

Barbara Z. Sweeney
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June 4, 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-2003-91 – Series 23 Examination Program**

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 Afshin Atabaki, Office of General Counsel, Regulatory Policy and Oversight, NASD, at (202) 728-8902; e-mail: afshin.atabaki@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-2003-91
Consists of 55 Pages
June 4, 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”),¹ the National Association of Securities Dealers, Inc. (“NASD”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) the selection specifications and study outline for the General Securities Principal Sales Supervisor Module (“Series 23”) examination program.² NASD is proposing the Series 23 examination program in connection with a change to the New York Stock Exchange, Inc. (“NYSE”) qualification requirements whereby the NYSE recognized the NASD’s General Securities Principal (“Series 24”) examination program as an acceptable qualification alternative to the General Securities Sales Supervisor (“Series 9/10”) examination program for supervisory persons whose duties do not include the supervision of options or municipal securities sales activity. Accordingly, NASD is proposing to accept the Series 9/10 examination as an acceptable qualification alternative to the Series 24 examination for associated persons who are required to register and qualify as Series 24 principals with NASD, provided that such persons also pass the proposed Series 23 examination, which covers material from the Series 24 examination not otherwise covered

¹ 15 U.S.C. 78s(b)(1).

² Based upon instruction from the Commission staff, NASD is submitting SR-NASD-2003-91 for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank for Commission review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank, which is a subset of the existing Series 24 question bank, is available for Commission review.

under the Series 9/10 examination. NASD is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of NASD.

A description of the Series 23 examination is included in the attached study outline. Additional information on the examination is included in the Series 23 selection specifications, which NASD has omitted from this filing and has submitted with a request for confidential treatment under separate cover to the Commission's Secretary pursuant to Rule 24b-2 under the Act.³

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed Series 23 examination program was developed jointly by a committee of industry representatives and NASD staff. At its meeting on January 24, 2001, the Board of Directors of NASD Regulation, Inc. ("NASD Regulation") authorized the staff of NASD to propose modifications to examination programs, including study outlines, examination specifications, and question banks, and to file the proposed modifications with the Commission, without obtaining further or specific authorization from the Board of Directors of NASD Regulation. The NASD Board of Governors had an opportunity to review that action at its meeting on January 25, 2001. Further, counsel for The Nasdaq Stock Market, Inc. and NASD Dispute Resolution, Inc. were provided an opportunity to consult with respect to that action. No other action by NASD is necessary for the filing of the

³ 17 CFR 240.24b-2.

proposed rule change. Section 1(a)(ii) of Article VII of the NASD By-Laws permits the NASD Board of Governors to adopt NASD Rules without recourse to the membership for approval.

As further discussed below, NASD is filing the proposed rule change for immediate effectiveness. NASD proposes to implement the Series 23 examination program on July 7, 2003. NASD will announce the proposed rule change and the implementation date in a Notice to Members to be published no later than 30 days after SEC Notice of this filing.

(b) Questions regarding this rule filing may be directed to Afshin Atabaki, Attorney, Office of General Counsel, Regulatory Policy and Oversight, NASD, at (202) 728-8902.

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

(a) Purpose

On October 9, 2002, the SEC approved a proposed rule change to NYSE Rule 342 (“Offices – Approval, Supervision and Control”) that recognized the NASD’s Series 24 examination as an acceptable qualification alternative to the Series 9/10 examination for supervisory persons whose duties do not include the supervision of options or municipal securities sales activity.⁴ In an effort to establish reciprocal qualification standards, NASD is proposing to accept the Series 9/10 examination in lieu of the Series 24 examination for associated persons who are required to register and qualify as Series 24 principals with

⁴ See Securities Exchange Act Release No. 46631 (October 9, 2002), 67 FR 64187 (October 17, 2002) (order approving File No. SR-NYSE-2002-24).

NASD, provided that such persons also pass the newly-developed Series 23 qualification examination in addition to passing the Series 9/10 examination.

Pursuant to Section 15A(g)(3) of the Act,⁵ which requires NASD to prescribe standards of training, experience, and competence for persons associated with NASD members, NASD has developed the proposed Series 23 examination program to establish that persons associated with NASD members who have passed the Series 9/10 examination and who are seeking to register and qualify with NASD as Series 24 principals have attained specified levels of competence and knowledge.

The Series 23 examination is a limited qualification examination that covers those subject matters that are covered on the Series 24 examination, but not included on the Series 9/10 examination. The Series 23 examination program tests a candidate's knowledge of securities industry rules and regulations pertaining to the supervision of investment banking, securities markets and trading as well as financial responsibility requirements. A committee of industry representatives that oversees the Series 24 examination program, together with NASD staff, compared the subject matters covered on the Series 9/10 and Series 24 examinations to determine the topics that should be extracted from the Series 24 examination to create the Series 23 examination program. The committee, including NASD staff, developed the selection specifications, study outline, and question bank for the Series 23 examination.

⁵ 15 U.S.C. 78o-3(g)(3).

The Series 23 examination will be divided into five topical sections. The topical sections and the number of questions designated to each such section are as follows: Supervision of Investment Banking Activities (25); Supervision of Trading and Market Making Activities (29); Supervision of Brokerage Office Operations (16); Sales Supervision, General Supervision of Employees, Regulatory Framework of NASD (19); and Compliance with Financial Responsibility Rules (11). The selection specifications for the Series 23 examination, which NASD has omitted from this filing and has submitted with a request for confidential treatment under separate cover to the Commission's Secretary pursuant to Rule 24b-2 under the Act,⁶ describe additional confidential information regarding the examination.

The Series 23 examination will be a 2½-hour, 100-question examination with 70% as the passing score.

(b) Statutory Basis

NASD believes that the proposed Series 23 examination program is consistent with the provisions of Sections 15A(b)(6)⁷ and 15A(g)(3) of the Act,⁸ which authorize NASD to prescribe standards of training, experience, and competence for persons associated with NASD members.

⁶ 17 CFR 240.24b-2.

⁷ 15 U.S.C. 78o-3(b)(6).

⁸ 15 U.S.C. 78o-3(g)(3).

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

NASD does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁹

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) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder,¹¹ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days (or such shorter time as the Commission may designate if consistent with the protection of investors and the

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

public interest) after the date of this filing. In accordance with Rule 19b-4(f)(6)(iii),¹² NASD submitted written notice of its intent to file the proposed rule change (which included a brief description of the proposed rule change), along with the draft text of the proposed rule change and the study outline for the Series 23 examination, at least five business days prior to the date of filing. NASD proposes to implement the Series 23 examination program on July 7, 2003.

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.
2. Study Outline for the Series 23 Examination.
3. Selection Specifications for the Series 23 Examination. NASD has requested confidential treatment for the Series 23 selection specifications, and thus the specifications are omitted from this filing. The Series 23 selection specifications have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.¹³
4. Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000.

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ 17 CFR 240.24b-2.

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

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

Date: June 4, 2003

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-2003-91)

June , 2003

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to a New Qualification Examination: General Securities Principal Sales Supervisor Module (Series 23)

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. NASD has designated the proposed rule change as constituting a “non-controversial” rule change pursuant to Rule 19b-4(f)(6) under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

NASD is filing with the Commission the selection specifications and study outline for the General Securities Principal Sales Supervisor Module ("Series 23") examination program.⁴ NASD is proposing the Series 23 examination program in connection with a change to the New York Stock Exchange, Inc. ("NYSE") qualification requirements whereby the NYSE recognized the NASD's General Securities Principal ("Series 24") examination program as an acceptable qualification alternative to the General Securities Sales Supervisor ("Series 9/10") examination program for supervisory persons whose duties do not include the supervision of options or municipal securities sales activity. Accordingly, NASD is proposing to accept the Series 9/10 examination as an acceptable qualification alternative to the Series 24 examination for associated persons who are required to register and qualify as Series 24 principals with NASD, provided that such persons also pass the proposed Series 23 examination, which covers material from the Series 24 examination not otherwise covered under the Series 9/10 examination. NASD is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of NASD.

A description of the Series 23 examination is included in the attached study outline.

Additional information on the examination is included in the Series 23 selection specifications,

⁴ Based upon instruction from the Commission staff, NASD is submitting SR-NASD-2003-91 for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank for Commission review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank, which is a subset of the existing Series 24 question bank, is available for Commission review.

which NASD has omitted from this filing and has submitted with a request for confidential treatment under separate cover to the Commission's Secretary pursuant to Rule 24b-2 under the Act.⁵

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

(1) Purpose

On October 9, 2002, the SEC approved a proposed rule change to NYSE Rule 342 ("Offices – Approval, Supervision and Control") that recognized the NASD's Series 24 examination as an acceptable qualification alternative to the Series 9/10 examination for supervisory persons whose duties do not include the supervision of options or municipal securities sales activity.⁶ In an effort to establish reciprocal qualification standards, NASD is proposing to accept the Series 9/10 examination in lieu of the Series 24 examination for associated persons who are required to register and qualify as Series 24 principals with

⁵ 17 CFR 240.24b-2.

