

# CONDUCT RULES

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## **CONDUCT RULES**

### **2000. BUSINESS CONDUCT**

### **2100. GENERAL STANDARDS**

#### **2110. Standards of Commercial Honor and Principles of Trade**

A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

##### **IM-2110-1. Reserved**

##### **IM-2110-2. Trading Ahead of Customer Limit Order**

(a) Nasdaq members and persons associated with a member shall comply with NASD Interpretive Material 2110-2 as if such Rule were part of Nasdaq's rules.

(b) For purposes of this Rule:

(1) references to "the Rules of the Association", or "the Association's Rules" shall be construed as references to "the Nasdaq Rules",

(2) references to "the Association's Board of Governors" shall be construed as references to "the Nasdaq Board",

(3) references to Rule 2110, Rule 2320, and Rule 3110 shall be construed as references to Nasdaq Rule 2210, Nasdaq Rule 2320, and Nasdaq Rule 3110,

(4) references to "the Association" shall be construed as references to "Nasdaq".

(5) Nasdaq members and persons associated with a member relying upon the exemption set forth in NASD Interpretive Material 2110-2(c) shall comply with the provisions of the NASD Rule 4600 Series cited therein as if such Rules were part of Nasdaq's Rules. Nasdaq and NASD Regulation, an affiliate of NASD, are parties to the Regulatory Contract pursuant to which NASD Regulation has agreed to perform certain functions on behalf of Nasdaq. Therefore, Nasdaq members are complying with Nasdaq Interpretive Material 2110-2 by complying with NASD Interpretive Material 2110-2 as written, including, for example, filing requirements and notifications. In addition, functions performed by NASD Regulation, NASD Regulation departments, and NASD Regulation staff under Nasdaq Interpretive Material 2110-2 are being performed by NASD Regulation on behalf of Nasdaq.

##### **IM-2110-3. Front Running Policy**

It shall be considered conduct inconsistent with just and equitable principles of trade for a member or person associated with a member, for an account in which such member or person associated with a member has an interest, for an account with respect to which such member or person associated with a member exercises investment discretion, or for certain customer accounts, to cause to be executed:

(a) an order to buy or sell an option or a security future when such member or person associated with a member causing such order to be executed has material, non-public market information concerning an imminent block transaction in the underlying security, or when a customer has been provided such material, non-public market information by the member or any person associated with a member, prior to the time information concerning the block transaction has been made publicly available; or

(b) an order to buy or sell an underlying security when such member or person associated with a member causing such order to be executed has material, non-public market information concerning an imminent block transaction in an option or a security future overlying that security, or when a customer has been provided such material, non-public market information by the member or any person associated with a member prior to the time information concerning the block transaction has been made publicly available.

The violative practice noted above may include transactions which are executed based upon knowledge of less than all of the terms of the block transaction, so long as there is knowledge that all of the material terms of the transaction have been or will be agreed upon imminently.

The general prohibitions stated above shall not apply to transactions executed by member participants in automatic execution systems in those instances where participants must accept automatic executions.

These prohibitions also do not include situations in which a member or person associated with a member receives a customer's order of block size relating to both an option and the underlying security or both a security future and the underlying security. In such cases, the member and person associated with a member may position the other side of one or both components of the order. However, in these instances, the member and person associated with a member would not be able to cover any resulting proprietary position(s) by entering an offsetting order until information concerning the block transaction involved has been made publicly available.

The application of this front running policy is limited to transactions that are required to be reported on the last sale reporting systems administered by Nasdaq, Consolidated Tape Association (CTA), or Option Price Reporting Authority (OPRA). The front running policy also applies to security futures transactions regardless of whether such products are reported pursuant to such systems. Information as to a block transaction shall be considered to be publicly available when it has been disseminated via the tape or high speed communications line of one of those systems, a similar system of

another national securities exchange under Section 6 of the Act, an alternative trading system under Regulation ATS, or by a third-party news wire service.

