

amendments would improve coordination and consistency among the Committees across the districts, modify the procedures to fill vacancies, and provide for more administrative flexibility. The key proposed amendments are discussed below.

Section 8.2 (Composition of District Committees) and Section 8.9 (Composition of District Nominating Committees)

*Create Consistency in Size of Committee.* Currently, Section 8.2(a) provides that each District Committee will determine how many members to elect each year. To create more consistency in District Committee sizes across districts, the proposed amendments would allow the Board of Directors of NASD ("Board") to determine the size of each Committee.

*Establish Qualifications to Serve on Committee.* Currently, Section 8.2 and Section 8.9 provide that each Committee member must be employed by an NASD member eligible to vote in such district. NASD believes that the proposed amendments would clarify additional qualifications necessary to serve as a member of a Committee. The proposed amendments provide that a member must: (1) be employed by an NASD member eligible to vote in the district for District Committee elections; and (2) work primarily from such NASD member's principal office or a branch office that is located within the district where the member serves on a Committee. NASD believes the additional qualifications will ensure that Committee members have a significant connection to the district in which they serve.

*Eliminate Requirement in Section 8.9 that One District Nominating Committee Member be a Current or Former Director.* The proposed amendments would eliminate the current requirement contained in Section 8.9 that at least one member of the District Nominating Committee be a current or former Director or Governor. Based on the experience of NASD Regulation staff, it has become increasingly difficult to satisfy this composition requirement.

Section 8.3 (Term of Office of District Committee Member) and Section 8.10 (Term of Office of District Nominating Committee Member)

*Clarify Term of Office.* Currently, Section 8.3 and Section 8.10 provide that Committee members may not serve more than two consecutive terms. The proposed amendments to these provisions would clarify that there is no limit on the number of terms that a Committee member may serve, provided

that a member may not serve more than two consecutive terms. The word "term" would be defined to include either a full term (three years for District Committees or one year for District Nominating Committees) or any partial term where a member is appointed to fill a vacancy. NASD believes that this would allow for greater member participation in the Committees over time.

Section 8.4 (Filling of Vacancies on District Committee) and Section 8.9 (Filling of Vacancies for District Nominating Committees)

*Streamline Process for Filling Vacancies.* Proposed new Sections 8.2(b) and (d) and Sections 8.9(b) and (d) would clarify that Committee members may formally resign from their positions by serving a notice to the Chair. In addition, the proposed new provisions provide a process for filling vacancies. Under the proposed amendments, the Executive Vice President, Regulatory Policy and Programs, the Executive Vice President, Member Regulation or their respective designee(s) would be authorized to determine whether a vacancy created on the Committee needs to be filled. In some instances there may not be a need to fill a vacancy immediately—for example, when there is no scheduled meeting between the time of the vacancy and the next regularly scheduled election. If a determination were to be made to fill a vacancy, or if a new position were to be created by an increase in Committee size, the Committee would fill such vacancy by a majority vote of a quorum present at a meeting as currently prescribed by Sections 8.4 (District Committee) and 8.11 (District Nominating Committee).

Section 8.5 (Meetings of District Committee) and Section 8.12 (Meetings of District Nominating Committees)

*Coordinate Procedures for Meetings.* Currently, Section 8.5 and Section 8.12 provide that each Committee will determine the time, place, and procedures for each meeting. NASD represents that the proposed amendments would simplify and better coordinate Committee meetings across districts by authorizing the Executive Vice President, Regulatory Policy and Programs or the Executive Vice President, Member Regulation or their respective designee(s), to determine the times, places and procedures for Committee meetings in consultation with the Chair of each Committee. In addition, NASD represents that the proposed amendments would clarify that an individual may attend a meeting

either in person or by telephone and that action taken by telephonic vote will not require written confirmation.

Section 8.6 (Election of District Officers) and Section 8.13 (Election of District Nominating Committees)

*Eliminate Requirement to Designate Function of Committee Officers.* Currently Section 8.6 and Section 8.13 require that the Committees prescribe the powers and duties of its elected officers. The Committees have not found it necessary to perform this function. The proposed amendments would eliminate this requirement.

Section 8.7 (Advisory Council)

*Members of Advisory Council.* The proposed amendments would clarify that the Chair of the Market Regulation Committee of NASD is a member of the Advisory Council to the Board.

General Amendments to Allow Electronic Communications

Several Sections in Article VIII require parties to provide notice or other communications to Committee members or NASD Regulation. The proposed amendments would provide that where provisions in Article VIII call for notice and other communications to be given either among Committee members, or between Committees and NASD Regulation staff, the requirement may be satisfied by electronic means, provided that the person entitled to notice consents to receive notice in this manner. Specifically, the proposed amendments would add new Section 8.33 which defines the term "Notice" as used in Article VIII to mean a notice in writing or by electronic transmission. In proposed Section 8.23, the Secretary of NASD Regulation may provide notice by electronic transmission to Executive Representatives of NASD members announcing names of candidates, the offices for which they are nominated, and the procedures for contested elections, if the need arises. Additionally, in proposed Section 8.24, NASD staff and District Offices would provide administrative support to all candidates by sending electronically up to two distributions prepared by the candidates to NASD members eligible to vote.

General Amendments to Centralize Procedures for Nominations and Elections

In general, the amendments would create a more streamlined and flexible election process, conform the By-Laws language with current practice, and allow the Secretary of NASD Regulation to play a more centralized role in the