

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55412; File No. SR-NASD-2007-015)

March 7, 2007

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of 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 February 20, 2007, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“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” proposed rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposed rule change effective upon filing with 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 proposes 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. The text of the proposed rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Id.

change is available at NASD, www.nasd.com, and the Commission's Public Reference Room.

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.

⁴ See Securities Exchange Act Release No. 53564 (March 29, 2006), 71 FR 16847 (April 4, 2006) (SR-NASD-2006-038).

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 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 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 1013 to "the Association" and replaces them with "NASD."⁶

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

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 being operative and implemented, 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 proposed rule change for immediate effectiveness. The implementation date will be 30 days from the publication of the Notice to Members.

2. Statutory Basis

⁷ NASD will also provide 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 64326 (November 1, 2006) (SR-NASD-2006-60) (order approving 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).

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 NMS 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.

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

¹⁰ 15 U.S.C. 78o-3(b)(6).

(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 Act¹¹ and Rule 19b-4(f)(6) thereunder.¹²

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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of NASD. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information

that you wish to make available publicly. All submissions should refer to 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.¹³

Florence E. Harmon
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).