NASD, provided that such persons also pass the newly-developed Series 23 qualification examination in addition to passing the Series 9/10 examination.

Pursuant to Section 15A(g)(3) of the Act,⁷ which requires NASD to prescribe standards of training, experience, and competence for persons associated with NASD members, NASD has developed the proposed Series 23 examination program to establish that persons associated with NASD members who have passed the Series 9/10 examination and who are seeking to register and qualify with NASD as Series 24 principals have attained specified levels of competence and knowledge.

The Series 23 examination is a limited qualification examination that covers those subject matters that are covered on the Series 24 examination, but not included on the Series 9/10 examination. The Series 23 examination program tests a candidate's knowledge of securities industry rules and regulations pertaining to the supervision of investment banking, securities markets and trading as well as financial responsibility requirements. A committee of industry representatives that oversees the Series 24 examination program, together with NASD staff, compared the subject matters covered on the Series 9/10 and Series 24 examinations to determine the topics that should be extracted from the Series 24 examination to create the Series 23 examination program. The committee, including NASD staff, developed the selection specifications, study outline, and question bank for the Series 23 examination.

⁶ See Securities Exchange Act Release No. 46631 (October 9, 2002), 67 FR 64187 (October 17, 2002) (order approving File No. SR-NYSE-2002-24).

⁷ 15 U.S.C. 78o-3(g)(3).

The Series 23 examination will be divided into five topical sections. The topical sections and the number of questions designated to each such section are as follows: Supervision of Investment Banking Activities (25); Supervision of Trading and Market Making Activities (29); Supervision of Brokerage Office Operations (16); Sales Supervision, General Supervision of Employees, Regulatory Framework of NASD (19); and Compliance with Financial Responsibility Rules (11). The selection specifications for the Series 23 examination, which NASD has omitted from this filing and has submitted with a request for confidential treatment under separate cover to the Commission's Secretary pursuant to Rule 24b-2 under the Act,⁸ describe additional confidential information regarding the examination.

The Series 23 examination will be a 2½-hour, 100-question examination with 70% as the passing score.

(2) Statutory Basis

NASD believes that the proposed Series 23 examination program is consistent with the provisions of Sections 15A(b)(6)⁹ and 15A(g)(3) of the Act,¹⁰ which authorize NASD to prescribe standards of training, experience, and competence for persons associated with NASD members.

⁸ 17 CFR 240.24b-2.

⁹ 15 U.S.C. 78o-3(b)(6).

¹⁰ 15 U.S.C. 78o-3(g)(3).

(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

The proposed rule change has been filed by NASD as a “non-controversial” rule change pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹² Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days after the date of this filing; and NASD provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date,¹³ the proposed rule change has become

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹³ Rule 19b-4(f)(6)(iii) under the Act requires the self-regulatory organization to provide the Commission written notice of its intent to file the proposed rule change at least five business days before doing so (or such shorter time as designated by the Commission). The Commission finds that NASD satisfied the five-day pre-filing requirement by filing a written notice of its intent to file the proposed rule change (which included a brief description of the proposed rule change), along with the draft text of the proposed rule change and the study outline for the Series 23 examination, at least five business days prior to the date of filing.

effective pursuant to Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

NASD proposes to implement the Series 23 examination program on July 7, 2003.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change 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 [as amended] 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 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

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

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.¹⁶

Margaret H. McFarland
Deputy Secretary

¹⁶ 17 CFR 200.30-3(a)(12).

NASD

**GENERAL SECURITIES PRINCIPAL
QUALIFICATION EXAMINATION
SALES SUPERVISOR MODULE
(SERIES 23)**

STUDY OUTLINE

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1.0
SUPERVISION OF INVESTMENT BANKING ACTIVITIES

1.1 New Issue Market

1.1.1 Underwriting Corporate Securities (negotiated)

- 1.1.1.1 Types of offerings
 - Primary
 - Secondary
 - Private Placement
 - Rule 144A — Private resales of securities to institutions
 - Regulation S — Rules governing offers and sales made outside the U.S. without registration under the Securities Act of 1933
 - Rule 901 — General statement
 - Rule 902 — Definitions
 - Rule 903 — Offers or sales of securities by the issuer, a distributor, and of their respective affiliates, conditions relating to specific securities
 - Rule 904 — Resales
- 1.1.1.2 Investigation of financing proposals
 - Preliminary study
 - Letter of intent
 - General examination
 - Industry data
 - Operational data
 - Management and employee relations
 - Financial data
 - Research, product development and expansion
 - Legal examination
- 1.1.1.3 Formation of the underwriting syndicate
 - Role of syndicate manager
 - Agreement among underwriters
 - Due diligence meeting
 - Blue skying the issue
- 1.1.1.4 Types of underwriting commitments
 - Firm commitment
 - Competitive bid or negotiated
 - Stand-by commitment
 - All or none
 - Best efforts
 - Mini-Max
 - Market-out clauses
- 1.1.1.5 Pricing of the issue
 - Determined on effective date of registration

- Indication of interest (underwriter's book)
- Factors affecting price of issue
- Consequences of sticky offerings
- 1.1.1.6 Underwriters compensation
 - Components of underwriters spread
 - Forms of compensation
 - Stand-by commitments
- 1.1.1.7 Formation of the selling group
 - Handled by managing underwriter
 - Selling group agreement
 - Liabilities of selling group members vs. underwriters' liabilities
- 1.1.1.8 Stabilization
- 1.1.1.9 Syndicate penalty bid
 - Purpose
 - Denial of spread or concession on transaction
 - Penalty fees
- 1.1.1.10 The public offering
 - Preliminary prospectus
 - Tombstone advertisements
 - Indications of interest
 - Final or statutory prospectus
 - Opening and closing the books
- 1.1.1.11 Shelf distributions
 - Issuers may register to sell limited amounts of securities on a delayed basis for up to two years
 - Allows issuers and investment bankers the flexibility of matching financing needs to market conditions
- 1.1.1.12 Venture capital
- 1.1.1.13 Mergers and acquisitions
 - Risk arbitrage
 - Leveraged buy-outs
- 1.1.1.14 Initial public offerings
- 1.1.1.15 Hot issues and overallotment
 - Limitations on overselling
 - Pro-rata distribution of managing underwriter's short position losses among co-underwriters

1.2 Securities Act of 1933 and SEC Rules Thereunder

1.2.1 Section 2 — Definitions Under the Act

- 1.2.1.1 Distribution of information during an underwriting
 - Rule 134 — Communications not deemed a prospectus
 - Rule 137 — Definition of “offers,” “participates,” or “participation” in Section 2(11)

in relation to certain publications by persons independent of participants in a distribution

1.2.2 Section 3 — Exempted Securities

- 1.2.2.1 Rule 147 — “Part of an issue,” “person resident” and “doing business within,” for purposes of Section 3(a)(11)
 - Transactions covered
 - Part of an issue
 - Nature of the issuer
 - Offerees and purchasers, person resident
 - Limitation of resales
 - Precautions against interstate offers and sales

1.2.3 Section 4 — Exempted Transactions

- 1.2.3.1 Rule 145 — Reclassification of securities, mergers, consolidations, and acquisitions of assets
 - Transactions within the rule
 - Communications not deemed a “prospectus” or “offer to sell”
 - Persons and parties deemed to be underwriters
 - Resale provisions for persons and parties deemed to be underwriters
 - Definition of “person”
 - Form S-4 requirement
- 1.2.3.2 Transactions by any person other than an issuer, underwriter or dealer
- 1.2.3.3 Transactions by an issuer not involving any public offering
- 1.2.3.4 Transactions by a dealer
- 1.2.3.5 Broker’s transactions
- 1.2.3.6 Regulation D — Rules governing the limited offer and sale of securities without registration under the Securities Act of 1933
 - 1.2.3.6.1 Rule 502 — General conditions to be met
 - Integration
 - Information requirements
 - Limitation on manner of offering
 - Limitations on resale
 - 1.2.3.6.2 Rule 503 — Filing of notice of sales Filing Form D
 - 1.2.3.6.3 Rule 504 — Exemption for limited offerings and sales of securities not exceeding \$1,000,000
 - Exemption
 - Conditions to be met
 - Limitation on aggregate offering price
 - 1.2.3.6.4 Rule 505 — Exemption for limited offers and sales of securities not exceeding \$5,000,000
 - Exemption

