

Notice to Members

MAY 2006

SUGGESTED ROUTING

Legal & Compliance

Registration

Senior Management

KEY TOPICS

Branch Office Registration Fee

Branch Office System Processing Fee
Fees

Schedule A to NASD By-Laws

GUIDANCE

Branch Office System Processing Fee

Establishment of Branch Office System Processing Fee and Waiver of Branch Office System Processing Fee and Annual Branch Office Registration Fee For One Branch Office Per Member Per Year; **Effective Date: July 3, 2006**

Executive Summary

Effective July 3, 2006, NASD members will be assessed an annual \$20 branch office system processing fee. Also effective July 3, 2006, NASD will waive for one branch office per NASD member per year: (1) the annual branch office registration fee for those NASD members who are assessed an annual registration fee pursuant to Section 4(a)(1)(i) of Schedule A to the NASD By-Laws; and (2) the annual branch office system processing fee for all NASD members.

The rule change became effective immediately upon filing with the Securities and Exchange Commission (SEC) on May 23, 2006, and will become operative on July 3, 2006.¹ Attachment A contains the text of the amendments.

Questions/Further Information

Questions regarding this *Notice* may be directed to Richard E. Pullano, Associate Vice President and Chief Counsel, Registration and Disclosure, at (240) 386-4821; and Chip Jones, Vice President and State Liaison, Registration and Disclosure, at (240) 386-4797.

06-25

Background

On September 30, 2005, the SEC approved NASD's proposed Uniform Branch Office Registration Form (Form BR), which became effective on October 31, 2005. The Form BR replaces Schedule E of the Form BD, the New York Stock Exchange, LLC. (NYSE) Branch Office Application Form and certain state branch office forms. The Form BR enables firms to register branch offices electronically with NASD, the NYSE and states that require branch registration or reporting via a single filing through the Central Registration Depository (CRD® or CRD system).

Branch office registration through the CRD system creates efficiencies for firms by, among other things, making it easier for firms to register or report branch offices and to manage their ongoing registration and/or reporting responsibilities with regard to those branch offices. In addition to being able to submit a single filing to fulfill the branch office registration requirements of NASD, the NYSE and states, firms benefit from the centralized fee collection, online work queues, electronic notifications and other features available through the CRD system. Firms are also able to link their registered persons to the physical location from which they work via the Form BR, which not only aids regulators' examination efforts, but helps firms in meeting certain recordkeeping requirements.

Branch Office System Processing Fee

The purpose of the branch office system processing fee is to recover the cost to NASD of developing and implementing the Form BR, as well as ongoing branch office system maintenance and enhancements. The fee is \$20 upon the registration of a branch office and \$20 annually thereafter per registered branch.

NASD will begin assessing the branch office system processing fee during the third quarter of 2006 for all branch offices in existence as of July 3, 2006. NASD will bill firms for all branch offices in existence as of July 3, 2006 via invoices, rather than through the CRD system. For any branch office that is registered on or after July 3, 2006, NASD will assess and collect the branch office system processing fee through the CRD system at such time as the firm registers that new branch office.² Starting in December 2006 (for the calendar year 2007), all firms will be assessed \$20 annually for each existing branch office as part of the CRD renewal program.

Annual Waiver of the Branch Office Registration Fee and Branch Office System Processing Fee

NASD is waiving for one branch office per NASD member per year: (1) the annual branch office registration fee for those NASD members who are assessed an annual registration fee pursuant to Section 4(a)(1)(i) of Schedule A to the NASD By-Laws; and (2) the annual branch office system processing fee for all NASD members. This waiver is prospective only, and will take effect for the year 2006 on July 3, 2006. Firms that have already paid their annual \$75 branch office fees for the year 2006 pursuant to Section 4(a)(1)(i) of Schedule A to the NASD By-Laws will receive a \$75 credit for one branch office.

Endnotes

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| <p>1 See SR-NASD-2006-065 (Establishment of Branch Office System Processing Fee and Waiver of Branch Office System Processing Fee and Annual Branch Office Registration Fee For One Branch Office Per Member Per Year). Under Section 19(b) of the Securities Exchange Act of 1934, the SEC has the authority to summarily abrogate this type of rule change within 60 days of filing.</p> | <p>2 The CRD system will be available on July 3, 2006 for purposes of registering branch offices, but will not be available on July 4, 2006. Firms will again be able to register branch offices through the CRD system on July 5, 2006.</p> |
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ATTACHMENT A

New language is underlined; deletions are in brackets.

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SCHEDULE A TO NASD BY-LAWS

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Section 4—Fees

(a) Each member shall be assessed a registration fee of \$75.00 [for] and a branch office system processing fee of \$20.00 upon the registration of each branch office, as defined in the By-Laws. Each member also shall be assessed: (1) an annual registration fee [for each branch office] in an amount equal to the lesser of [(1)] (i) \$75.00 per registered branch, or [(2)] (ii) the product of \$75.00 and the number of registered representatives and registered principals associated with the member at the end of NASD's fiscal year; and (2) an annual branch office system processing fee of \$20.00 per registered branch. As of July 3, 2006, NASD shall waive, for one branch office per member per year, payment of the \$75.00 annual registration fee (where such fee has been assessed pursuant to paragraph (a)(1)(i)) and the \$20.00 annual branch office system processing fee assessed pursuant to paragraph (a)(2).

(b) through (h) No Change.

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