

Notice to Members

OCTOBER 2002

SUGGESTED ROUTING

Executive Representatives
Legal & Compliance
Operations
Registered Representative
Registration
Senior Management

KEY TOPICS

IARDSM
Maintenance Fees
Renewals
Registration
Web CRDSM

ACTION REQUIRED

Broker/Dealer and Investment Adviser Renewal Program

Broker/Dealer, Investment Adviser Firm, Agent and
Investment Adviser Representative Renewals for 2003
Payment Deadline: December 6, 2002

Executive Summary

The 2003 NASD Broker/Dealer and Investment Adviser Registration Renewal Program begins on November 4, 2002, when online Preliminary Renewal Statements are made available to all firms on Web CRDSM/IARDSM. This annual program simplifies the registration renewal process for more than 21,000 Broker/Dealer (BD) and Investment Adviser (IA) firms and approximately 700,000 registered representatives and 100,000 investment adviser representatives by allowing the payment of one amount to NASD by the published deadline. There are two significant changes to the program this year. This is the first year that NASD will collect investment adviser representative (RA) Renewal Fees on behalf of participating state regulators. Also, NASD will assess a Late Payment Fee to all NASD members that do not pay by the 2003 Renewal payment deadline of December 6, 2002.

Renewal Statements will include the following fees: NASD Web CRD/IARD System Processing Fees, NASD Branch Office Fees, as well as New York Stock Exchange (NYSE), American Stock Exchange (Amex), Chicago Board Options Exchange (CBOE), International Securities Exchange (ISE), Pacific Exchange (PCX) and Philadelphia Stock Exchange (PHLX) Maintenance Fees. The statement will also include state Agent, state Broker/Dealer, and if applicable, state Investment Adviser Firm and Representative Renewal Fees.

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Members should read this *Notice to Members*; any instructions posted to the NASD Web Site, www.nasd.com; the Investment Adviser Web Site (where applicable), www.iard.com; *The Bulletin*; and any other mailed information to ensure continued eligibility to do business in the states effective January 1, 2003. Any Renewal processing changes subsequent to the publishing of this *Notice to Members* will be provided to you in a *Special Notice to Members*.

Questions concerning this *Notice* may be directed to the Gateway Call Center at (301) 869-6699.

Preliminary Renewal Statements

Beginning November 4, 2002, Preliminary Renewal Statements will be available for viewing and printing for all firms on Web CRD/IARD. The statements will include the following fees: Web CRD/IARD System Processing Fees, NASD Branch Office Fees, NYSE, Amex, CBOE, ISE, PCX and PHLX Maintenance Fees, state Agent Renewal Fees, state Broker/Dealer, and if applicable, Investment Adviser Firm and Representative Renewal Fees. NASD must receive full payment of the November Preliminary Renewal Statement amount **no later than December 6, 2002**.

If payment is NOT received by the December 6, 2002, Payment Due Date, NASD member firms will be assessed a **RENEWAL LATE PAYMENT FEE**. This Renewal Late Payment Fee will be included as part of the member firm's Final Renewal Statement and will be calculated as follows: 10% of a member firm's cumulative Final Renewal Assessment or \$100, whichever is greater, with a cap of \$5,000. Please see *Notice to Members 02-48* for details.

Fees

Beginning with this 2003 Renewal Program, NASD Personnel Assessment Fees will **no longer** be assessed through the annual Renewal Program. NASD will mail all NASD member firms a separate billing during the 1st quarter of 2003. Please see *Notice to Members 02-41* for more details.

A fee of \$30.00 will be assessed for each person who renews his/her registration with any regulator through Web CRD.

The *RA Renewal System Processing Fee* of \$45.00 will be assessed for every Investment Adviser Representative who renews through the IARD Program.

The *IARD Firm System Fee* of \$100.00 will be assessed for every state-registered Investment Adviser firm that renews through the IARD.

The *NASD Branch Office Assessment Fee* of \$75 per branch, based on the number of active NASD branches as of December 31, 2002, will be assessed.

