Notice to Members

JULY 2006

SUGGESTED ROUTING

Chief Compliance Officer Legal and Compliance Operations Senior Management

KEY TOPICS

NASD Rule 3070 System Requirements

ACTION REQUIRED

NASD Rule 3070 System Requirements

Technical Changes in the Reporting of Statistical and Summary Information Regarding Customer Complaints and Disclosure Events pursuant to Rule 3070

Executive Summary

NASD Rule 3070(c) requires members to report to NASD statistical and summary information regarding customer complaints by the 15th calendar day of the month following the calendar quarter's end (e.g., by April 15 for the first quarter) in which customer complaints are received by the member. The information reported by members provides NASD with important regulatory information that assists with the timely identification of potential sales practice and operational problems.

The Rule significantly parallels comparable provisions of New York Stock Exchange (NYSE) Rule 351(d), and it exempts members that are currently subject to the requirements of Rule 351(d) to ensure that there is no regulatory duplication for dual NASD/NYSE members. In an effort to make the filing requirements of NASD 3070(c) and NYSE 351(d) more uniform and enhance the regulatory value of the information, the following data fields are being modified in the 3070 system file layout:

DATA FIELDS	XML FILE TAG NAMES
Complaint Number	<id></id>
Complaint Date	<date></date>
Branch	 branch-id>
Contact Phone Number	<phone-number></phone-number>
Contact Name	<first-name> <last-name></last-name></first-name>
Customer Account Number	<account-number></account-number>
Customer Name	<first-name> <last-name></last-name></first-name>
Allegation Activity Period	<activity-date> <activity-date2></activity-date2></activity-date>
Total Amount	<amount></amount>
Dispute Amount	<dsptd-amt> <dsptd-amt-flag></dsptd-amt-flag></dsptd-amt>
Security Symbol/Description	<symbol> <iss-descrpt></iss-descrpt></symbol>
Response Date	<response-date></response-date>

Testing and Implementation of the Changes to the 3070 System

The changes to the 3070 System fields listed above will be effective on Friday, December 15, 2006.

NASD recognizes that the changes to the 3070 System may require members to make modifications to their systems and processes. Members will have an opportunity to test their program changes as of October 23, 2006 using the Regulation Filing Applications test site, which can be found on NASD's Web site at *https://regfilingtest.nasd.com*.

Questions/Further Information

Questions regarding technical requirements may be directed to NASD's Gateway Call Center at (800) 321-NASD. Other questions regarding these changes and Rule 3070 may be directed to David Troutner at (202) 728-8069.

Background and Discussion

Attached to this *Notice* is a chart of the revised 3070 import XML file format that will be effective for fourth quarter 2006 reporting of 3070(c) complaint information. Note that some of the Rule 3070(a) disclosure event fields will be modified in order to maintain data structure consistency in the 3070 system.

The following is a description of the data fields being modified:

Complaint Number

- Change: This field is currently not mandatory and accepts a maximum of eight numeric characters. It will become a mandatory field, and will be expanded to accept 30 alphanumeric characters.
- Guidance: This is the member's unique identification for the complaint.

Complaint Date

- Change: The field format will change from "mm/dd/yyyy" to "yyyy/mm/dd."
- Guidance: This is the date the complaint letter is first received by the member, not when a particular department of the member receives it. If the complaint is received after business hours and is time-stamped the next day, that date may be used as the receipt date. Members may utilize a date-stamp/timestamp machine to reflect the date/time of receipt, or manually write it in if no other means is available. If no evidence of the date and time of receipt are reflected on the document, then the date of the letter will be viewed as the date of receipt.

Branch

- Change: The branch identification field will change from numerical to alphanumeric characters.
- Guidance: This field is mandatory. Use the assigned CRD Branch Number. You may type in "HOME" if the complaint is related to a home office that does not meet the Branch Office definition and therefore does not have a CRD Branch Number.

Contact Phone Number

Change: This field will change to alphanumeric characters.

Contact First Name

Change: This field will change from alpha to alphanumeric characters.

Contact First Last

Change: This field will change from alpha to alphanumeric characters.

Customer Account Number

- Change: This field will be expanded from 15 alpha characters to accept a maximum of 50 alphanumeric characters.
- Guidance: This is the account number relating to the customer's account referenced in the complaint. This will remain an optional field.

Customer Name

- Change: There are two fields for customer name. The customer's last name field will be expanded from 30 alpha characters to accommodate a maximum of 255 alphanumeric characters, and is mandatory. The customer's first name field will be reformatted from alpha characters to accommodate a maximum of 30 alphanumeric characters.
- Guidance: Members must provide the name of the complaining investor.
 - When the customer is not a proper name: For institutional or "for the benefit of" type accounts, the account title must be entered in the last name field the way the account is reflected on the organization's books and records. Do not abbreviate the account title.
 - Third-party complaints: Enter the term "third party" or use the customer's name in the last name field.
 - Attorney writing on behalf of client: Enter the customer's name.
 - Investment advisory accounts: Enter the entire title. For example, "ABC Advisory for the Benefit of Joe Doe."
 - Anonymous complaints: Write "anonymous" in the last name field.

