schedule for existing customers thus has been extended to enable member firms that typically send out annual account statements in December or January of each calendar year to comply with the new requirements at that time.

In addition, please note that *NtM 01-31* indicated that the full initial disclosure statement must be used to comply with the margin disclosure requirements for existing customers as of June 4, 2001. However, if a firm wishes to do so, it may now elect to provide the abbreviated version of the disclosure statement to existing customers to meet this requirement.

## Questions/Further Information

Questions concerning this *Notice* may be directed to Stephanie M. Dumont, Associate General Counsel, Office of General Counsel, NASD Regulation, Inc. (NASD Regulation), at (202) 728-8176, or Susan DeMando, Director, Financial Operations, Member Regulation, NASD Regulation, at (202) 728-8411.

## Endnotes

1 See Securities Exchange Act Release No. 44223 (April 26, 2001), 66 FR 22274 (May 3, 2001) (File No. SR-NASD-00-55).

2 As originally approved, members were required to provide the disclosure statement to existing margin customers at the time of the next annual statement to the customer, but no later than November 30, 2001 (180 days from the effective date of the rule change).

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