- Conditions to be met
 - General conditions
 - Specific conditions
 - Limitation on aggregate offering price
 - Limitation on number of purchasers
 - Disqualifications
- 1.2.3.6.5 Rule 506 — Exemption for limited offers and sales without regard to dollar amount of offering
 - Exemption
 - Conditions to be met
 - General conditions
 - Specific conditions
 - Limitation on number of purchasers
 - Nature of purchasers
- 1.2.3.7 Rule 174 — Delivery of prospectus by dealers; exemptions under Section 4(3) of the Act
- 1.2.4 Section 5 — Prohibitions Relating to Interstate Commerce and the Mails**
 - 1.2.4.1 Rule 135 — Notice of certain proposed offerings
 - 1.2.4.2 Rule 153A — Definition of “preceded by a prospectus” as used in Section 5(b)(2) of the Act, in relation to certain transactions requiring approval of security holders
- 1.2.5 Section 6 — Registration of Securities and Signing of Registration Statement**
 - 1.2.5.1 Regulation C — Registration
 - Rule 460 — Distribution of preliminary prospectus
- 1.2.6 Section 7 — Information Required in Registration Statement**
- 1.2.7 Section 8 — Taking Effect of Registration Statements**
 - 1.2.7.1 Amendments to registration statements prior to and after effective date
 - 1.2.7.2 Stop orders
 - Form SB-1/SB-2 filing requirement
- 1.2.8 Section 11 — Civil Liabilities on Account of False Registration Statement**
- 1.2.9 Section 12 — Civil Liabilities Arising in Connection with Prospectuses and Communications**

1.2.10 Section 15 — Liability of Controlling Persons

1.2.11 Section 17 — Fraudulent Interstate Transactions

1.3 Securities Exchange Act of 1934 and SEC Rules Thereunder

1.3.1 Section 10 — Regulation of the Use of Manipulative and Deceptive Devices

1.3.1.1 Section 10(b) — Use or employment of manipulative or deceptive devices

1.3.1.1.1 Rule 10b-2 — Solicitation of purchases on an exchange to facilitate distribution of securities (NYSE Rule 383)

1.3.1.1.2 Rule 10b-9 — Prohibited representations in connection with certain offerings

1.3.1.1.3 Rule 10b-18 — Purchases of certain equity securities by the issuer and others

1.3.2 Regulation M — Antimanipulation Rules Concerning Securities Offerings

1.3.2.1 Rule 100 — Definitions

1.3.2.2 Rule 101 — Activities by distribution participants

1.3.2.3 Rule 102 — Activities by issuers and selling security holders during a distribution

1.3.2.4 Rule 104 — Stabilizing and other activities in connection with an offering

1.3.2.5 Rule 105 — Short selling in connection with a public offering

1.3.3 Section 12 — Registration Requirements for Securities

1.3.3.1 Section 12(a) — Exchange-listed securities

1.3.3.2 Section 12(g) — Registration of issuers engaged in interstate commerce

1.3.3.3 Section 12(j) — Suspension or revocation of registration

1.3.3.4 Section 12(k) — Trading Suspension

1.3.4 Section 13 — Periodical and Other Reports

1.3.4.1 Rule 13a-11 — Current reports on Form 8-K

1.3.4.2 Rule 13a-13 — Quarterly reports on Form 10-Q

1.3.4.3 Rule 13d-1 — Filing of Schedules 13D and 13G

1.3.4.4 Rule 13e-3 — Going private transactions by certain issuers or their affiliates

Schedule 13E-3 filing requirement

- 1.3.4.5 Rule 13e-4 — Tender offers by issuers
 - Schedule 13E-4 filing requirement
- 1.3.4.6 Rule 13f-1 — Reporting by institutional investment managers of information with respect to accounts over which they exercise investment discretion

- 1.3.5 Section 15 — Registration and Regulation of Brokers and Dealers**
 - 1.3.5.1 Section 15(c)(1) — Manipulative, deceptive or fraudulent devices or contrivances
 - 1.3.5.1.1 Rule 15c1-8 — Sales at the market
 - 1.3.5.1.2 Rule 15c1-9 — Use of pro forma balance sheets
 - 1.3.5.2 Section 15(d) — Reports of registrants under the Securities Act of 1933
 - 1.3.5.2.1 Rule 15d-11 — Current reports on Form 8-K
 - 1.3.5.2.2 Rule 15d-13 — Quarterly reports on Form 10-Q
 - 1.3.5.3 Section 15(c)(2) — Fraudulent acts or practices and fictitious quotations
 - 1.3.5.4 Section 15D – Securities analysts and research reports
 - 1.3.5.5 Regulation AC – Analyst certification

- 1.3.6 Section 16 — Reports of Directors, Officers and Principal Stockholders**
 - 1.3.6.1 Rule 16a-1 — Filing of statement
 - 1.3.6.1.1 Form 3 — Initial statement of beneficial ownership of securities
 - 1.3.6.1.2 Form 4 — Statement of changes in beneficial ownership of securities
 - 1.3.6.1.3 Form 10C — Filing requirements

- 1.3.7 Section 17 — Accounts and records, Reports, Examinations of Exchanges, Members and Others**
 - 1.3.7.1 Rule 17a-2 — Recordkeeping requirements relating to stabilizing activities
 - Scope of rule
 - Definitions
 - Records required to be maintained by manager
 - Notification of manager

- 1.3.8 Regulation FD - Fair Disclosure**

- 1.4 NASD — Regulations**
 - 1.4.1 Conduct Rules**

- 1.4.1.1 Rule 2410 — Net prices to persons not in investment banking or securities business
- 1.4.1.2 Rule 2710 — Corporate financing rule — underwriting terms and arrangements
 - Definitions
 - Filing requirements
 - Underwriting compensation and arrangements
- 1.4.1.3 Rule 2740 — Selling concessions, discounts, and other allowances
 - Discounts or allowances must be paid only to broker/dealer for services rendered in distribution
 - Definition of “bona fide research”
 - Required written agreements
 - Quarterly reports to be filed
 - Maintenance of records for 24 months
 - IM-2740 — Services in distribution
- 1.4.1.4 Rule 2750 — Transactions with related persons
- 1.4.1.5 Rule 2760 — Offerings “at the market”
- 1.4.1.6 Rule 2770 — Disclosure of price in selling agreements
- 1.4.1.7 Rule 2780 — Solicitation of purchases on an exchange to facilitate a distribution of securities
- 1.4.1.8 Rule 2810 — Direct participation programs trade
 - Definitions
 - Requirements
 - Application
 - Suitability
 - Disclosure
 - Organization and offering expenses
 - Participation in rollups
- 1.4.1.9 Rule 2720 — Distribution of securities of members and affiliates — conflicts of interest
 - Definitions
 - Participation in distribution of securities of member or affiliate
 - Disclosure
 - Escrow of proceeds; net capital computation
 - Offerings resulting in affiliation or public ownership of member
 - Suitability
 - Discretionary accounts
 - Sales to employees
 - Filing requirements; coordination with Rule 2710
- 1.4.1.10 Rule 2711 — Research analysts and research reports

1.4.2 Procedural Rules

- 1.4.2.1 Rule 11000 — Uniform Practice Code
- 1.4.2.1.1 Rule 11880 — Settlement of syndicate accounts

Definitions
Final settlement
Settlement of underwritten public offerings

1.5 Investment Company Act of 1940 and SEC Rules Thereunder

1.5.1 Section 8 — Registration of Investment Companies

1.5.1.1 Section 8(b) — Filing requirements for investment companies
Form N-1A — Registration statement of open-end management
investment companies

1.5.2 Section 11 — Offers of Exchange

1.5.3 Section 12 — Functions and Activities of Investment Companies

1.5.3.1 Prohibitions
Purchases on margin
Participation in joint trading accounts
Short sales

1.5.4 Section 15 — Investment Advisory and Underwriting Contracts

1.5.4.1 Investment advisors
1.5.4.2 Underwriter
1.5.4.3 Approval by board of directors

1.5.5 Section 16 — Changes in Board of Directors; Provisions Relative to Strict Trusts

1.5.5.1 Election by shareholders

1.5.6 Section 19 — Dividends

1.5.6.1 Accumulated undistributed net income
1.5.6.2 Current net income
1.5.6.3 Statement disclosing source of payment
Rule 19a-1 — Written statement to accompany dividend payments
by management companies
1.5.6.4 Distribution of long-term capital gains
Rule 19b-1 — Frequency of distribution of capital gains

