

INFORMATIONAL

**NASD By-Laws
Amendments**

NASD Announces
Changes To The
By-Laws Associated
Person Definition;
**Effective Date:
December 1, 1999**

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

- Associated Person Definition

Executive Summary

Effective December 1, 1999, the definition of "person associated with a member" contained in the By-Laws of National Association of Securities Dealers, Inc. (NASD®), NASD Regulation, Inc. (NASD RegulationSM) and The Nasdaq Stock Market, Inc. (collectively, the "By-Laws") will be amended to expand the current definition to encompass those who hold a five percent or greater interest in the member firm and to include explicitly a person who has applied for registration on Form U-4. The amendments are included in Exhibit I.

Questions/Further Information

Questions concerning this *Notice to Members* may be directed to Mary Dunbar, Associate General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8252.

Description Of Rule Change

The first amendment expands the definition of "person associated with a member" specifically for the purposes of NASD Rule 8210. This Rule authorizes the NASD to require a member or associated person to provide information or testimony with respect to an investigation, complaint, examination, or proceeding by the NASD. The current definition of

"person associated with a member" includes only owners who are natural persons engaged in the member's investment banking or securities business and who have a direct or indirect control relationship with the member. The amendment to the definition gives the staff the authority to require information and testimony under Rule 8210 from any person - including a natural person or corporate or other entity - who holds a five percent or greater interest in a member firm, regardless of whether they "control" the member firm or are actively engaged in its securities or investment banking business.

The second amendment clarifies that any person who signs and submits a Form U-4 is an associated person. This is consistent with Form U-4, which provides that by signing the Form, a person is subject to the jurisdiction of the NASD.

Finally, the amendments insert the word "other" into subsection 2 of the definition of "person associated with a member" to clarify that the subsection describes only natural persons.

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Exhibit I**Text Of Amendments**

(Note: New text is underlined; deletions are in brackets.)

**By-Laws Of The NASD,
Article 1**

(a) - (dd) No Change

(ee) "person associated with a member" or "associated person of a member" means: (1) a natural person who is registered or has applied for registration under the Rules of the Association; [or] (2) a

sole proprietor, partner, officer, director, or branch manager of a member, or [a] other natural person occupying a similar status or performing similar functions, or a natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by a member, whether or not any such person is registered or exempt from registration with the NASD under these By-Laws or the Rules of the Association; and (3) for purposes of Rule 8210, any other person listed in Schedule A of Form BD of a member.

(ff) - (mm) No Change

Conforming changes will also be made to Article I(y) of the NASD Regulation By-Laws and Article I(r) of the Nasdaq[®] By-Laws, respectively.