

## New Rules Require NASDAQ-Listed Companies To Be Eligible For A Direct Registration Program By January 2008



**Please Route To:** NASDAQ-Listed Companies

### **What You Need to Know:**

- New rules will require NASDAQ-listed securities to be eligible for a Direct Registration Program.
- Companies listed before January 1, 2007 have until January 1, 2008 to comply.
- As you prepare for your company's annual meeting of shareholders in 2007, you may wish to consider whether your company needs to take any actions that require shareholder approval to be eligible for a Direct Registration Program.

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On August 8, 2006, the Securities and Exchange Commission approved amendments to NASDAQ Rule 4350(l), which requires securities listed on NASDAQ to be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Exchange Act, such as the one offered by The Depository Trust Corporation ("DTC").<sup>1</sup> A Direct Registration Program permits an investor's ownership to be recorded and maintained on the books of the issuer or the transfer agent without the issuance of a physical stock certificate. Investors receive annual statements from the issuer indicating their holdings.

The rule change does not require issuers to actually participate in a Direct Registration Program or to eliminate physical stock certificates ("dematerialization"). However, the change requires that the listed securities are *eligible* for such a program. To be eligible, an issuer is required to use a transfer agent that meets DTC's requirements for direct registered securities.<sup>2</sup> Further, the transfer agent must instruct DTC to designate the company's securities as "direct registered eligible securities." A list of transfer agents that meet the DTC requirements can be found on the [DTC website](#). If your transfer agent is not on this list, they can contact DTC to discuss requirements.

### **Compliance Deadlines**

NASDAQ recognizes that some issuers may need to amend their governing documents, such as their by-laws, to be permitted to issue securities that are not represented by certificates. Therefore, companies that were listed on NASDAQ before January 1, 2007, as well as new classes of securities issued by these companies and companies that transfer the listing of their securities from another registered U.S. securities exchange, have until January 1, 2008 to comply. As you prepare for your company's annual meeting of shareholders in 2007, you may consider whether your company needs to take any actions that require shareholder approval to be eligible for a Direct Registration Program.

The Rule does not apply to non-equity securities which are book-entry-only.

## Additional Information

For more detailed information, please see the following:

- SEC Order approving NASDAQ's rule change – [http://nasdaq.complinet.com/file\\_store/pdf/rulebooks/SR-NASDAQ-2006-008\\_Approval.pdf](http://nasdaq.complinet.com/file_store/pdf/rulebooks/SR-NASDAQ-2006-008_Approval.pdf)
- List of transfer agents that meet the DTC requirements for direct registration – [https://login.dtcc.com/dtcorg/binary/19247DRS\\_Limited.pdf](https://login.dtcc.com/dtcorg/binary/19247DRS_Limited.pdf)
- Securities Industry Association's Immobilization & Dematerialization Guide – <http://www.sia.com/stp/pdf/SIADematerializationImpGuide.pdf>
- Information regarding the Direct Registration System – <https://login.dtcc.com/dtcorg/prod-serv/page18938.html>
- NASDAQ Issuer Bulletin, March 7, 2005 – [http://www.complinet.com/file\\_store/pdf/rulebooks/NASDAQ-2006-008\\_bulletin.pdf](http://www.complinet.com/file_store/pdf/rulebooks/NASDAQ-2006-008_bulletin.pdf)

If you have any questions, please contact your Listing Qualifications Analyst or your Relationship Manager.

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<sup>1</sup> NASDAQ previously provided information about this change in a March 7, 2005, [Issuer Bulletin](#).

<sup>2</sup> If an issuer acts as its own transfer agent, it also needs to meet these requirements.

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