

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2006 - 128

Amendment No.

Proposed Rule Change by National Association of Securities Dealers

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

Initial ☒ Amendment ☐ Withdrawal ☐

Section 19(b)(2) ☒Section 19(b)(3)(A) ☐Section 19(b)(3)(B) ☐

Rule

Pilot ☐ Extension of Time Period
for Commission Action ☐ Date Expires

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Exhibit 2 Sent As Paper Document
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Exhibit 3 Sent As Paper Document
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Description

Provide a brief description of the proposed rule change (limit 250 characters).

Proposed new effective date of rule change to Rule 2340 (SR-NASD-2004-171) approved by SEC on 9-07-06.

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 Last Name
Title
E-mail
Telephone Fax

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

By
(Name)

(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.

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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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 Sent As Paper Document

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Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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”),¹ the National Association of Securities Dealers, Inc. (“NASD”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to establish May 31, 2007 as the effective date of the amendments to Rule 2340 (concerning customer account statements) that the SEC approved in September 2006.² The amendments require customer account statements to include a statement advising customers to promptly report any inaccuracy or discrepancy in their account to the introducing firm and clearing firm (where these are different firms) and to re-confirm any oral communication in writing. No changes are being proposed to NASD rule text.

(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 January 21, 2004, which authorized the filing of the rule change with the SEC. Counsel for Nasdaq, Inc. 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

¹ 15 U.S.C. 78s(b)(1).

² See Securities Exchange Act Rel. No. 54411 (September 7, 2006), 71 FR 54105 (September 13, 2006), as corrected by Securities Exchange Act Rel. No. 54411A (October 6, 2006), 71 FR 61115 (October 17, 2006); SR-NASD-2004-171.

proposed rule change at its meeting on January 22, 2004. 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 Board of Governors of NASD to adopt NASD Rules without recourse to the membership for approval.

NASD will announce the effective date of the amendments to Rule 2340 in a Notice to Members to be published no later than 30 days following Commission approval. The effective date will be May 31, 2007.

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

(a) Purpose

NASD is filing the proposed rule change to establish May 31, 2007 as the effective date for the amendments to NASD Rule 2340 (concerning customer account statements) that the SEC approved in September 2006.³ Consistent with recommendations made by the Government Accountability Office ("GAO"), the amendments to Rule 2340 require customer account statements to include a statement advising customers to promptly report any inaccuracy or discrepancy in their account to the introducing firm and clearing firm (where these are different firms). The statement must also advise customers that any oral communications should be re-confirmed in writing to further protect the customer's rights, including rights under the Securities Investor Protection Act ("SIPA").

Pursuant to the SEC's approval of SR-NASD-2004-171, the amendments to Rule 2340 will go into effect on March 6, 2007. However, for several reasons, NASD seeks to

³ See id.

delay implementation of these provisions until May 31, 2007. An implementation date of May 31, 2007 will conform to the proposed implementation date of a similar New York Stock Exchange LLC (“NYSE”) rule change,⁴ thereby reducing possible confusion for firms that are members of both self-regulatory organizations (“SROs”). In addition, consistent with recommendations made by the GAO, NASD has filed a related rule change, which generally would require members to advise all customers, in writing at the time of account opening, and at other specified times, that they may obtain information about the Securities Investor Protection Corporation (“SIPC”) by contacting SIPC, and to provide such customers with SIPC’s telephone number and web site.⁵ The NYSE also has filed a similar rule change,⁶ and both NASD and NYSE are proposing a May 31, 2007 effective date for those related amendments. Finally, establishing May 31, 2007 as the effective date will give firms sufficient time to make necessary changes to their customer account statements and procedures.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁷ 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 the proposed rule change is consistent with the provisions

⁴ See SR-NYSE-2005-09.

⁵ See SR-NASD-2006-124.

⁶ See SR-NYSE-2005-09.

⁷ 15 U.S.C. 78o-3(b)(6).

of the Act noted above because each customer will be advised to promptly report any discrepancies or inaccuracies in his or her account to his or her brokerage firm (both the clearing firm and introducing firm, where the customer's account receives services from both) and to re-confirm any oral communications in writing, thereby further protecting the customer's rights, including rights under SIPA. NASD further believes that extending the effective date will ensure that firms will have sufficient time to make the necessary changes to their account statements and procedures to be able to comply with the new SIPC disclosure requirements, and that dual members will not have conflicting effective dates.

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.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

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

NASD requests the Commission to find good cause pursuant to Section 19(b)(2) of the Act⁸ for approving the proposed rule change prior to the 30th day after its publication in the Federal Register.

⁸ 15 U.S.C. 78s(b)(2).

The sole purpose of this rule change is to establish an effective date of May 31, 2007 for a rule change previously approved by the Commission (SR-NASD-2004-171). Among other things, this will conform to the proposed implementation date of a similar NYSE rule change.⁹ NASD believes that extending the effective date will enable NASD to give firms sufficient notice of both rule changes and help to ensure that firms have sufficient time to make the necessary changes to their account statements and procedures to be able to comply with the new SIPC disclosure requirements. Further, members of both the NASD and NYSE will not have conflicting implementation dates. Therefore, NASD requests the Commission to accelerate the effectiveness of the proposed rule change prior to the 30th day after its publication in the Federal Register.

