

OMB APPROVAL

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

File No. SR - 2007 - 015
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) ☐
Pilot ☐			Rule		
Extension of Time Period for Commission Action ☐			☐ 19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☒ 19b-4(f)(6)		
Date Expires 					

Exhibit 2 Sent As Paper Document
☐

Exhibit 3 Sent As Paper Document
☐

Description

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

A proposed rule change to NASD Rules 1012 and 1013 to require applicants for membership to apply for membership in the manner NASD prescribes.

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.

Stephanie Dumont,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

Add Remove View

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

Add Remove View

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

Add Remove View

Exhibit Sent As Paper Document

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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 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

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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 4 - Marked Copies

Add Remove View

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

Add Remove View

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

Add Remove View

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 a proposed rule change to amend NASD Rules 1012 (General Provisions) and 1013 (New Member Application and Interview) to require an applicant for membership to submit an application in the manner prescribed by NASD. Currently, applicants submit the new membership application form (Form NMA) in hard copy; however, NASD will be requiring applicants to submit Form NMA electronically. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

1011. Definitions

Unless otherwise provided, terms used in the Rule 1010 Series shall have the meaning as defined in Rule 0120.

(a) “Applicant”

The term “Applicant” means a person that applies for membership in the [Association]NASD under Rule 1013 or a member that files an application for approval of a change in ownership, control, or business operations under Rule 1017.

(b) through (g) No Change.

(h) “Interested [Association]NASD Staff”

The term “Interested [Association]NASD Staff” means an employee who directly participates in a decision under Rule 1014 or 1017, an employee who directly supervises

¹ 15 U.S.C. 78s(b)(1).

an employee with respect to such decision, an employee who conducted an investigation or examination of a member that files an application under Rule 1017, the District Director for the relevant district, and the head of the Department.

(i) through (n) No Change.

1012. General Provisions

(a) Filing by Applicant or Service by [the Association]NASD

(1) An Applicant for membership [may]shall file an application in the manner prescribed in Rule 1013.

(2) Except where NASD has otherwise prescribed an electronic or alternative filing process, an Applicant may file an application or any document or information requested under the Rule 1010 Series by first-class mail, overnight courier, or hand delivery. If the Department and the Applicant agree, the Applicant also may file a requested document or information by facsimile.

[(2) The Association](3) NASD shall serve a notice or decision issued under the Rule 1010 Series by first-class mail on the Applicant or its counsel, unless a Rule specifies a different method of service.

[(3)](4) For purposes of the Rule 1010 Series, [S]service by [the Association] NASD or filing by an Applicant shall be deemed complete as follows:

(A) Service or filing by first-class mail shall be deemed complete on the date of postmark;

(B) Service or filing by overnight courier shall be deemed complete on the date of delivery to the overnight courier as specified in the airbill;

(C) Service or filing by hand delivery shall be deemed complete on the date of receipt as evidenced by a date stamp;[and]

(D) Service or filing by facsimile shall be deemed complete on the date specified in the document and on the written confirmation of transmission[.]; and

(E) Filing by an electronic system shall be deemed complete on the date specified on the confirmation page generated by the electronic filing system.

(b) Lapse of Application

(1) No Change.

(2) If an Applicant wishes to continue to seek membership or approval of a change in ownership, control, or business operations, then the Applicant shall be required to submit a new application and fee under Rule 1013 or 1017, respectively. [The Association]NASD shall not refund any fee for a lapsed application.

(c) Ex Parte Communications

(1) The prohibitions against ex parte communications shall become effective when [Association]NASD staff has knowledge that an Applicant intends to file a written request for review by the National Adjudicatory Council under Rule 1015.

(2) Unless on notice and opportunity for an Applicant and Interested [Association]NASD Staff to participate, or to the extent required for the disposition of ex parte matters as authorized by [the]NASD Rules[of the Association]:

(A) an Applicant, a counsel or representative of an Applicant, or an Interested [Association]NASD Staff shall not make or knowingly cause to be made an ex parte communication relevant to the merits of a membership proceeding under the Rule 1010 Series to a Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or an [Association]NASD employee who is participating or advising in a decision of such a person with respect to that proceeding; and

(B) a Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or an [Association]NASD employee who is participating or advising in the decision of such a person with respect to a membership proceeding shall not make or knowingly cause to be made to an Applicant, a counsel or representative of the Applicant, or an Interested [Association]NASD Staff an ex parte communication relevant to the merits of that proceeding.

