

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”) Amendment No. 1 to SR-NASD-2007-034 to: (1) create new NASD Rule 1160 (Firm Contact Information) regarding the reporting of designated contact information to NASD and the annual review of such information; and (2) amend Rule 1120 (Continuing Education Requirements), Rule 1150 (Executive Representative), Interpretive Material (IM)-3011-2 (Review of Anti-Money Laundering Compliance Person Information), and Rule 3520 (Emergency Contact Information) to eliminate the requirement that members review and update, at the end of each calendar quarter, the contact information required by these rules. This Amendment No. 1 addresses the comments the Commission received in response to the publication of the proposed rule change in the Federal Register,² proposes a technical amendment to clarify the proposed rule text for Rule 1150, and sets forth the proposed effective date. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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1150. Executive Representative

Each member must identify, review, and, if necessary, update its executive representative designation and contact information as required by Article IV, Section 3 of

¹ 15 U.S.C. 78s(b)(1).

² See Securities Exchange Act Release No. 55810 (May 24, 2007), 72 FR 30404 (May 31, 2007) (Notice of Filing of SR-NASD-2007-034).

the NASD By-Laws in the manner prescribed by Rule 1160 [within 17 business days after the end of each calendar quarter].

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(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 18, 2007 which authorized the filing of the rule change with the SEC. The Board of Governors of NASD reviewed the proposed rule change at its meeting on April 19, 2007. 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 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 to be published no later than 60 days following Commission approval. The effective date will be December 31, 2007.

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

(a) Purpose

On May 11, 2007, NASD filed SR-NASD-2007-034 with the Commission. The Commission published the rule filing for comment in the Federal Register on May 31,

2007³ and received two comment letters in response.⁴ The purpose of this Amendment No. 1 is to address these comments and to propose a technical amendment to clarify the proposed rule text.

Rule Proposal and Response to Comments

The proposed rule change would amend Rule 1120 (Continuing Education Requirements), Rule 1150 (Executive Representative), IM-3011-2 (Review of Anti-Money Laundering Compliance Person Information), and Rule 3520 (Emergency Contact Information) to eliminate the requirement that members review and update, at the end of each calendar quarter, the contact information required by these rules, and instead, require members to review and update such information pursuant to proposed new Rule 1160 (Firm Contact Information).

Proposed new Rule 1160 would require members to provide required contact information via the NASD Contact System (“NCS”) or such other means as NASD may specify. Rule 1160 also would require members to update the contact information promptly, but in any event not later than 30 days following any change in such information, as well as to review, and if necessary update the information within 17 business days after the end of each calendar year. In addition, the rule would require members to comply with any NASD request for such information promptly, but in any

³ See Securities Exchange Act Release No. 55810 (May 24, 2007), 72 FR 30404 (May 31, 2007) (Notice of Filing of SR-NASD-2007-034).

⁴ Comment letters were submitted by: Kenneth M. Cherrier, Chief Compliance Officer, Fintegra Financial, dated June 21, 2007 (“Fintegra”); and Lisa Roth, Members Advocacy Chairwoman, National Association of Independent Broker-Dealers (“NAIBD”), dated June 13, 2007 (“NAIBD”).

event not later than 15 days following the request, or such longer period that may be agreed to by NASD staff.

Both commenters endorsed replacing the current quarterly verification requirement with an annual obligation. Fintegra praised the efficiencies that would result from that aspect of the proposal, while NAIBD noted that an annual verification requirement was more consistent with the infrequent changes in contact information generally experienced at most member firms.

NAIBD, however, suggested that the requirement to update information upon a change remain a quarterly requirement, rather than the proposed 30-day requirement, stating that some firms' electronic filing systems and reminders have been programmed to accommodate a systemic quarterly update. In response, NASD notes that, at least with respect to Rule 1120, IM-3011-2, and Rule 3520, firms currently are required to "promptly" update such information in the event of a change, in addition to being required to review, and if necessary, update the designated contact information on a quarterly basis.⁵ In proposing new Rule 1160, NASD is seeking to clarify the requirement that firms both promptly update such information upon any change, as well as verify the accuracy of the required contact information on an annual basis. Further, NASD is seeking to clarify that any such updates must occur not later than 30 days following the change. As NASD indicated in the initial rule filing, having members update promptly their contact information following a change helps to ensure that such

⁵ See Rule 1120(a)(7) (Regulatory Element Contact Person), Rule 3011(d) (Anti-Money Laundering Compliance Program), and Rule 3520(b) (Emergency Contact Information). See also Article IV, Section 3 of the NASD By-Laws, addressing procedures for members to change their Executive Representatives.

information is kept current, thereby assuring NASD's ability to contact its members in the event of an emergency, as well as supporting members' compliance with certain NASD rules.