Renewal Fees for NYSE, Amex, CBOE, PCX, ISE, PHLX, and state affiliations are also assessed in the Preliminary Renewal Statement on Web CRD. NYSE, Amex, CBOE, PCX, ISE and PHLX and state Maintenance Fees collected by NASD for firms that are registered with those exchanges, as well as NASD, are based on the number of NYSE, Amex, CBOE, PCX, ISE and PHLX and state-registered personnel employed by the member firm.

Beginning this year with the 2003 Renewal Program, the State of California will collect its firm Broker/Dealer Renewal Fees through Web CRD. However, California will not collect its Agent (AG) Renewal Fees through the Renewal Program. Firms registered in California should contact the state directly to

ensure compliance with Renewal requirements. In addition, some participating states may require steps beyond the payment of Renewal Fees to NASD to complete the Broker/Dealer or Investment Adviser Renewal process. Firms should contact each jurisdiction directly for further information on state renewal requirements. See the NASD Web Site for an SRO/State Directory.

For detailed information regarding Investment Adviser renewals, you may also visit the Investment Adviser Web Site, www.iard.com. A matrix that includes a list of Investment Adviser Renewal Fees for states that participate in the 2003 IARD Investment Adviser Renewal Program is posted at www.iard.com/pdf/reg_directory.pdf.

Renewal Payment

Beginning with this Renewal Program, firms will be able to submit electronic payments through a Web-based application known as Web CRD/IARD E-Pay. The E-Payment application is accessible from either the NASD (www.nasdr.com/3400.asp) or IARD (www.iard.com) Web Sites and allows firms to make an ACH payment from a designated bank account to their Web CRD/IARD Renewal Account. In order for funds to be posted to your firm's **Renewal** account by **December 6, 2002**, payment must be submitted electronically, **no later than 8:30 p.m.**, Eastern Time (ET), on December 4, 2002.

Payment of the Preliminary Renewal Statement may also be made either in the form of a check made payable to NASD, or by bank wire transfer. The check should be drawn on the firm's account, with the firm's CRD Number included on the front of the check, along with the word "Renewals."

Submit all Renewal Payments, along with a printout of the first page of your online Preliminary Renewal Statement directly to:

U.S. Mail

NASD, CRD-IARD
P.O. Box 7777-W8705
Philadelphia, PA 19175-8705
(Note: This P.O. Box will not accept courier or overnight deliveries)

or

Express/Overnight Delivery

NASD, CRD-IARD
W8705
c/o Mellon Bank, Rm 3490
701 Market Street
Philadelphia, PA 19106
Telephone No: (301) 869-6699

Use the full address, including the "W8705" number in either address to ensure prompt processing.

Please note: The addresses for Renewal Payments are *different* from the addresses for funding your firm's CRD or IARD Daily Account.

Check Instructions:

To ensure prompt processing of your Renewal Payment check:

- ▶ Include a printout of the first page of your Preliminary Renewal Statement with payment.
- ▶ Do not include any other forms or fee submissions.
- ▶ Write your firm's CRD Number and the word "Renewals" on the check memo line.
- ▶ Be sure to send your payment either in the blue, pre-addressed Renewal envelope that will be mailed to you, or write the address on an envelope exactly as noted in this *Notice*.

Wire Payment Instructions:

Firms may wire full payment of the Preliminary Renewal Statement by requesting their bank to initiate the wire transfer to: "The Riggs National Bank in Washington, DC". You will need to provide your bank the following information:

Transfer funds to:	Riggs National Bank in Washington, DC
ABA Number:	054-000030
Beneficiary:	NASD
NASD Account Number:	086-761-52
Reference Number:	Firm CRD Number and the word "Renewals"

To ensure prompt processing of your Renewal Payment by wire transfer:

- ▶ Remember to inform your bank the funds are to be credited to the **NASD Bank Account**.
- ▶ Provide your firm's CRD Number and the word "Renewals" as reference only.
- ▶ Record the Confirmation Number of the wire transfer given by your bank.

