

MEMO# 1308

August 1, 1989

PROCEDURES ADOPTED UNDER AMENDED NASD SUPERVISORY RULES

August 1, 1989 TO: SEC RULES COMMITTEE NO. 44-89 UNIT INVESTMENT TRUST
COMMITTEE NO. 42-89 ADVERTISING SUBCOMMITTEE RE: PROCEDURES ADOPTED UNDER
AMENDED NASD SUPERVISORY RULES

Set forth below is a list of practices and procedures that several members have adopted in response to the amended NASD supervisory rules. These procedures are not necessarily inclusive of the procedures that should be adopted under applicable SEC rules and regulations and NASD rules. As stated above, the procedures are representative of what several fund groups have adopted to comply with the amended NASD rules and, in some instances, to bring their procedures into compliance with existing requirements. The supervisory rules and the procedures listed below will be discussed at the August 8 Advertising Subcommittee meeting. To accommodate those members who are attending the meeting solely for that purpose, we will discuss the rules and procedures first and then move on to the advertising related items. In addition, attached is the July NASD Alert which includes on pages 7-9 a useful compilation of questions and answers on the amended rules. You should also note that on page 6 of the Alert, the NASD warns firms that have not already adopted procedures under the Insider Trading and Securities Fraud Enforcement Act of 1988 to take immediate action to establish such procedures.

PROCEDURES

1. Establishment and maintenance of written supervisory procedures that describe the supervisory system implemented pursuant to the amended rules and that list the titles, registration status and locations of the required supervisory personnel and the specific responsibilities assigned to them. - 2 -
2. Designation of an appropriately registered principal to carry out the firm's supervisory obligations for each type of business in which the firm engages.
3. Designation as an OSJ each location that meets the definition in the amended rules. Attached as an exhibit to the written procedures a list of designated OSJs.
4. Designation of registered principal(s) in each OSJ, including the main office, and designation of registered representative(s) or principal(s) in each branch office. Attached as an exhibit to the written procedures a list of each branch office and all registered persons including their name, CRD number, title, status and location.
5. Assignment of each registered person to a supervisor. Maintenance on an internal record for at least three years, the first two years in an easily accessible place, the names of persons designated as supervisory personnel and the date of such designation.
6. Exercise reasonable efforts to insure that all supervisory personnel are properly qualified. See the response to question three in the attached NASD Alert concerning what constitutes "reasonable efforts."
7. Conduct annual interviews or meetings with registered representatives at which relevant compliance matters are discussed. See the response to question four in the attached NASD Alert regarding the requirements for these interviews.
8. Designation and identification to the NASD of registered principal(s)

who will review the firm's supervisory procedures and take or recommend to senior management appropriate action to ensure compliance. 9. Establishment of a schedule for examination of branch office taking into account the nature of the activity, volume of business, and number of persons at each office. Retention of a written record of the dates on which each inspection and review was conducted. - 3 - 10. Review of business, at least annually, for purpose of detecting and preventing abuses. At a minimum, periodically examine and review of customer accounts to detect and prevent irregularities and abuses. 11. Review and endorsement by a registered principal in writing, on an internal record, of all transactions and all correspondence of its registered representatives pertaining to the solicitation or execution of any securities transaction. 12. Maintenance at each OSJ and each other location where supervisory activities are conducted a copy of the firm's supervisory procedures, or the relevant parts thereof. 13. Review and approval of all advertising and sales literature by a registered principal (or his designee). Maintenance of a separate file of all advertisements and sales literature, including the name(s) of the persons who prepared them, for a period of three years from the date of each use. 14. Designation of additional branch offices to enable registered representatives to identify themselves in local advertising. Amy B. Rosenblum Assistant General Counsel Attachment