

Proposed Rule Change by National Association of Securities Dealers
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Amendment to IM-8210-2 to give NASD authority to publish NAC decisions issued pursuant to Rule 1015

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Shirley"/>	Last Name	<input type="text" value="Weiss"/>
Title	<input type="text" value="Associate General Counsel"/>		
E-mail	<input type="text" value="shirley.weiss@nasd.com"/>		
Telephone	<input type="text" value="(202) 782-8844"/>	Fax	<input type="text" value="(202) 728-8264"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date	<input type="text" value="05/12/2005"/>
By	<input type="text" value="Patrice Gliniecki"/>
	(Name)
	<input type="text" value="Senior Vice President and Deputy General Counsel"/>
	(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

PATRICE GLINIECKI,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

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 NASD Interpretative Material 8310-2 ("IM-8310-2") to give NASD authority to release to the public, in unredacted form, information with respect to any decision issued by the National Adjudicatory Council ("NAC") pursuant to Rule 1015. Below is the text of the proposed rule change. Proposed new language is underlined.

* * * * *

IM-8310-2. Release of Disciplinary and Other Information Through the Public Disclosure Program

(a) through (l) No change.

(m) NASD shall release to the public, in unredacted form, information with respect to any decision issued by the National Adjudicatory Council pursuant to Rule 1015.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of NASD Regulation, Inc. at its meeting on April 20, 2005, 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 Board of Governors of NASD had an opportunity to review the rule change at its meeting on April 21, 2005. No other action by NASD is necessary for the filing of the proposed rule change. Section 1(a)(iii) of Article VII of the NASD By-Laws permits the Board of Governors of NASD to issue interpretations of NASD Rules.

NASD will announce the effective date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission approval. The effective date will be 30 days following publication of the Notice to Members announcing Commission approval. NASD will publish only those NAC decisions issued pursuant to Rule 1015 in which the appeal has been filed on or after the effective date of this proposed rule change.

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

(a) Purpose

The proposed rule change will amend IM-8310-2 to give NASD authority to release to the public, in unredacted form, information with respect to any decision issued by the NAC pursuant to Rule 1015. Rule 1015 is part of the Rule 1010 Series governing

membership proceedings. These proceedings involve both new member applications and applications for approval of a change in ownership, control, or business operations.

Background

The NAC reviews two types of membership decisions that are adverse to the applicants. Under Rule 1014, NASD's Department of Member Regulation ("Department") determines whether an applicant meets all of the requisite standards for admission to NASD and serves the applicant with a written decision. Department decisions under Rule 1014 explain the reason for any restriction or, in some cases, denial. Under Rule 1017, the Department considers applications for approval of change in ownership, control, or business operations and renders a decision. Department decisions under Rule 1017 explain the basis for denying a requested application in whole or in part.

Under Rule 1015, an aggrieved applicant may file a written request for NAC review of the Department's decision issued under Rules 1014 or 1017. Unlike disciplinary appeals conducted pursuant to the Rule 9300 Series, membership appeal hearings before the NAC are trial-level proceedings that usually involve the submission of new exhibits and testimony, and are not limited to 30-minute appellate argument. The NAC may affirm, modify, or reverse the Department's decision or remand the membership proceeding with instructions. The NAC's decision will include a description of the Department's decision, including its rationale; a description of the principal issues raised; a summary of the evidence; a statement as to whether the Department's decision is affirmed, modified, or reversed; and a rationale for the decision that references the applicable standards. The NAC's decisions under Rule 1015 are subject to discretionary

review by the NASD Board, which may affirm, modify, reverse, or remand the NAC's proposed decision. IM-8310-2 does not currently provide for the release of NAC membership application decisions.¹

Proposed Rule Change

The proposed rule change would amend IM-8310-2 to give NASD authority to release to the public, information with respect to any decision issued by the NAC pursuant to Rule 1015, including decisions pertaining to new membership applications (Rule 1014) or continuing membership applications (Rule 1017). NASD proposes to release these decisions in unredacted form, except that the decisions would not routinely identify those persons who are not themselves under consideration or review as part of the membership application process. For example, the decisions would not routinely name shareholders of a closely held broker-dealer that is being sold when the decision evaluates the qualifications of the proposed buyers. NASD notes that if a member

