Notice to Members

SEPTEMBER 2006

SUGGESTED ROUTING

Advertising
Internal Audit
Legal & Compliance
Operations
Registered Representatives
Senior Management
Systems
Trading
Training

KEY TOPICS

Communications with the Public
Manipulative and Deceptive Quotations
Publication of Transactions and Quotations
Rule 2120
Rule 2210
Rule 3310
Trading Interest
Trading Volume
Use of Manipulative, Deceptive or Other Fraudulent Devices

GUIDANCE

Trading Volume and Interest

NASD Reminds Members of Their Obligation to Provide Accurate Information to Services that Disseminate Trading Volume and Trading Interest

Executive Summary

NASD is publishing this *Notice* to remind members of their obligation to communicate accurate information when using services to communicate trading volume and trading interest to the marketplace.

Questions

Questions concerning this *Notice* should be directed to Peter Santori, Chief Counsel, Market Regulation, at 240-386-5098; David Chapman, Deputy Director, Market Regulation, at 240-386-4995; or the Office of General Counsel, at 202-728-8071.

Background and Discussion

Members have the ability to communicate or advertise their trading activity or interest to the marketplace through several service providers that disseminate this information to subscribers and/or the marketplace. For example, some of these services allow members to publicize their current trading interest, as well as their historical trading volume, in a particular security. A member may choose to advertise such activity in order to inform other market participants that it is active in a particular security or market sector, with a view toward attracting order flow, underwriting activity or other business to its firm. While there is no prohibition on the use of such services for this or other proper, lawful purposes, members are reminded that, to the extent that they use such services to communicate or

06-50

advertise trading activity or interest, such information must be truthful, accurate and not misleading.

The communication of untruthful, inaccurate or misleading information would be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade.[1] In addition, depending on the nature and content of the communication, such communications may also violate NASD Rule 3310 (Publication of Transactions and Quotations) and IM-3310 (Manipulative and Deceptive Quotations), as well as Rule 2120 (Use of Manipulative, Deceptive or Other Fraudulent Devices), Rule 2210 (Communications with the Public) and the anti-fraud provisions of the federal securities laws.

NASD also is reminding members that use such services that they must establish, maintain and enforce written supervisory procedures and supervisory systems that are reasonably designed to ensure, among other things, that the information communicated or advertised by the member or its associated persons is truthful, accurate and not misleading.

Endnote

1 *See* Rule 2110.