

MEMORANDUM OF UNDERSTANDING AMONG THE
SECURITIES AND EXCHANGE COMMISSION
AMERICAN STOCK EXCHANGE
CHICAGO BOARD OPTIONS EXCHANGE
NATIONAL ASSOCIATION OF SECURITIES DEALERS
NEW YORK STOCK EXCHANGE
AND THE
NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION
CONCERNING CONSULTATION AND COORDINATION
WITH RESPECT TO THE REGULATORY
EXAMINATION OF BROKER-DEALERS

NOVEMBER 28, 1995

BACKGROUND

Broker-dealers are subject to regulation and examination by the Securities and Exchange Commission pursuant to Section 17(b) of the Securities Exchange Act of 1934 (Exchange Act). Broker-dealers must join a self-regulatory organization (SRO) and are often members of more than one SRO; therefore, they may be subject to oversight by more than one SRO. Under Section 17(d) of the Exchange Act, and the rules thereunder, the Commission may allocate among SROs the responsibilities for regulatory examination of dual members of SROs. In making such determinations, the Commission must take into consideration the regulatory capabilities and procedures of the SROs, availability of staff, convenience of location, unnecessary regulatory duplication, and such other factors as the Commission may consider germane to protection of investors, the cooperation and coordination among SROs, and the development of a national market system and a national system for the clearance and settlement of securities transactions.

In addition, the SROs have entered into a number of understandings and agreements among themselves to further the purpose of coordination and allocation of examination responsibilities and resources. Further, the Commission, pursuant to Section 17(d) of the Exchange Act, has approved plans submitted by the SROs for the designation of a single Designated Options Examining Authority (DOEA), with responsibility for performing options sales practice examinations and other options-related regulation.

Broker-dealers are also subject to regulatory oversight by each state in which they effect transactions in securities. State securities regulators conduct examinations of broker-dealers to ensure compliance with applicable state securities regulations. State securities regulators actively cooperate with each other through the North American Securities Administrators Association.

This Memorandum of Understanding reflects the commitment of the parties to undertake their regulatory responsibilities in the most efficient and effective manner by sharing information, coordinating examinations, and identifying regulatory priorities.

MEMORANDUM OF UNDERSTANDING

The Securities and Exchange Commission (Commission), the American Stock Exchange (AMEX), the Chicago Board Options Exchange (CBOE), the National Association of Securities Dealers (NASD), the New York Stock Exchange (NYSE), and the North American Securities Administrators Association (NASAA) on behalf of its members, all being engaged in the examination of broker-dealers and recognizing the need for cooperation and coordination to most efficiently and effectively oversee the financial, operational, and sales practice activities of broker-dealers, maintaining the highest level of examination and oversight quality for the protection of investors, while working to eliminate any unnecessary and burdensome duplication in the examination process, have reached the following understandings:

1: PLANNING SUMMITS

1.1 The Commission, NASAA, AMEX, CBOE, NASD, and NYSE will meet at least annually for a national general planning summit to discuss coordination of examination schedules and examination priorities, review broker-dealers' examination histories, and discuss other areas of interest relevant to examination coordination and cooperation, with the goal of encouraging information-sharing to avoid unnecessary duplication of examinations.

1.2 Within each region, each Commission regional office, state securities regulatory authorities, and NASD district offices will meet at least annually for a regional planning summit to discuss examination schedules and priorities, review broker-dealers' examination histories, and discuss other areas of related interest, with the goal of encouraging information-sharing to avoid unnecessary duplication of examinations.

2: COORDINATED TRACKING SYSTEM FOR BROKER-DEALER EXAMINATIONS

2.1 The Commission regional offices, the AMEX, CBOE, NASD, and NYSE will prepare on a monthly basis in a uniform computerized format information on broker-dealer examinations performed, and submit such information to the Commission's Office of Compliance Inspections and Examinations.

2.2 The Commission's staff will maintain a computerized database of consolidated examination information to monitor coordination of broker-dealer examinations pursuant to the provisions in this Memorandum of Understanding.

