

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53182; File No. SR-NASD-2005-135)

January 26, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving a Proposed Rule Change Relating to the Status of Former Registered Persons Serving in the Armed Forces of the United States

I. Introduction

On November 15, 2005, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposal to amend NASD IM-1000-2 to toll the two-year expiration provisions for qualification examination requirements set forth in NASD Rules 1021(c), 1031(c), and 1041(c) for certain former registered persons serving in the Armed Forces of the United States, including persons who commence their active military duty within two years after they have ceased to be registered with a member and persons who terminate their registration with a member while on active military duty. The proposed rule change was published for comment in the Federal Register on December 27, 2005.³ The Commission received one comment letter on the proposal.⁴ This order approves the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 52979 (December 19, 2005), 70 FR 76483.

⁴ See e-mail from John C. Vallier dated January 18, 2006. The comment narrowly addresses the commenter’s personal situation as a registered person serving in the Armed Forces of the United States and does not directly address the subject of this proposal.

II. Description of the Proposal

The filing proposes to amend NASD IM-1000-2 to toll the “two-year licensing expiration provisions” for a person previously registered with a member who commences his active military duty within two years after he has ceased to be registered with the member. Under the proposal, the tolling would start on the date such person enters active military service and would terminate 90 days following the person’s completion of active service in the Armed Forces of the United States. The proposal requires that NASD be properly notified of the person’s period of active military service within 90 days following his completion of active service or upon his re-registration with a member, whichever occurs first. The proposal also provides that if such person does not re-register with a member within 90 days following his completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with a member without being subject to the “two-year licensing expiration provisions” will consist of the standard two-year period reduced by the period of time between the person’s termination of registration and beginning of active service in the Armed Forces of the United States.

In addition, NASD is proposing to amend NASD IM-1000-2 to toll the “two-year licensing expiration provisions” for a person placed upon “inactive” status pursuant to NASD IM-1000-2 who while serving in the Armed Forces of the United

States ceases to be registered with a member.⁵ Under the proposal, the tolling would start on the date such person ceases to be registered with the member and would terminate 90 days following the person's completion of active service in the Armed Forces of the United States. The proposal requires that NASD be properly notified of the person's period of active military service within two years following his completion of active service or upon his re-registration with a member, whichever occurs first. NASD is proposing to toll the "two-year licensing expiration provisions" for such persons based on available information in the Central Registration Depository (CRD) regarding their active military status. The proposal further provides that if such person does not re-register with a member within 90 days following his completion of active service in the Armed Forces of the United States, the person would have 90 days plus two years following the end of the person's active service in the Armed Forces of the United States to become re-registered with a member.

III. Discussion

After careful consideration, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities association.⁶ Specifically, the Commission believes that the proposal is consistent with Section 15A(b)(6) of the Act⁷ in that it is designed to prevent fraudulent

⁵ Persons on "inactive" status due to active military duty who do not cease their registration with a member while serving in the Armed Forces of the United States are not subject to the "two-year licensing expiration provisions" because they are considered registered for purposes of NASD Rules. See NASD IM-1000-2.

⁶ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78o-3(b)(6).

and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that the proposed rule change provides appropriate tailored relief to persons actively serving in the Armed Forces of the United States by tolling the “two-year licensing expiration provisions” in a manner consistent with the goals of investor protection and market integrity.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-NASD-2005-135) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Nancy M. Morris
Secretary

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).