

**INFORMATIONAL**

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## Corporate Financing

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### NASD To Deduct Delinquent Corporate Financing Filing Fees From CRD Account

**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.*

- Corporate Finance
- Internal Audit
- Legal & Compliance
- Operations
- Senior Management

**KEY TOPICS**

- Filing Fees
- NASD Rule 2710
- Underwriting Compensation

**Executive Summary**

Effective January 1, 2001, the National Association of Securities Dealers, Inc. (NASD®) will deduct delinquent Corporate Financing filing fees from funds maintained in a member's Central Registration Depository (CRD<sup>SM</sup>) account if payment is not received within 30 calendar days after the date of a second notice informing the member firm and counsel of record that Corporate Financing filing fees are due. If a payment is received prior to the established deadline, the NASD will not deduct funds from the member's CRD account. 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.

**Questions/Further Information**

Questions regarding this *Notice* may be directed to Sheena Savoy, Corporate Financing Department, NASD Regulation, Inc., (NASD Regulation<sup>SM</sup>) at (240) 386-4645. Questions regarding the CRD Deductions Process may be directed to James Shelton, Regulator Billing/Collections Finance Department, NASD, Inc., at (240) 386-5386.

**Background**

A public offering filed with the Corporate Financing Department of NASD Regulation, Inc. for review must be accompanied by certain fees. Under Section 6 of Schedule A to the NASD By-Laws, Corporate Financing filing fees are \$500 plus .01 percent of the proposed maximum aggregate offering price or other applicable value of all securities registered on a

Securities and Exchange Commission (SEC) registration statement or included on any other type of offering document, with a maximum filing fee limitation of \$30,500 per offering. An additional fee will be imposed if any amendment increases the maximum aggregate offering price or other applicable value of all securities included on the offering document. The fee imposed in connection with such amendments is .01 percent of the net increase, subject to the \$30,500 limit.

**Deduction From Member's CRD Account**

Many members maintain funds on deposit with the NASD in order to expedite processing of employee registrations, examinations, and fingerprint processing. In addition, on-deposit funds are allocated for payment of Advertising Department fees, gross income assessment fees, arbitration and mediation fees, and for purchasing Media-Source<sup>SM</sup> materials, such as fingerprint cards or other reference materials.

The NASD sends out two notices regarding delinquent Corporate Financing filing fees. One notice is in the form of a letter and the other a letter with an attached invoice, both of which inform members and their counsel that Corporate Financing filing fees are due. The first notice is sent to the member firm and the counsel of record who submitted the public offering to the NASD's Corporate Financing Department for review. It provides 30 calendar days from the date of the notice for the member or counsel to pay the delinquent fee before a second notice is sent. If the fee is not paid within 30 days, the second notice is sent to the member firm and counsel of

record, informing them that if the amount owed is not paid within 30 calendar days from the date of the notice, the delinquent fees will be deducted from the member's CRD account.

As of January 1, 2001, the NASD will initiate the deduction of the filing fees from funds maintained in the member's CRD account. For delinquent filing fees incurred prior or subsequent to January 1, 2001, the NASD will initiate the procedure for deductions from the member's CRD account only after a member has received two notices in accordance with the time periods described above. If a payment is received prior to the established deadline, the NASD will not deduct funds from the member's CRD account. If a payment is received from a member firm or counsel of record after the fees have been

deducted from the member's CRD account, the NASD will return the deducted fees back to the member's CRD account. Written confirmation of each CRD account deduction will be provided to the member's compliance officer after the funds have been deducted. The member is thereafter responsible for replenishing the funds on deposit to ensure that there are no delays in processing registration applications or any other CRD-related obligations.

### **Suspension/Cancellation Of Membership Or Registration**

On occasion, a member's CRD account may be depleted before all delinquent fees can be collected. If the NASD does not receive payment within 30 calendar days after the date of the second notice, and there are insufficient funds on

deposit in the member's CRD account to cover the unpaid fees, the NASD will pursue the suspension or cancellation of the member's membership pursuant to the NASD Rule 9530 series. The NASD, after a 15-day notice in writing, may suspend or cancel the membership of any member that is delinquent in the payment of Corporate Financing filing fees, unless the member files a written request with the Office of Hearing Officers for a hearing within five days of receiving the notice.

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