A transaction involving 10,000 shares or more of an underlying security, or options or security futures covering such number of shares is generally deemed to be a block transaction, although a transaction of less than 10,000 shares could be considered a block transaction in appropriate cases. A block transaction that has been agreed upon does not lose its identity as such by arranging for partial executions of the full transaction in portions which themselves are not of block size if the execution of the full transaction may have a material impact on the market. In this situation, the requirement that information concerning the block transaction be made publicly available will not be satisfied until the entire block transaction has been completed and publicly reported.

#### **IM-2110-4. Trading Ahead of Research Reports**

Nasdaq, under its statutory obligation to protect investors and enhance market quality, is issuing an interpretation to the Rules regarding a member firm's trading activities that occur in anticipation of a firm's issuance of a research report regarding a security. Nasdaq is concerned with activities of member firms that purposefully establish or adjust the firm's inventory position in Nasdaq-listed securities, other exchange-listed securities traded on Nasdaq pursuant to unlisted trading privileges, or a derivative security based primarily on a specific security listed on Nasdaq or another exchange in anticipation of the issuance of a research report in that same security. For example, a firm's research department may prepare a research report recommending the purchase of a particular Nasdaq-listed security. Prior to the publication and dissemination of the report, however, the trading department of the member firm might purposefully accumulate a position in that security to meet anticipated customer demand for that security. After the firm had established its position, the firm would issue the report, and thereafter fill customer orders from the member firm's inventory positions.

Nasdaq believes that such activity is conduct which is inconsistent with just and equitable principles of trade, and not in the best interests of the investors. Thus, this interpretation prohibits a member from purposefully establishing, creating or changing the firm's inventory position in a Nasdaq-listed security, another exchange-listed security traded on Nasdaq pursuant to unlisted trading privileges, or a derivative security related to the underlying equity security, in anticipation of the issuance of a research report regarding such security by the member firm.

Rule 2110 states that:

A member in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

\* \* \* \*

Nasdaq is issuing the following interpretation of Rule 2110:

Trading activity purposefully establishing, increasing, decreasing, or liquidating a position in a Nasdaq security, another exchange-listed security traded on Nasdaq pursuant to unlisted trading privileges, or a derivative security based primarily upon a specific security listed on Nasdaq or another exchange, in anticipation of the issuance of a research report in that security, is inconsistent with just and equitable principles of trade and is a violation of Rule 2110.

For the purposes of this interpretation, a “purposeful” change in the firm’s inventory position means any trading activities undertaken with the intent of altering a firm’s position in a security in anticipation of accommodating investor interest once the research report has been published. Hence, the interpretation does not apply to changes in an inventory position related to unsolicited order flow from a firm’s retail or broker/dealer client base or to research done solely for in-house trading and not in any way used for external publication.

Under this interpretation, Nasdaq recommends, but does not require, that member firms develop and implement policies and procedures to establish effective internal control systems and procedures that would isolate specific information within research and other relevant departments of the firm so as to prevent the trading department from utilizing the advance knowledge of the issuance of a research report. Firms that choose not to develop “information barrier” procedures bear the burden of demonstrating that the basis for changes in inventory positions in advance of research reports was not purposeful.

#### **IM-2110-5. Anti-Intimidation/Coordination**

Nasdaq is issuing this interpretation to codify a longstanding policy. It is conduct inconsistent with just and equitable principles of trade for any member or person associated with a member to coordinate the prices (including quotations), trades, or trade reports of such member with any other member or person associated with a member; to direct or request another member to alter a price (including a quotation); or to engage, directly or indirectly, in any conduct that threatens, harasses, coerces, intimidates, or otherwise attempts improperly to influence another member or person associated with a member. This includes, but is not limited to, any attempt to influence another member or person associated with a member to adjust or maintain a price or quotation, whether displayed on any facility operated by Nasdaq or otherwise, or refusals to trade or other conduct that retaliates against or discourages the competitive activities of another market maker or market participant. Nothing in this interpretation respecting coordination of quotes, trades, or trade reports shall be deemed to limit, constrain, or otherwise inhibit the freedom of a member or person associated with a member to:

- (1) set unilaterally its own bid or ask in any Nasdaq security or other exchange-listed security traded on Nasdaq pursuant to unlisted trading privileges, the prices at which it is willing to buy or sell any Nasdaq or other exchange-listed security, and the quantity of shares of any Nasdaq or other exchange-listed security that it is willing to buy or sell;

