

INFORMATIONAL

**SEC Rule 15c3-3
Reason Codes**

NASD Announces
Changes To SEC Rule
15c3-3 Extension
Request Reason Codes;
**Effective Date: July 10,
2000**

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.

- Legal & Compliance
- Operations
- Senior Management

KEY TOPICS

- Reason Codes
- SEC Rule 15c3-3

Executive Summary

The National Association of Securities Dealers, Inc. (NASD®) is enhancing its Extension Request Reason Codes regarding Securities and Exchange Commission (SEC) Rule 15c3-3 (the Rule). The changes to the reason codes will allow firms to request extensions of time pursuant to paragraphs (d)(2), (d)(3), and (h) of the Rule. The changes will take effect on July 10, 2000.

The chart in Attachment A outlines the current reason codes to be used for extension requests made pursuant to paragraph (m) of the Rule, *i.e.*, reason codes 040 to 052, as well as the new reason codes 070 to 078, and 080 to be used for extension requests pursuant to paragraphs (d)(2), (d)(3), and (h).

Questions/Further Information

Questions regarding this *Notice to Members* may be directed to Susan DeMando, Director, Member Regulation, NASD Regulation, Inc. (NASD RegulationSM) at (202) 728-8411.

Background

Paragraph (m) of the Rule requires that if a security sold long by a customer has not been delivered within 10 business days after the settlement date, the broker/dealer must either buy the customer in or apply for and receive an extension from its designated examining authority.

Paragraph (d)(2) requires that when a broker/dealer has a possession and control requirement relative to a security, and the firm has failed to receive that security for more than 30 calendar days, that the broker/dealer must buy-in the security or obtain an extension. Paragraph (d)(3) requires a buy-in or extension for securities that are receivable due to a stock dividend receivable, stock split, or similar action for more than 45 calendar days. Finally, paragraph (h) requires that short security differences not resolved within 45 days of discovery be bought in or the broker/dealer must obtain an extension of time.

Key Features

Following are key features of the new reason codes:

- Under the Rule, reason codes have been added to be applied with Rule Type d2, d3, and h. The reason codes 070, 071, 072, 073, 074, 075, 076, 077, 078, and 080 are to be used for Type d2, d3, and h extension requests. The reason codes will be effective starting July 10, 2000.
- For Rule Type d2, d3, and h, the entry of both the Issue Symbol and CUSIP number will be mandatory.

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Attachment A

SEC Rule 15c3-3 Extension Request Reason Codes								
Reason Code	Reason Text	Extension Type	Days Permitted	Limit of 9 per Customer	Limit per Reason Code	Final Reason Code	NASD Only	Business Or Calendar Days
040	Security In Transit	m	14	N	2	Y	N	C
041	Death Of Seller	m	14	Y	2	Y	N	C
042	Can't Buy In, Sec Short Supply	m	14	N	5	Y	N	C
043	Dividend Sold Before Payable Date	m	14	Y	2	Y	N	C
044	Still In Foreign Deposit	m	14	Y	2	Y	N	C
045	Sec Exchange Or Merger	m	14	Y	2	Y	N	C
046	Strike Or Xmas	m	14	N	0	N	Y	C
047	Coming From Another Broker	m	14	N	2	Y	N	C
048	Customer Ill Or Hospitalized	m	14	Y	2	Y	N	C
049	Lost Certificate	m	30	N	5	N	N	C
050	Other	m	14	N	0	N	Y	C
051	Acts Of God	m	14	N	0	N	Y	C
052	Foreign Settlements	m	10	N	2	Y	N	C
070	Security In Transfer	d2, d3, h	14	N/A	2	Y	N	C
071	Security In Mail	d2, d3, h	7	N/A	1	Y	N	C
072	Buy-in Issued	d2, d3, h	14	N/A	2	Y	N	C

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SEC Rule 15c3-3 Extension Request Reason Codes								
Reason Code	Reason Text	Extension Type	Days Permitted	Limit of 9 per Customer	Limit per Reason Code	Final Reason Code	NASD Only	Business Or Calendar Days
073	Unable To Buy-in	d2, d3, h	14	N/A	2	Y	N	C
074	Security At Foreign Depository	d2, d3, h	14	N/A	2	Y	N	C
075	Merger, Exchange, Or Reorganization	d2, d3, h	14	N/A	2	Y	N	C
076	Mutual Fund	d2, d3, h	14	N/A	2	Y	N	C
077	SRO Halted Trading Or Buy-in Privilege	d2, d3, h	14	N/A	5	Y	N	C
078	Lost Certificate	d2, d3, h	30	N/A	5	Y	N	C
080	Other	d2, d3, h	14	N/A	0	N	Y	C