

For Your Information

Use Of Alias Prohibited During Cold Calling

It has come to the attention of NASD Regulation, Inc., that some registered representatives may be using aliases when making cold calls. Such activity violates National Association of Securities Dealers, Inc. (NASD[®]) Rule 2211 and the Federal Communications Commission's telephone solicitation rules, 47 C.F.R. 64.1200(e)(iv) (1997)¹, which require anyone calling a residence for the purpose of solicitation to identify themselves; NASD Rule 2210, which requires members to observe high standards of commercial honor and just and equitable principles of trade; and NASD Interpretive Material 2310-2, which requires that sales efforts be undertaken only on a basis that can be judged as being within the ethical standards of the NASD's Rules, with particular emphasis on the requirement to deal fairly with the public. Any representative who is using an alias for cold calling purposes should discontinue the practice immediately.

If a representative has used an alias or other name for any reason, such name must be disclosed in item 15 on page 2 of the Form U-4. A representative who fails to provide complete and accurate disclosure on the Form U-4 may be subject to disciplinary action.

Any questions regarding this *Notice* may be directed to Mary Dunbar, Office of General Counsel, NASD RegulationSM, at (202) 728-8252.

Endnote

¹ See *Notice to Members 95-54*, which informed members of their obligations under the Federal Communications Commission's telephone solicitation rules adopted pursuant to the Telephone Consumer Protection Act of 1991.

Rule Changes Regarding Correspondence Take Effect

NASD Regulation has implemented rule changes relating to supervision and record retention requirements applicable to correspondence, including electronic mail, which were approved by the Securities and Exchange Commission (SEC) in December 1997. The rule changes, as described in *Notice to Members 98-11*, became effective April 7, 1998, with the exception of the provision in the *Notice* stating that members must review "all incoming correspondence received in non-electronic format directed to registered representatives and related to a member's investment banking or securities business." The effective date of the provision relating to the review of incoming, non-electronic correspondence has been delayed until July 7, 1998, to allow NASD Regulation further opportunity to consider comments on this issue. See File No. SR-NASD-98-31, filed April 7, 1998, and 63 FR 19778 (April 21, 1998). The rule filing may be accessed through the NASD Regulation Web Site at www.nasdr.com.

Year 2000 Update Member Firm Reminder

As we move closer to the year 2000, member firms are reminded that their individual Year 2000 programs need to include processes and procedures for developing an inventory and assessment of all facilities, communications systems, and business support services. These areas could be overlooked within the larger scheme of Year 2000 program plans, but are the practical, everyday items, that no business can do without. The following list details these items:

- telephones;
- office equipment (fax machines, financial calculators, postage machines, etc.);

- elevators;
- power and other utilities (water/gas);
- security systems;
- PCs* and PC service contracts;
- Internet Web Sites;
- software applications (including those on desktops); and
- payment systems (wire transfer systems, check clearing providers, credit card merchant and issuing systems, electronic benefits transfer automated applications).

**Older PCs are prone to a "Real Time Clock" problem where the PC reads the date as 1980 when the year 2000 arrives. Businesses are encouraged to test individual PCs and servers in anticipation of this potential problem.*

For further information on how to test a PC and the "Real Time Clock" problem related to the Year 2000 challenge, see "Y2K Snag Hides in PC Hardware" in the April 13, 1998 issue of *Computerworld* (www.computerworld.com).

SEC Rule Proposal

In March, the SEC requested comments regarding a temporary rule amendment to SEC Rule 17a-5 that would require broker/dealers to file two reports regarding their Year 2000 compliance. The NASD submitted comments to the SEC in April indicating that the proposed amendments are a positive addition to the regulatory and industry-wide Year 2000 initiatives currently underway. The NASD also indicated that the SEC's amendment should extend to all broker/dealers, rather than the SEC's proposed \$100,000 net capital reporting threshold, but that smaller firms should not be subject to an outside attestation requirement. Furthermore, the NASD commented that the results of these reports should be made available to the public and should be collected and published under a standard reporting format.

Year 2000 Conferences And Events

The NASD Year 2000 Program Office has been hosting a series of free educational seminars this month at NASD Regulation District Offices and other locations. These sessions—targeted for NASD member firms—are providing an opportunity for attendees to exchange ideas and share information about Year 2000 "best practices," review a typical Year 2000 plan, and hear about industry-wide testing efforts. In order

to underscore the importance of member firms' Year 2000 readiness and compliance, NASD Regulation President Mary L. Schapiro will attend one of these sessions. In addition, this month NASD Regulation is hosting its annual Spring Securities Conference, May 20-22, in Washington, D.C., where Year 2000 issues will be featured.

Year 2000 Testing Update

NASD member firms are reminded of the vital importance of their organization participating in external Year 2000 testing. Unit testing is already being scheduled for Securities Industry Association (SIA) Beta Test participants. There is no charge for this testing and it is strongly recommended for all market making and clearing firms. Call (800) 288-3783 to schedule your firm's Year 2000 testing today.

Contact Information

For more information, continue to read *Notices to Members'* monthly "For Your Information" section. Also, visit the Year 2000 Web Pages on both the NASD Regulation Web Site (www.nasdr.com) and the NASD Web Site (www.nasd.com). To contact the NASD Year 2000 Program Office directly, call (888) 227-1330, or send an e-mail to y2k@nasd.com.

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