
For Your Information

NASD Reminds Firms of E-Mail Address Established to Report System Outages to Market Regulation Department

In the Winter 2000 *Regulatory & Compliance Alert* (2000 RCA), NASD provided the e-mail addresses specified below so that members could notify NASD's Market Regulation Department (the "staff") of system problems that impacted a member's ability to comply with certain SEC and NASD rules. Because firms experience system problems in the normal course of business and in connection with the implementation of new processes relating to market developments such as SuperMontage and TRACE, NASD staff is reminding members of these e-mail addresses, the purpose for which the e-mails are to be used, and the information that should be included in the e-mail messages.

As noted in the 2000 RCA, NASD staff performs periodic surveillance reviews or "sweeps" of the industry for compliance with a variety of rules including, among others, the Securities and Exchange Commission (SEC) Order Handling Rules and NASD rules relating to trade reporting for equities and corporate bonds (TRACE), ACT compliance, trading during a halt, and trade-or-move obligations. Using sophisticated automated technology, the staff reviews the trading and market making activity of all member firms. Where warranted, the staff's review may result in the imposition of informal or formal disciplinary action.

As part of its review, the staff considers whether a system outage or other technology-related problem caused, or contributed to, a member's failure to comply with a rule. To address such issues earlier in the "sweep" process, the Market Regulation Department established an e-mail address so that members can alert the staff when system outages or other technology-related problems have impeded the members' ability to comply with certain SEC or NASD rules. The staff uses the contemporaneous record created from the members' messages left at the e-mail address to evaluate the results of surveillance "sweeps." On a case-by-case basis, the staff will determine whether the incidents identified in that record should be viewed as a mitigating factor. NASD staff notes that any mitigation resulting from the notification of system problems is affected, among other things, by the cause, magnitude, duration, and

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frequency of the system problem. In addition, the promptness of the notification and the extent to which the member firm proactively addresses the problem will also be considered in assessing mitigation. It should be noted that the reporting of system problems in cases involving extended periods of non-compliance caused by such problems may not, by itself, have a mitigating effect unless the member firm can document sustained efforts to solve the problem.

In the event a member experiences a system outage or other technology-related problem that impacts that member's ability to meet the obligations imposed by the applicable rules, the member should send a message to the appropriate e-mail address below that includes the following information:

- ◆ The date(s) the system problem occurred;
- ◆ The specific systems that were affected (e.g., the member's internal systems, third party vendor system);
- ◆ The exact nature of the problem (e.g., complete outage, slow transmission times);
- ◆ The time the problem began;
- ◆ The time the member first detected the problem;
- ◆ The time the problem was resolved and a brief description of the resolution;
- ◆ The level of activity impacted (e.g., the approximate number of trades not reported) and a description of how the impact will be addressed (e.g., trade reports to be submitted on an "as of" basis the next business day);

Contact name and telephone number; and

Any additional information deemed relevant by the member firm reporting the problem.

All system outages or technology-related problems involving equities should be reported to *tradereporting@nasd.com*. All system outages or other technology-related problems involving TRACE should be reported to *bondreporting@nasd.com*.



For Your Information

Web-Based Appointment Scheduling and Confirmation System for Online Exam Scheduling Is Now Available

Firms and employees of firms who have registered through Web CRD to take a computer-based exam can now schedule and confirm online exam appointments through Prometric's Appointment Scheduling and Confirmation Web Site.

A sponsoring firm of the candidate must first request an examination on Web CRD before the candidate or firm can schedule an exam appointment using the online scheduling system.

NOTE: Appointments CANNOT be re-scheduled or canceled via the Web Site. If an appointment needs to be re-scheduled or canceled, the candidate or firm must call Prometric's toll-free number at 1-800-578-6273.

You may access the Web Site in two ways:

www.nasdr.com/2630_confirm.asp provides instructions for using the Web Site and a link to the scheduling and confirmation Site

OR

www.2test.com provides direct access to Prometric's Web Site.

For Your Information

Qualification Updates

Effective December 2, 2002, questions on the Limited Representative-Equity Trader Examination, Series 55, will be updated to refer to the revised rules on NASDAQ execution systems. Questions on SOES and SuperSoes will be replaced with questions on SuperMontage. Questions on the new NASD rules on automated display facilities will also be added to the bank of questions for this examination. SOES and SuperSoes questions on the Series 10, 11, 24, and 62 examinations will be updated to reflect these changes on December 9. If you have any questions regarding this information, contact Karen Bescher, Qualifications Analyst, NASD Testing and Continuing Education Department, at (240) 386-4677.

