

Notices to Members

YEAR 2000 UPDATE



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May 1999

Internal Testing And Contingency Planning

Internal Testing

No matter the size of your firm—two people, 200, or 20,000—you should be mindful of potential Year 2000 challenges. Internal testing of all systems, especially those that are mission critical, should now be in progress or completed.

For example, stand-alone personal computers (PCs), networked systems, and related software must be tested for Year 2000 compliance. Do not assume that because your PC and business software were purchased recently that they are compliant. There are many consulting firms that are currently providing this service and are qualified to perform compliance tests on hardware and software. Talk to your colleagues to obtain vendor referrals. If you do obtain PC remediation or repair services from a vendor, obtain documentation that confirms the work was completed and the PC tested and certified as Year 2000 compliant. If a qualified service vendor is difficult to locate, there are several commercial software packages available that can be used to check PCs and in some instances fix certain Year 2000-related problems. If you use this means, check product reviews in computer magazines for the best choice of software for your purposes.

Software used in mission-critical functions must be tested, too. Written certification of compliance from the manufacturer, qualified vendor, or staff computer technician should be obtained since failure of a non-compliant system may result in corruption of the computers' software/firmware. Your critical software should be tested under a Year 2000 environment by changing the computer date of a certified PC system to a critical Year 2000 date and running the software for validation. If your software is not Year 2000 compliant, contact the vendor or manufacturer and obtain a compliant version. If this is not possible, consider selecting another suitable software package that is compliant. Remember that back-up of all critical client data files to a storage

device (e.g., tape drive) should be performed before any work is done to ensure file recovery in case of a problem.

If your firm's operation depends upon use of a computer-linked telephone system that is date sensitive, you should verify its Year 2000 compliance with the vendor or manufacturer. Many PBX and voice mail systems use date features to store and automatically delete messages, as well as to store and generate usage reports. If non-compliant, the vendor should upgrade and test the system, if possible, as well as provide you with documentation of compliance. Fax machines, security and fire systems, elevators, and other mission-critical systems that are essential to your business usually contain embedded chip systems and should be tested for compliance. Check with your building operations staff for any Year 2000 compliance reports of facility systems and obtain confirming documentation from vendors and/or building owners.

Contingency Plans

Equally important is contingency plan development of alternate means of recovering from mission-critical Year 2000 failures. A Year 2000 business contingency plan is different from regular contingency and disaster plans and considers the problems to be encountered in this unique situation. The contingency plan should be developed and tested prior to possible use. Staff should be assigned duties and responsibilities, as well as trained in implementing the plans based on certain "trigger" dates and events. Resources should be allocated for implementation and continuation of the plan for a period (e.g., two weeks) that you designate. NASD member firms should indicate in the plan alternate means for contacting the NASD in case of critical failures.

For more information on contingency planning, see the January 1999 issue of *Notice to Members*.

If you have questions regarding any of these or other issues, please contact the NASD Year 2000 Program Office by e-mail at y2k@nasd.com or by calling our toll-free number at (888) 227-1330.

Year 2000 Education And Events

The NASD Year 2000 Program Office is continuing to offer Virtual Workshops—conference call-in sessions. The NASD strongly encourages registration for these sessions by calling (888) 567-0578. After placing the call, listen to the greeting, and provide the following information when prompted: firm name, Broker/Dealer #, and workshop date. On the day of the session, call (800) 857-7323 and indicate the password and confirmation number provided for the specific workshop. See below for a list of these specific workshops organized by date of session, as well as a brief summary of the issues to be discussed.