(2) set unilaterally its own dealer spread, quote increment, or quantity of shares for its quotations (or set any relationship between or among its dealer spread, inside spread, or the size of any quote increment) in any Nasdaq or other exchange-listed security;

(3) communicate its own bid or ask, or the prices at or the quantity of shares in which it is willing to buy or sell any Nasdaq or other exchange-listed security to any person, for the purpose of exploring the possibility of a purchase or sale of the Nasdaq or other exchange-listed security, and to negotiate for or agree to such purchase or sale;

(4) communicate its own bid or ask, or the price at or the quantity of shares in which it is willing to buy or sell any Nasdaq or other exchange-listed security, to any person for the purpose of retaining such person as an agent or subagent for the member or for a customer of the member (or for the purpose of seeking to be retained as an agent or subagent), and to negotiate for or agree to such purchase or sale;

(5) engage in any underwriting (or any syndicate for the underwriting) of securities to the extent permitted by the federal securities laws;

(6) take any unilateral action or make any unilateral decision regarding the market makers with which it will trade and the terms on which it will trade unless such action is prohibited by the second and third sentences of this Interpretation; and

(7) deliver an order to another member for handling,

provided, however, that the conduct described in (1) through (7) is otherwise in compliance with all applicable law.

#### **IM-2110-6. Confirmation of Callable Common Stock**

Any member providing a customer confirmation pursuant to SEC Rule 10b-10 in connection with any transaction in callable common stock shall disclose on such confirmation that:

- The security is callable common stock; and
- A customer may contact the member for more information concerning the security.

#### **IM-2110-7. Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes**

It shall be inconsistent with just and equitable principles of trade for a member or person associated with a member to interfere with a customer's request to transfer his or her account in connection with the change in employment of the customer's registered

representative, provided that the account is not subject to any lien for monies owed by the customer or other bona fide claim. Prohibited interference includes, but is not limited to, seeking a judicial order or decree that would bar or restrict the submission, delivery or acceptance of a written request from a customer to transfer his or her account.

### **2120. Use of Manipulative, Deceptive or Other Fraudulent Devices**

No member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

### **2130. Nasdaq Ownership Restriction**

(a) No member or person associated with a member shall be the beneficial owner of greater than twenty percent (20%) of the then-outstanding voting securities of The Nasdaq Stock Market, Inc.

(b) For purposes of this rule, any calculation of the number of shares of common stock outstanding at any particular time shall be made in accordance with the last sentence of SEC Rule 13d-3(d)(1)(i)(D). The term "beneficial owner" shall have the meaning set forth in the Restated Certificate of Incorporation of The Nasdaq Stock Market, Inc.

## **2200. COMMUNICATIONS WITH CUSTOMERS AND THE PUBLIC**

### **2210. Communications with the Public**

(a) Nasdaq members and persons associated with a member shall comply with NASD Rule 2210 (except NASD Rule 2210(c)) as if such Rule were part of Nasdaq's Rules. Nasdaq and NASD Regulation, an affiliate of NASD, are parties to the Regulatory Contract pursuant to which NASD Regulation has agreed to perform certain functions on behalf of Nasdaq. Therefore, Nasdaq members are complying with Nasdaq Rule 2210 by complying with NASD Rule 2210 as written, including, for example, filing requirements and notifications. In addition, functions performed by NASD Regulation, NASD Regulation departments, and NASD Regulation staff under Nasdaq Rule 2210 are being performed by NASD Regulation on Nasdaq's behalf.

(b) For purposes of this Rule, references to Rule 2211 shall be construed as references to Nasdaq Rule 2211.

### **IM-2210-1. Guidelines to Ensure That Communications With the Public Are Not Misleading**

Members and persons associated with a member shall comply with NASD Interpretive Material 2210-1 as if such Rule were part of Nasdaq's rules.

### **IM-2210-2. Reserved**

**IM-2210-3. Reserved**

**IM-2210-4. Limitations on Use of Nasdaq's Name**

**(a) Use of Nasdaq Name**

Members may indicate membership in Nasdaq in one or more of the following ways:

(1) A member may indicate membership in Nasdaq in recognized trade directories or other similar types of business listings.

