

NASD Notice to Members 99-56

NASD Regulation Announces CRD “System Transition Period” Immediately Preceding The Deployment Of Web CRD

Suggested Routing

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Executive Summary

The new Internet-based Central Registration Depository system, Web CRDSM, will be deployed in August 1999. As NASD Regulation, Inc. (NASD Regulation[®]) transitions from the current CRD system to Web CRD, there will be a two-week period—System Transition Period—beginning on July 31 and ending August 15, 1999, when neither system will be available to process form filings and other registration-related transactions. This “System Transition Period” is necessary principally to allow NASD Regulation to perform the final conversions of data from the current CRD system to Web CRD. The System Transition Period also will permit NASD Regulation to receive, capture, and review the final form filings submitted on the Interim Forms, which will be replaced by the new Forms U-4, U-5, BD, and BDW. (The Securities and Exchange Commission (SEC) is considering proposed revisions to the Forms U-4, U-5, and BD; the proposed new forms are expected to become effective on or about August 1, 1999. The SEC adopted revised Form BDW with an effective date of August 1, 1999.)

Member firms should read this *Notice* carefully to fully understand the implications of the System Transition Period and thereby avoid problems with associated person registration, transfer, regulatory reporting, and examination scheduling. The System Transition Period will affect both member firms and their registered representatives in many ways. Most significantly, NASD Regulation will **not** accept new registration requests submitted on paper Interim Forms after July 29. Member firms that are Firm Access Query System (FAQS) subscribers and Electronic File Transfer (EFT) filers will be able to submit (through

the existing interface) the following filings through July 30 electronically:

- Forms U-4: Pages One and Two only – FAQS subscribers and EFT filers
- Forms U-5 – FAQS subscribers and EFT filers
- Forms BD: Schedule E only – FAQS subscribers only

Member firms that are not FAQS subscribers or EFT filers must hold all new registration requests after July 29 (including requests for registration in additional states) for submission on the revised forms to Web CRD once it is deployed on August 16.

In addition, as discussed in detail on the following pages, the System Transition Period will change the way member firms transact business with the CRD/Public Disclosure Department in a number of ways.

NASD Regulation is committed to keeping all interested parties aware of developments regarding the deployment of Web CRD. For the latest information and updates on the System Transition Period and Web CRD deployment, member firms should check the Web CRD Internet Pages at:
www.nasdr.com/3400_web.htm.

Questions concerning this *Notice* may be directed to Ann E. Bushey, Assistant Director, CRD/Public Disclosure, NASD Regulation, 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.

Registration Activities Affected By The System Transition Period

- *Form U-4 Filings or Requests for Additional Registrations and Jurisdictions*

NASD Regulation will not accept paper Interim Forms U-4 after July 29, 1999. FAQs subscribers and EFT filers can file Pages 1 and 2 of Form U-4 through July 30, 1999. After July 29, member firms that are not FAQs subscribers must hold all Form U-4 filings until August 16 for electronic filing via Web CRD.

- *Form U-5 Filings Reporting Full Termination*

→ Member firms should submit paper Forms U-5 during the System Transition Period (*i.e.*, after August 1, 1999) to report a **full termination** (*i.e.*, termination of all registrations and licenses).

→ Paper Form U-5 filings reporting full terminations must be on the version of the Form U-5 expected to be approved by the SEC in June 1999. Interim Form U-5 (the version with an 11/97 revision date) will not be accepted after July 29, 1999 (see "Interim Forms Become Obsolete" on page 362).

→ After Web CRD is deployed, NASD Regulation staff will perform data entry for paper Forms U-5 received during the System Transition Period.

→ During the System Transition Period, NASD Regulation will return any paper Forms U-5 if the Form is reporting a partial termination or if it is the old version (*i.e.*, 11/97 version) of the Form.

Note: If a member firm's 30-day deadline for submitting a Form U-5 reporting a full termination falls on July 29, 30, or 31, the member firm should ensure that NASD Regulation receives the paper Interim Form U-5 no later than July 29.

- *Form U-5 Filings Reporting a Partial Termination*

NASD Regulation will not accept Form U-5 filings requesting a partial termination during the System Transition Period. Member firms must withhold partial termination requests until electronic filing begins on August 16.

- *Form Amendments*

→ Member firms cannot file amendments to Forms U-4, U-5, or BD during the System Transition Period. Beginning on August 16, NASD Regulation will accept amendments to the Forms U-4, U-5, and BD submitted electronically through Web CRD.

→ NASD Regulation will convert the data in the current CRD system to the Web CRD system with the exception of certain Form BD data. Registered broker/dealers will be required to electronically re-file a substantial part of their Form BD information after Web CRD is deployed.

Note: The timing and other details of the Form BD re-file are expected to be finalized with the adoption by the SEC of the revised Form BD. Please visit the Web CRD Internet Pages at: www.nasdr.com/3400_web.htm for the most current

developments on the Form BD re-file.

- *Form BDW Filings*

NASD Regulation will accept paper Form BDW filings reporting full terminations during the System Transition Period. Broker/dealers must use the Form BDW adopted by the SEC on May 3, 1999, which becomes effective on August 1, 1999. See *SEA Release No. 41356*. The new Form BDW is available on the SEC and NASD Regulation Web Sites (www.sec.gov and www.nasdr.com).

