such member or person as reflected on the Corporation's records.

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Article V

Sanctions for Violation of the Rules

Sec. 1. Any District Business Conduct Committee, Market Surveillance Committee, the National Business Conduct Committee, any other committee exercising powers assigned by the Board, or the Board in the administration and enforcement of these Rules, and after compliance with the Code of Procedure as set forth in the Rule series, may (1) censure any member or person associated with a member, and/or (2) impose a fine upon any member or person associated with a member, and/or (3) suspend the membership of any member or suspend the registration of a person associated with a member, if any, for a definite period, and/or for a period contingent on the performance of a particular act, and/or (4) expel any member or revoke the registration of any person associated with a member, if any, and/or (5) suspend or bar a member or person associated with a member from association with all members, and/or (6) impost any other fitting sanction deemed appropriate under the circumstances, for each or any violation of any of these Rules by a member or person associated with a member or for any neglect or refusal to comply with any orders, directions or decisions issued by any such committee or by the Board in the enforcement of these Rules, including any interpretative ruling made by the Board, as any such committee or the Board, in its discretion, may deem to be just; provided, however, that no such sanction imposed by any such committee shall take effect until the period for appeal therefrom or review thereof by the National Business Conduct Committee or the Board, as applicable, has expired and any such appeal or review has been completed in accordance with the Code or Procedure as set forth in the Rule series; and provided, further, that all parties to any proceeding resulting in a sanction shall be deemed to have assented to or to have acquiesced in the imposition of such sanction unless any party aggrieved thereby shall have made application for review thereof pursuant to the Code of Procedure as set forth in the Rule series, within fifteen (15) days after the date of the decision rendered in such proceeding.

II. Self-Regulatory Organization's Statement of the Purpose of and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The NASD has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) The amendments are part of a multi-phase program in which the NASD is reorganizing the NASD Manual to make it more usable by members and other users of the Manual. It is contemplated that this will be a nonsubstantive reordering of the existing rules, interpretations, and other provisions of the Manual to establish a more logical progression of rules within the Manual. The program envisions that all rules in the NASD Manual, including not only the current Rules of Fair Practice but also such specialized rules as the Government Securities Rules, Nasdaq Rules, Code of Arbitration Procedure, etc., will be numbered consecutively throughout the Manual and considered together as "Rules." This project will require certain changes in numbering and terminology in the By-Laws and Rules of the NASD. In addition, a common numbering and naming scheme for subdivisions within a Rule will be used. Discussion of specific changes is set forth below.

By-Laws

The sections of Article I have been rearranged, so that the definitions are now in alphabetical order for easier use. In Section (d), space has been left for the proposed new number for Article III, Section 27, to be inserted. That number will not be printed in the Manual until the Rules have been entirely renumbered. The number is subject to later change by Board and staff action, if necessary, as provided in the proposed rule change to Article XVII of the By-Laws, below. The term "rules of the Corporation" in proposed Section(s) currently includes all rules that may now be referred to as Rules of Fair Practice, Government Securities Rules, the Code of Procedure, and the Uniform Practice Code. In the Manual revision

project, all rules of the Corporation other than the Certificate of Incorporation and By-Laws will be referred to as "Rules," with a capital "R." For purposes of proposed Section(s), however, the existing names for these types of rules have been retained to make clear exactly what types of rules are included. To make the provision more broadly applicable as well, the language "any other rules" has been added. This would include, for example, the text of any Schedules that are converted to rules in the Manual revision project.

In Article III, Section 7, the term "Rules of Fair Practice" is proposed to be replaced with the general term "Rules," as described above. In Section 10, the reference to Article I(c) has been changed to reflect the new letter for the definition of "branch office," which was placed in alphabetical order and

relettered as I(d).

In Article IV, Section 4, references to specific Rules of Fair Practice will be changed to the proposed new rule numbers that will be used in the Manual revision project. These new numbers will not be printed in the By-Laws until the entire Manual revision is completed. In accordance with authorization provided in Article XVII of the By-Laws, which is proposed to be amended in this filing, the staff will be able to adjust the final cross-references to various Rule numbers as the Manual revision proceeds. In Section 4(a), an existing, erroneous reference to Section 2(b) has been corrected. That change will be made in the Manual when this rule filing is approved.

In Article V, Sections 3 and 4, references to Rules of Fair Practice and the Code of Procedure have been changed to the more general term "other rules" as part of the Manual revision

project.

In Article VII. Section 1. references to the "Rules of Fair Practice" have been changed to "Rules" to conform to the new terminology used in the Manual revision. In light of this change, former subsection (a)(3), which referred to the Rules of Fair Practice, would duplicate subsections (a)(2) and (4), which give the Board general authority to adopt rules and issue orders relating to the rules. The reference to implementing the provisions of the Act in Section 1(a)(3) is duplicative of Article XII, Sec. 1, which provides that the Board is authorized to adopt Rules "to carry out the purposes of the Corporation and of the Act." Therefore, it is proposed to delete subsection (a)(3) as part of the Manual revision project. The remaining subsections have been renumbered accordingly. In Sections 3 and 4, in