

January 7, 2004

Florence Harmon
Senior Special Counsel
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001

Re: **SR-NASD-2004-001 – Proposal to Increase the Fee for Panel Member Training and to Charge a Fee for Online Training Courses**

Dear Ms. Harmon:

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 Mignon McLemore, Dispute Resolution, Inc., at (202) 728-8151; e-mail mignon.mclemore@nasd.com. The fax number is (202) 728-8833.

Very truly yours,

Barbara Z. Sweeney
Senior Vice President
and Corporate Secretary

Enclosures

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” or “Association”), through its wholly owned subsidiary, NASD Dispute Resolution, Inc. (“NASD Dispute Resolution” or “Dispute Resolution”), is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to increase the fee for arbitrator panel training and to charge a fee for arbitrators to take online training courses. NASD is not proposing any textual changes to the By-Laws or Rules of NASD.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change has been approved by the Board of Governors of NASD (“Board”) and authorized for filing with the SEC pursuant to a delegation of authority granted by the Board at its meeting on July 31, 2003 to, among others, the President of NASD Dispute Resolution to propose and approve de minimis changes to all fees administered by NASD (“Delegation of Authority”). The Board was advised of the exercise of discretion taken pursuant to the Delegation of Authority. Counsel for The Nasdaq Stock Market and NASD Regulatory Policy and Oversight were provided an opportunity to consult with respect to the general Delegation of Authority, pursuant to the Plan of Allocation and Delegation of Functions by NASD to its Subsidiaries. No other action by NASD is necessary for the filing of the proposed rule change. Section 1(a)(ii) 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.

NASD will announce the effective date of the proposed rule change in a Notice to Members issued within 30 days of Commission approval. The new rates will become effective upon publication of the Notice.

(b) Questions regarding this rule filing may be directed to Mignon McLemore, NASD Dispute Resolution at (202) 728-8151; email mignon.mclemore@nasd.com.

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

(a) Purpose

NASD Dispute Resolution proposes to raise the fee for arbitrator panel training from \$100 to \$125 and to charge a \$25 fee for arbitrators to take training courses online. Each fee proposal will be discussed in turn.

Raising the fee for panel member training

NASD proposes to raise the fee for panel member training from \$100 to \$125 for all applicants who register for the training after the proposed rule change becomes effective. This increase is intended to offset increased costs of providing the panel member training program, due primarily to increased room rental and staff travel costs. The proposed increase of \$25 per trainee also will allow NASD to increase the honorarium provided to arbitrators who serve as co-trainers for the programs.

Dispute Resolution staff plans to extend the length of the current four-hour training program to cover additional subject matter. Following approval of the proposed rule change, the usual panel member training program will consist of a four-hour morning session, followed by a two-hour afternoon session.¹ During the afternoon session, staff and the designated co-trainer, who is an arbitrator on the roster, will facilitate a videotaped training on civility. In light of the

¹ NASD room rental expenses will not increase, because rates quoted are for the entire business day.

increased length of the training session, NASD plans to raise the honorarium of each co-trainer from \$300 for a four-hour program to \$400 for a six-hour program.

NASD believes the increase in the training fee will enable it to provide in-depth arbitrator training, which will improve the quality of the arbitrator roster. Moreover, NASD believes this nominal increase is an equitable allocation of reasonable fees among persons using an NASD system or facility.

Charging a fee for arbitrators to take online training courses

After having successfully implemented its online arbitrator chairperson training in June 2003, NASD Dispute Resolution is developing short arbitrator online training modules (referred to as “mini-modules”) on specific subjects such as an arbitrator’s duty of disclosure, handling requests for expungement, or addressing discovery abuse.² Like the online arbitrator chairperson training, the mini-modules will be interactive courses that arbitrators can access using any computer with Internet access, 24 hours a day, seven days a week.

The cost of each voluntary mini-module will be \$25 per trainee, and will be assessed at the time of registration. This minimal charge will offset the fee paid by NASD to the outside vendor, FIRE Solutions, for its services (e.g., development, maintenance, accounting, reporting, evaluation), as well as staff costs associated with the development, maintenance, and continuous updating of the mini-module materials.

