

Notices to Members

YEAR 2000 UPDATE



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REGULATION

April 1999

How Broker/Dealers Can Address Customer Concerns About The Year 2000

Investors are aware of the potential problems caused by the coming century change. As a result, they may consider changing their investing habits and strategies leading to more frequent questioning of their brokerage firms about the Year 2000 issue.

Leading up to the new year, it is important that broker/dealers communicate accurate and complete information to customers about their Year 2000 readiness. Some messages a broker/dealer might communicate to customers include:

- ◆ *Year 2000 Readiness—Discuss your firm's participation in Year 2000 testing, particularly industry-wide testing; contingency plans; and other preparedness activities.*
- ◆ *Industry Preparedness—Inform customers that the securities industry is coordinating efforts on Year 2000 readiness in order to protect investors. According to the U.S. Senate Year 2000 Committee's February 24, 1999 report on the Impact of the Year 2000 Problem, "As a result of early attention to the problem and significant regulatory and Congressional oversight, the financial services sector ranks ahead of virtually all other industries in its remediation and testing efforts."*
- ◆ *Industry-Wide Testing—Discuss the Year 2000 industry-wide testing being conducted during March and April with over 400 market participants to assess trading and settlement cycles.*
- ◆ *Good Recordkeeping—Indicate that, as always, customers should keep track of their regular account statements. In the event that Year 2000 computer glitches create incorrect information in personal account records, encourage customers to keep copies of personal records such as bank statements, investment account statements, Social Security records, medical records, bill payment records, and others. Good recordkeeping makes sense at any time.*

Broker/dealers can communicate these and other relevant messages in a variety of ways, including:

- ◆ *phone calls;*
- ◆ *recorded messages;*
- ◆ *personal letters;*
- ◆ *newsletters/brochures;*
- ◆ *informal Year 2000 forums conducted in your office or other location; and*
- ◆ *Web sites.*

It is important to educate all employees that deal with customers about the firm's Year 2000 readiness to ensure that accurate and complete information is conveyed.

In addition to providing useful information to customers about the overall readiness of the firm and the industry, broker/dealers should review disclosure by public companies about their Year 2000 readiness and the effect their compliance may have on their bottom line before making buy and sell recommendations.

The NASD Year 2000 Program Office has instituted an Investor Communications Program, which provides educational materials and guidance to investors, as well as to NASD members firms that need assistance in communicating effectively with their customers. The NASD Year 2000 Investor Communications Program is measuring awareness and investor confidence levels to help provide effective support to its varied constituents.

Just as the securities industry has coordinated efforts on Year 2000 preparedness, successfully informing customers and investors will help achieve a "business as usual" environment when the Year 2000 transition occurs.

Year 2000 Education And Events

Virtual Workshops

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.

April 20 Contingency Planning

Password: Contingency
Conf #: 3112165

Issues to be covered:

- ◆ Step-by-step guide
- ◆ Timeline/impact if no contingency - a case study
- ◆ External/internal contingency planning
- ◆ Global view

April 27 Utilities and Critical Services

Password: Services
Conf #: 3111865

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

May 6 Audit, Agreed Upon Procedures, and Examination

Password: Audit
Conf #: 3111848

Issues to be covered:

- ◆ Differences between audit and agreed upon procedures
- ◆ Purpose of examination
- ◆ Records retention and documentation
- ◆ Sources of information to retain (e-mails, letters, etc.)

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

Year 2000 Education And Events

NASDR Spring Securities Conference

As mentioned in the last issue of *Notices to Members*, Year 2000 issues will be featured as part of the 1999 NASD Regulation annual Spring Securities Conference to be held in New Orleans on May 20-21. A conference brochure has been mailed to NASD members and is available on the NASD Regulation Web Site at www.nasdr.com.

NASD Year 2000 Event Calendar

Topic	Location	Date	Time
Contingency Planning	Virtual	April 20	11:00 a.m., ET
Utilities and Critical Services	Virtual	April 27	11:00 a.m., ET
Audit, Agreed Upon Procedures, and Examination	Virtual	May 6	11:00 a.m., ET
Investor Communication "Best Practices"	Virtual	May 13	11:00 a.m., ET
NASD Regulation Spring Securities Conference	New Orleans	May 20-21	
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

Form BD-Y2K Information

• SEC Interpretation Of BD-Y2K Filing Requirements For Subsidiary Firms

Following is an interpretation of Securities and Exchange Commission (SEC) Rule 17a-5 regarding filings for subsidiary firms. According to this interpretation, subsidiary firms are allowed to report on the overall entity's Year 2000 progress when applicable.

"A broker/dealer controlled by an entity for which an enterprise-wide assessment of Year 2000 compliance has been prepared may rely on the controlling entity's assessment when completing Form BD-Y2K to the extent that an assessment by the broker/dealer standing alone would not otherwise differ from the enterprise-wide assessment, if discussed appropriately."

More Information/Questions

**NASD Year 2000
Program Office**

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