

NASD Notice to Members 98-77

**Executive Representatives
Must Maintain Internet
Electronic Mail Account By
January 1, 1999;
Complimentary Hard Copy
Distribution Of Key
Publications To End
January 1, 1999**

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 National Association of Securities Dealers, Inc. (NASD[®]) By-Laws were recently amended to require members' Executive Representatives to maintain electronic mail accounts for the purpose of updating firm contact information electronically by **no later than January 1, 1999.**

Once established, member Internet access and e-mail will open up many options for timely communications with members and associated cost savings. It also will assist members with timely internal distribution of NASD information, notices, and publications. Thus, effective January 1, 1999, the primary distribution method for *NASD Notices to Members* and *Regulatory & Compliance Alert* will be via the NASD Regulation, Inc. (NASD RegulationSM) Web Site (www.nasdr.com). Members that elect not to use the Web Site versions will have the option of subscribing to hard-copy versions at cost.

Questions regarding this *Notice* may be directed to Jay Cummings, Director, Internet and Investor Education, NASD Regulation, at (301) 590-6070.

Background And Discussion Amendment To Article IIV, Section 3

NASD Regulation established a Web Site that has been operating since August 1996. A significant effort is being made to provide meaningful content for the benefit of member firms and the investing public. Development of Internet technology presents an alternative method to distribute information of interest to industry participants, as well as to collect and update member firm information.

On August 5, 1997, the Membership Committee recommended the adoption of an amendment to the NASD

By-Laws to require each Executive Representative, beginning no later than January 1, 1999, to maintain an Internet e-mail account for communication with the NASD and to update firm contact information via the NASD Regulation Web Site (www.nasdr.com).

Pursuant to *Special NASD Notice to Members 97-97*, the NASD membership approved an amendment to the NASD By-Laws to require members to update information electronically and maintain e-mail accounts beginning no later than January 1, 1999. This amendment was subsequently approved by the NASD Board of Governors (Board) and the Securities and Exchange Commission (SEC).

The NASD must have current and accurate records of the names of members' Executive Representatives and other individuals who hold positions of significant responsibility within member firms. This information is used by the Corporate Secretary for member balloting, by NASD Regulation's Member Regulation Department for compliance purposes, and by Corporate Communications in identifying key individuals for use in targeted mailings. The current method for acquiring this information is through the filing of an NASD form entitled "NASD Member Firm Contact Questionnaire" (Questionnaire).

The recent By-Law change will improve the data collection process by requiring each Executive Representative to access his/her firm's Questionnaire via the NASD Regulation Web Site and update it on a periodic basis. (Each Executive Representative will be able to access only his/her own firm's Questionnaire; the information will be password-protected to prevent any public access.) The information then

will be linked to the internal NASD Regulation systems that require this data. Further, the By-Law change requires each member to maintain an Internet e-mail address on behalf of its Executive Representative. This e-mail address will be used proactively to send messages reminding the Executive Representative to review and update his/her firm's contact information and to provide notification of important publications and information that have been added to the NASD Regulation Web Site. Firms that do not wish to acquire e-mail capability solely for their purposes may choose to designate an address in care of a vendor that would be responsible for forwarding information delivered electronically.

As part of the process to implement password protection for each Executive Representative, and in order to issue user identifications and passwords, NASD Regulation will send a simple information access contract to each firm's Executive Representative in November. Each Executive Representative will be asked to sign the contract on behalf of his/her firm and to verify his/her status as the firm's Executive Representative and his/her Internet e-mail address. Each firm will have the option to designate a second individual who would be able to access the Questionnaire on behalf of the Executive Representative.

Once the information access contract is signed and returned, NASD Regulation will issue a password and user identification to the Executive

Representative and his/her designee, as appropriate. Receipt of a password and user identification will enable the Executive Representative and his/her designee to access the NASD Regulation Web Site, to update the firm's Questionnaire, and to receive e-mail from NASD Regulation concerning new information or publications that have been posted to its Web Site.

Complimentary Hard Copy Distribution Of Key Publications To End

Effective January 1, 1999, complimentary distribution of hard-copy *NASD Notices to Members* and *Regulatory & Compliance Alert* will be discontinued. The January 1, 1999, implementation date was selected to coincide with the requirement that each Executive Representative, beginning not later than January 1, 1999, maintain an Internet e-mail account for communication with the NASD and to update firm contact information via the NASD Regulation Web Site. NASD Regulation believes that it is sensible to link the implementation dates of these two proposals so that members that currently do not have an e-mail account and Internet access can arrange to obtain them at the same time and have time to do so.

In *NASD Notice to Members 97-92*, NASD Regulation requested member comment on the proposal to discontinue complimentary hard-copy distribution of *Notices to Members* and *Regulatory & Compliance Alert*. The chief concern expressed by commenters was the inconvenience

of having to check the NASD Regulation Web Site periodically to determine if new information had been posted. In response to this concern, the Board and the NASD Regulation Board of Directors approved the discontinuation of the complimentary hard-copy distribution of *Notices to Members* and *Regulatory & Compliance Alert* with the understanding that NASD Regulation will proactively alert Executive Representatives via their e-mail addresses of the posting of new *Notices to Members* and *Regulatory & Compliance Alerts* to the NASD Regulation Web Site.

Members that elect not to use the Web Site as the source for *Notices to Members* and *Regulatory & Compliance Alert* will have the option of subscribing to hard-copy versions. Each Executive Representative will be eligible for one subscription to *Notices to Members* at cost, i.e., \$15 per year. Each branch office will be eligible for one subscription to *Regulatory & Compliance Alert* at cost, also \$15 per year. Additional subscriptions will be available at the current charge of \$225 per year for each additional *Notices to Members* subscription and \$80 per year for each additional subscription to *Regulatory & Compliance Alert*.

Subscriptions may be placed through NASD MediaSourceSM at (301) 590-6142.

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