(2) A member may indicate membership in Nasdaq in the member's advertisements and sales literature if such use is:

(A) separate from the regular text of the advertisement or sales literature;

(B) in a smaller type size and with less emphasis than that used for the member's name; and

(C) carries no direct or implied indication of Nasdaq approval of any security or service discussed in the advertisement or sales literature.

(3) A member may indicate membership in Nasdaq on the door or entrance way of a member's principal office or a registered branch office in the following manner: "Member, Nasdaq" or "Member Nasdaq".

**(b) Fraudulent or Misleading Use Prohibited**

A member or person associated with a member shall not use Nasdaq's name in a fraudulent or misleading manner in connection with the promotion or sale of any security or in connection with any other aspect of the member's business or imply orally, visually, or in writing that Nasdaq endorses, indemnifies, or guarantees a member's business practices, selling methods, or class or type of securities offered.

**(c) Violation of Rule 2110**

An improper, fraudulent, or misleading use of Nasdaq's name by a member or person associated with a member shall be deemed conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of Rule 2110.

## **2211. Institutional Sales Material and Correspondence**

(a) Nasdaq Members and persons associated with a member shall comply with NASD Rule 2211 (except NASD Rule 2210(c) and (d)(3)) as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule:

(1) references to an "NASD member" shall be construed as references to a "Nasdaq member", and

(2) references to Rule 2210 and Rule 3110 shall be construed as references to Nasdaq Rule 2210 and Nasdaq Rule 3110, and references to Rule 3010(d) shall be construed as references to NASD Rule 3010(d), as incorporated into the Nasdaq Rules by Nasdaq Rule 3010.

## **2212. Telemarketing**

Nasdaq members and persons associated with a member shall comply with NASD Rule 2212 as if such Rule were part of Nasdaq's Rules.

## **2220. Reserved**

## **2230. Reserved**

## **2240. Disclosure of Control Relationship with Issuer**

Nasdaq Members shall comply with NASD Rule 2240 as if such Rule were part of Nasdaq's Rules.

## **2250. Disclosure of Participation or Interest in Primary or Secondary Distribution**

Nasdaq Members shall comply with NASD Rule 2250 as if such Rule were part of Nasdaq's Rules.

## **2260. Forwarding of Proxy and Other Materials**

(a) Nasdaq Members shall comply with NASD Rule 2260 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule, the guidance of the NASD Board of Governors with respect to reasonable rates of reimbursement as provided in NASD Rule 2260(g) and NASD IM-2260 is hereby adopted as the guidance of the Nasdaq Board.

## **IM-2260. Approved Rates of Reimbursement**

(a) Nasdaq Members shall comply with NASD Interpretive Material 2260 as if

such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule:

(1) references to NASD shall be construed as references to Nasdaq, and

(2) references to Rule 2260 and Rule 2430 shall be construed as references to Nasdaq Rule 2260 and Nasdaq Rule 2430.

### **2270. Disclosure of Financial Condition to Customers**

Nasdaq Members shall comply with NASD Rule 2270 as if such Rule were part of Nasdaq's Rules.

## **2300. TRANSACTIONS WITH CUSTOMERS**

### **2310. Recommendations to Customers (Suitability)**

(a) Nasdaq members and associated persons of a member shall comply with NASD Rule 2310 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule, references to Rule 3110 shall be construed as references to Nasdaq Rule 3110.

#### **IM-2310-1. Reserved**

#### **IM-2310-2. Fair Dealing with Customers**

(a) Nasdaq members and associated persons of a member shall comply with NASD Interpretive Material 2310-2 (except NASD IM-2310-2(e)(1) and (2)) as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule:

(1) references to "the Association's Rules" or "Association Rules" shall be construed as references to "the Nasdaq Rules",

(2) references to interpretations and actions of NASD District Business Conduct Committees and the NASD Board of Governors shall be construed to reflect the policy of Nasdaq with respect to the application of Rule 2310, and

(3) references to the "Association" shall be construed as references to "Nasdaq".