On September 30, 2002, the Municipal Securities Rulemaking Board (MSRB) filed a proposed rule change with the Securities and Exchange Commission for the MSRB's new Municipal Fund Securities Limited Principal Qualification Examination (Series 51), as well as an amendment to Rule G-3, on professional qualifications. Administration of the new Series 51 examination will begin on or about January 1, 2003. The amendment to Rule G-3 will extend to March 31, 2003, the transition period during which Series 24 and Series 26 principals may continue to supervise municipal fund securities activities without further qualification. This extension will provide a three-month period during which candidates can take and pass the Series 51 examination. ***Under the amendment, all municipal fund securities limited principals will be required to have taken and passed the Series 51 examination by April 1, 2003.*** This new exam requirement will not apply to individuals who are functioning as municipal securities principals or general securities sales supervisors, and who have passed either the Municipal Securities Principal Examination (Series 53) or the General Securities Sales Supervisors Examination (Series 8 or Series 9/10). For more information on this new examination requirement, contact Carole Hartzog, Assistant Director, NASD Testing and Continuing Education Department, at (240) 386-4678. This information is also available on the MSRB Web Site at www.msrb.org.



For Your Information

2002 - 2003 Filing Due Dates

NASD would like to remind members of their obligation to file the appropriate FOCUS reports, Annual Audits, and Customer Complaints by their due dates. The following schedule outlines due dates for 2003. Questions regarding the information to be filed can be directed to the appropriate District Office. Business questions as to how to file the FOCUS report, resetting passwords & technical questions concerning system requirements, file uploads, submission problems for Web-Based FOCUS and Customer Complaints can all be directed to (800) 321-NASD. Business questions regarding the Short Interest Reporting deadlines should be directed to Yvonne Huber at (240) 386-5034 or Jocelyn Rena at (240) 386-5091.

2003 FOCUS Due Dates

*Annual Schedule I for
2002 Year End*

Due Date

2002 FOCUS Schedule I

January 27, 2003

*Annual Schedule I for
2003 Year End*

Due Date

2003 FOCUS Schedule I

January 27, 2004

2003 Monthly and Fifth FOCUS II/IIA Filings

A Fifth FOCUS report is an additional report that is due from a member whose fiscal year end is a date other than the calendar quarter.

January 31, 2003	February 26, 2003
February 28, 2003	March 25, 2003
April 30, 2003	May 23, 2003
May 31, 2003	June 24, 2003
July 31, 2003	August 25, 2003
August 31, 2003	September 24, 2003
October 31, 2003	November 25, 2003
November 30, 2003	December 23, 2003

2003 Quarterly FOCUS Part II/IIA Filings

<i>Quarter Ending</i>	<i>Due Date</i>
December 31, 2002	January 27, 2003
March 31, 2003	April 24, 2003
June 30, 2003	July 24, 2003
September 30, 2003	October 23, 2003
December 31, 2003	January 27, 2004



2003 Annual Audit Filings Due Dates

<i>Period End</i>	<i>Due Date</i>
January 31, 2003	April 1, 2003
February 28, 2003	April 29, 2003
March 31, 2003	May 30, 2003
April 30, 2003	June 29, 2003
May 31, 2003	July 30, 2003
June 30, 2003	August 29, 2003
July 31, 2003	September 29, 2003
August 31, 2003	October 30, 2003
September 30, 2003	November 29, 2003
October 31, 2003	December 30, 2003
November 30, 2003	January 29, 2004
December 31, 2003	February 29, 2004

2003 3070/Customer Complaints Due Dates

4th Quarter 2002:	January 15, 2003 (Wednesday)
1st Quarter 2003:	April 15, 2003 (Tuesday)
2nd Quarter 2003:	July 15, 2003 (Tuesday)
3rd Quarter 2003:	October 15, 2003 (Wednesday)
4th Quarter 2003:	January 15, 2004 (Thursday)

