

MEMO# 1748

March 5, 1990

NASD PROPOSED AMENDMENTS CONCERNING CUSTOMER ACCOUNT INFORMATION

- 1 - March 5, 1990 TO: SEC RULES MEMBERS NO. 19-90 BROKER/DEALER ADVISORY COMMITTEE NO. 9-90 BROKER-DEALER ASSOCIATE MEMBERS RE: NASD PROPOSED AMENDMENTS CONCERNING CUSTOMER ACCOUNT INFORMATION

_____ The NASD is requesting its members to vote by April 5, 1990 on proposed amendments to the Rules of Fair Practice concerning customer account information. (Attached is copy of the March NASD Notice to Members regarding the amendments.) Specifically, the proposed amendment to Section 21(c) would require a member to make reasonable efforts to obtain, prior to settlement of the initial transaction in a non-institutional account, the tax identification or Social Security number and the occupation and name and address of the employer of each customer for each account, in addition to the information already required under that Section. In addition, where the customer is a corporation, partnership or other legal entity, the member must obtain the names of any persons authorized to transact business on behalf of such entity. In the case of discretionary accounts, the member would be required to obtain the signature of each person authorized to exercise discretion in the account and the date such discretion was granted. The NASD also is proposing an amendment to Section 2 to require members to make a reasonable effort to obtain information concerning a non-institutional customer's financial status, tax status, investment objectives, and any other information that may be considered to be reasonable in making a recommendation to a customer. The proposed amendments exclude transactions and accounts in which investments are limited to money market mutual funds. Amy B. Rosenblum Assistant General Counsel - 2 - Attachment