Members are advised that failure to return full payment of their Preliminary Renewal Statement to NASD by the December 6, 2002, deadline could cause a member to become ineligible to do business in the jurisdictions effective January 1, 2003.

Renewal Reports

Beginning November 4, 2002, the Renewal Reports are available to request, print, and/or download via Web CRD and IARD. There will be three reports available for reconciliation with the Preliminary Renewal Statement. All three reports will also be available as downloads:

- ▶ *Firm Renewal Report* - applicable to Broker/Dealer and Investment Adviser Firms. This report lists individuals included in the 2003 Renewal processing and includes Billing Codes (if they have been supplied by the firm).
- ▶ *Branches Renewal Report* - applicable to NASD members. This report lists each branch registered with NASD and lists branch offices for which the firm is being assessed a fee. Firms should use this report to reconcile their records for Renewal purposes.

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- ♦ *Approved AG Reg Without NASD Approval Report* - applicable to NASD members. This report contains all individuals who are not registered with NASD but are registered with one or more jurisdictions. This roster should be used to determine if any NASD registrations should be requested or jurisdictions terminated.

Filing Form U-5

If Forms U-5 (either Full or Partial) are filed electronically via Web CRD by 11:00 p.m., ET, November 1, for Agents (AGs)/Investment Adviser Representatives (RAs) terminating in one or more jurisdiction affiliations, for 2002, those individuals' Renewal Fees will not be included on the Preliminary Renewal Statement.

The deadline for electronic filing of Forms U-5 for firms that want to terminate an Agent affiliation before year-end 2002 is 6:00 p.m., ET, on December 21, 2002. Firms may file both Partial and Full Forms U-5 with a post-dated **termination date of December 31, 2002**. (This is the only date that can be used for a post-dated Form U-5.) For more detailed information on post-dated Forms U-5, see the section titled "Post-Dated Form Filings" below.

Filing Form BDW

The CRD Phase II Program allows firms requesting Broker/Dealer termination (either full or partial) to electronically file their Forms BDW via Web CRD. Firms that file either a Full or Partial Form BDW by 11:00 p.m., ET, November 1, 2002, will avoid the assessment of the applicable

Renewal Fees on the Preliminary Renewal Statement, provided that the regulator is a CRD Phase II participant. Currently, there are four regulators that participate in Web CRD Renewals for agent fees but do not participate in CRD Phase II:

- ♦ American Stock Exchange
- ♦ New York Stock Exchange
- ♦ Pacific Exchange
- ♦ Philadelphia Stock Exchange

Firms requesting termination with any of the above-listed regulators must submit a paper Form BDW directly to the regulator, as well as submit one electronically to Web CRD.

The deadline for electronic filing of Forms BDW for firms that want to terminate an affiliation before year-end 2002 is 6:00 p.m., ET, December 21, 2002. This same date applies to the filing of Forms BDW with regulators that are not Phase II participants. For information regarding the post-dating of Forms BDW with the termination date of December 31, 2002, see the section below titled "Post-Dated Form Filings."

Filing Forms ADV to Cancel Notice Filings or Forms ADV-W to Terminate Registrations

Firms that file either a Form ADV Amendment, unmarking a state, (generating the Status of "Removal Requested at End of Year") or a Full or Partial Form ADV-W by 11:00 p.m., ET, November 1, 2002, will avoid the assessment of the applicable Renewal Fees on their Preliminary Renewal Statement.

The deadline for electronic filing of Form ADV Amendments or Forms ADV-W for firms that want to cancel a Notice Filing or terminate a state registration before year-end 2002 is 6:00 p.m., ET, December 21, 2002. For information regarding post-dating Form ADV-W with the termination date of December 31, 2002, for state registrations, see the following section.

Post-Dated Form Filings

Firms can begin electronically filing post-dated Forms U-5, BDW, Schedule E, and ADV-W via Web CRD/IARD on November 1, 2002. This program allows firms to file a termination form on, or after, November 1, with a termination date of **December 31, 2002**. Firms that submit post-dated termination filings will not be assessed Renewal Fees for the terminated jurisdictions on the Final Renewal Statement in January 2003.