1.5.7 Section 22 — Distribution, Redemption, and Re-Purchase of Redeemable Securities

- 1.5.7.1 Section 22(c) — Regulation of underwriters and dealers by Commission
 - Rule 22c-1 — Pricing of redeemable securities for distribution, redemption and re-purchase
- 1.5.7.2 Section 22(d) — Persons to and through whom redeemable securities may be sold (offer securities at a price based on NAV)
 - Rule 22d-1 — Exemption from Section 22(d) to permit sales of redeemable securities at prices which reflect sales loads set pursuant to a schedule
 - Rule 22d-2 — Exemption from Section 22(d) for certain registered separate accounts
- 1.5.7.3 Section 22(e) — Suspension of rights of redemption
 - Rule 22e-1 — Exemption from Section 22(e) during annuity payment period of variable annuity contracts participation in certain registered separate accounts
- 1.5.8 Section 30 — Periodic and Other Reports; Reports of Affiliated Persons**
- 1.5.8.1 Rule 30a-1 — Annual reports (requirement to file)
- 1.5.8.2 Rule 30d-1 — Reports to stock-holders of management companies
- 1.5.9 Section 35 — Unlawful Representations and Names**
- 1.5.10 Section 36 — Breach of Fiduciary Duty**
- 1.5.11 Section 37 — Larceny and Embezzlement**
- 1.6 Trust Indenture Act of 1939**
- 1.6.1 Purpose and Basic Provisions**
- 1.6.2 Necessity of Trustee to Safeguard the Rights of Investors in Registered Debt Obligations**
- 1.6.3 Identification of Rights and Powers of Trustee**
- 1.6.4 Full Disclosure of Information in Bond Indentures**
- 1.6.5 Participation of Trustees in the Preparation of Indentures**
- 1.7 Investment Adviser Act of 1940 and SEC Rules Thereunder**
- 1.7.1 Section 202 — Definitions Under the Act**

- 1.7.2 Section 203 — Registration of Investment Advisers**
- 1.7.3 Section 205 — Investment Advisory Contracts**
- 1.7.4 Section 206 — Prohibited Transactions by Investment Advisers**

2.0
SUPERVISION OF TRADING AND MARKET MAKING ACTIVITIES

2.1 OTC Markets

2.1.1 Overview of the OTC Market

- 2.1.1.1 Non-exchange securities
 - Non-NASDAQ OTC
 - Bulletin Board and Pink Sheets
- 2.1.1.2 Fourth Market
 - Private transactions between institutional investors without the use of a broker/dealer

2.1.2 The NASDAQ Stock Market

- 2.1.2.1 Types of service
 - 2.1.2.1.1 Level 1 service
 - Generally available through public vendors
 - Displays highest bid and lowest ask (inside market) for each authorized security
 - 2.1.2.1.2 Level 2/Level 3 service
 - Available only to NASD-approved subscribers
 - Displays bid/ask quotations and quotation sizes for all registered market makers entering quotes on each authorized security
 - Enables registered market makers to enter bid/ask quotations (price and size) for only those securities they have been authorized to enter quotes
 - 2.1.2.1.3 Rule 6100 — Automated Confirmation Transaction Service (ACT) (Primary vehicle for reporting over-the-counter transactions in equity securities —including OTC trades in listed securities)
 - Rule 6110 — Definitions
 - Rule 6120 — Participation in ACT
 - Participant obligations in ACT
 - Rule 6130 — Trade report input
 - Rule 6140 — ACT processing
 - Rule 6150 — ACT risk management functions
 - Rule 6160 — Obligations to honor trades
 - Rule 6170 — Audit trail requirements
 - Rule 6180 — Violation of ACT rules
 - Rule 6190 — Termination of ACT service
- 2.1.2.2 NASDAQ National Market Securities
 - 2.1.2.2.1 Listing requirements
 - General factors (numerical values not tested)

- At least two registered and active market makers
- Total assets
- Capital and surplus
- Principal outstanding of convertible debt securities
- Common stockholders
- Publicly held shares
- Submission of audited financial reports and documents
- 2.1.2.2.2 Maintenance requirements for continual listing
- 2.1.2.2.3 Issuer designation criteria (general understanding, numerical values not tested)
 - Minimum for:
 - Annual net income
 - Price per share
 - Market value of publicly held shares
 - Higher minimum requirements compared to NASDAQ inclusion for:
 - Capital surplus
 - Number of publicly held shares
 - Non-quantitative criteria
 - Minimum of two independent directors
 - Maintain an audit committee
 - Provide shareholders with quarterly and annual reports
 - Solicit proxies for all shareholders' meetings
 - Hold annual shareholders' meeting
 - Execute listing agreement with NASD
- 2.1.2.3 NASDAQ SmallCap Securities
- 2.1.2.3.1 Listing requirements
 - General factors (numerical values not tested)
- 2.1.2.3.2 Maintenance requirements for continual listing
- 2.1.2.3.3 Issuer designation criteria (general understanding numerical values not tested)
 - Minimum for:
 - Annual net income
 - Price per share
 - Market value of publicly held shares
 - Higher minimum requirements compared to NASDAQ inclusion for
 - Capital surplus
 - Number of publicly held shares
 - Non-quantitative criteria
 - Minimum of two independent directors
 - Maintain an audit committee
 - Provide shareholders with quarterly and annual reports
 - Solicit proxies for all shareholders' meetings
 - Hold annual shareholders' meeting

Execute listing agreement with NASD

- 2.1.2.4 Market Maker Activities
 - 2.1.2.4.1 Firm quotes
 - 2.1.2.4.2 Subject quotes
 - 2.1.2.4.3 Otherwise qualified
 - One-sided market
 - Bid or offer wanted
 - 2.1.2.4.4 Stabilizing bids
 - Pre-effective bids
 - Penalty bids
 - 2.1.2.4.5 Determination of spread
 - Financial condition of issuer
 - Size of issue
 - Activity in issue
 - Market conditions
 - Maximum allowable spreads
 - 2.1.2.4.6 Types of customer business
 - Retail
 - Institutional
 - 2.1.2.4.7 NASDAQ market makers
 - Registration requirements
 - NASD member
 - Minimum net capital requirements
 - 2.1.2.4.8 Quotation requirements (general knowledge)
 - Continuous two-sided quotes for each security
 - Firm quotations for at least a normal unit of trading
 - Quotations reasonably related to the market
 - Limits for maximum allowable spreads
 - 2.1.2.4.9 Daily and monthly volume reports
 - 2.1.2.4.10 NASDAQ market maker requirements
 - Rule 2460 — Payments for market making
 - Rule 4611 — Registration as a NASDAQ market maker
 - Rule 4612 — Primary NASDAQ market maker standards
 - Rule 4614 — Stabilizing bids
 - Rule 4615 — Automated submission of trading data requested by NASD
 - Rule 4616 — Reports
 - Rule 4617 — Normal business hours
 - Rule 4618 — Clearance and settlement
 - Rule 4619 — Withdrawal of quotations
 - Rule 4620 — Voluntary termination of registration
 - Rule 4621 — Suspension and termination of quotations by Association action
 - Rule 4622 — Termination of NASDAQ service and passive market making

Rule 4623 — Penalty bids and syndicate covering transactions

Rule 4730 — Participant obligations in SOES

Registration

Market makers

SOES order entry firms

Rule 6320 — Registration as a CQS market maker

Rule 6330 — Obligations of CQS market makers

Rule 6540 — Requirements applicable to market makers

- 2.1.2.5 NASDAQ Automated Execution Systems
 - 2.1.2.5.1 SuperMontage System
 - Order display facility
 - Order entry facility
 - Quote entry and orders
 - Access to displayed quotes and orders
 - Non-directed orders
 - Preferred orders
 - Directed orders
 - Liability (d modifier)
 - Non-liability orders
 - Order execution algorithm
 - Price/time
 - Price/size/time
 - Price/time with access fee consideration
 - Internalization and anti internalization
 - Trading in actual shares
 - Round lots
 - Odd lots
 - Mixed lots
 - 2.1.2.5.2 SelectNet
 - Pre-open and extended hours
 - 2.1.2.5.3 Other market facilities (general understanding)
 - Electronic communication networks (ECN); Alternative Display Facility (ADF); Alternative Trading Systems (ATS); Unlisted Trading Privilege (UTP)
 - ECN 5 second rule
 - 2.1.2.5.4 Advanced Computerized Execution System (ACES)
 - 2.1.2.5.4.1 Features of ACES
 - Provides market makers ability to automatically execute trades for their authorized order entry customers in NASDAQ NMS and NASDAQ SmallCap securities
 - 2.1.2.5.4.2 Services provided by ACES
 - Automatic executions

