

**Phlx Memo No. 1841-07**

**RC No: NASD- 2007-38**

MEMORANDUM

To: Members and Member Organizations

From: Legal Department

Date: July 26, 2007

Re: NASD Code of Arbitration  
SR-NASD-2007-38 Notice of Filing and Immediate Effectiveness of  
Proposed Rule Change to Amend the Customer and the Industry Codes of  
Arbitration Procedure To Clarify NASD's Jurisdiction Concerning  
Members of Other Self-Regulatory Organization's

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Pursuant to Phlx Rule 950, Section 44, the Exchange has outsourced its arbitration and mediation program to NASD Dispute Resolution. The purpose of this memo is to update you as to proposed amendments to the NASD Code of Arbitration Procedure.

On June 13, 2007, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or the "Commission"), a proposed rule change to amend NASD Rules 12100 and 13100 of the NASD Codes of Arbitration Procedure for Customer Disputes ("Customer Code") and for Industry Disputes ("Industry Code") (together, the "Codes") to clarify that, for purposes of the Codes, the term "member" includes any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Codes and/or to be treated as members of NASD for purposes of the Codes.

This proposed rule change has received approval from the SEC on July 9, 2007.

Below is the text of the proposed rule change. Proposed new language is in italics.

Customer Code

12100. Definitions

Unless otherwise defined in the Code, terms used in the Code and interpretive material, if defined in the NASD By-Laws, shall have the meaning as defined in the NASD By-Laws.

Paragraphs (a) through (n) unchanged.

(o) Member

For purposes of the Code, the term "member" means any broker or dealer admitted to membership in NASD, whether or not the membership has been terminated or cancelled; *and any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Code and/or to be treated as members of NASD for purposes of the Code, whether or not the membership has been terminated or cancelled.*

Remainder unchanged.

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Industry Code

13100. Definitions

Unless otherwise defined in the Code, terms used in the Code and interpretive material, if defined in the NASD By-Laws, shall have the meaning as defined in the NASD By-Laws.

Paragraphs (a) through (n) unchanged.

(o) Member

For purposes of the Code, the term "member" means any broker or dealer admitted to membership in NASD, whether or not the membership has been terminated or cancelled; *and any broker or dealer admitted to membership in a self-regulatory organization that, with NASD consent, has required its members to arbitrate pursuant to the Code and/or to be treated as members of NASD for purposes of the Code, whether or not the membership has been terminated or cancelled.*

Remainder unchanged.

The text of the proposed rule change is available on NASD's Web site (<http://www.nasd.com>), at NASD's principal office, and at the Commission's Public Reference Room.

If you have any questions regarding this approved rule change, or would like a complete copy of this proposed filing, or further questions regarding the NASD Dispute Resolution Process, please click on the NASD Dispute Resolution website at [www.nasdadr.com](http://www.nasdadr.com). If you need additional help, please contact Scott Donnini at (215) 496-5358.