Market Regulation Department 2003 Short Interest Reporting Deadlines

Trade Date	Settlement Date	Exchange-Listed Short Interest Due*	NASDAQ Short Interest Due*
January 10 Friday	January 15 Wednesday	January 17 1:00 p.m. Friday	January 17 6:00 p.m. Friday
February 11 Tuesday	February 14 Friday	February 19 1:00 p.m. Wednesday	February 19 6:00 p.m. Wednesday
March 11 Tuesday	March 14 Friday	March 18 1:00 p.m. Tuesday	March 18 6:00 p.m. Tuesday
April 10 Thursday	April 15 Tuesday	April 17 1:00 p.m. Thursday	April 17 6:00 p.m. Thursday
May 12 Monday	May 15 Thursday	May 19 1:00 p.m. Monday	May 19 6:00 p.m. Monday
June 10 Tuesday	June 13 Friday	June 17 1:00 p.m. Tuesday	June 17 6:00 p.m. Tuesday



Trade Date	Settlement Date	Exchange-Listed Short Interest Due*	NASDAQ Short Interest Due*
July 10 Thursday	July 15 Tuesday	July 17 1:00 p.m. Thursday	July 17 6:00 p.m. Thursday
August 12 Tuesday	August 15 Friday	August 19 1:00 p.m. Tuesday	August 19 6:00 p.m. Tuesday
September 10 Wednesday	September 15 Monday	September 17 1:00 p.m. Wednesday	September 17 6:00 p.m. Wednesday
October 9 Thursday	October 15 Wednesday	October 17 1:00 p.m. Friday	October 17 6:00 p.m. Friday
November 10 Monday	November 14 Friday	November 18 1:00 p.m. Tuesday	November 18 6:00 p.m. Tuesday
December 10 Wednesday	December 15 Monday	December 17 1:00 p.m. Wednesday	December 17 6:00 p.m. Wednesday

* Eastern Standard Time



For Your Information

Updated Anti-Money Laundering Online Training Course

NASD is pleased to announce that we will be offering an updated Anti-Money Laundering online course for 2003. The core AML course and case studies, first made available in April of 2002, are intended to educate members about AML laws, policies, and procedures. The course for 2003 will be updated to reflect revisions in the Suspicious Activity Reporting and other rules that have taken effect in the last year. The updated course is scheduled to be available in early January 2003.

NASD also will launch supplemental online course modules with topics and case studies targeted to specific types of business. One specialty module will focus on the AML issues in the retail investments business. This module is scheduled to be available in the first quarter of 2003. A second specialty module is planned to focus on the AML issues in the institutional investments business. This module is scheduled to be available in the second quarter of 2003 and will reflect the Customer Identification rules that are currently being finalized.

Firms have flexibility in determining how to meet their statutory responsibilities under the PATRIOT Act. This employee training program is one option for members to consider using as part of the AML programs they develop to comply with the PATRIOT Act.

To access the training program and for further updates, visit this Web Page: <http://www.nasd.com/aml/training.htm>.



For Your Information

Elimination of Free-Riding Questionnaires

NASD administers a regulatory program that monitors and collects data on allocations of equity initial public offerings (IPOs) and the restrictions provided in the Free-Riding and Withholding Interpretation (NASD Conduct Rule IM-2110-1). For every equity IPO, the lead managing underwriter must submit information to the Corporate Financing Department (the Department) regarding each member participating in the offering and its retention amounts. The Department then notifies all participating members whether an offering is "hot" (i.e., trades at a premium in the secondary market) for purposes of the Free-Riding and Withholding Interpretation. The lead manager must report final retention amounts for each member after the offering. In addition, when IPO shares trade in the secondary market at premiums above a particular threshold level, the Department has required members to complete Free-Riding Questionnaires (FRQs) that provide more detail regarding allocations to accounts in order to demonstrate that the allocations are not made to accounts that are restricted under the Free-Riding and Withholding Interpretation. NASD has the technology and processes to effectively monitor compliance with the Free-Riding and Withholding Interpretation without requiring members to complete FRQs. Accordingly, NASD will no longer require members to complete FRQs and file them with the Department. Members, however, must continue to submit the initial and final retention information that NASD requires under the Free-Riding and Withholding Interpretation.

Questions regarding this information may be directed to Therese Woods, NASD Corporate Financing Department, at (240) 386-4661.