(3) A Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or an [Association]NASD employee participating or advising in the decision of such a person, who receives, makes, or knowingly causes to be made a communication prohibited by this paragraph shall place in the record of the membership proceeding:

(A) through (C) No Change.

(d) through (e) No Change.

* * * * *

1013. New Member Application and Interview

(a) Filing of Application

(1) [Where]How to File

An Applicant for NASD membership shall file its application in the manner prescribed by NASD with the Department of Member Regulation at the district office in the district in which the Applicant intends to have its principal place of business as defined in Rule 1011(l). An Applicant shall submit an application that includes:

[(2) Contents]

[An Applicant shall submit an application using NASD Form NMA. The application shall include:]

(A) Form NMA;

Existing (A) through (R) relabeled (B) through (S).

[(3)](2) [Electronic Filings]Uniform Registration Forms

Upon approval of the Applicant's NASD Member Firm Account Administrator Entitlement Form, the Applicant shall submit its Forms U4 for each Associated Person who is required to be registered under NASD Rules, any amendments to its Forms BD or U4, and any Form U5 electronically via Web CRD.

[(4)](3) Rejection of Application That Is Not Substantially Complete

If the Department determines within 30 days after the filing of an application that the application is not substantially complete, the Department may reject the application and deem it not to have been filed. In such case, within the 30 day period, the Department shall serve a written notice on the Applicant of the Department's determination and the reasons therefor. [The Association]NASD shall refund the application fee, less \$350, which shall be retained by [the Association]NASD as a processing fee. If the Applicant determines to continue to seek membership, the Applicant shall submit a new application and fee under this Rule.

[(5)](4) Request For Additional Documents Or Information

Within 30 days after the filing of an application, the Department shall serve an initial request for any additional information or documents necessary to render a decision on the application. The Department may serve subsequent requests for additional information or documents at any time during the membership application process.

Unless otherwise agreed by the Department and the Applicant, the Applicant shall file any additional information and documents with the Department within 60 days after service of the Department's initial request and 30 days after service of any subsequent request.

(b) No Change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was 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 January 23, 2003, to the General Counsel of NASD Regulatory Policy and Oversight (or his officer designee) (“Delegation of Authority”) to file, without further specific Board authorization, administrative, technical, conforming, and non-substantive changes to NASD rules. The staff will advise the Board of any action taken pursuant to the Delegation of Authority. No other action by NASD is necessary for the filing of this 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 has filed the proposed rule change for immediate effectiveness. NASD will announce the implementation date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission notice of the filing of the rule change for immediate effectiveness. The implementation date will be 30 days from the publication of the Notice to Members.

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

(a) Purpose

Applying for NASD membership is a comprehensive process requiring the submission of extensive information, considerable attention to detail, and a substantial time commitment. To streamline the application process and outline clearly the

information that must be submitted with the application, NASD recently amended Rule 1013 (New Member Application and Interview) to require applicants to use a standardized form, Form NMA, to submit their membership applications.² Form NMA is organized according to the 14 individual standards for membership enumerated in Rule 1014 (Department Decision) and assists applicants in compiling a complete application package by listing the forms and supporting documentation required by Rule 1013. Applicants currently submit Form NMA in hard copy to NASD, along with the required forms and supporting documentation, via hand delivery, courier, or first-class mail.³

NASD, however, previously indicated in the rule filing requiring applicants to use Form NMA that it intended to develop systems to enable applicants to submit Form NMA electronically. NASD has now completed those systems and converted Form NMA to an electronic document. The electronic Form NMA and the new electronic application submission process changes only the manner in which NASD receives the information that a membership application is required to include under Rule 1013. They do not change the information applicants must submit pursuant to Rule 1013 or the standards set forth in Rule 1014 for granting an applicant's membership application.

The proposed rule change amends Rule 1012 (General Provisions) to require applicants to file an application in the manner prescribed in Rule 1013. The proposed rule change also amends Rule 1012(a) to reflect that the electronic filing of a new member application will be deemed complete on the date specified on the confirmation page generated by the electronic filing system. In addition, the proposed rule change

² See Notice to Members 06-16 (May 2006).

