

INFORMATIONAL

Dispute Resolution Subsidiary

SEC Approves Creation Of Dispute Resolution Subsidiary And Related By-Laws And Rule Changes

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
- Senior Management

KEY TOPICS

- Arbitration
- Dispute Resolution
- Mediation

Executive Summary

The Securities and Exchange Commission (SEC) has approved creation of a subsidiary of the National Association of Securities Dealers, Inc. (NASD®) to handle the dispute resolution program that is currently part of NASD Regulation, Inc. (NASD RegulationSM). The subsidiary is expected to become operational in the spring of 2000.

Questions/Further Information

Questions regarding this *Notice* may be directed to Linda D. Fienberg, Executive Vice President, Office of Dispute Resolution, NASD Regulation, at (202) 728-8407; George H. Friedman, Senior Vice President and Director, Office of Dispute Resolution, NASD Regulation, at (212) 858-4488; or Jean I. Feeney, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-6959.

Discussion

On September 30, 1999, the SEC approved creation of a dispute resolution subsidiary, to be known as NASD Dispute Resolution, Inc. (NASD Dispute Resolution), to take over the dispute resolution functions that are now performed by the Office of Dispute Resolution within NASD Regulation.¹ Specifically, the SEC approved new By-Laws for the subsidiary, and related amendments to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries,

the NASD Regulation By-Laws, and the Rules of the Association. A copy of the SEC Approval Order, which contains a description of the amendments, is attached. The changes will not take effect until NASD Dispute Resolution becomes operational.

The NASD believes that creation of the new subsidiary will recognize the importance of its dispute resolution program and further strengthen the independence and credibility of the arbitration and mediation functions. The subsidiary will be subject to the same SEC oversight as the NASD, NASD Regulation, and The Nasdaq-Amex Market GroupSM.

NASD Dispute Resolution must now qualify to do business in all jurisdictions in which it will operate. Therefore, it is not expected to begin operation as a separate subsidiary until the spring of 2000. Until that time, the Office of Dispute Resolution will remain part of NASD Regulation.

Endnote

¹Exchange Act Release No. 41971 (File No. SR-NASD-99-21) (September 30, 1999), 64 *Federal Register* 55793 (October 14, 1999).

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