

American Bankers Association  
Securities Industry Association

June 22, 2004

Mr. Gary Goldsholle  
Vice President and Associate General Counsel  
Office of the General Counsel  
NASD, Inc.  
1735 K Street, N.W.  
Washington, D.C. 20006

Re: NASD Registration Requirements

Dear Gary:

Pursuant to our recent conversation, we are writing to you to request that you reaffirm the substance of your October 27, 2000 letter addressed to the ABA and the SIA, a copy of which is attached to this letter, and extend the applicable dates contained therein until January 1, 2006. Specifically, we request that the NASD, pursuant to its authority under Rule 1070(e), toll, during the GLBA phase-in period, the two-year grace period during which an individual is not required to take a qualification examination. We also request the NASD, pursuant to Rule 1031, to confirm that during the phase-in period, affiliated broker-dealers may sponsor and complete registration for unregistered bank employees in anticipation of moving such employees into a registered broker-dealer. Now that the Securities and Exchange Commission has clarified that the brokerage provisions of Title II of the Gramm-Leach-Bliley Act will take effect on January 1, 2006, the GLBA phase-in period should be defined as the time period between November 12, 1999 (the date the GLBA was enacted) and January 1, 2006 (the date the brokerage provisions of Title II of GLBA will take effect).

As previously outlined, tolling the two-year grace period for those individuals who have previously passed qualification examinations but have yet to be moved to a bank-affiliated broker-dealer will assist in a fair and orderly transition of such persons from a bank into a broker-dealer. Individuals covered by this request would include not only those individuals whose qualifications were in order at the beginning of the phase-in period, but also those individuals who have successfully taken qualification examinations after the phase-in period commenced. Many individuals in this latter group took qualification examinations pursuant to the authority granted by the NASD to bank-affiliated member firms to sponsor and complete registration for unregistered bank employees in anticipation of moving such employees into a registered broker-dealer at the expiration of the GLBA phase-in period. Tolling the grace period avoids penalizing individuals whose employer-banks are using the full phase-in period to identify and/or establish the appropriate broker-dealer into which their securities activities will be moved.

In addition, many bank employees—not having previously qualified for NASD registration—who are performing certain securities-related activities within the bank will be required to move into the affiliated broker-dealer by January 1, 2006. Early registration of these unregistered bank employees will facilitate an orderly registration process and lessen disruption of business operations on January 1, 2006. Your October 27, 2000 letter confirms that during the GLBA phase-in period, member firms may sponsor bank employees for registration if the member (or an affiliate of the member) intends to employ the individual in its investment banking or securities business—even whether there is a substantial period of time between the time a member sponsors an individual and the time when such individual actually engages in the securities business with that member. Your letter also confirms that a member will not be required to supervise such bank employees under Rules 3010, 3030, 3040 and 3050, so long as such bank employees continue to be supervised by the bank, and do not engage in any securities activities for or on behalf of the member firm of which they are an associated person.

We look forward to your prompt response to this request. Please do not hesitate to contact us should you wish to discuss this further.

Sincerely yours,

Sarah A. Miller  
American Bankers Association  
ABA Securities Association

Alan E. Sorcher  
Securities Industry Association

Attachment