May 13 Investor Communication "Best Practices"

Password: Communication
Conf. #: 3111736

Issues to be covered:

- ◆ Frequent problems
- ◆ Disclosure issues
- ◆ Best practices

May 20 Utilities and Critical Services

Password: Services
Conf. #: 3113760

Issues to be covered:

- ◆ State of utilities and recent guidelines
- ◆ Other critical services
- ◆ How these critical services affect broker/dealer's preparedness
- ◆ Best practices in dealing with uncertainty

June 8 Peer Review of Best Practices I

Password: Practices
Conf. #: 3111792

Issues to be covered:

- ◆ Records retention
- ◆ Third-party vendors
- ◆ Testing/internal within firms

June 15 Exchanges and Utilities Update

Password: Practices
Conf. #: 3117326

Issues to be covered:

- ◆ State of exchange & utilities
- ◆ Upcoming developments
- ◆ Related broker/dealer developments

June 29 Risk Management

Password: Risk
Conf. #: 3116085

Issues to be covered:

- ◆ Key principles in risk management
- ◆ What the NASD is doing
- ◆ What clearing firms and introducing firms can do
- ◆ Event horizon strategies

July 20 Legal Issues & Year 2000

Password: Legal
Conf. #: 3117340

Issues to be covered:

- ◆ Due diligence efforts for brokers/dealers
- ◆ Litigation helpful hints
- ◆ Recent developments in disclosure

July 22 Certification and Compliance

Password: Certification
Conf. #: 3117355

Issues to be covered:

- ◆ New rules pertaining to guidelines
- ◆ How the rules affect the broker/dealer community
- ◆ Helpful hints on compliance issues

July 29 Exchanges and Utilities Update

Password: Exchanges
Conf. #: 3117514

Issues to be covered:

- ◆ State of exchange & utilities
- ◆ Upcoming developments
- ◆ Related broker/dealer developments

August 5 Contingency Strategies for Small Firms

Password: Strategies
Conf. #: 3117421

Issues to be covered:

- ◆ Overview of the typical small firm contingency planning difficulties
- ◆ Trends in contingency planning
- ◆ Timeline vs. impact
- ◆ External/internal contingency planning

August 10 Peer Review of Best Practices II

Password: Practices
Conf. #: 3117455

Issues to be covered:

- ◆ Case studies of broker/dealers' Year 2000 best practices

August 19 Investor Communication "Best Practices"

Password: Communication
Conf. #: 3117463

Issues to be covered:

- ◆ Frequent problems
- ◆ Disclosure issues
- ◆ Best practices

August 24 Contingency Strategies for Large Firms

Password: Strategies
Conf. #: 3117500

Issues to be covered:

- ◆ Overview of typical large firm contingency planning challenges
- ◆ Trends in contingency planning
- ◆ Timeline vs. impact
- ◆ External/internal contingency planning

Year 2000 Education And Events

NASD Year 2000 Investor Kit

The NASD Year 2000 Program Office, with cooperation from the Securities and Exchange Commission and the Securities Industry Association, has developed a Year 2000 Investor Kit. It includes checklists, frequently asked questions, resources, and other general information that address investors' concerns about the Year 2000 challenge. NASD members may also want to share this information in discussing Year 2000 issues with its customers.

The Kit will be available on the NASD and NASDR Web Sites (www.nasd.com and www.nasdr.com). For a hard-copy version, please contact the NASD Year 2000 Program Office at (888) 227-1330.

NASD Year 2000 Event Calendar

Topic	Location	Date	Time
Investor Communication "Best Practices"	Virtual	May 13	11:00 a.m., ET
Utilities and Critical Services	Virtual	May 20	11:00 a.m., ET
Peer Review of Best Practices I	Virtual	June 8	11:00 a.m., ET
Exchanges and Utilities Update	Virtual	June 15	11:00 a.m., ET
Risk Management	Virtual	June 29	11:00 a.m., ET
Legal Issues & Year 2000	Virtual	July 20	11:00 a.m., ET
Certification and Compliance	Virtual	July 22	11:00 a.m., ET
Exchanges and Utilities Update	Virtual	July 29	11:00 a.m., ET
Contingency Strategies for Small Firms	Virtual	August 5	11:00 a.m., ET
Peer Review of Best Practices II	Virtual	August 10	11:00 a.m., ET
Investor Communication "Best Practices"	Virtual	August 19	11:00 a.m., ET
Contingency Strategies for Large Firms	Virtual	August 24	11:00 a.m., ET

More Information/Questions

NASD Year 2000 Program Office

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