

September 3, 2003

Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001

Re: File No. SR-NASD-2003-138 – Amendments to Schedule B to the NASD By-Laws

Dear Ms. England:

Pursuant to Rule 19b-4, enclosed please find the above-numbered rule filing. Also enclosed is a 3-1/2" disk containing the rule filing in Microsoft Word 7.0 to facilitate production of the Federal Register release.

If you have any questions, please contact Patricia M. Albrecht, Office of General Counsel, Regulatory Policy and Oversight, NASD, at (202) 728-8026; e-mail patricia.albrecht@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Barbara Z. Sweeney
Senior Vice President
and Corporate Secretary

Enclosures

File No. SR-NASD-2003-138
Consists of 13 Pages
September 3, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

Form 19b-4

Proposed Rule Change

by

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”), the National Association of Securities Dealers, Inc. (“NASD”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Schedule B to the NASD By-Laws to change the territorial boundaries of certain NASD District Offices. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

Schedule B to the NASD By-Laws

The number and territorial boundaries of the several districts established as provided in Section 1 of Article VIII are as follows:

District No. 1 through District No. 4 No change.

District No. 5 States of Alabama, Arkansas, [Kentucky,] Louisiana, Mississippi, Oklahoma and Tennessee.

District No. 6 through District No. 7 No change.

District No. 8 States of Illinois, Indiana, Kentucky, Michigan, Ohio and Wisconsin[, and, in the State of New York, the Counties of Monroe, Livingston and Steuben, and the remainder of the State West of such Counties].

District No. 9 The District of Columbia, and the States of Delaware, Maryland, New Jersey, Pennsylvania, Virginia, [and] West Virginia, and New York (except for the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, Westchester, and the five Boroughs of New York

City) [, in the States of New Jersey, the Counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean and Salem].

District No. 10 In the State of New York, the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, Westchester, and the five Boroughs of New York City[, and the State of New Jersey (except for the Counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean and Salem)].

District No. 11 States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont [,and New York (except for the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester; the Counties of Monroe, Livingston and Steuben, and the remainder of the State West of such Counties; and the five Boroughs of New York City)].

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Board of Directors of NASD Regulation, Inc. on July 1, 2003, which authorized the filing of the rule change with the SEC. Counsel for The Nasdaq Stock Market and NASD Dispute Resolution have been provided an opportunity to consult with respect to the proposed rule change, pursuant to the Plan of Allocation and Delegation of Functions by NASD to its Subsidiaries. The NASD Board of Governors had an opportunity to review the proposed rule change at its meeting on July 31, 2003. No other action by NASD is necessary for the filing of the proposed rule change. Section 1(a)(i) of Article VII of the NASD By-Laws permits the NASD Board of Governors to adopt

amendments to NASD Rules without recourse to the membership for approval. The proposed rule change is effective immediately upon filing.

(b) Questions regarding this rule filing may be directed to Patricia M. Albrecht, Assistant General Counsel, Office of General Counsel, Regulatory Policy and Oversight, NASD at (202) 728-8026.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

NASD has experienced a shift in member locations resulting in certain District Offices no longer having close proximity to a critical mass of members. Accordingly, NASD is proposing to amend Schedule B to the NASD By-Laws to change the territorial boundaries of certain NASD District Offices to reflect this shift. The proposed amendments to Schedule B will also allow NASD to better manage its resources and expenses and will enhance coordination with other self-regulatory organizations, the states, and the SEC. Specifically, the proposed rule change will amend Schedule B to the NASD By-Laws as follows:

- District No. 5: Will be amended to delete the state of Kentucky.
- District No. 8: Will be amended to: (1) include the state of Kentucky, and (2) delete any reference to the state of New York.
- District No. 9: Will be amended to: (1) include the state of New York, except for the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, Westchester, and the five boroughs of New York City; (2) include the entire state of New Jersey; and (3) delete the references to New Jersey Counties Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean, and Salem.

- District No. 10: Will be amended to delete any reference to the state of New Jersey.
- District No. 11: Will be amended to delete any reference to the state of New York.

The remaining allocations of states among District Offices as reflected in Schedule B will remain the same.

