

Phlx Memo No. 1103-07

RC No: NASD- 2007-26

MEMORANDUM

To: Members and Member Organizations

From: Legal Department

Date: May 9, 2007

Re: NASD Code of Arbitration
SR-NASD-2007-26 Notice of Filing and Immediate Effectiveness of
Proposed Rule Change to Implement Technical Changes to the Customer,
Industry and Mediation

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 April 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 the NASD Codes of Arbitration Procedure for Customer Disputes ("Customer Code") and for Industry Disputes ("Industry Code"), and to amend the NASD Code Mediation Procedure ("Mediation Code") (collectively, the "Codes") to delete rule language that was rescinded prior to the approval of the Codes, to change a reference that was amended by a separate NASD proposal, and to insert rule language that was approved by the Commission prior to its approval of the Customer and Industry Codes, but was inadvertently omitted from the Customer and Industry Codes. This proposed rule change has received approval from the SEC on May 3, 2007.

Recently, NASD reorganized its dispute resolution rules (Rules 10000 et seq.) into three separate procedural codes: the Customer Code; the Industry Code; and the Mediation Code. The Customer, Industry and Mediation Codes replaced the NASD Code of Arbitration Procedure ("old Code") in its entirety.

The Commission approved the Mediation Code on October 31, 2005. The Commission approved the Customer Code and Industry Code (collectively, "new Codes") on January 24, 2007, and the new Codes became effective on April 16, 2007.

NASD is proposing several technical, nonsubstantive amendments to the Mediation Code and the new Arbitration Codes. With these amendments, NASD is

proposing to delete provisions that were rescinded prior to the Codes' approval, to change a reference that was amended by a separate NASD proposal, and to add a provision that was approved by the Commission prior to its approval of the new Mediation and Arbitration Codes, but was inadvertently omitted from the new Codes.

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. If you need additional help, please contact Scott Donnini at (215) 496-5358.