Fintegra objected to proposed Rule 1160's 17-business-day time frame for members to verify and update their required contact information after the end of each calendar year. Fintegra suggested that the time frame be shortened to 15 days to align it with the provision in proposed Rule 1160 that would require members to promptly comply with any NASD request for such contact information, but no later than 15 days following the request. The commenter stated that consistent time frames would simplify adherence to the proposed rule and that there appeared to be no justification for the differing compliance timelines.

The two time periods, however, serve different purposes, and NASD believes that retaining the 17-business-day window for the annual verification will aid members' compliance efforts. Firms currently are required to update such information within 17 business days following each quarter,⁶ and therefore are already familiar with the proposed end of year schedule. In addition, the 17-business-day window is consistent with the requirement that a member's FOCUS report be submitted within 17 business days after the end of each calendar quarter. Currently, when members file FOCUS reports each quarter, NASD reminds them of the need to review and update their designated contact information on NCS. NASD intends to continue this practice,

⁶ See Rule 1120(a)(7); Rule 1150; IM-3011-2; Rule 3520(b) (all requiring members to update the contact information required by the respective rules within 17 business days after the end of each calendar quarter).

reminding members of the need to verify the required contact information at the time they file their fourth quarter FOCUS report.

Technical Amendment

The word “in” in the proposed new language “in the manner prescribed by Rule 1160” was not underlined in the proposed rule text for Rule 1150. NASD is proposing a technical amendment to correct that omission.

The effective date will be December 31, 2007, with the first annual verification pursuant to proposed new Rule 1160 being required within 17 business days of the end of 2007.

(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 sets forth a comprehensive approach for member firms to provide and keep current required contact information, while also reducing unnecessary burdens on firms by eliminating the requirement that firms review and update the contact information on a quarterly basis; instead, firms would be required to conduct such reviews on an annual basis as well as to promptly update the information following any change.

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

⁷ 15 U.S.C. 78o-3(b)(6).

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.⁸

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

The Commission published the proposed rule change in the Federal Register on May 31, 2007. The comment period closed on June 21, 2007. The Commission received two comments in response to the Federal Register publication of the proposal. The comments are summarized above.

6. Extension of Time Period for Commission Action

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

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

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 4. Exhibit 4 shows the full text of the rule change marking changes from the originally filed proposed rule change, with the original language changes shown as if

⁸ 15 U.S.C. 78a.

⁹ 15 U.S.C. 78s(b)(2).

adopted and the new language marked to show additions and deletions.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2007-034

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change Creating New NASD Rule 1160 (Firm Contact Information) Regarding the Reporting and Annual Review of Designated Contact Information to 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. 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 a technical amendment to clarify the proposed rule text for Rule 1150 (Executive Representative). Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

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1150. Executive Representative

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Each member must identify, review, and, if necessary, update its executive representative designation and contact information as required by Article IV, Section 3 of the NASD By-Laws in the manner prescribed by Rule 1160 [within 17 business days after the end of each calendar quarter].

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

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

On May 11, 2007, NASD filed SR-NASD-2007-034 with the Commission. The Commission published the rule filing for comment in the Federal Register on May 31, 2007³ and received two comment letters in response.⁴ The purpose of this Amendment No. 1 is to address these comments and to propose a technical amendment to clarify the proposed rule text.

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Rule Proposal and Response to Comments

The proposed rule change would amend Rule 1120 (Continuing Education Requirements), Rule 1150 (Executive Representative), IM-3011-2 (Review of Anti-Money Laundering Compliance Person Information), and Rule 3520 (Emergency Contact Information) to eliminate the requirement that members review and update, at the end of each calendar quarter, the contact information required by these rules, and instead, require members to review and update such information pursuant to proposed new Rule 1160 (Firm Contact Information).

Proposed new Rule 1160 would require members to provide required contact information via the NASD Contact System (“NCS”) or such other means as NASD may specify. Rule 1160 also would require members to update the contact information promptly, but in any event not later than 30 days following any change in such information, as well as to review, and if necessary update the information within 17 business days after the end of each calendar year. In addition, the rule would require members to comply with any NASD request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by NASD staff.