- Maintains traders positions
- Provides pre-opening application
- 2.1.2.6 NASD Marketplace Rules regarding transaction reporting obligations
- 2.1.2.6.1 Rules 4630 and 4640 — Reporting transactions in NASDAQ listed securities
- 2.1.2.6.2 Rules 4632 and 4642 — Transaction reporting
 - IM-4632 — Transaction reporting (interpretation)
- 2.1.2.6.3 Rule 4643 — Customer confirmations
- 2.1.2.6.4 Rule 4650 — Reporting transactions in NASDAQ convertible debt securities
- 2.1.2.6.5 Rule 6400 — Reporting transactions in listed securities
 - Rule 6410 — Definitions
 - Rule 6420 — Transaction reporting
 - IM-6420 — Transactions in eligible securities
 - Rule 6430 — Suspension of trading
 - Rule 6450 — Eligible securities
- 2.1.2.6.6 Rule 6550 — Transaction reporting
- 2.1.2.6.7 Rule 6600 — Reporting transactions in over-the-counter equity securities
- 2.1.2.6.8 Rule 6700 — Reporting transactions in non-NASDAQ securities
 - Rule 6710 — Definitions
 - Non-NASDAQ security
 - Non-NASDAQ reporting system
 - Rule 6720 — Price and volume reporting
 - Rule 6730 — Automated submission of trade data
 - Rule 6740 — Submission of Rule 15c2-11 information on non-NASDAQ securities
 - Rule 6750 — Minimum quotation size requirements for OTC equity securities
- 2.1.2.6.9 Rule 6950 — Order audit trail system
- 2.1.2.7 NASDAQ quotation publication and dissemination
 - National Market System list
 - Additional list
 - NASD local quotation program
- 2.1.2.8 NASD Marketplace Rules
 - Rule 4200 — Definitions
 - Rule 4400 — NASDAQ national market issuer designation requirements
- 2.1.3 Non-NASDAQ OTC Securities**
- 2.1.3.1 OTC Bulletin Board Allows participants to enter, update, retrieve quotation information on non-NASDAQ OTC stocks on real-time basis
 - Displays firm quotations
 - Displays unpriced indications of interest

Displays telephone numbers of participating market makers in specified securities

- 2.1.3.2 Rule 6500 — OTC Bulletin Board Service
 - Rule 6510 — Applicability
 - Rule 6520 — Operation of service
 - Rule 6530 — OTCBB-eligible securities

2.1.4 Consolidated Quotation Service (CQS)

- 2.1.4.1 CQS securities
 - NYSE-and Amex-listed securities
 - Certain securities listed on regional exchanges
 - Securities registered or admitted to unlisted trading privileges

- 2.1.4.2 CQS service
 - Displays bid/ask quotation sizes for CQS securities entered by exchanges and/or CQS market makers
 - A “halt” notation will be displayed when an exchange has suspended trading in a security

- 2.1.4.3 NASD Marketplace Rules
 - Rule 6300 — Consolidated Quotation Service (CQS)
 - Rule 6340 — Normal business hours
 - Rule 6350 — Withdrawal of quotations
 - Rule 6360 — Voluntary termination of registration
 - Rule 6370 — Suspension and termination of quotations by Association action

2.1.5 ADRs and Foreign Securities

- 2.1.5.1 Origin and nature of ADRs
 - Duties of the issuing/depository bank
 - Converts and distributes rights offerings
 - Distributes information on non-U.S. corporate developments
- 2.1.5.2 Purpose of issuing these securities versus trading the foreign securities directly
- 2.1.5.3 Shareholders’ rights to demand delivery of the underlying shares
- 2.1.5.4 Provides shareholders with annual balance sheet and operations statement
- 2.1.5.5 Coordination of regulatory activities with issuer’s principal marketplace
- 2.1.5.6 Rule 4300 — Qualification requirements for NASDAQ securities
 - Rule 4300 — Qualification requirements for NASDAQ Stock Market securities
 - Rule 4310 — Qualification requirements for domestic and Canadian securities
 - Rule 4320 — Qualification requirements for Non-Canadian foreign securities and American depository receipts

- Rule 4330 — Suspension or termination of inclusion of a security and exceptions to inclusion criteria
- 2.1.5.7 Rule 6530 — OTCBB-eligible securities

2.2 Domestic Exchange Markets

2.2.1 Listing Criteria (general understanding, numerical values not tested)

- 2.2.1.1 Minimum listing standards
- 2.2.1.2 NYSE-Listed Company Manual

2.2.2 The Auction Market

- 2.2.2.1 Trading post
- 2.2.2.2 Floor broker (member)
- 2.2.2.3 Role of the specialist
 - Maintains the limit order book
 - “Stops” stock
 - Agent vs. principal functions of specialist
 - Arranges buy and sell orders at the opening of daily trading to orchestrate a balanced price
- 2.2.2.4 Automated trading systems (DOT, PACE, AUTO, AMOS, SCOREX)
- 2.2.2.5 Types of orders
- 2.2.2.6 Block trading

2.2.3 New York Stock Exchange Regulations

- 2.2.3.1 Rule 60 — Dissemination of quotation
- 2.2.3.2 Rule 61 — Recognized quotations
- 2.2.3.3 Rule 76 — “Crossing” orders
- 2.2.3.4 Rule 77 — Prohibited dealings and activities
- 2.2.3.5 Rule 78 — Sell and buy orders coupled at same price
- 2.2.3.6 Rule 80A — Limitation on trading during significant market declines
- 2.2.3.7 Rule 92 — Limitations on member trading because of customer’s orders
- 2.2.3.8 Rule 97 — Limitations on members’ trading because of block positioning
- 2.2.3.9 Rule 103C — Listed company relations proceedings
- 2.2.3.10 Rule 104 — Dealings by specialists
- 2.2.3.11 Rule 127 — Block positioning
- 2.2.3.12 Rule 165 — Marking to the market
- 2.2.3.13 Rule 175 — Extension or postponement of contracts (settlement)
- 2.2.3.14 Rule 393 — Secondary distributions (general understanding)
- 2.2.3.15 Rule 396 — Off-floor transactions in bonds
 - “Nine bond” rule

- 2.2.3.16 Rule 410 — Records of orders
 - Transmitted to floor
 - Carried to floor
 - Cancellation
 - By account
 - Orders subject to SEC Rule 11a-1-T
- 2.2.3.17 Rule 411 — Erroneous reports

2.2.4 Consolidated Tape Network

- 2.2.4.1 Reports all executions of exchange-listed securities, regardless of where the transactions occurred
- 2.2.4.2 Use of the tape for price information
- 2.2.4.3 Reports of third market activity

2.3 International Markets

2.3.1 Rule 5100 — NASDAQ International Service Rules

- Rule 5101 — Applicability
- Rule 5102 — Definitions
- Rule 5103 — Normal business hours
- Rule 5104 — Qualified securities
- Rule 5105 — Access
- Rule 5106 — Requirements applicable to market makers
- Rule 5107 — Automated submission of trading data
- Rule 5108 — Reports
- Rule 5109 — Clearance and settlement of international transactions
- Rule 5110 — Suspension and termination of quotations by NASD action
- Rule 5111 — Termination of access
- Rule 5112 — Transaction reporting requirements
- Rule 5113 — Audit trail requirements

2.3.2 Rule 5300 — PORTAL Market Rules

- Rule 5310 — Definitions

2.3.3 International Stock Exchange — SEAQ/TOPIC/U.S. NASDAQ satellite link

2.3.4 Stock Exchange of Singapore (SEDAQ)/U.S. NASDAQ Link

2.3.5 Directing Orders Through Foreign Affiliates for Execution on Foreign Exchanges

2.4 Securities Exchange Act of 1934 and SEC Rules Thereunder

2.4.1 Section 3 — Certain Definitions Under the Act

- 2.4.1.1 Section 3(a)(5) — Dealer
- 2.4.1.2 Section 3(a)(23)(A) — Clearing agency
- 2.4.1.3 Section 3(a)(38) — Market maker
- 2.4.1.4 Section 3(a)(51) — Penny stock
 - Rule 3a51-1 — Penny stock
- 2.4.1.5 Section 3(b) — Other definitions under the Act
 - Rule 3b-1 — Listed
 - Rule 3b-8 — Qualified OTC market maker, qualified third market maker, and qualified block positioner

2.4.2 Regulation M — Antimanipulation Rules Concerning Securities Offerings

- 2.4.2.1 Rule 103 — NASDAQ passive market making

2.4.3 Section 11 — Trading by Members of Exchanges, Brokers and Dealers

- 2.4.3.1 Rule 11a-1 — Regulation of floor trading
- 2.4.3.2 Rule 11a1-1(T) — Transactions yielding priority, parity and precedence
- 2.4.3.3 Rule 11a1-2 — Transactions for certain accounts of associated persons of members
- 2.4.3.4 Rule 11a1-3(T) — Bona fide hedge transactions in certain securities
- 2.4.3.5 Rule 11a1-4(T) — Bond transactions on national securities exchanges
- 2.4.3.6 Rule 11a1-5 — Transactions by registered competitive market makers and registered equity market makers
- 2.4.3.7 Rule 11a2-2(T) — Transactions effected by exchange members through other members