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

NYSE has proposed a substantially similar rule change (SR-NYSE-2005-09).

9. Exhibits

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

⁹ See SR-NYSE-2005-09.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2006-128)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Establishing an Effective Date For Amendments to NASD Rule 2340

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

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASD is filing the proposed rule change to establish May 31, 2007 as the effective date for the amendments to NASD Rule 2340 (concerning customer account statements) that the SEC approved in September 2006.³ The amendments require customer account statements to include a statement advising customers to promptly

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Rel. No. 54411 (September 7, 2006), 71 FR 54105 (September 13, 2006), as corrected by Securities Exchange Act Rel. No. 54411A (October 6, 2006), 71 FR 61115 (October 17, 2006); SR-NASD-2004-171.

report any inaccuracy or discrepancy in their account to the introducing firm and clearing firm (where these are different firms) and to re-confirm any oral communication in writing. No changes are being proposed to NASD rule text.

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

In its original rule 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

NASD is filing the proposed rule change to establish May 31, 2007 as the effective date for the amendments to NASD Rule 2340 (concerning customer account statements) that the SEC approved in September 2006.⁴ Consistent with recommendations made by the Government Accountability Office (“GAO”), the amendments to Rule 2340 require customer account statements to include a statement advising customers to promptly report any inaccuracy or discrepancy in their account to

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See id.

customers that any oral communications should be re-confirmed in writing to further protect the customer's rights, including rights under the Securities Investor Protection Act ("SIPA").

Pursuant to the SEC's approval of SR-NASD-2004-171, the amendments to Rule 2340 will go into effect on March 6, 2007. However, for several reasons, NASD seeks to delay implementation of these provisions until May 31, 2007. An implementation date of May 31, 2007 will conform to the proposed implementation date of a similar New York Stock Exchange LLC ("NYSE") rule change,⁵ thereby reducing possible confusion for firms that are members of both self-regulatory organizations ("SROs"). In addition, consistent with recommendations made by the GAO, NASD has filed a related rule change, which generally would require members to advise all customers, in writing at the time of account opening, and at other specified times, that they may obtain information about the Securities Investor Protection Corporation ("SIPC") by contacting SIPC, and to provide such customers with SIPC's telephone number and web site.⁶ The NYSE also has filed a similar rule change,⁷ and both NASD and NYSE are proposing a May 31, 2007 effective date for those related amendments. Finally, establishing May 31, 2007 as the effective date will give firms sufficient time to make necessary changes to their customer account statements and procedures.

⁵ See SR-NYSE-2005-09.

⁶ See SR-NASD-2006-124.

⁷ See SR-NYSE-2005-09.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁸ 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 the proposed rule change is consistent with the provisions of the Act noted above because each customer will be advised to promptly report any discrepancies or inaccuracies in his or her account to his or her brokerage firm (both the clearing firm and introducing firm, where the customer's account receives services from both) and to re-confirm any oral communications in writing, thereby further protecting the customer's rights, including rights under SIPA. NASD further believes that extending the effective date will ensure that firms will have sufficient time to make the necessary changes to their account statements and procedures to be able to comply with the new SIPC disclosure requirements, and that dual members will not have conflicting effective dates.

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.

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.

⁸ 15 U.S.C. 78o-3(b)(6).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

NASD has requested that the Commission find good cause pursuant to Section 19(b)(2) of the Act⁹ for approving the proposed rule change prior to the 30th day after publication in the Federal Register. The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NASD and, in particular, the requirements of Section 15A of the Act and the rules and regulations thereunder. The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof. The sole purpose of the rule change is to establish an effective date of May 31, 2007 for a rule change previously approved by the Commission (SR-NASD-2004-171). Accelerated approval will benefit firms that are members of both the NASD and NYSE because an effective date of May 31, 2007 will conform to the proposed implementation date of a similar NYSE rule change thereby reducing possible confusion for firms that are members of both self-regulatory organizations (“SROs”).¹⁰

In addition, consistent with recommendations made by the GAO, NASD has filed a related rule change, which generally would require members to advise all customers, in writing, and at specified times, that they may obtain information about SIPC by contacting SIPC and to provide such customers with SIPC’s telephone number and web site.¹¹ The NYSE has filed a similar rule change,¹² and both NASD and NYSE are

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ See SR-NYSE-2005-09.

¹¹ See SR-NASD-2006-124.

proposing a May 31, 2007 effective date for those related amendments. Establishing May 31, 2007 as the effective date will enable NASD to give firms sufficient notice of both rule changes and help to ensure that firms have sufficient time to make the necessary changes to their account statements and procedures to be able to comply with the new SIPC disclosure requirements. Further, members of both the NASD and NYSE will not have conflicting implementation dates.

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

¹² See SR-NYSE-2005-09.

SR-NASD-2006-128 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASD-2006-128. 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. 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-2006-128 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.¹³

Nancy M. Morris

Secretary

¹³ 17 CFR 200.30-3(a)(12).