³ See Rule 1012(a)(1) and Rule 1013(a)(1).

amends Rule 1013(a) to require new member applicants to file an application in the manner prescribed by NASD and to include the completed Form NMA as part of the contents of a membership application.

Finally, the proposed rule change deletes outdated references in Rules 1011, 1012 and Rule 1013 to “the Association” and replaces them with “NASD.”⁴

Prior to the proposed rule change becoming effective and operative, NASD will make the Form NMA available to applicants via Web CRD® and will outline details in a Notice to Members regarding how to complete the online form and submit it using the new electronic filing system.⁵

This move away from a paper new member application to an electronic application will further streamline and make more efficient the new member application process.⁶ An electronic application process is also consistent with NASD’s By-Laws, which state that new member applications “shall be made to the NASD via electronic process or such other process as the NASD may prescribe, on the form to be prescribed

⁴ NASD no longer refers to itself using its full corporate name or “the Association.” Instead, NASD uses the name “NASD” unless otherwise appropriate for corporate or regulatory reasons.

⁵ NASD will also provide advance notice through the NASD Notice to Members process (or similar guidance) of any systems changes to the electronic application process that would alter the manner in which applicants interact with the electronic filing system.

⁶ Cf. Securities Exchange Act Release No. 54654 (October 26, 2006), 71 FR 48958 (August 22, 2006) and 71 FR 55537 (September 22, 2006) (SR-NASD-2006-060) (SEC approval order of new NASD Rule 3170 (Mandatory Electronic Filing Requirements) giving NASD the authority to require members to file or submit electronically any regulatory notice or other document that a member is required to file with (or otherwise submit to) NASD).

by the NASD.”⁷

As noted in Item 2 above, NASD has filed the proposed rule change for immediate effectiveness. NASD will announce the implementation date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission notice of the filing of the rule change for immediate effectiveness. The implementation date will be 30 days from the publication of the Notice to Members.

(b) 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. The proposed rule change amends Rules 1012 and 1013 to require new member applications to be submitted in the manner prescribed by NASD, which will be electronically. The proposed rule change does not propose any new or additional content requirements for member applications. NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) as the requirement to file electronic applications using Form NMA will ensure a more streamlined and efficient membership application process.

⁷ NASD By-Laws, Art. IV, Sec. 1(a).

⁸ 15 U.S.C. 78o-3(b)(6).

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)(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) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder,⁹ 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 after filing.

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.

⁹ 17 CFR 240.19b-4.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2007-015)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to a Proposed Rule Change to Amend NASD Rules 1012 (General Provisions) and 1013 (New Member Application and Interview) to Require an Applicant for Membership to Submit an Application in the Manner Prescribed by NASD

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 under paragraph (f)(6) of Rule 19b-4 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.

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

NASD is proposing to amend NASD Rules 1012 (General Provisions) and 1013 (New Member Application and Interview) to require an applicant for membership to submit an application in the manner prescribed by NASD. Below is the text of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4.

proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

1011. Definitions

Unless otherwise provided, terms used in the Rule 1010 Series shall have the meaning as defined in Rule 0120.

(a) “Applicant”

The term “Applicant” means a person that applies for membership in the [Association]NASD under Rule 1013 or a member that files an application for approval of a change in ownership, control, or business operations under Rule 1017.

(b) through (g) No Change.

(h) “Interested [Association]NASD Staff”

The term “Interested [Association]NASD Staff” means an employee who directly participates in a decision under Rule 1014 or 1017, an employee who directly supervises an employee with respect to such decision, an employee who conducted an investigation or examination of a member that files an application under Rule 1017, the District Director for the relevant district, and the head of the Department.

(i) through (n) No Change.

1012. General Provisions

(a) Filing by Applicant or Service by [the Association]NASD

(1) An Applicant for membership ~~[may]~~shall file an application in the manner prescribed in Rule 1013.

(2) Except where NASD has otherwise prescribed an electronic or alternative filing process, an Applicant may file an application or any document or information requested under the Rule 1010 Series by first-class mail, overnight courier, or hand delivery. If the Department and the Applicant agree, the Applicant also may file a requested document or information by facsimile.