Between November 1 and December 21, 2002, firms may process Forms U-5, BDW, Schedule E, and ADV-W (both partial and full terminations) with a post-dated termination date of **December 31, 2002**. (This is the only date that can be used for a post-dated form filing.) If a Form U-5, BDW, Schedule E, or ADV-W indicates a termination date of December 31, 2002, an agent, Broker/Dealer and/or Investment Adviser (firm) and investment adviser representative (RA) may continue doing business in the jurisdiction until the end of the calendar year without being assessed 2003 Renewal Fees. Please ensure that electronic Forms U-5, BDW, Schedule E, and ADV-W are filed by the Renewal filing deadline date of 6:00 p.m., ET, on December 21, 2002.

Members should exercise care when submitting post-dated Forms U-5, BDW, Schedule E, and ADV-W. NASD will systematically process these forms as they are submitted and cannot withdraw a post-dated termination once submitted and processed. A member that files a post-dated termination in error would have to file, electronically, a new Form U-4, BD Amendment or ADV when Web CRD/IARD resumes filing processing on January 2, 2003. New registration fees would be assessed as a result.

Removing Open Registrations

Beginning November 4, 2002, member firms will be able to request, via Web CRD, the "Approved AG Reg Without NASD Approval" Report. This report identifies agents whose NASD registration is either terminated or has been changed to a "purged" status due to the existence of a deficient condition (*i.e.*, Exams or Fingerprints) but maintain an approved registration with a state. Member firms should use this roster to terminate obsolete state registrations through the submission of Forms U-5 or reinstate the NASD licenses through the filing of a Form U-4 Amendment. This roster should aid in the reconciliation of personnel registrations prior to year's end. The "Approved AG Reg Without NASD Approval" Report will also advise a firm if there are no agents within this category.

Final Renewal Statements

Beginning January 2, 2003, NASD will make available Final Renewal Statements via Web CRD and IARD. These statements will reflect the final status of Broker/Dealer, Registered Representative (AG), Investment Adviser Firm and Investment Adviser Representative (RA) registrations and/or Notice Filings as of December 31, 2002. Any adjustments in fees owed as a result of registration terminations, approvals, Notice Filings or Transitions, subsequent to the processing/posting of the Preliminary Renewal Statement will be made in the Final Renewal Statement on Web CRD.

- ▶ If a firm has more agents, branch offices, or jurisdictions registered and/or Notice Filed on Web CRD and IARD at year's end than it did when the Preliminary Renewal Statement was generated, additional fees will be assessed.
- ▶ If a firm has fewer agents, branch offices, or jurisdictions registered and/or Notice Filed at year end than it did when the Preliminary Renewal Statement was generated, a credit/refund will be issued. Beginning this 2003 Renewal Program, all 2003 Renewal overpayments will be systemically transferred to firms' Daily Accounts on January 6, 2003. Refund requests will be made from this account.

After January 2, 2003, NASD member firms and "Joint" firms should access the Web CRD Reports function for the **Firm Renewal Report**, which will list all renewed personnel with the NASD, NYSE, Amex, CBOE, PCX, ISE, PHLX, and each

jurisdiction. Agents and RAs whose registrations are "Approved" in any of these jurisdictions during November and December will be included in this roster. Registrations that are "Pending Approval" or are "Deficient" at year's end will not be included in the Renewal Program. Member firms will also be able to request the **Branches Renewal Report** that lists all NASD branches for which they have been assessed. Download versions of these reports will also be available.

Firms have until March 14, 2003, to report any discrepancies on the Renewal Reports. Firms should contact all jurisdictions directly in writing. Specific information and instructions concerning the Final Renewal Statements and Renewal Reports will appear in the January 2003 issue of *Notices to Members*. Firms may also refer to the Fall *Bulletin*, which is devoted entirely to Renewals and will be mailed to all firms. The blue Renewal payment envelope will be included with *The Bulletin* that will be sent to firms. *The Bulletin* will also be available for viewing on the CRD Page of the NASD Web Site.

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