#### **IM-2310-3. Suitability Obligations to Institutional Customers**

(a) Nasdaq members and associated persons of a member shall comply with NASD Interpretive Material 2310-3 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule, references to the "Association" shall be construed as references to "Nasdaq".

### **2320. Best Execution and Interpositioning**

(a) In any transaction for or with a customer, a member and persons associated with a member shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Among the factors that will be considered in determining whether a member has used "reasonable diligence" are:

- (1) The character of the market for the security, e.g., price, volatility, relative liquidity, and pressure on available communications;
- (2) the size and type of transaction;
- (3) the number of primary markets checked;
- (4) location and accessibility to the customer's broker/dealer of primary markets and quotations sources.

(b) In any transaction for or with a customer, no member or person associated with a member shall interject a third party between the member and the best available market except in cases where the member can demonstrate that to his or her knowledge at the time of the transaction the total cost or proceeds of the transaction, as confirmed to the member acting for or with the customer, was better than the prevailing market for the security. A member's obligations to his or her customer are generally not fulfilled when he or she channels transactions through another broker/dealer or some person in a similar position, unless he or she can show that by so doing he or she reduced the costs of the transactions to the customer.

(c) When a member cannot execute directly with a market maker but must employ a broker's broker or some other means in order to insure an execution advantageous to the customer, the burden of showing the acceptable circumstances for doing so is on the retail firm. Examples of acceptable circumstances are where a customer's order is "crossed" with another retail firm which has a corresponding order on the other side, or where the identity of the retail firm, if known, would likely cause undue price movements adversely affecting the cost or proceeds to the customer.

(d) Failure to maintain or adequately staff an order room or other department assigned to execute customers' orders cannot be considered justification for executing away from the best available market; nor can channeling orders through a third party as described above as reciprocation for service or business operate to relieve a member of his or her obligations. However, the channeling of customers' orders through a broker's

broker or third party pursuant to established correspondent relationships under which executions are confirmed directly to the member acting as agent for the customer, such as where the third party gives up the name of the retail firm, are not prohibited if the cost of such service is not borne by the customer.

(e) A member through whom a retail order is channeled, as described above, and who knowingly is a party to an arrangement whereby the initiating member has not fulfilled his or her obligations under this Rule, will also be deemed to have violated this Rule.

(f) The obligations described in paragraphs (a) through (e) above exist not only where the member acts as agent for the account of his or her customer but also where retail transactions are executed as principal and contemporaneously offset.

### **2330. Customers' Securities or Funds**

(a) Nasdaq Members and persons associated with a member shall comply with NASD Rule 2330 as if such Rule were part of Nasdaq's Rules.

(b) Nothing in NASD Rule 2330, as applied to Nasdaq members and their associated persons, shall be construed to authorize any Nasdaq member or associated person to act in a manner inconsistent with Section 11(a) of the Act.

### **IM-2330. Segregation of Customers' Securities**

(a) Nasdaq Members and persons associated with a member shall comply with NASD Interpretive Material 2330 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule, references to Rule 2330 shall be construed as references to Nasdaq Rule 2330.

### **2340. Customer Account Statements**

(a) Nasdaq Members shall comply with NASD Rule 2340 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule, references to Rule 2810 shall be construed as references to Nasdaq Rule 2810.

(c) Pursuant to the Rule 9600 Series, Nasdaq may exempt any member from the provisions of this Rule for good cause shown.

### **2341. Margin Disclosure Statement**

(a) Nasdaq Members shall comply with NASD Rule 2341 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule, references to Rule 3110 shall be construed as references to Nasdaq Rule 3110.

**2350. Reserved**

**2360. Approval Procedures for Day-Trading Accounts**

(a) Nasdaq Members shall comply with NASD Rule 2360 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule, references to Rule 2361 and Rule 3110 shall be construed as references to Nasdaq Rule 2361 and Nasdaq Rule 3110.

