

# NASD Notice to Members 99-63

SEC Approves And Adopts Revised Forms And Electronic Filing Requirement; New Member Applicants Should Continue To File Paper Forms

## Suggested Routing

- Senior Management
- Advertising
- Continuing Education
- Corporate Finance
- Executive Representatives
- Government Securities
- Institutional
- Insurance
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registered Representatives
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training
- Variable Contracts

## Executive Summary

The Securities and Exchange Commission (SEC) has approved revised Forms U-4 and U-5 and adopted revised Forms BD and BDW<sup>1</sup>, all of which will be effective August 1, 1999. The SEC also approved amendments to National Association of Securities Dealers, Inc. (NASD<sup>®</sup>) Rule 1140—the Electronic Filing Rule—which requires such Forms (with the exception of initial Form BD applications) to be filed electronically, effective August 16, 1999. For details on the transition to electronic Forms and filings, see *Notice to Members 99-56* and visit the Web CRD Internet Page at [www.nasdr.com/3400\\_web.htm](http://www.nasdr.com/3400_web.htm).

New member applicants should continue to file Forms BD and U-4 on paper according to NASD Rule 1013.

Questions concerning this *Notice* may be directed to Ann E. Bushey, Assistant Director, CRD/Public Disclosure, NASD Regulation, Inc. (NASD Regulation<sup>®</sup>) at (301) 590-6389; Mary M. Dunbar, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8252; or Richard E. Pullano, Associate Director and Counsel, CRD/Public Disclosure, NASD Regulation, at (301) 212-3789.

## Background And Discussion

In *Notice to Members 99-56*, NASD Regulation describes the scheduled August 1999 deployment of the new Internet-based Central Registration Depository system, Web CRD<sup>SM</sup>. As anticipated in that *Notice*, the SEC has approved the revised Forms U-4 and U-5 and

adopted revised Forms BD and BDW for use with Web CRD.<sup>2</sup> On August 1, 1999, all of these new Forms become effective, and the Interim Forms currently in use become obsolete.

The SEC also has approved amendments to the Electronic Filing Rule which become effective August 16, 1999.<sup>3</sup> The entire text of the amended Rule appears in Attachment A.

## Paper Filing For New Member Applicants

New member applicants should continue to file paper Forms BD and U-4 under NASD Rule 1013. New member applicants may use paper Interim Forms BD and U-4 until July 29, 1999; **however, such Interim Forms must be received by NASD Regulation by close of business July 29.** Beginning on August 1, 1999, new member applicants should download the new Forms BD and U-4 from NASD Regulation's Web Site at [www.nasdr.com](http://www.nasdr.com) and submit them in paper to CRD.<sup>4</sup> CRD will then establish an electronic account that will allow new member applicants to submit all subsequent filings electronically. In the future, NASD Regulation may amend its rules to require new member applicants to file all Forms electronically.

See *Notice to Members 99-56* for more details on the transition to Web CRD and Securities Exchange Act Release No. 41594 for details on the adoption of revised Form BD. Visit the Web CRD Internet Page at: [www.nasdr.com/3400\\_web.htm](http://www.nasdr.com/3400_web.htm) for all of the latest developments on the deployment of the new system.

## Attachment A

Following is the entire text of revised Rule 1140.

### 1140. Electronic Filing Rules

#### (a) Filing Requirement

All forms required to be filed by Article IV, Sections 1, 7, and 8, and Article V, Sections 2 and 3, of the By-Laws shall be filed through an electronic process or such other process the Association may prescribe to the Central Registration Depository.

#### (b) Supervisory Requirements

(1) In order to comply with the supervisory procedures requirement in Rule 3010, each member shall identify a Registered Principal(s) or corporate officer(s) who has a position of authority over registration functions, to be responsible for supervising the electronic filing of appropriate forms pursuant to this Rule.

(2) The Registered Principal(s) or corporate officer(s) who has or have the responsibility to review and approve the forms filed pursuant to this Rule shall be required to acknowledge, electronically, that he/she is filing this information on behalf of the member and the member's associated persons.

#### (c) Form U-4 Filing Requirements

(1) Initial and transfer electronic application filings shall be based

on a signed Form U-4 provided to the member by the applicant. As part of the member's recordkeeping requirements, it shall retain the applicant's signed Form U-4 and make it available upon regulatory request.

#### (2) Fingerprint Cards

Upon filing an electronic Form U-4 on behalf of an applicant for registration, a member shall promptly submit a fingerprint card for the applicant. NASD Regulation may make a registration effective pending receipt of the fingerprint card. If a member fails to submit a fingerprint card within 30 days after NASD Regulation receives the electronic Form U-4, the person's registration shall be deemed inactive. In such case, NASD Regulation shall notify the member that the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. NASD Regulation shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of the Rule 1020 Series and the Rule 1030 Series. Upon application and a showing of good cause, the Association may extend the 30-day period.

#### (d) Form U-5 Filing Requirements

Initial filings and amendments of Form U-5 shall be submitted electronically. As part of the member's recordkeeping requirements, it shall make such records available upon regulatory request.

#### (e) Third Party Filing

A member may employ a third party to file the required forms electronically on its behalf.

## Endnotes

<sup>1</sup>Forms BD and BDW are joint forms used by the SEC, self-regulatory organizations (SROs), and the states. The forms are used, respectively, to register, and to terminate the registration of, broker/dealers. SROs and the states use Forms U-4 and U-5 to register, and terminate the registration of, associated persons of broker/dealers.

<sup>2</sup>See Exchange Act Rel. Nos. 41356 (April 30, 1999), 41560 (June 25, 1999), and 41594 (July 2, 1999).

<sup>3</sup>See Exchange Act Rel. No. 41575 (June 29, 1999).

<sup>4</sup>NASD Regulation will accept new Forms BD and U-4 during the System Transition Period; however, NASD Regulation will not enter these Forms into Web CRD until August 16.

© 1999, National Association of Securities Dealers, Inc. (NASD). All rights reserved.