The proposed rule change will not only provide NASD with a more coherent regional balance among the District Offices, it will also allow NASD to manage more effectively its resources and expenses when discharging its regulatory programs and permit better coordination among other self-regulatory organizations, the states, and the SEC. In addition, the proposed rule change will help NASD better balance the composition of member firms assigned to the District Offices.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The restructuring that will result from the proposed rule change will provide a more coherent regional balance as well as allow for a more equitable distribution of NASD's District Offices' workloads and resources.

4. Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)¹ of the Act and paragraph (f)(3) of Rule 19b-4 thereunder,² in that the proposed rule change is concerned solely with the administration of NASD. Accordingly, the proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)³ of the Act and Rule 19b-4(f)(3)⁴ thereunder.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

¹ 15 U.S.C. 78s(b)(3)(A).

² 17 CFR 240.19b-4(f)(3).

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(3).

Pursuant to the requirements of the Securities Exchange Act of 1934, NASD has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

NASD, INC.

BY: _____
Barbara Z. Sweeney, Senior Vice President and
Corporate Secretary

Date: September 3, 2003

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-2003-138)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Changes to the Territorial Boundaries of Certain NASD District Offices

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , the National Association of Securities Dealers, Inc. (“NASD”), filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE TERMS OF SUBSTANCE OF THE PROPOSED RULE CHANGE

NASD is proposing to amend Schedule B to the NASD By-Laws to change the territorial boundaries of certain NASD District Offices. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

Schedule B to the NASD By-Laws

The number and territorial boundaries of the several districts established as provided in Section 1 of Article VIII are as follows:

District No. 1 through District No. 4 No change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

District No. 5 States of Alabama, Arkansas, [Kentucky,] Louisiana, Mississippi, Oklahoma and Tennessee.

District No. 6 through District No. 7 No change.

District No. 8 States of Illinois, Indiana, Kentucky, Michigan, Ohio and Wisconsin[, and, in the State of New York, the Counties of Monroe, Livingston and Steuben, and the remainder of the State West of such Counties].

District No. 9 The District of Columbia, and the States of Delaware, Maryland, New Jersey, Pennsylvania, Virginia, [and] West Virginia, and New York (except for the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, Westchester, and the five Boroughs of New York City) [, in the States of New Jersey, the Counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean and Salem].

District No. 10 In the State of New York, the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, Westchester, and the five Boroughs of New York City[, and the State of New Jersey (except for the Counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean and Salem)].

District No. 11 States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont [,and New York (except for the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester; the Counties of Monroe, Livingston and Steuben, and the remainder of the State West of such Counties; and the five Boroughs of New York City)].

* * * * *

II. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE PURPOSE OF, AND STATUTORY BASIS FOR, THE PROPOSED RULE CHANGE

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

NASD has experienced a shift in member locations resulting in certain District Offices no longer having close proximity to a critical mass of members. Accordingly, NASD is proposing to amend Schedule B to the NASD By-Laws to change the territorial boundaries of certain NASD District Offices to reflect this shift. The proposed amendments to Schedule B will also allow NASD to better manage its resources and expenses and will enhance coordination with other self-regulatory organizations, the states, and the SEC. Specifically, the proposed rule change will amend Schedule B to the NASD By-Laws as follows:

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the references to New Jersey Counties Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean, and Salem.

- District No. 10: Will be amended to delete any reference to the state of New Jersey.
- District No. 11: Will be amended to delete any reference to the state of New York.

The remaining allocations of states among District Offices as reflected in Schedule B will remain the same.

The proposed rule change will not only provide NASD with a more coherent regional balance among the District Offices, it will also allow NASD to manage more effectively its resources and expenses when discharging its regulatory programs and permit better coordination among other self-regulatory organizations, the states, and the SEC. In addition, the proposed rule change will help NASD better balance the composition of member firms assigned to the District Offices.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The restructuring that will result from the proposed rule change will provide a more coherent regional balance as well as allow for a more equitable distribution of NASD's District Offices' workloads and resources.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. DATE OF EFFECTIVENESS OF THE PROPOSED RULE CHANGE AND TIMING FOR COMMISSION ACTION

NASD has designated the proposed rule change as administrative under Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(3) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission.

At any time within 60 days of this filing, the Commission may summarily abrogate this proposal if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(3).

filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of NASD. All submissions should refer to the file number in the caption above and should be submitted by [insert date 21 days from the date of publication].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland
Deputy Secretary