**2361. Day-Trading Risk Disclosure Statement**

(a) Nasdaq Members shall comply with NASD Rule 2361 as if such Rule were part of Nasdaq's Rules. Nasdaq and NASD Regulation, an affiliate of NASD, are parties to the Regulatory Contract pursuant to which NASD Regulation has agreed to perform certain functions on behalf of Nasdaq. Therefore, Nasdaq members are complying with Nasdaq Rule 2361 by complying with NASD Rule 2361 as written. Accordingly, Nasdaq members may submit an alternative disclosure statement to the NASD's Advertising Department as provided in NASD's Rule. Functions performed by NASD Regulation, NASD Regulation departments, and NASD Regulation staff under Nasdaq Rule 2361 are being performed by NASD Regulation on Nasdaq's behalf.

(b) For purposes of this Rule, references to Rule 2360 and Rule 3110 shall be construed as references to Nasdaq Rule 2360 and Nasdaq Rule 3110.

**2370. Borrowing From or Lending to Customers**

Nasdaq Members and persons associated with a member shall comply with NASD Rule 2370 as if such Rule were part of Nasdaq's Rules.

**2400. COMMISSIONS, MARK-UPS AND CHARGES**

**2410. Reserved**

**2420. Reserved**

**2430. Charges for Services Performed**

Nasdaq Members shall comply with NASD Rule 2430 as if such Rule were part of Nasdaq's Rules.

**2440. Reserved**

**2450. Reserved**

## 2460. Payments for Market Making

(a) No member or person associated with a member shall accept any payment or other consideration, directly or indirectly, from an issuer of a security, or any affiliate or promoter thereof, for publishing a quotation, acting as market maker in a security, or submitting an application in connection therewith.

(b) The provisions of paragraph (a) shall not preclude a member from accepting:

(1) payment for bona fide services, including, but not limited to, investment banking services (including underwriting compensation and fees); and

(2) reimbursement of any payment for registration imposed by the Securities and Exchange Commission or state regulatory authorities and for listing of an issue of securities imposed by a self-regulatory organization.

(c) For purposes of this rule, the following terms shall have the stated meanings:

(1) “affiliate”

(A) The term “affiliate” shall mean a company which controls, is controlled by, or is under common control with a member;

(B) The term affiliate is presumed to include, but is not limited to, the following for purposes of subparagraph (A), above:

(i) a company will be presumed to control a member if the company beneficially owns 10 percent or more of the outstanding voting securities of a member which is a corporation, or beneficially owns a partnership interest in 10 percent or more of the distributable profits or losses of a member which is a partnership;

(ii) a member will be presumed to control a company if the member and persons associated with the member beneficially own 10 percent or more of the outstanding voting securities of a company which is a corporation, or beneficially own a partnership interest in 10 percent or more of the distributable profits or losses of a company which is a partnership;

(iii) a company will be presumed to be under common control with a member if:

a. The same natural person or company controls both the member and company by beneficially owning 10 percent or more of the outstanding voting securities of a member or company which is a corporation, or by beneficially owning a partnership interest in 10 percent or

more of the distributable profits or losses of a member or company which is a partnership; or

b. A person having the power to direct or cause the direction of the management or policies of the member or the company also has the power to direct or cause the direction of the management or policies of the other entity in question.

(C) The provisions of subparagraphs (A) and (B) hereof notwithstanding, none of the following shall be presumed to be an affiliate of a member for purposes of this Rule:

(i) an investment company registered with the Commission pursuant to the Investment Company Act of 1940, as amended;

(ii) a "separate account" as defined in Section 2(a)(37) of the Investment Company Act of 1940, as amended;

(iii) a "real estate investment trust" as defined in Section 856 of the Internal Revenue Code;

(iv) a "direct participation program" as defined in Rule 2810; and

(v) a corporation, trust, partnership or other entity issuing financing instrument-backed securities which are rated by a nationally recognized statistical rating organization in one of its four highest generic rating categories.

(2) "promoter" means any person who founded or organized the business or enterprise of an issuer, is a director or employee of an issuer, acts or has acted as a consultant, advisor, accountant or attorney to an issuer, is the beneficial owner of any of an issuer's securities that are considered "restricted securities" under Rule 144, or is the beneficial owner of five percent (5%) or more of the public float of any class of an issuer's securities, and any other person with a similar interest in promoting the entry of quotations or market making in an issuer's securities; and

(3) "quotation" shall mean any bid or offer at a specified price with respect to a security, or any indication of interest by a member in receiving bids or offers from others for a security, or an indication by a member that he wishes to advertise his general interest in buying or selling a particular security.