- *Taking an Examination*

→ The System Transition Period will not affect NASD-authorized exam centers. Individuals can take examinations scheduled prior to but administered during the System Transition Period. However, registered representatives cannot request additional examinations during the System Transition Period. If an examination window is open prior to the System Transition Period, the candidate can schedule and take an examination.

→ Passing an examination does not equate to being licensed or registered. With the exception of Transition Temporary Agent Transfers (TATs) (see next page), jurisdictions and self-regulatory organizations (SROs) cannot grant a registration or license through CRD from August 3 through August 15. Therefore, even if a person successfully completes an examination during the transition period, the license or registration applied for cannot be made effective until August 16 at the earliest.

- *Satisfaction of Continuing Education Requirements*

→ The System Transition Period will not affect the delivery of most Continuing Education sessions at NASD-authorized exam centers. If a Continuing Education window is open, an individual can schedule and sit for a Regulatory Element session during the System Transition Period.

Exception: Persons who take the Regulatory Element after July 28 and do not complete it will not be able to reschedule a new appointment until after August 16.

→ NASD Regulation is granting a 30-day extension to individuals whose windows for fulfilling their Continuing Education requirement expire on July 29 through August 15 to prevent them from becoming inactive for failure to satisfy the Regulatory Element during the System Transition Period.

- *Transition Temporary Agent Transfers (Transition TAT)*

→ Member firms can request the transfer of a registered representative's license during the System Transition Period if the person: (1) has no reportable disclosure information; and (2) has left his or her previous member firm employer no more than seven days prior to the request.

Note: Because of changes in the questions on the new Form U-4, member firms should thoroughly review the new Form prior to certifying that the registered representative has no reportable disclosure information.

→ To effect a Transition TAT, member firms must fax a "Transition TAT Request Form" to CRD/Public Disclosure (fax number (301) 212-9158). CRD/PD will then contact the member firm to confirm receipt of the form. To finalize the agent transfer, the member firm must submit a new, non-deficient Form U-4 electronically to Web CRD within 21 days of the Transition TAT request and, at that time, fax to CRD/PD a "Notification of Form U-4 Filing Transition TAT Form." These two transitional forms will be available on the NASD Regulation Web Site before the System Transition Period begins.

Note: NASD Regulation understands that all states have agreed to participate in the Transition TAT Program; however, as of the date of publication of this Notice, NASD Regulation is awaiting the written confirmation of five states. Please visit the Web CRD Internet Pages at: www.nasdr.com/3400_web.htm for the complete list of participating states.

- *Depositing Funds into CRD Accounts*

→ The NASD Finance Department must receive all wired or mailed funds by July 29, 1999, to have those deposits show as a credit to a firm's account when Web CRD is deployed on August 16. Member firms should anticipate the funds needed to process the filings that may accrue during the transition period to ensure they have an appropriate account balance for Web CRD deployment on August 16.

→ CRD Accounting will continue to process funds received after July 29, but a firm's CRD account will not reflect these deposits until August 16, 1999, at the earliest. Funds credited on August 16, 1999, are not available to pay for transactions until the following day.

- *Mass Transfers*

For a number of operational and legal reasons, NASD Regulation may not be able to process mass transfer requests shortly before and immediately after the System Transition Period. **Consequently, any member that is aware of, or is contemplating, a mass transfer request anytime after the publication of this Notice should contact the CRD/Public Disclosure Department as soon as possible.**

Other Important Notes Regarding The System Transition Period

- *Deficient Registration Requests*

NASD Regulation will purge all registration requests that are "Form" or "Data" deficient on July 31, 1999. Member firms may want to order a roster from CRD/PD to identify registration requests that are currently Form or Data deficient and cure the deficiency by July 29. Any registration requests that are purged due to a Form or Data deficiency must be re-requested electronically after Web CRD deployment.

- *Pending Registrations*

Jurisdictions have until August 2 to approve pending registration

requests filed before the beginning of the System Transition Period. For these final approvals, NASD Regulation will continue to mail blue sheets to notify member firms of approved registrations and Legacy CRD will still be available to run queries. Jurisdictions will not be able to approve through CRD registrations still pending on August 2 until August 16 at the earliest.

- *Interim Forms Become Obsolete*

NASD Regulation anticipates that the Interim Forms (*i.e.*, the

11/97 version of Forms U-4 and U-5 and the 2/98 version of Form BD) will be replaced by the revised forms. Any **paper** filing made on an Interim Form after July 29 will not be accepted; member firms that are FAQs subscribers or EFT filers may submit **electronically** on the Interim Forms through July 30. The limited paper filings permitted during the System Transition Period (*i.e.*, Forms U-5 reporting full termination, full BDWs, and initial Form BD applications) and all electronic Web CRD filings must be submitted on the new forms.

- *TATs Initiated, But Not Completed, Before July 29, 1999*

The filing of a non-deficient Form U-4 is a TAT requirement for a registered representative to obtain a permanent license in a jurisdiction. A conditional registration granted through TAT, prior to the System Transition Period, will terminate as of August 1, 1999, if NASD Regulation does not receive the required non-deficient Form U-4 on, or before, July 29, 1999.

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