2.4.4 Section 11A — National Market System for Securities

- 2.4.4.1 Rule 11Aa2-1 — Designation of national market system securities
- 2.4.4.2 Rule 11Aa3-1 — Dissemination of transaction reports and last sale data with respect to transactions in reported securities
- 2.4.4.3 Rule 11Ac1-1 — Dissemination of quotations
 - Definitions
 - Covered security
 - Electronic communication network
 - OTC market maker
 - Quotation size
 - Reported security

- Subject security
 - Obligations of responsible brokers and dealers
 - Communication of quotations and quotation sizes
 - Execution of published quotations and quotation sizes
 - Revised quotation size
 - Revised quotations
- 2.4.4.4 Rule 11Ac1-2 — Display of transaction reports, last sale data, and quotation information
 - Display requirements for transaction reports and last sale data
 - Display requirements for quotation information
- 2.4.4.5 Rule 11Ac1-3 — Customer account statements
- 2.4.4.6 Rule 11Ac1-4 — Display customer limit orders
 - Definitions
 - Specialists and OTC market makers
- 2.4.4.7 Rule 11Ac1-5 – Disclosure of order execution information
- 2.4.4.8 Rule 11Ac1-6 – Disclosure of order routing information

2.4.5 Section 15 — Registration and Regulation of Brokers and Dealers

- 2.4.5.1 Section 15(c)(2) — Fraudulent acts or practices and fictitious quotations
 - Rule 15c2-7 — Identification of quotations
 - Rule 15c2-11 — Initiation or resumption of quotations with specified information
 - Form 211
 - Piggybacking
 - Due diligence
- 2.4.5.2 Section 15(g) — Requirements for transactions in penny stocks
 - Rule 15g-1 — Exemptions for certain transactions
 - Rule 15g-2 — Risk disclosure document relating to the penny stock market
 - Rule 15g-3 — Broker or dealer disclosure of quotations and other information relating to the penny stock market
 - Rule 15g-4 — Disclosure of compensation to brokers or dealers
 - Rule 15g-5 — Disclosure of compensation of associated persons in connection with penny stock transactions
 - Rule 15g-6 — Account statements for penny stock customers
 - Rule 15g-9 — Sales practice requirements for certain low priced securities

2.5 NASD — Regulations

2.5.1 Conduct Rules

- 2.5.1.1 Rule 2110 — Standards of commercial honor and principles of trade
 - IM-2110-2 — Trading ahead of customer limit orders (Manning)
 - IM-2110-3 — Front running policy
 - IM-2110-4 — Trading ahead of research reports
 - IM-2110-6 — Confirmation of callable common stock
- 2.5.1.2 Rule 2315 — Recommendations to customers in OTC equity securities
- 2.5.1.3 Rule 2320 — Best execution and interpositioning
- 2.5.1.4 Day-trading accounts
 - Rule 2360 — Approval procedures for day-trading accounts
 - Rule 2361 — Day-trading risk disclosure statement
- 2.5.1.5 Rule 3310 — Publication of transactions and quotations
 - IM-3310 — Manipulative and deceptive quotations
 - Marking the close/Marking the opening
- 2.5.1.6 Rule 3320 — Offers at stated prices
 - IM-3320 — Firmness of quotations
 - Backing-away

2.5.2 Trade Reporting and Compliance Engine Rules (TRACE Rules)

- 2.5.2.1 Rule 6210 — Definitions
- 2.5.2.2 Rule 6220 — Participating in TRACE
- 2.5.2.3 Rule 6230 — Transaction reporting
- 2.5.2.4 Rule 6240 — Termination of TRACE service
- 2.5.2.5 Rule 6250 — Dissemination of corporate bond trade information
- 2.5.2.6 Rule 6260 — Managing underwriter obligation to obtain CUSIP

2.5.3 Procedural Rules

- 2.5.3.1 Rule 9700 — Procedures on grievances concerning the automated systems
 - Rule 9710 — Purpose
 - Rule 9720 — Form of application
 - Rule 9730 — Request for hearing
 - Rule 9750 — Decision
 - Rule 9760 — Review by the NASDAQ hearing review committee
 - Rule 9770 — Findings of the NASDAQ hearing review committee on review
 - Rule 9780 — Discretionary review by the Board
 - Rule 9790 — Application to Commission for review

2.6 Trading and Market Halts

2.6.1 NASD Rules

- 2.6.1.1 Rule 3340 — Prohibition on transactions during trading halts

- 2.6.1.2 Rule 4120 — Trading halts
 - Authority to initiate trading halts
 - Procedure for initiating a trading halt
 - IM-4120-1 — Disclosure of material information

2.6.2 Market Halts

- 2.6.2.1 Agreement between NASDAQ and NYSE (circuit breakers)
 - IM-4120-3 — Market closing policy

2.7 Anti-competitive Trading Practices (21A Report)

- Collusion
- Price/size/spread convention
- Intimidation
- Harassment
- NASD Rule IM-2110-5 —
 - Anti-intimidation/coordination

3.0
SUPERVISION OF BROKERAGE OFFICE OPERATIONS

3.1 Extension of Credit

3.1.1 Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks — Regulation U of the Federal Reserve Board

Purpose credit secured by stock
Exceptions from general rule for broker/dealers
OTC market maker exemption

3.1.2 General Purpose of Other FED Credit Regulations

Regulation X — Rules governing borrowers who obtain securities credit

3.1.3 Regulation SP – Privacy of Consumer Financial Information

3.2 Broker-to-Broker Clearing Procedures

3.2.1 Settlement Procedures

3.2.1.1 Contract sheet
3.2.1.2 Netted trades
3.2.1.3 Continuous net settlement
3.2.1.4 Money settlement
3.2.1.5 OTC trade comparisons on locked-in trades
3.2.1.6 Comparison sheet or ticket
3.2.1.7 Regular way and when issued contract sheets

3.2.2 Firm Must be Member of One of the Following Clearing Corporations

National Securities Clearing Corporation
Midwest Clearing Corporation
Philadelphia Clearing Corporation
Pacific Clearing Corporation

3.2.3 Depository Trust Company

Securities certificate safekeeping
Exchange effected by computerized bookkeeping entries

3.2.4 Clearing Funds

Participant contribution based on processing activity
Interest earned is transferred to participant

3.3 Securities Exchange Act of 1934 and SEC Rules Thereunder

3.3.1 Section 3 — Definitions Under the Act

3.3.1.1 Rule 3a12-9 — Exemption of certain direct participation program securities from the restrictions regarding the extending or arranging of credit under Sections 7(c) and 11(d)(1)

3.3.1.2 Rule 3b-3 — Definition of “short sale”

3.3.2 Section 11 — Trading by Members of Exchanges, Brokers and Dealers

3.3.2.1 Section 11(d)(1) — Extension of credit

3.3.2.1.1 Rule 11d-1 — Exemption of certain securities from Section 11(d)(1)

3.3.2.1.2 Rule 11d1-2 — Exemption from Section 11(d)(1) for certain investment company securities held by broker/dealers as collateral in margin accounts

3.3.3 Section 10 — Regulation of the Use of Manipulative and Deceptive Devices

3.3.3.1 Section 10(a) — Short sales and stop-loss orders

3.3.3.1.1 Rule 10a-2 — Requirements for covering purchases
Prohibitions and exemptions on loans of securities by broker/dealers to cover purchases

3.3.3.2 Section 10(b) — Use or employment of manipulative or deceptive devices

3.3.3.2.1 Rule 10b-10 — Confirmation of transactions

3.3.3.2.2 Rule 10b-16 — Disclosure of credit terms in margin transactions

3.3.3.2.3 Rule 10b-17 — Untimely announcements of record dates

3.3.4 Section 15 — Registration and Regulation of Brokers and Dealers

3.3.4.1 Section 15(c)(1) — Manipulative, deceptive or fraudulent devices or contrivances

3.3.4.1.1 Rule 15c1-5 — Disclosure of control

3.3.4.1.2 Rule 15c1-6 — Disclosure of interest in distributions

3.3.4.2 Section 15(c)(2) — Fraudulent acts or practices and fictitious quotations

3.3.4.2.1 Rule 15c2-5 — Disclosure and other requirements when extending or arranging credit in certain transactions

3.3.4.3 Section 15(c)(6) — Prompt and accurate clearance and settlement of securities transactions

3.3.4.3.1 Rule 15c6-1 — Settlement cycle

3.4 NASD — Regulations

3.4.1 Conduct Rules

- 3.4.1.1 Rule 2230 — Confirmations IM-2230 “Third market” confirmations
- 3.4.1.2 Rule 2240 — Disclosure of control relationship with issuer
- 3.4.1.3 Rule 2250 — Disclosure of participation or interest in primary or secondary distribution
- 3.4.1.4 Rule 2340 — Customer account statements
- 3.4.1.5 Rule 3110 — Books and records
 - Requirements
 - Marking of customer order tickets
 - Customer account information
 - IM-3110 — Customer account information
 - Record of written complaints
 - “Complaint” defined
 - Requirements when using predispute arbitration agreements with customers
 - Telemarketing requirements
- 3.4.1.6 Rule 3220 — Adjustment of open orders
- 3.4.1.7 Rule 3230 — Clearing agreements
- 3.4.1.8 Rule 3350 — Short sale rule
- 3.4.1.9 Rule 3360 — Short-interest reporting
- 3.4.1.10 Rule 3370 — Prompt receipt and delivery of securities
 - Affirmative determination
 - Marking order tickets and other recordkeeping requirements
 - Blanket or standing assurance requirements

