

signed paper Form U4 for each of the applicant's proposed associated persons who are required to be registered with NASD. Instead, the proposed rule change will require that, upon approval of the applicant's Web CRD entitlement request form, the applicant will file such Forms U4 electronically via Web CRD.

NASD Rule 1013(a)(3) already requires that an applicant, upon approval of its Web CRD entitlement request form, electronically submit any amendments to its filed Form BD and Forms U4 and any additional Forms U4 or Forms U5 not submitted with the membership application. By extending the electronic filing requirement to include all Form U4 filings an applicant must submit in connection with its membership application, the proposed rule change allows an applicant to use one unified process for all its Form U4 submissions in the membership application process and reduces the amount of paperwork the applicant must submit with its membership application.

The proposed change will also lessen the burden on NASD staff receiving the membership application because it will eliminate the need to separate the Forms U4 from the membership application material and route them to the appropriate office for review and entry into the Web CRD system. Also, because the proposed change will result in the applicant filing the Forms U4 directly with Web CRD, NASD Web CRD staff will not experience any delays that might occur from the routing process.

In connection with the new electronic Form U4 filing requirement, NASD is also proposing to amend Rule 1140 to apply to applicants the same electronic filing requirements that members must follow when filing electronic Forms U4. Currently, Rule 1140 requires that every electronic Form U4 filing made by a member be based on a signed Form U4 provided by the associated person. Rule 1140 also requires that the member, as part of its recordkeeping requirements, retain the signed Forms U4 and make them available promptly upon regulatory request. The proposed changes to Rule 1140 will require an applicant to follow these same procedures when making electronic Form U4 filings. These requirements will help ensure that associated persons have reviewed and accepted the information and representations provided with the electronic Form U4.

Finally, the proposed rule change makes several technical changes to Rules 1013 and 1140. First, the references in these rules to "Form U-4" and "Form U-5" are being changed to

"Form U4" and "Form U5," respectively.⁴ Second, Rule 1011(a) defines "applicant" to mean either a person applying for NASD membership under Rule 1013 or a member filing an application under Rule 1017 for approval of a change in ownership, control, or business operations. However, the current use of the term "applicant" in Rule 1140 is inconsistent with this definition because it currently uses the term "applicant" to refer to the person on whose behalf the electronic Form U4 filing is being made. Accordingly, the rule change would replace references to "applicant" in Rule 1140 with references to persons on whose behalf Forms U4 filings are being made, as appropriate. Finally, NASD no longer refers to itself or its subsidiary, NASD Regulation, Inc., using its full corporate name, "the Association," "the NASD" or "NASD Regulation." Instead, NASD uses the name "NASD" unless otherwise appropriate for corporate or regulatory reasons. Accordingly, the proposed rule change replaces, as a technical change, several references to "the Association" and "NASD Regulation" in Rules 1013 and 1140 with the name "NASD."

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁵ which requires, among other things, that NASD's 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 NASD Rule 1013 to eliminate the requirement that new member applicants include in their membership applications signed, paper Forms U4 for each proposed associated person who is required to be registered under NASD Rules and, instead, to require new member applicants to file these Forms U4 electronically. The proposed rule change also amends Rule 1140 to require new member applicants to follow the same procedures members must follow when making electronic Form U4 filings. In addition, the proposed rule change makes certain

⁴ This change is being made in accordance with SR-NASD-2003-57 (Rule Change to Revise Uniform Application for Securities Industry Registration or Transfer (Form U-4) and Uniform Termination Notice for Securities Industry Registration (Form U-5)), which changed the references for Forms "U-4" and "U-5" to "U4" and "U5." SEC Release No. 34-48161 (July 10, 2003) 68 FR 42444 (July 17, 2003).

⁵ 15 U.S.C. 78o-3(b)(6).

technical changes to Rules 1013 and 1140.

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, as amended.

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

The proposed rule change has been filed by NASD as a "non-controversial" rule change pursuant to Section 19(b)(3)(A) of the Act⁶ and Rule 19b-4(f)(6) thereunder.⁷ Consequently, because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date on which it was filed, and NASD provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6) thereunder.⁹

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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6).

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6).