NASD is committed to expanding its arbitrator training programs in a continuing effort to improve the quality of the arbitrator roster, and believes that charging a fee for these mini-modules will facilitate this effort.

² The first mini-module, The Duty to Disclose, is due to be released in January 2004.

(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 the Association'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. NASD believes that the minimal increase in the in-person panel member training fee and the nominal fee imposed for the online training modules will help NASD improve the knowledge and experience of arbitrators and thus, improve the quality of the NASD arbitration forum.

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

NASD Dispute Resolution 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 Dispute Resolution 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.

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

Not applicable.

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.

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: January 7, 2004

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-2004-001)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Arbitrator Training Fees

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”), through its wholly owned subsidiary, NASD Dispute Resolution (“NASD Dispute Resolution”) 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 Dispute Resolution. 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 Dispute Resolution is proposing to increase the fee for arbitrator panel training and to charge a fee for arbitrators to take online training courses. NASD is not proposing any textual changes to the By-Laws or Rules of NASD.

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 Dispute Resolution 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

places specified in Item IV below. NASD Dispute Resolution 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

(a) **Purpose**

NASD Dispute Resolution proposes to raise the fee for arbitrator panel training from \$100 to \$125 and to charge a \$25 fee for arbitrators to take training courses online. Each fee proposal will be discussed in turn.

Raising the fee for panel member training

NASD proposes to raise the fee for panel member training from \$100 to \$125 for all applicants who register for the training after the proposed rule change becomes effective. This increase is intended to offset increased costs of providing the panel member training program, due primarily to increased room rental and staff travel costs. The proposed increase of \$25 per trainee also will allow NASD to increase the honorarium provided to arbitrators who serve as co-trainers for the programs.

Dispute Resolution staff plans to extend the length of the current four-hour training program to cover additional subject matter. Following approval of the proposed rule change, the usual panel member training program will consist of a four-hour morning session, followed by a two-hour afternoon session.³ During the afternoon session, staff and the designated co-trainer, who is an arbitrator on the roster, will facilitate a videotaped training on civility. In light of the increased length of the training session, NASD plans to raise the honorarium of each co-trainer from \$300 for a four-hour program to \$400 for a six-hour program.

³ NASD room rental expenses will not increase, because rates quoted are for the entire business day.

NASD believes the increase in the training fee will enable it to provide in-depth arbitrator training, which will improve the quality of the arbitrator roster. Moreover, NASD believes this nominal increase is an equitable allocation of reasonable fees among persons using an NASD system or facility.

Charging a fee for arbitrators to take online training courses

After having successfully implemented its online arbitrator chairperson training in June 2003, NASD Dispute Resolution is developing short arbitrator online training modules (referred to as “mini-modules”) on specific subjects such as an arbitrator’s duty of disclosure, handling requests for expungement, or addressing discovery abuse.⁴ Like the online arbitrator chairperson training, the mini-modules will be interactive courses that arbitrators can access using any computer with Internet access, 24 hours a day, seven days a week.

The cost of each voluntary mini-module will be \$25 per trainee, and will be assessed at the time of registration. This minimal charge will offset the fee paid by NASD to the outside vendor, FIRE Solutions, for its services (e.g., development, maintenance, accounting, reporting, evaluation), as well as staff costs associated with the development, maintenance, and continuous updating of the mini-module materials.

NASD is committed to expanding its arbitrator training programs in a continuing effort to improve the quality of the arbitrator roster, and believes that charging a fee for these mini-modules will facilitate this effort.

(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 the Association’s rules must be

⁴ The first mini-module, The Duty to Disclose, is due to be released in January 2004.

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. NASD believes that the minimal increase in the in-person panel member training fee and the nominal fee imposed for the online training modules will help NASD improve the knowledge and experience of arbitrators and thus, improve the quality of the NASD arbitration forum.

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

NASD Dispute Resolution 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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. 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 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).

Jonathan G. Katz
Secretary