3.4.2 Procedural Rules

- 3.4.2.1 Rule 11000 — Uniform Practice Code
 - 3.4.2.1.1 Rule 11100 — Scope of Uniform Practice Code CUSIP number
 - 3.4.2.1.2 Rule 11110 — Uniform Practice committees
 - 3.4.2.1.3 Rule 11120 — Definitions
 - 3.4.2.1.4 Rule 11130 — When, as and if issued/distributed contracts (NYSE Rule 63)
 - 3.4.2.1.5 Rule 11150 — Transactions “ex-interest” in bonds which are dealt in “flat”
 - 3.4.2.1.6 Rule 11160 — “Ex” liquidating payments
 - 3.4.2.1.7 Rule 11170 — Transactions in “part-redeemed” bonds (NYSE Rule 193)
 - 3.4.2.1.8 Rule 11180 — Use of trade acceptance and reconciliation service
 - 3.4.2.1.9 Rule 11190 — Reconfirmation and pricing service participants
 - 3.4.2.1.10 Rule 11200 — Comparisons or confirmations and “Don’t Know Notices”

- 3.4.2.1.11 Rule 11220 — Description of securities
- 3.4.2.1.12 Rule 11300 — Delivery of securities
- 3.4.2.1.13 Rule 11361 — Units of delivery — stocks
- 3.4.2.1.14 Rule 11362 — Units of delivery — bonds
- 3.4.2.1.15 Rule 11363 — Units of delivery — unit investment trust securities
- 3.4.2.1.16 Rule 11364 — Units of delivery — certificates of deposit for bonds
 - IM-11364 — Trading securities as “units” or bonds “with stock”
- 3.4.2.1.17 Rule 11410 — Delivery of securities with draft attached —time of presentation
 - Prior to settlement date
 - With irregularities
- 3.4.2.1.18 Rule 11620 — Computation of interest (NYSE Rule 243)
- 3.4.2.1.19 Rule 11630 — Due-bills and due-bill checks (NYSE Rule 255)
- 3.4.2.1.20 Rule 11640 — Claims for dividends, rights, interest, etc.
- 3.4.2.1.21 Rule 11650 — Transfer fees (NYSE Rule 182)
- 3.4.2.1.22 Rule 11700 — Reclamations and rejections
 - Definitions
 - Uniform reclamation form
 - Time for delivery of reclamation and manner of settlement
- 3.4.2.1.23 Rule 11720 — Irregular delivery; transfer refused; lost or stolen securities
- 3.4.2.1.24 Rule 11740 — Marking to the market (NYSE Rules 165, 166, 168)
- 3.4.2.1.25 Rule 11810 — “Buying-in” (NYSE Rule 282)
- 3.4.2.1.26 Rule 11820 — “Selling-out” (NYSE Rule 283)
- 3.4.2.1.27 Rule 11840 — Rights and warrants
- 3.4.2.1.28 Rule 11890 — Clearly erroneous transactions
 - Authority to review transactions
 - Procedures for reviewing transaction
 - Procedures for reviewing transactions executed during system disruptions or malfunctions
 - Review by the Market Operations Review Committee
- 3.4.2.1.29 Rule 11900 — Clearance of corporate debt securities
- 3.4.2.1.30 Rule 11830 — Mandatory close-out for short sales

4.0

**SALES SUPERVISION; GENERAL SUPERVISION OF EMPLOYEES;
REGULATORY FRAMEWORK OF NASD**

- 4.1 Securities Exchange Act of 1934 and SEC Rules Thereunder**
- 4.1.1 Section 3 — Certain Definitions Under the Act**
 - 4.1.1.2 Section 3(a)(39) — Statutory disqualification
- 4.1.2 Section 15 — Registration and Regulation of Brokers and Dealers**
 - 4.1.2.1 Section 15(a)(1) — Prohibitions relating to unregistered broker/dealers
 - 4.1.2.1.1 Rule 15a-6 — Exemption of certain foreign brokers or dealers
 - 4.1.2.2 Section 15(b)(4) — Sanctions against brokers or dealers
 - 4.1.2.3 Section 15(b)(6) — Sanctions for person associated with broker or dealer
 - 4.1.2.4 Section 15(c)(1) — Manipulative, deceptive or fraudulent devices or contrivances
 - 4.1.2.4.1 Rule 15c1-1 — Definitions
- 4.1.3 Regulation E**
 - 4.1.3.1 Rule 14e-1 — Unlawful tender offer practices
 - 4.1.3.2 Rule 14e-3 — Transactions in securities on the basis of material, non-public information in the context of tender offers
- 4.2 NASD — Regulations**
- 4.2.1 Certificate of Incorporation**
 - Objects or purposes
- 4.2.2 By-Laws**
 - 4.2.2.1 Article I — Definitions
 - 4.2.2.2 Article III — Qualifications of members and associated persons
 - Section 1 — Persons eligible to become members and associated persons of members
- 4.2.3 General Provisions**
 - 4.2.3.1 Rule 0110 — Adoption and application of rules
 - Rule 0115 — Applicability
 - 4.2.3.2 Rule 0120 — Definitions
- 4.2.4 Membership and Registration**

- 4.2.4.1 Rule 1000 — Membership, registration, and qualification requirements
 - IM-1000-1 — Filing of misleading information as to membership or registration
 - IM-1000-3 — Failure to register personnel
 - IM-1000-4 — Branch offices and offices of supervisory jurisdiction
- 4.2.4.2 Rule 1010 — Membership proceedings
 - Definitions
 - General provisions
 - New member application and interview
 - Department decision
 - Review by the National Adjudicatory Council
 - Discretionary review by NASD Board
 - Application for approval of change in ownership, control or business operations
 - Application to Commission for review
 - Electronic filing rules
- 4.2.4.3 Rule 1020 — Registration of principals
 - Registration requirements
 - Categories of principal registration
 - General securities principal
 - Limited principals
- 4.2.4.4 Rule 1040 — Registration of assistant representative-order processing
- 4.2.4.5 Rule 1060 — Persons exempt from registration
- 4.2.4.6 Rule 1070 — Qualification examinations and waiver of requirements
- 4.2.4.7 Rule 1080 — Confidentiality of examinations
- 4.2.4.8 Rule 1090 — Foreign members
- 4.2.4.9 Rule 1100 — Foreign associates
- 4.2.4.10 Rule 1110 — Registration of government securities principals
- 4.2.4.11 Rule 1140 — Electronic filing rules

4.2.5 Conduct Rules

- 4.2.5.1 Rule 2210 — Communications with the public (NYSE Rule 472)
 - Approval and recordkeeping
 - Filing requirements and review procedures
 - IM-2210-1 — Communications with the public about collateralized mortgage obligations (CMOs)
 - IM-2210-2 — Communications with the public about variable life insurance and variable annuities
 - IM-2210-3 — Use of rankings in investment companies advertisements and sales literature
 - IM-2210-4 — Limitations on use of Association's name
 - IM-2210-5 — Requirements for the use of bond mutual fund volatility ratings

- 4.2.5.2 Rule 2260 — Forwarding of proxy and other materials (NYSE Rule 451)
 - IM-2260 — Suggested rates of reimbursement
- 4.2.5.3 Rule 2280 — Investor education and protection
- 4.2.5.4 Rule 2310—Recommendations to customers [suitability] (NYSE Rule 405)
 - IM-2310-2 — Fair dealing with customers
 - On-line suitability
 - IM-2310-3 — Suitability obligations to institutional customers
- 4.2.5.5 Rule 2350 — Broker/dealer conduct on the premises of financial institutions
 - Applicability
 - Definitions
 - Standards for member conduct
 - Setting
 - Networking and brokerage affiliate agreements
 - Customer disclosure and written acknowledgment
 - Communications with the public
 - Notifications of termination
- 4.2.5.6 Rule 2420 — Dealing with nonmembers
 - Transactions with nonmembers
 - Transactions with foreign nonmembers
 - Nonmember broker or dealer
 - IM-2420-1 — Transactions between members and nonmembers
 - IM-2420-2 — Continuing commission policy
- 4.2.5.7 Rule 2430 — Charges for services performed
- 4.2.5.8 Rule 2450 — Installment or partial sales
 - Prohibition
 - Hypothecation
- 4.2.5.9 Rule 3010 — Supervision
 - Supervisory system
 - Written procedures
 - Internal inspections
 - Definitions
 - Office of supervisory jurisdiction
 - Branch office
- 4.2.5.10 Rule 3011 – Anti-money laundering compliance program
- 4.2.5.11 Rule 3070 — Reporting requirements (NYSE 351d)
- 4.2.5.12 Rule 3080 - Disclosure to associated persons when signing Form U-4