Both commenters endorsed replacing the current quarterly verification requirement with an annual obligation. Fintegra praised the efficiencies that would result from that aspect of the proposal, while NAIBD noted that an annual verification requirement was more consistent with the infrequent changes in contact information generally experienced at most member firms.

NAIBD, however, suggested that the requirement to update information upon a

change remain a quarterly requirement, rather than the proposed 30-day requirement, stating that some firms' electronic filing systems and reminders have been programmed to accommodate a systemic quarterly update. In response, NASD notes that, at least with respect to Rule 1120, IM-3011-2, and Rule 3520, firms currently are required to "promptly" update such information in the event of a change, in addition to being required to review, and if necessary, update the designated contact information on a quarterly basis.⁵ In proposing new Rule 1160, NASD is seeking to clarify the requirement that firms both promptly update such information upon any change, as well as verify the accuracy of the required contact information on an annual basis. Further, NASD is seeking to clarify that any such updates must occur not later than 30 days following the change. As NASD indicated in the initial rule filing, having members update promptly their contact information following a change helps to ensure that such information is kept current, thereby assuring NASD's ability to contact its members in the event of an emergency, as well as supporting members' compliance with certain NASD rules.

Fintegra objected to proposed Rule 1160's 17-business-day time frame for members to verify and update their required contact information after the end of each calendar year. Fintegra suggested that the time frame be shortened to 15 days to align it with the provision in proposed Rule 1160 that would require members to promptly comply with any NASD request for such contact information, but no later than 15 days

⁵ See Rule 1120(a)(7) (Regulatory Element Contact Person), Rule 3011(d) (Anti-Money Laundering Compliance Program), and Rule 3520(b) (Emergency Contact Information). See also Article IV, Section 3 of the NASD By-Laws, addressing procedures for members to change their Executive Representatives.

following the request. The commenter stated that consistent time frames would simplify adherence to the proposed rule and that there appeared to be no justification for the differing compliance timelines.

The two time periods, however, serve different purposes, and NASD believes that retaining the 17-business-day window for the annual verification will aid members' compliance efforts. Firms currently are required to update such information within 17 business days following each quarter,⁶ and therefore are already familiar with the proposed end of year schedule. In addition, the 17-business-day window is consistent with the requirement that a member's FOCUS report be submitted within 17 business days after the end of each calendar quarter. Currently, when members file FOCUS reports each quarter, NASD reminds them of the need to review and update their designated contact information on NCS. NASD intends to continue this practice, reminding members of the need to verify the required contact information at the time they file their fourth quarter FOCUS report.

Technical Amendment

The word "in" in the proposed new language "in the manner prescribed by Rule 1160" was not underlined in the proposed rule text for Rule 1150. NASD is proposing a technical amendment to correct that omission.

The effective date will be December 31, 2007, with the first annual verification pursuant to proposed new Rule 1160 being required within 17 business days of the end of 2007.

⁶ See Rule 1120(a)(7); Rule 1150; IM-3011-2; Rule 3520(b) (all requiring members to update the contact information required by the respective rules within 17 business days after the end of each calendar quarter).

2. 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 sets forth a comprehensive approach for member firms to provide and keep current required contact information, while also reducing unnecessary burdens on firms by eliminating the requirement that firms review and update the contact information on a quarterly basis; instead, firms would be required to conduct such reviews on an annual basis as well as to promptly update the information following any change.

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.⁸

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

The Commission published the proposed rule change in the Federal Register on May 31, 2007. The comment period closed on June 21, 2007. The Commission received two comments in response to the Federal Register publication of the proposal. The comments are summarized above.

⁷ 15 U.S.C. 78o-3(b)(6).

⁸ 15 U.S.C. 78a.

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-2007-034 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-2007-034. 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-2007-034 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.⁹

Nancy M. Morris

Secretary

⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 4

Below is the text of the proposed rule change marking changes from the originally filed proposed rule change. The original language changes are shown as if adopted and the new language is marked to show additions. Proposed new language is underlined.

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1150. Executive Representative

Each member must identify, review, and, if necessary, update its executive representative designation and contact information as required by Article IV, Section 3 of the NASD By-Laws in the manner prescribed by Rule 1160.

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