

For Your Information

Year 2000 Update Reminder To Members About SEC Filing Requirements

The Securities and Exchange Commission (SEC) recently amended its Rule 17a-5 to require all broker/dealers to file two reports concerning Year 2000, using Form BD-Y2K (Form). All members received this information available through *NASD Special Notice to Members 98-63*.

The new reports relate to each member's readiness and activities to prepare its businesses to address Year 2000 challenges and risks. The amendment requires all National Association of Securities Dealers, Inc. (NASD[®]) members with FOCUS capital requirements of \$5,000 or greater on or after December 31, 1997 to file the two reports with the SEC and the firm's designated examining authority (DEA). The first report was due to the SEC and DEA on or before August 31, 1998. The second report will be due April 30, 1999. The results of these reports will be made public.

Each of the two reports has two parts. Part I must be completed by each NASD member with a \$5,000 or greater net capital requirement. A member must also complete Part II (in addition to Part I) if it has a \$100,000 or greater net capital requirement.

NASD Regulation, Inc. (NASD RegulationSM) examiners will be determining whether the reports are completed in accordance with SEC Rule 17a-5; if they are not, NASD Regulation will begin disciplinary actions and ensure that the reports are obtained during any routine exam.

Any questions or comments may be directed to the NASD Year 2000 Program Office at (888) 227-1330. To obtain a copy of the Form, please go to the NASD Regulation Web Site (www.nasdr.com) and look for *Spe-*

cial NASD Notice to Members 98-63, Attachment 2, on the *Notices to Members Web Page*.

Industry Beta Test

The Securities Industry Association (SIA) indicated that its first beta testing effort within the securities industry was a successful endeavor. During this test securities firms and markets—including The Nasdaq Stock Market[®]—were able to operate in a simulated Year 2000 environment. Testing began on July 13, 1998, and was completed on July 22, 1998.

As part of the overall industry effort, the NASD and Nasdaq[®] Test Centers successfully operated to support this beta test. These test centers are available to test with external constituents. Members should call (888) 227-1330 to schedule Year 2000 testing.

Announcement - Upcoming District 2 Compliance Seminars

District 2 will host "Compliance Check-Up" seminars this fall that will feature panel discussions on branch office supervision and compliance issues; continuing education; new Forms U-4 and U-5; and recent regulatory developments. There will also be an on-line demonstration of the NASD Regulation Web Site (www.nasdr.com).

The seminars will be held in the three following areas:

- Los Angeles on September 17
- San Diego on September 24
- Orange County on October 1

To register or for more information, call Ianthe Philips, NASD Regulation, at (213) 627-2122. The registration form and additional information about the seminars are also available from the NASD Regulation Web Site (www.nasdr.com).

Correction To Notice to Members 98-66

In the August 1998 issue of *Notices to Members*, on page 497, the third sentence in the last paragraph under subhead **Background - SelectNet And SOES** should read:

The SOES rules currently contain a specific provision, NASD Rule **4720(c)(4)**, that requires SOES order entry firms to maintain the physical security of Nasdaq equipment located on the premises of the firm to prevent unauthorized entry of information into SOES.

Misrepresentation Of Certificates

It has come to the attention of NASD Regulation that private vendors may be offering commemorative certificates to persons who pass NASD-offered qualification examinations. NASD Regulation is concerned that these certificates could be misused by registered persons or may be misinterpreted by customers and cause general confusion about what the certificates may represent. Passing a qualification exam is just one step in the registration process; customers may erroneously assume that it is

the only step. Furthermore, registration status may change; a registration may be suspended, canceled, or voluntarily terminated, but the presence of a certificate commemorating the passage of a qualification examination may erroneously suggest otherwise. For these reasons, the staff believes that display of such certificates at any business location may violate NASD Rule 2110.

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