

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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### **Text of NASD Rule**

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## **2000. BUSINESS CONDUCT**

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## **2700. SECURITIES DISTRIBUTIONS**

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## **2711. Research Analysts and Research Reports**

### **(a) Definitions**

For purposes of this rule, the following terms shall be defined as provided.

(1) – (10) No Change.

(11) “Emerging Growth Company” has the same meaning as in Section 3(a)(80) of the Securities Exchange Act of 1934.

### **(b) No Change.**

### **(c) Restrictions on Communications with the Subject Company**

(1) – (3) No Change.

(4) No research analyst may participate in efforts to solicit investment banking business. Accordingly, no research analyst may, among other things, participate in any “pitches” for investment banking business to prospective investment banking clients, or have other communications with companies for the purpose of soliciting investment banking business. This paragraph shall not prevent a research analyst from attending a pitch meeting in connection with an

initial public offering of an Emerging Growth Company that is also attended by investment banking personnel; provided, however, that a research analyst may not engage in otherwise prohibited conduct in such meetings, including efforts to solicit investment banking business.

(5) – (7) No Change.

**(d) – (e) No Change.**

**(f) Restrictions on Publishing Research Reports and Public Appearances;**

#### **Termination of Coverage**

(1) – (4) No Change.

(5) Paragraphs (f)(1), (f)(2) and (f)(4) shall not apply to the publication or distribution of a research report or a public appearance following an initial public offering or secondary offering of the securities of an Emerging Growth Company.

([5]6) If a member intends to terminate its research coverage of a subject company, notice of this termination must be made. The member must make available a final research report on the subject company using the means of dissemination equivalent to those it ordinarily uses to provide the customer with its research reports on the subject company. The report must be comparable in scope and detail to prior research reports and must include a final recommendation or rating, unless it is impracticable for the member to produce a comparable report (e.g., if the research analyst covering the subject company or sector has left the member or if the member terminates coverage of the industry or sector). If it is impracticable to produce a final recommendation or rating, the

final research report must disclose the member's rationale for the decision to terminate coverage.

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### **Text of Incorporated NYSE Rule**

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#### **472. Communications With The Public**

**(a) No Change.**

**(b) Investment Banking, Research Department and Subject Company**

##### **Relationships and Communications**

(1) – (4) No Change.

(5) A research analyst is prohibited from participating in efforts to solicit investment banking business. This prohibition includes, but is not limited to, participating in meetings to solicit investment banking business (e.g., “pitch” meetings) of prospective investment banking clients, or having other communications with companies for the purpose of soliciting investment banking business. This prohibition shall not apply to any communication between the research analyst, company, and/or nonresearch personnel, the sole purpose of which is due diligence. This paragraph shall not prevent a research analyst from attending a pitch meeting in connection with an initial public offering of an Emerging Growth Company that is also attended by investment banking personnel; provided, however, that a research analyst may not engage in otherwise prohibited conduct in such meetings, including efforts to otherwise solicit investment banking business.

(6) No Change.

**(c) – (e) No Change.**

**(f) Restrictions on Member's or Member Organization's Issuance of  
Research Reports and Participation in Public Appearances**

(1) – (5) No Change.

(6) Paragraphs (f)(1), (f)(2), (f)(3) and (f)(4) shall not apply to the publication or distribution of a research report or a public appearance following an initial public offering or secondary offering of the securities of an Emerging Growth Company.

[(6)7] If a member organization intends to terminate its research coverage of a subject company, notice of this termination must be made. The member organization must make available a final research report on the subject company using the means of dissemination equivalent to those it ordinarily uses to provide the customer with its research reports on the subject company. The report must be comparable in scope and detail to prior research reports and must include a final recommendation or rating, unless it is impracticable for the member organization to produce a comparable report (e.g., if the research analyst covering the subject company or sector has left the employ of the member organization, or where the member organization terminates coverage on the industry or sector). In instances where it is impracticable for the member organization to provide a final recommendation or rating, the member organization must provide the rationale for the decision to terminate coverage.

**(g) – (m) No Change.**

••• **Supplementary Material:** -----

**.10 Definitions**

**(1) – (5) No Change.**

**(6) “Emerging Growth Company” has the same meaning as defined in Section 3(a)(80) of the Securities Exchange Act of 1934.**

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