4.2.6 Procedural Rules

- 4.2.6.1 Rule 9000 — Code of Procedure
- 4.2.6.1.1 Rule 9100 — Application and purpose
 - Rule 9110 — Application

- Rule 9120 — Definitions
- Rule 9130 — Service; filing of papers
- Rule 9140 — Proceedings
- 4.2.6.1.2 Rule 9200 — Disciplinary proceedings
 - Rule 9210 — Complaint and answer
 - Rule 9220 — Request for hearing; extensions of time, postponements, adjournments
 - Rule 9230 — Appointment of hearing panel, extended hearing panel
 - Rule 9240 — Pre-hearing conference and submission
 - Rule 9250 — Discovery
 - Rule 9260 — Hearing and decision
 - Rule 9270 — Settlement procedure
 - Rule 9280 — Contemptuous conduct
- 4.2.6.1.3 Rule 9300 — Review of disciplinary proceeding by National Adjudicatory Council and NASD Regulation and NASD Board; application for Commission review
 - Rule 9310 — Appeal to or review by National Adjudicatory Council
 - Rule 9340 — Proceedings
 - Rule 9350 — Discretionary review by NASD Board
 - Rule 9360 — Effectiveness of sanctions
 - Rule 9370 — Application to Commission for review
- 4.2.6.1.4 Rule 9500 — Suspension, cancellation, bar, denial of access, and eligibility procedures
 - Rule 9510 — Procedures for summary and non-summary suspension, cancellation, bar, limitation or prohibition
 - Rule 9520 — Eligibility proceedings
- 4.2.6.1.5 Rule 9600 — Procedures for Exemptions
 - Rule 9610 — Application
 - Rule 9620 — Decision
 - Rule 9630 — Appeal
- 4.2.6.1.6 Rule 10400 — Mediation rules
 - Rule 10401 — Scope and authority
 - Rule 10402 — Submission of eligible matters
 - Rule 10405 — Limitation on liability
 - Rule 10406 — Mediation ground rules

4.3 MSRB Rules

- 4.3.1 Rule G-37 — Political Contributions and Prohibitions on Municipal Securities Business**
- 4.3.2 Rule G-38 — Consultants**

5.0

COMPLIANCE WITH FINANCIAL RESPONSIBILITY RULES

5.1 Securities Act of 1934 and SEC Rules Thereunder

5.1.1 Section 15 — Registration and Regulation of Brokers and Dealers

5.1.1.1 Rule 15c3-1 — Net capital requirements for brokers and dealers (NYSE Rules 325 and 326)

5.1.1.1.1 Minimum net capital requirements

Broker/dealers that carry customer accounts

Prime brokers

Broker/dealers that carry accounts but do **not** hold customer funds or securities and operate under Paragraph (k)(2)(I) exemption of Rule 15c3-3

Introducing broker/dealers

Firms that introduce accounts on a fully disclosed basis to another broker or dealer and do **not** receive funds or securities

Firms that introduce accounts on a fully disclosed basis to another broker or dealer **and receive, but do not hold, customer or other broker/dealer securities and do not receive funds**

Dealers

Mutual fund brokers or dealers transacting a business in redeemable shares of registered investment companies and certain other share accounts

Wire order basis

Subscription basis (**do not otherwise receive or hold funds or securities**)

Market makers

Brokers or dealers transacting a business only in direct participation programs

Brokers or dealers engaged exclusively in mergers and acquisition

5.1.1.1.2 Definitions and general understanding of the following terms

Aggregate indebtedness

Net capital including adjustments to net worth for illiquid assets

Securities differences — treatment when computing net capital

Haircuts — effect on capital of proprietary positions

Additional haircuts on securities with a limited market, unduly concentrated positions and

non-marketable securities

Open contractual commitments

- Treatment of aged fails to deliver
- 5.1.1.1.3 Debt—Equity requirements
- 5.1.1.1.4 Withdrawal of equity capital
- 5.1.1.1.5 Alternative net capital requirement
- 5.1.1.1.6 Appendix D — Satisfactory subordination agreements
 - Definitions
 - Subordinated loan agreement
 - Collateral Value
 - Secured demand note agreement
 - Minimum requirements of subordination agreements
 - Temporary and revolving subordination agreements
 - Filing requirements (general)
- 5.1.1.2 Rule 15c3-2 — Use of customer free credit balances (NYSE Rule 409)
- 5.1.2 Section 17 — Accounts and Records, Reports, Examinations of Exchanges, Members and Others**
- 5.1.2.1 Rule 17a-3 — Records to be made by certain exchange members, brokers and dealers (general understanding of major provisions)
 - Blotters or other records of original entry
 - Ledgers or other records reflecting all assets and liabilities
 - Securities position records (NYSE Rule 421)
 - Subsidiary ledgers and proofs of money balances in all accounts (trial balance)
 - Questionnaire or application for employment executed by each “associated person”
 - Fingerprint records required by Rule 17f-2
- 5.1.2.2 Rule 17a-4 — Records to be preserved by certain exchange members, brokers and dealers
 - Requirement for ready accessibility of all records for two years
 - General type of record to be maintained for six years
 - Maintenance of records with respect to associated persons
 - Preservation of required records
 - Outside service bureaus
- 5.1.2.3 Rule 17a-5 — Reports to be made by certain brokers and dealers (NYSE Rule 418)
 - Filing of monthly and quarterly reports
 - Report filed upon termination of membership interest
 - Annual filing of audited financial statements
 - Qualification of accountants
 - Audit objectives
 - Accountant’s reports — general provisions
 - Accountant’s report on material inadequacies
 - Extensions and exemptions
 - Notification of changes of fiscal year
 - Filing requirements

- 5.1.2.4 Rule 17a-11 — Notification provisions for brokers and dealers
- 5.1.2.5 Rule 17a-13 — Quarterly security counts to be made by certain exchange members, brokers and dealers (general requirement)
 - Requirements for each calendar quarter year
 - Persons to perform or supervise required securities counts
- 5.1.2.6 Section 17(b) — Inspection by commission or appropriate regulatory agency

5.2 NASD — Regulations

5.2.1 By-Laws

- 5.2.1.1 Article VI — Dues, Assessments, and Other Charges
 - Suspension or cancellation of membership or registration
 - Schedule A (general knowledge of types of income assessed and fee levied)

5.2.2 Procedural Rules

- 5.2.2.1 Rule 9000 — Code of Procedure
 - Rule 9400 — Limitation procedures under rules 3130 and 3140
 - Rule 9410 — Procedures for regulating activities of members experiencing financial or operating difficulties

5.2.3 Conduct Rules

- 5.2.3.1 Rule 2270 — Disclosure of financial condition to customers
 - Requirement of members to furnish recent financial statement to other members
- 5.2.3.2 Rule 2330 — Customers' securities or funds
 - Improper use
 - Authorization to lend — pledging or lending related to indebtedness
 - Separate lending authorization designating securities
 - Segregation and identification of securities
 - IM-2330 — Segregation of customers' securities
- 5.2.3.3 Rule 2910 — Disclosure of financial condition to other members
- 5.2.3.4 Rule 3020 — Fidelity bonds (NYSE Rule 319)
 - Coverage required
 - Deductible provision
 - Annual review of coverage
 - Notification of change
 - Definitions
- 5.2.3.5 Rule 3130 — Regulation of activities of members experiencing financial and/or operational difficulties

IM-3130 — Restrictions on a member's activity

5.2.3.6 Rule 3140 — Approval of change in exempt status under SEC Rule 15c3-3

Loss of 15c3-3(k) exemption when member conducts business that will disqualify it from the exemption without the prior written approval of the NASD

5.2.3.7 Rule 3210 — Securities “failed to receive” and “failed to deliver”

[OMITTED]

NASD has requested confidential treatment for the Series 23 selection specifications, and thus the specifications are omitted from this filing. The Series 23 selection specifications have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.¹

¹ 17 CFR 240.24b-2.