

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

DIVISION OF
TRADING AND MARKETS

January 19, 1967

Mr. Robert W. Haack, President
National Association of Securities
Dealers, Inc.
888 Seventeenth Street, N.W.
Washington, D. C. 20006

Dear Mr. Haack:

This is to advise you that the Commission has no objection to the draft amendments to the rules and rule interpretations submitted informally by the Association on the following matters:

- (a) An amendment to Schedule "C" of the By-laws of the Association which creates certain exceptions to the Association's qualifications requirements for "foreign associates."
- (b) A resolution of the Board of Governors which would provide that under certain circumstances it would be considered "conduct inconsistent with high standards of commercial honor and just and equitable principles of trade" for a member to refuse to furnish another member upon written request with a copy of its most recently prepared balance sheet.
- (c) An amendment to Schedule "B" which would extend the geographical boundaries of District 7 to include Puerto Rico, Canal Zone and the Virgin Islands.

With respect to the proposed new interpretation of the NASD By-laws under which members would be prohibited from employing, in any capacity, an individual who becomes subject to one or more specified types of disciplinary orders, the Commission has the following comments.

With reference to the meaning of the word "earned" as used in the second sentence of this draft interpretation, the Commission understands that it is your view that (1) in the case of a payment made by an investor pursuant to a plan for the periodic accumulation of mutual shares the salesman generally would be considered to have "earned" his commission when the payment is received by the custodian and (2) a salesman generally "earns" his commission or compensation at the time dividends are reinvested for a shareholder pursuant to such an accumulation plan where the plan provides for such reinvestment and the shareholder pays a sales charge therefor.

The Commission has also been advised that the Association is of the view that when an individual is suspended or barred under this interpretation he may not remain or become associated with a member in any capacity, including non-securities activities; but if he were to be employed by a non-broker-dealer affiliate of a member--i.e., a separate entity controlling, controlled or under common control with a broker-dealer--he may become associated with such an organization provided the employment is not established for the purpose of compensating him, directly or indirectly, for securities activities on behalf of a broker or dealer. If you confirm by letter that the Commission's understanding of your positions with regard to the above matters is correct, I am authorized to advise you that the Commission would have no objection to the Association's adoption of this interpretation.

Sincerely yours,

Irving M. Pollack
Director