~~[(2) The Association]~~(3) NASD shall serve a notice or decision issued under the Rule 1010 Series by first-class mail on the Applicant or its counsel, unless a Rule specifies a different method of service.

~~[(3)]~~(4) For purposes of the Rule 1010 Series, [S]service by ~~[the Association]~~ NASD or filing by an Applicant shall be deemed complete as follows:

(A) Service or filing by first-class mail shall be deemed complete on the date of postmark;

(B) Service or filing by overnight courier shall be deemed complete on the date of delivery to the overnight courier as specified in the airbill;

(C) Service or filing by hand delivery shall be deemed complete on the date of receipt as evidenced by a date stamp;~~[and]~~

(D) Service or filing by facsimile shall be deemed complete on the date specified in the document and on the written confirmation of transmission[.]; and

(E) Filing by an electronic system shall be deemed complete on the date specified on the confirmation page generated by the electronic filing system.

(b) Lapse of Application

(1) No Change.

(2) If an Applicant wishes to continue to seek membership or approval of a change in ownership, control, or business operations, then the Applicant shall be required to submit a new application and fee under Rule 1013 or 1017, respectively. [The Association]NASD shall not refund any fee for a lapsed application.

(c) Ex Parte Communications

(1) The prohibitions against ex parte communications shall become effective when [Association]NASD staff has knowledge that an Applicant intends to file a written request for review by the National Adjudicatory Council under Rule 1015.

(2) Unless on notice and opportunity for an Applicant and Interested [Association]NASD Staff to participate, or to the extent required for the disposition of ex parte matters as authorized by [the]NASD Rules[of the Association]:

(A) an Applicant, a counsel or representative of an Applicant, or an Interested [Association]NASD Staff shall not make or knowingly cause to be made an ex parte communication relevant to the merits of a membership proceeding under the Rule 1010 Series to a Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or an [Association]NASD employee who is participating or advising in a decision of such a person with respect to that proceeding; and

(B) a Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or an [Association]NASD employee who is participating or advising in the decision of such a person with respect to a membership proceeding shall not make or knowingly cause to be made to an Applicant, a counsel or representative of the Applicant, or an Interested [Association]NASD Staff an ex parte communication relevant to the merits of that proceeding.

(3) A Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or an [Association]NASD employee participating or advising in the decision of such a person, who receives, makes, or knowingly causes to be made a communication prohibited by this paragraph shall place in the record of the membership proceeding:

(A) through (C) No Change.

(d) through (e) No Change.

* * * * *

1013. New Member Application and Interview

(a) Filing of Application

(1) [Where]How to File

An Applicant for NASD membership shall file its application in the manner prescribed by NASD with the Department of Member Regulation at the district office in the district in which the Applicant intends to have its principal place of business as defined in Rule 1011(l). An Applicant shall submit an application that includes:

[(2) Contents]

[An Applicant shall submit an application using NASD Form NMA. The application shall include:]

(A) Form NMA;

Existing (A) through (R) relabeled (B) through (S).

[(3)](2) [Electronic Filings]Uniform Registration Forms

Upon approval of the Applicant's NASD Member Firm Account Administrator Entitlement Form, the Applicant shall submit its Forms U4 for each Associated Person who is required to be registered under NASD Rules, any amendments to its Forms BD or U4, and any Form U5 electronically via Web CRD.

[(4)](3) Rejection of Application That Is Not Substantially Complete

If the Department determines within 30 days after the filing of an application that the application is not substantially complete, the Department may reject the application and deem it not to have been filed. In such case, within the

30 day period, the Department shall serve a written notice on the Applicant of the Department's determination and the reasons therefor. [The Association]NASD shall refund the application fee, less \$350, which shall be retained by [the Association]NASD as a processing fee. If the Applicant determines to continue to seek membership, the Applicant shall submit a new application and fee under this Rule.

[(5)](4) Request For Additional Documents Or Information

Within 30 days after the filing of an application, the Department shall serve an initial request for any additional information or documents necessary to render a decision on the application. The Department may serve subsequent requests for additional information or documents at any time during the membership application process.