3: COORDINATION OF EXAMINATIONS

3.1 The AMEX, CBOE, NASD and NYSE will share among them such information, including reports of examination, customer complaint information, and other non-public regulatory information as appropriate to foster a coordinated approach to regulatory oversight of broker-dealers subject to examination by more than one SRO.

3.2 To the extent practicable, the AMEX, CBOE, NASD, or NYSE, as agreed upon by the SROs, will inquire of each broker-dealer subject to examination by more than one SRO, whether such broker-dealer requests coordination of its on-site regulatory examinations. For each broker-dealer that requests the coordinated examination approach:

3.2.1. To the extent practicable, the financial and operational examination of the Designated Examining Authority under Section 17(d) of the Exchange Act and rules thereunder (DEA) will be conducted simultaneously with its sales practice examination and any other SRO sales practice examination, with consultation among examiners as appropriate.

3.2.2 To the extent practicable, the DOEA will conduct its examination simultaneously with the examinations of the NYSE and/or NASD, with consultation among examiners as appropriate.

3.3 NASAA will encourage state examination authorities to utilize examination resources where they are most needed, with respect to firms and branch offices of firms that may not receive frequent examination by the Commission and SROs. NASAA and the SEC will encourage state securities regulators to undertake examinations of member branch offices and smaller investment advisers. To assist securities regulators in coordinating examinations of smaller advisers, the SEC will periodically provide each state securities regulator with the identity of each federally registered adviser within the state, and will continue to provide training and other assistance to state examiners.

4: CAUSE EXAMINATIONS

Examinations for cause that result from customer complaints, terminations for cause, or other matters, shall not be subject to any provisions of this Memorandum of Understanding and may be done at any time as appropriate, while seeking to coordinate and cooperate wherever possible.


5: EFFECTIVE DATE

Coordination in accordance with this Memorandum will begin on the date of its signing.

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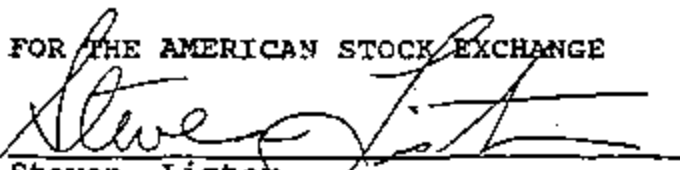
Signed at Washington, D.C., this 28th day of November, 1995.

FOR THE SECURITIES AND EXCHANGE COMMISSION:

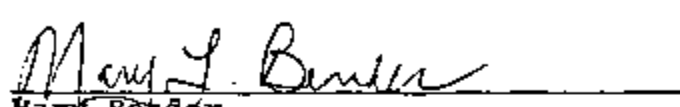


Lori Richards
Director, Office of Compliance Inspections and Examinations

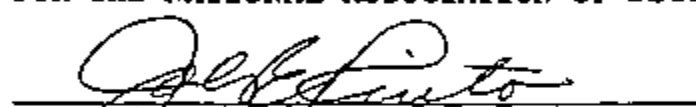
FOR THE AMERICAN STOCK EXCHANGE


Steven Lister
Executive Vice President

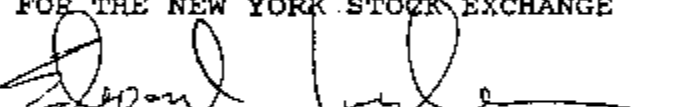
FOR THE CHICAGO BOARD OPTIONS EXCHANGE


Mary Bender
Senior Vice President, Regulatory Services Division

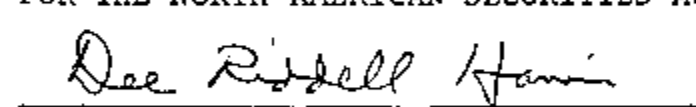
FOR THE NATIONAL ASSOCIATION OF SECURITIES DEALERS


John Pinto
Executive Vice President, Regulation

FOR THE NEW YORK STOCK EXCHANGE


Edward Kwalwasser
Group Executive Vice President

FOR THE NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION


Dee Harris
President