Allegation Activity Period

- Change: The two fields for the dates that the alleged activity of the problem began and ended will be reformatted from "mm/dd/yyyy" to "yyyy/mm/dd."
- Guidance: The allegation activity period is required for all complaints if stated within the body of the letter or gleaned from enclosed information such as an account statement or confirmation. The system will allow zeros in the month or day fields for those instances where all such precise dates are not known (for example, when the specific day of the month is not know, but the month and year is known, you may enter "yyyy/mm/00").

The activity "from" date must be less than or equal to the filing submission date. The activity "to" date must be less than or equal to the filing submission date and equal or subsequent to the activity "from" date. For example, when the alleged activity is for a specific day, the activity "from" and "to" dates will be the same.

Total Amount

Change: This field will no longer be mandatory.

Guidance: This will now be an optional field for the total amount of the investment involved in the complaint.

Dispute Amount

Change: The alleged compensatory damages should be classified as follows:

Enter the specified amount (if included in complaint) \$ ______.

Otherwise:

- Select the radio button when the compensatory damages amount is not specified but is believed to be \$5,000 or more, or if you cannot determine the amount per a good faith effort.
- Select the radio button when the compensatory damages amount is not specified but is believed to be under \$5,000, or when it is determined there is no alleged or potential monetary damages related to the dispute.
- Guidance: Members must provide the amount of alleged compensatory damage in the complaint for sales practice complaints. If a specific amount is included in the complaint, it must be used. When a specific amount is not included, members are required to make a good faith estimate in order to select either "\$5,000 or more" or "under \$5,000."

Security Description

- Change: The system will now allow for the entry of up to three valid securities symbols. If a symbol is not available, there are fields for up to three entries for securities descriptions of up to 255 alphanumeric characters each.
- Guidance: This field is for the description of the security related to the predominant alleged problem in the complaint. If the security has a symbol, it must be used. If a complaint is not related to a security, then "not applicable" must be used and placed in the security description field (<iss-descrpt>). If the security name is included in the complaint but the symbol is not included, the symbol should be obtained by the member. For instances where there are no security symbols, such as variable annuities, free-form text must be utilized to identify the security. A maximum of three securities relating to the predominant problem and product allegation can be included.

Response Date

- Change: The date format will change from "mm/dd/yyyy" to "yyyy/mm/dd.
- Guidance: This is the date the member responded to the complaint. This field remains voluntary (not a required field).

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ATTACHMENT A

3070 Import File Format

Shaded rows indicate fields that are changing effective December 15, 2006.

Like HTML, in the XML format, every open tag must have a close tag. While indention is not necessary, it does allow potential debugging of a faulty script to be easier.

Complaints

In order to import a filing containing one or more Complaints the file must adhere to the following XML file format:

Tag Name	Max Lng	Format	Rqrd/ Optnl	Notes
<filings-3070></filings-3070>			R	Container for 3070 filings
<complaint></complaint>			R	Container for complaint
<id></id>	30	A/N	R	Member firm's unique ID for this complaint
<date></date>	10	yyyy/mm/dd	R	Date complaint was received
<firm-id></firm-id>	8	number	R	Firm's CRD #
<branch-id></branch-id>	12	A/N	R	Use the assigned CRD branch code, or chose "HOME" if complaint is related to home office.
<branch-zip></branch-zip>	5	number	R	
<contact></contact>			R	Container for contact info
<phone-number></phone-number>	20	A/N	R	Contact's phone number
<first-name></first-name>	30	A/N	R	First name
<last-name></last-name>	30	A/N	R	Last name
<related-to></related-to>			R	Container for related-to information. You must select at least one option.
<other></other>	1	number	0	If complaint is related to other, use the value '1.'
<rep></rep>	1	number	0	If complaint is related to rep, use the value '1.'
<firm></firm>	1	number	0	If complaint is related to firm, use the value '1.'
<affiliate></affiliate>	1	number	0	If complaint is related to affiliate, use the value '1.'
<product></product>	2	number	R	Product code
<problem></problem>	2	number	R	Problem code
<customer></customer>			R	Container for customer info
<account-number></account-number>	50	A/N	0	Customer's account number
<first-name></first-name>	30	A/N	0	First name
<last-name></last-name>	255	A/N	R	Last name