Unless otherwise agreed by the Department and the Applicant, the Applicant shall file any additional information and documents with the Department within 60 days after service of the Department's initial request and 30 days after service of any subsequent request.

(b) No Change.

* * * * *

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

Applying for NASD membership is a comprehensive process requiring the submission of extensive information, considerable attention to detail, and a substantial time commitment. To streamline the application process and outline clearly the information that must be submitted with the application, NASD recently amended Rule 1013 (New Member Application and Interview) to require applicants to use a standardized form, Form NMA, to submit their membership applications.⁴ Form NMA is organized according to the 14 individual standards for membership enumerated in Rule 1014 (Department Decision) and assists applicants in compiling a complete application package by listing the forms and supporting documentation required by Rule 1013. Applicants currently submit Form NMA in hard copy to NASD, along with the required forms and supporting documentation, via hand delivery, courier, or first-class mail.⁵

NASD, however, previously indicated in the rule filing requiring applicants to use Form NMA that it intended to develop systems to enable applicants to submit Form NMA electronically. NASD has now completed those systems and converted Form NMA to an electronic document. The electronic Form NMA and the new electronic application submission process changes only the manner in which NASD receives the

⁴ See Notice to Members 06-16 (May 2006).

⁵ See Rule 1012(a)(1) and Rule 1013(a)(1).

information that a membership application is required to include under Rule 1013. They do not change the information applicants must submit pursuant to Rule 1013 or the standards set forth in Rule 1014 for granting an applicant's membership application.

The proposed rule change amends Rule 1012 (General Provisions) to require applicants to file an application in the manner prescribed in Rule 1013. The proposed rule change also amends Rule 1012(a) to reflect that the electronic filing of a new member application will be deemed complete on the date specified on the confirmation page generated by the electronic filing system. In addition, the proposed rule change amends Rule 1013(a) to require new member applicants to file an application in the manner prescribed by NASD and to include the completed Form NMA as part of the contents of a membership application.

Finally, the proposed rule change deletes outdated references in Rules 1011, 1012 and Rule 1013 to "the Association" and replaces them with "NASD."⁶

⁶ NASD no longer refers to itself using its full corporate name or "the Association." Instead, NASD uses the name "NASD" unless otherwise appropriate for corporate or regulatory reasons.

Prior to the proposed rule change becoming effective and operative, NASD will make the Form NMA available to applicants via Web CRD® and will outline details in a Notice to Members regarding how to complete the online form and submit it using the new electronic filing system.⁷

This move away from a paper new member application to an electronic application will further streamline and make more efficient the new member application process.⁸ An electronic application process is also consistent with NASD's By-Laws, which state that new member applications "shall be made to the NASD via electronic process or such other process as the NASD may prescribe, on the form to be prescribed by the NASD."⁹

As noted in Item 2 above, NASD has filed the proposed rule change for immediate effectiveness. NASD will announce the implementation date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission notice of the filing of the rule change for immediate effectiveness. The implementation date will be 30 days from the publication of the Notice to Members.

⁷ NASD will also provide advance notice through the NASD Notice to Members process (or similar guidance) of any systems changes to the electronic application process that would alter the manner in which applicants interact with the electronic filing system.

⁸ Cf. Securities Exchange Act Release No. 54654 (October 26, 2006), 71 FR 48958 (August 22, 2006) and 71 FR 55537 (September 22, 2006) (SR-NASD-2006-060) (SEC approval order of new NASD Rule 3170 (Mandatory Electronic Filing Requirements) giving NASD the authority to require members to file or submit electronically any regulatory notice or other document that a member is required to file with (or otherwise submit to) NASD).

⁹ NASD By-Laws, Art. IV, Sec. 1(a).

(2) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ 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. The proposed rule change amends Rules 1012 and 1013 to require new member applications to be submitted in the manner prescribed by NASD, which will be electronically. The proposed rule change does not propose any new or additional content requirements for member applications. NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) as the requirement to file electronic applications using Form NMA will ensure a more streamlined and efficient membership application process.

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.

¹⁰ 15 U.S.C. 78o-3(b)(6).

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

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

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 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-2007-015 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-2007-015. 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, 100 F Street, NE, 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-2007-015 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.¹¹

Nancy M. Morris

Secretary

¹¹ 17 CFR 200.30-3(a)(12).