



For Your Information

Submission of PAIB Computation in FOCUS Filings

Beginning with the June 2002 FOCUS Report, members that hold assets of other member firms and compute a PAIB Reserve with respect to such assets will need to include the PAIB Reserve computation with their regular FOCUS filing. The PAIB Reserve computation will be included as page 9B in the Part II FOCUS filing.

The PAIB Reserve computation is very similar to the Customer Reserve computation required under Securities and Exchange Commission (SEC) Rule 15c3-3; the primary difference being that the PAIB computation deals solely with the assets of other broker/dealers held at your firm. Generally, this situation arises when a clearing and carrying firm holds proprietary and deposit accounts of an introducing broker/dealer.

Notices to Members 98-99 presents the SEC's reasons for formalizing an arrangement to protect the assets of introducing brokers held at a clearing firm, and a discussion of the PAIB agreement and calculation requirements. *Notices to Members 99-44* provides SEC interpretations to its earlier guidelines regarding the applicability of a PAIB arrangement and an allocation chart to assist a firm in determining whether and/or where a particular position might be included in the computation.

The form, in conjunction with the two *Notices to Members* mentioned above, should provide the guidance needed to construct a satisfactory PAIB agreement and complete the computation correctly. If you have any questions regarding PAIB arrangements or the computation, please do not hesitate to contact Susan DeMando at (202) 728-8411 or Andrew Labadie at (202) 728-8397, in NASD Financial Operations.

Reporting INSITE Data

In order to comply with Rule 3150, each member firm (clearing and self-clearing) needs to transmit the required INSITE data pertaining to itself and any correspondent member firm for which it clears to NASD. The INSITE Web Page has been updated with the implementation schedule, http://www.nasdr.com/insite_schedules.asp. If you do not receive a letter and your firm is required to file, please contact us. Prior to authorization and certification to submit data in



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the Production Environment of INSITE Firm Data Filing (IFDF), firms must demonstrate success in the IFDF Testing Environment. Please note that each firm must begin certification testing at least one month prior to the firm's scheduled implementation date.

Certification Testing Requirements can be found at <http://www.nasdr.com/insite.asp>. Please direct your questions regarding INSITE to 1-800-321-NASD or send an e-mail to the INSITE e-mailbox at insite.ifdf@nasd.com.