Tag Name	Max Lng	Format	Rqrd/ Optnl	Notes
<activity-date></activity-date>	10	yyyy/mm/dd	R	First date of allegation activity. The activity from date must be equal or prior to the filing submission date. The system will allow zeros in the month or day fields for those instances where all such precise dates are not known (for example, when the specific day of the month is not know, but the month and year is known, you may enter "yyyy/mm/00").
<activity-date2></activity-date2>	10	yyyy/mm/dd	R	Last date of allegation activity. The activity to <activity- date2> must be equal or prior to the filing submission date and equal or subsequent to the activity from <activity-date> field entry. The system will allow zeros in the month or day fields for those instances where all such precise dates are not known (for example, when the specific day of the month is not know, but the month and year is known, you may enter "yyyy/mm/00"). If the activity is alleged or known to be ongoing, you should provide an explanation in the <comment> field.</comment></activity-date></activity-
<transaction></transaction>			R	Container for transaction info
<amount></amount>	12	number	0	Amount of the transaction
<disputed-amount></disputed-amount>			R	Container for the disputed amount information. NOTE: Required for sales practice complaints.
<dsptd-amt-flag></dsptd-amt-flag>	1	number	R	Use 0 – exact amount is entered in < dsptd-amt > Use 1 – <disputed-amount> is estimated to be \$5,000 or more / cannot determine Use 2 – <disputed-amount> is estimated to be under \$5,000</disputed-amount></disputed-amount>
<dsptd-amt></dsptd-amt>	12	number	0	Amount in dispute (required if <dsptd-amt-flag> contains a zero, otherwise not allowed).</dsptd-amt-flag>
<securities></securities>			R	Container for securities Information
<security></security>			R	Container for each security. Must supply at least one security entry. Can supply up to three securities. Use only one of the following two fields for each security being reported.
<symbol></symbol>	14	alpha	0	Enter a known symbol. Alphabetic characters and periods (.) are allowed. Do not use in conjunction with the <iss-descrpt> field.</iss-descrpt>
<iss-descrpt></iss-descrpt>	255	A/N	0	Use this to provide the security description (or NOT APPLICABLE if not security related) if the issue symbol is not known.
<investigator></investigator>			0	Container for investigator name
<first-name></first-name>	30	alpha	0	First name
<last-name></last-name>	30	alpha	0	Last name

Tag Name	Max Lng	Format	Rqrd/ Optnl	Notes
<response-date></response-date>	10	yyyy/mm/dd	0	Date that your firm responded to this complaint.
<representative></representative>			0	Container for rep information. NOTE: If <rep> value is "1," then these values are required.</rep>
<id></id>	12	number	0	Rep CRD ID. If <rep> value is "1," then this value is required.</rep>
<location></location>			0	Container for rep location. If <rep> value is "1", then this value is required.</rep>
<city></city>	15	alpha	0	If <rep> value is "1," then this value is required.</rep>
<state></state>	2	alpha	0	If <rep> value is "1," then this value is required.</rep>
<zip></zip>	5	number	0	If <rep> value is "1," then this value is required.</rep>
<supervisor></supervisor>			0	Container for rep's supervisor. If <rep> value is "1," then this value is required.</rep>
<first-name></first-name>	30	alpha	0	First name. If <rep> value is "1," then this value is required.</rep>
<last-name></last-name>	30	alpha	0	Last Name. If <rep> value is "1," then this value is required.</rep>
<employed></employed>	1	number	0	Code = 1 for Y, 0 for N. If <rep> value is "1," then this value is required.</rep>
<comment></comment>	255	text	0	Free-form comment.

DISCLOSURES

Tag Name	Max Lng	Format	Rqrd/ Optnl	Notes
<filings-3070></filings-3070>				Container for 3070 filings
<disclosure></disclosure>				Container for disclosure
<id></id>	30	A/N	R	Member firm's unique ID for this disclosure
<date></date>	10	yyyy/mm/dd	R	Date disclosure was discovered
<firm-id></firm-id>	8	number	R	Firm's CRD #
<branch-id></branch-id>	12	A/N	R	Use the assigned CRD branch code, or chose "HOME" if complaint is related to home office.
<contact></contact>			R	Container for contact info
<phone-number></phone-number>	20	A/N	R	Contact's phone number
<first-name></first-name>	30	A/N	R	First name
<last-name></last-name>	30	A/N	R	Last name
<related-to></related-to>			R	Container for related-to information. You must select at least one option.
<other></other>	1	number	0	If complaint is related to other, use the value '1.'
<rep></rep>	1	number	0	If complaint is related to rep, use the value '1.'
<firm></firm>	1	number	0	If complaint is related to firm, use the value '1.'
<affiliate></affiliate>	1	number	0	If complaint is related to affiliate, use the value '1.'
<event></event>	2	number	R	
<product></product>	2	number	0	Required if Event Code = 2
<customer></customer>			R	Container for customer info
<account-number></account-number>	50	A/N	0	Customer's account number
<first-name></first-name>	30	A/N	0	First name
<last-name></last-name>	255	A/N	R	Last name
<activity-date></activity-date>	10	yyyy/mm/dd	R	First date of allegation activity. Must be equal or prior to the <date> field entry. The system will allow zeros in the month or day fields for those instances where all such precise dates are not known (for example, when the specific day of the month is not know, but the month and year is known, you may enter "yyyy/mm/00").</date>
<activity-date2></activity-date2>	10	yyyy/mm/dd	R	Last date of allegation activity. Must be equal or prior to the filing submission date and equal or subsequent to the activity from <activity-date> field entry. The system will allow zeros in the month or day fields for those instances where all such precise dates are not known (for example, when the specific day of the month is not know, but the month and year is known, you may enter "yyyy/mm/00"). If the activity is alleged or known to be ongoing, you should provide an explanation in the <comment> field.</comment></activity-date>