## **2500. SPECIAL ACCOUNTS**

## **2510. Discretionary Accounts**

(a) Nasdaq Members shall comply with NASD Rule 2510 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of applying this Rule, references to Rule 3010 and Rule 3110 shall be construed as references to Nasdaq Rule 3010 and Nasdaq Rule 3110.

## **2520. Margin Requirements**

(a) A member that is not designated to Nasdaq for oversight pursuant to SEC Rule 17d-1 shall comply with the initial and maintenance margin requirements of Regulation T and the self-regulatory organization to which the member is designated for oversight pursuant to SEC Rule 17d-1. Members shall comply with Regulation T and such self-regulatory organization rules, and shall submit to such self-regulatory organization any filings required thereunder, in each case as if such rules were part of Nasdaq's rules.

(b) A member designated to Nasdaq for oversight pursuant to SEC Rule 17d-1 shall comply with the initial and maintenance margin requirements of Regulation T and the NASD Rule 2520 as if such Rules were part Nasdaq's Rules.

(c) Nasdaq and NASD Regulation, an affiliate of NASD, are parties to the Regulatory Contract pursuant to which NASD Regulation has agreed to perform certain functions on behalf of Nasdaq. Therefore, Nasdaq members are complying with Nasdaq Rule 2520 by complying with NASD Rule 2520 as written, including, for example, filing requirements and notifications. In addition, functions performed by NASD Regulation, NASD Regulation departments, and NASD Regulation staff under Nasdaq Rule 2520 are being performed by NASD Regulation on Nasdaq's behalf.

(c) Pursuant to the Rule 9600 Series, Nasdaq may exempt any member from the requirements contained in paragraph (e)(3) of NASD Rule 2520, as applied to Nasdaq members through Nasdaq Rule 2520, if the account referenced in paragraph (e)(3) of NASD Rule 2520 is confined exclusively to transactions and positions in exempted securities.

## **2600. Reserved**

## **2700. Reserved**

## **2800. SPECIAL PRODUCTS**

### **2810. Direct Participation Programs**

(a) Nasdaq Members and their associated persons shall comply with NASD Rule 2810 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule 2810:

(1) references to guidelines published by the Association with respect to direct participation programs and amounts fixed by the NASD Board of Governors with respect to non-cash compensation arrangements shall be construed to reflect the policy of Nasdaq with respect to the application of Rule 2810,

(2) references to “procedures established by the Association” and “Rules of the Association” shall be construed as references to “Nasdaq Rules”, and

(3) for purposes of this Rule only, Nasdaq members and their associated persons shall comply with applicable provisions of NASD Rule 2710 as if such Rule were part of Nasdaq’s Rules.

(c) Pursuant to the Rule 9600 Series, Nasdaq may exempt any member from the provisions of this Rule for good cause shown.

**2820. Reserved**

**2830. Investment Company Securities**

(a) Nasdaq Members and their associated persons shall comply with NASD Rule 2830 as if such Rule were part of Nasdaq’s Rules.

(b) For purposes of this Rule:

(1) references to “the Rules of the Association” shall be construed as references to “the Nasdaq Rules”,

(2) references to Rule 2820 shall be deleted, and no comparable Nasdaq Rule shall apply to activities of Nasdaq Members in connection with contracts providing for benefits or values which may vary according to the investment experience of any separate or segregated account or accounts maintained by an insurance company,

(3) for purposes of this Rule only, Nasdaq members and their associated persons shall comply with applicable provisions of NASD Rule 2420 as if such Rule were part of Nasdaq’s Rules, and

(4) references to Rule 2230 shall be construed as references to SEC Rule 10b-10.

**2900. RESPONSIBILITIES TO OTHER BROKERS OR DEALERS**

**2910. Disclosure of Financial Condition to Other Members**

Any Nasdaq member who is a party to an open transaction or who has on deposit cash or securities of another member shall furnish upon written request of the other member a statement of its financial condition as disclosed in its most recently prepared balance sheet.