

Notice to Members

JANUARY 2007

SUGGESTED ROUTING

Advertising
Legal & Compliance
Operations
Senior management

KEY TOPICS

Hyperlink
NASD Interpretive Material 2210-4
Rule 2210
Web Site

GUIDANCE

Web Site References to NASD Membership by Member Firms

SEC Approves Amendment to Interpretive Material 2210-4 (Limitations on Use of NASD's Name) Requiring Firms that Refer to their NASD Membership on a Web Site to Provide a Hyperlink to *www.nasd.com*;
Effective Date: July 7, 2007

Executive Summary

On November 9, 2006, the Securities and Exchange Commission (SEC) approved an amendment to Interpretive Material 2210-4 (IM-2210-4), requiring a member firm, or a person associated with a member firm, that refers to its membership in NASD on its Web site to hyperlink to NASD's home page, *www.nasd.com*.¹

IM 2210-4, as amended, is set forth in Attachment A.

The amendment becomes effective July 7, 2007.

Questions/Further Information

Questions concerning this *Notice* may be directed to Gary L. Goldsholle, Vice President and Associate General Counsel, Office of General Counsel (OGC), at (202) 728-8104; or James L. Eastman, Assistant General Counsel, OGC, at (202) 728-6961.

Background and Discussion

On November 9, 2006, the SEC approved an amendment to IM-2210-4, which sets forth limitations on the use of NASD's name, requiring a member firm, or a person associated with a member firm, that refers to its membership in NASD on its Web site to provide a hyperlink to NASD's home page, www.nasd.com. The hyperlink must be located in close proximity to any reference reasonably designed to draw the public's attention to NASD membership. The amendment also applies to a Web site relating to a firm's investment banking or securities business that is maintained by or on behalf of any person associated with the firm.²

The amendment provides members, and persons associated with a member, with flexibility in placing the hyperlink. Specifically, the rule change requires the member or person associated with a member to provide only one hyperlink to www.nasd.com. Thus, if a member firm's Web site has more than one reference to NASD membership, the firm may place the hyperlink in close proximity to **any** NASD reference that is reasonably designed to draw the public's attention to NASD membership. Some firms may choose to provide the hyperlink in close proximity to a reference to NASD membership contained in an "about us" section of their Web sites, but other firms may find other appropriate places to provide the hyperlink.³

Firms should note that the amendment does **not** create an independent obligation requiring a member firm to refer to its NASD membership on its Web site. The amendment applies only to the extent that a member firm or a person associated with a member firm chooses to represent on a Web site that the firm is a member of NASD.

As discussed in the Approval Order, NASD believes that a "legend" posted on a member's Web site indicating that the firm is a member of NASD would impose an obligation to provide a hyperlink.⁴ However, the hyperlink requirement would not apply to references to NASD membership appearing in a disclosure document or other offering document that is merely linked to the member firm's Web site.⁵

Endnotes

- 1 See Exchange Act Release No. 54740 (November 9, 2006), 71 FR 67184 (November 20, 2006) (File No. SR-NASD-2006-073) (Order Approving Proposed Rule Change and Amendment No. 1 thereto and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 2 to Amend NASD Interpretive Material 2210-4 to Require Certain Member Firms to Provide a Hyperlink to the NASD's Internet Home Page) (Approval Order).
- 2 This requirement is intended to capture, among other things, situations where a person associated with an NASD member firm maintains his own Web site or "home page" that relates to a member's investment banking or securities business. For example, NASD understands that independent contractors or their firms sometimes maintain a separate home page for each independent contractor for marketing purposes.
- 3 Generally, firm references to NASD membership in an "about us" section of a Web site are reasonably designed to draw the public's attention to NASD membership. See Approval order at 67184 (discussing firm references to NASD membership in the "about us" sections of Web sites).
- 4 See Approval Order at 67184.
- 5 *Id.*

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ATTACHMENT A

New language is underlined.

IM-2210-4. Limitations on Use of NASD's Name

Members may indicate NASD membership in conformity with Article XV, Section 2 of the NASD By-Laws in one or more of the following ways:

(1) through (2). No change.

(3) on a member's internet Web site provided that the member provides a hyperlink to NASD's internet home page, www.nasd.com, in close proximity to the member's indication of NASD membership. A member is not required to provide more than one such hyperlink on its Web site. If the member's Web site contains more than one indication of NASD membership, the member may elect to provide any one hyperlink in close proximity to any reference reasonably designed to draw the public's attention to NASD membership. This provision also shall apply to an internet Web site relating to the member's investment banking or securities business maintained by or on behalf of any person associated with a member.