Tag Name	Max Lng	Format	Rqrd/ Optnl	Notes
<transaction></transaction>			0	Container for transaction information. Required if Event Code = 2.
<amount></amount>	12	number	0	Required if event code = 2. Amount of the transaction in whole dollars. Use zero if not applicable.
<disputed-amount></disputed-amount>			0	Container for the disputed amount information. NOTE: Required if event code = 2.
<dsptd-amt-flag></dsptd-amt-flag>	1	number	0	Required if event code = 2. Use 0 – exact amount is entered in < dsptd-amt > Use 1 – <disputed-amount> is estimated to be \$5,000 or more / cannot determine Use 2 – <disputed-amount> is estimated to be under \$5,000</disputed-amount></disputed-amount>
<dsptd-amt></dsptd-amt>	12	number	0	Amount in dispute (required if <dsptd-amt-flag> contains a zero, otherwise not allowed).</dsptd-amt-flag>
<securities></securities>			0	Container for securities Information. Required if Event Code = 2.
<security></security>			0	Container for each security. Must supply at least one security entry. Can supply up to three securities. Use only one of the following two fields for each security being reported.
<symbol></symbol>	14	alpha	0	Enter a known symbol. Alphabetic characters and periods (.) are allowed. Do not use in conjunction with the <iss-descrpt>field.</iss-descrpt>
<iss-descrpt></iss-descrpt>	255	A/N	0	Use this to provide the security description (or NOT APPLICABLE if not security related) if the issue symbol is not known.
<investigator></investigator>			0	Container for investigator name
<first-name></first-name>	30	alpha	0	First name
<last-name></last-name>	30	alpha	0	Last name
<response-date></response-date>	10	yyyy/mm/dd	0	Date that your firm responded to this complaint.
<representative></representative>			0	Container for rep information. NOTE: If <rep> value is "1," then these values are required.</rep>
<id></id>	12	number	0	Rep CRD ID. If <rep> value is "1," then this value is required.</rep>
<location></location>			0	Container for rep location. If <rep> value is "1." then this value is required.</rep>
<city></city>	15	alpha	0	If <rep> value is "1," then this value is required.</rep>
<state></state>	2	alpha	0	If <rep> value is "1," then this value is required.</rep>
<zip></zip>	5	number	0	If <rep> value is "1," then this value is required.</rep>
<supervisor></supervisor>			0	Container for Rep's supervisor. If <rep> value is "1," then this value is required.</rep>
<first-name></first-name>	30	alpha	0	First name. If <rep> value is "1," then this value is required.</rep>
<last-name></last-name>	30	alpha	0	Last name. If <rep> value is "1," then this value is required.</rep>

Tag Name Lng	Мах	Format Optnl	Rqrd/	Notes
<employed></employed>	1	number	0	Code = 1 for Y, 0 for N. If <rep> value is "1," then this value is required.</rep>
<disciplinary-action></disciplinary-action>	1	alpha	0	Required if Event Code = 10. Use W = Withholding of Commissions, T = Termination, F = Imposition of Fines, S = Suspension
<comment></comment>	255	Text	0	Freeform comment
<statutory- disqualification></statutory- 			0	Container for SD information. Required if Event Code = 9.
<party-first-name></party-first-name>	30	alpha	0	First Name. Required if Event Code = 9.
<party-last-name></party-last-name>	30	alpha	0	Last Name. Required if Event Code = 9.
<party-company></party-company>	10	alpha	0	Required if Event Code = 9.
<relationship></relationship>	1	alpha	0	Required if Event Code = 9. Use A = Affiliate, F = Firm, O = Other, R = Representative
<explanation></explanation>	50	alpha	0	Required if Event Code = 9.
<case-disposition></case-disposition>	1	alpha	0	Required if Event Code = 7. Use A = Award, J = Judgment, S = Settlement