¹ NASD currently makes the following decisions issued by the NAC available to the public under IM-8310-2 and publishes them on NASD's Web site:

- in unredacted form, any disciplinary decision imposing a suspension, cancellation or expulsion of a member; or suspension or revocation of the registration of an associated person; or suspension or barring of a member or person associated with a member; or imposition of monetary sanctions of \$10,000 or more on a member or associated person;
- in redacted form, any disciplinary decision that does not meet the above requirements;
- in redacted form, decisions issued in eligibility proceedings governing the association of a statutorily disqualified person with a member.

appeals the NAC's adverse decision to the SEC, the SEC will make its decision in the matter available to the public, including on the SEC's Web site.

NASD believes that making these decisions available to the public would benefit both potential new members and members that are considering a change in ownership, control, or business operations. Access to these decisions would assist applicants in understanding the standards that must be met under Rule 1014 or 1017, as appropriate, and the manner in which such standards are applied, especially with respect to applicants that are denied membership. Applicants also would be better informed about the membership process and standards, and may be deterred from pursuing meritless appeals. Further, NASD believes that public investors and persons who are potentially seeking NASD membership should have the opportunity to review the rationale behind the NAC's decisionmaking, including where the NAC denies membership to an applicant. In addition, publishing the NAC's decisions would benefit the NAC members who serve on the subcommittees that conduct the hearing in connection with applications for membership and change in ownership, control, or business operations because their decisions could cite to and build upon earlier NAC precedents.

NASD also believes that public investors will benefit from the availability of information about any limitations placed on members, where such limitations result from proceedings before the NAC. NASD believes that public investors also will benefit from the availability of NAC decisions that describe the factors that have been instrumental in the granting of membership or the expansion of business activities available to the public.

NASD will announce the effective date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission approval. The effective date will be 30 days following publication of the Notice to Members announcing Commission approval. NASD will publish only those NAC decisions issued pursuant to Rule 1015 in which the appeal has been filed on or after the effective date of this proposed rule change.

(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 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 amending IM-8310-2 to release to the public information with respect to any decision issued by the NAC under Rule 1015, in unredacted form, is consistent with Section 15A(b)(6) of the Act because it is in the interest of both member firms and the general public to be able to read these decisions to become better informed about NASD's membership process and standards and the manner in which such standards are applied.

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.

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

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2005-064)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Association of Securities Dealers, Inc.
Relating to the Publication of any Decision Issued By the National Adjudicatory Council
Pursuant to Rule 1015

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 [leave space] , 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 NASD Interpretative Material 8310-2 ("IM-8310-2") to give NASD authority to release to the public, in unredacted form, information with respect to any decision issued by the National Adjudicatory Council ("NAC") pursuant to NASD Rule 1015. Below is the text of the proposed rule change. Proposed new language is in italics.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

* * * * *

IM-8310-2. Release of Disciplinary and Other Information Through the Public Disclosure Program

(a) through (l) No change.

(m) NASD shall release to the public, in unredacted form, information with respect to any decision issued by the National Adjudicatory Council pursuant to Rule 1015.

* * * * *

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

The proposed rule change will amend IM-8310-2 to give NASD authority to release to the public, in unredacted form, information with respect to any decision issued by the NAC pursuant to Rule 1015. Rule 1015 is part of the Rule 1010 Series governing membership proceedings. These proceedings involve both new member applications and applications for approval of a change in ownership, control, or business operations.

Background

The NAC reviews two types of membership decisions that are adverse to the applicants. Under Rule 1014, NASD's Department of Member Regulation ("Department") determines whether an applicant meets all of the requisite standards for admission to NASD and serves the applicant with a written decision. Department decisions under Rule 1014 explain the reason for any restriction or, in some cases, denial. Under Rule 1017, the Department considers applications for approval of change in ownership, control, or business operations and renders a decision. Department decisions under Rule 1017 explain the basis for denying a requested application in whole or in part.

Under Rule 1015, an aggrieved applicant may file a written request for NAC review of the Department's decision issued under Rules 1014 or 1017. Unlike disciplinary appeals conducted pursuant to the Rule 9300 Series, membership appeal hearings before the NAC are trial-level proceedings that usually involve the submission of new exhibits and testimony, and are not limited to 30-minute appellate argument. The NAC may affirm, modify, or reverse the Department's decision or remand the membership proceeding with instructions. The NAC's decision will include a description of the Department's decision, including its rationale; a description of the principal issues raised; a summary of the evidence; a statement as to whether the Department's decision is affirmed, modified, or reversed; and a rationale for the decision that references the applicable standards. The NAC's decisions under Rule 1015 are subject to discretionary review by the NASD Board, which may affirm, modify, reverse, or remand the NAC's

proposed decision. IM-8310-2 does not currently provide for the release of NAC membership application decisions.³

Proposed Rule Change

The proposed rule change would amend IM-8310-2 to give NASD authority to release to the public, information with respect to any decision issued by the NAC pursuant to Rule 1015, including decisions pertaining to new membership applications (Rule 1014) or continuing membership applications (Rule 1017). NASD proposes to release these decisions in unredacted form, except that the decisions would not routinely identify those persons who are not themselves under consideration or review as part of the membership application process. For example, the decisions would not routinely name shareholders of a closely held broker-dealer that is being sold when the decision evaluates the qualifications of the proposed buyers. NASD notes that if a member appeals the NAC's adverse decision to the SEC, the SEC will make its decision in the matter available to the public, including on the SEC's Web site.

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- in unredacted form, any disciplinary decision imposing a suspension, cancellation or expulsion of a member; or suspension or revocation of the registration of an associated person; or suspension or barring of a member or person associated with a member; or imposition of monetary sanctions of \$10,000 or more on a member or associated person;
- in redacted form, any disciplinary decision that does not meet the above requirements;
- in redacted form, decisions issued in eligibility proceedings governing the association of a statutorily disqualified person with a member.

NASD believes that making these decisions available to the public would benefit both potential new members and members that are considering a change in ownership, control, or business operations. Access to these decisions would assist applicants in understanding the standards that must be met under Rule 1014 or 1017, as appropriate, and the manner in which such standards are applied, especially with respect to applicants that are denied membership. Applicants also would be better informed about the membership process and standards, and may be deterred from pursuing meritless appeals. Further, NASD believes that public investors and persons who are potentially seeking NASD membership should have the opportunity to review the rationale behind the NAC's decisionmaking, including where the NAC denies membership to an applicant. In addition, publishing the NAC's decisions would benefit the NAC members who serve on the subcommittees that conduct the hearing in connection with applications for membership and change in ownership, control, or business operations because their decisions could cite to and build upon earlier NAC precedents.

NASD also believes that public investors will benefit from the availability of information about any limitations placed on members, where such limitations result from proceedings before the NAC. NASD believes that public investors also will benefit from the availability of NAC decisions that describe the factors that have been instrumental in the granting of membership or the expansion of business activities available to the public.

NASD will announce the effective date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission approval. The effective date will be 30 days following publication of the Notice to Members

announcing Commission approval. NASD will publish only those NAC decisions issued pursuant to Rule 1015 in which the appeal has been filed on or after the effective date of this proposed rule change.

2. 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 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 amending IM-8310-2 to release to the public information with respect to any decision issued by the NAC under Rule 1015, in unredacted form, is consistent with Section 15A(b)(6) of the Act because it is in the interest of both member firms and the general public to be able to read these decisions to become better informed about NASD's membership process and standards and the manner in which such standards are applied.

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

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, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2005-064 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-NASD-2005-064. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). 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, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of NASD.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to the File Number SR-NASD-2005-064 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Secretary

⁴ 17 CFR 200.30-3(a)(12).