For Your Information

Members Reminded To Update PC FOCUS PINs

Members are reminded of their obligation to keep their PC FOCUS Personal Identification Number (PIN) information current. FOCUS filings that are submitted with the PIN of an individual who is no longer registered as a principal of the submitting firm are not considered complete filings.

Background

Each member designated to the National Association of Securities Dealers, Inc. (NASD®) for financial regulation is required to have at least one of its principals establish and register a PIN with NASD Regulation, Inc. (NASD Regulation℠). It might be advisable to have more than one. When the member prepares to transmit its FOCUS Report, it is prompted by the PC FOCUS application to input a PIN to effect the transmission of the data. The PIN constitutes the principal's signature and certifies that all information contained in the report is true, correct, and complete. The PIN is validated when the FOCUS Report is received by NASD Regulation.

PIN Requirements

The following are the terms and conditions for a valid PIN.

- Each principal whom the firm has authorized to approve and submit FOCUS filings must select his/her PIN consisting of four alphanumeric characters.

- Each PIN must be filed on a PIN registration form with NASD Regulation.

- A PIN must be assigned to a licensed, active principal with the submitting member. If a principal ceases to be employed with the member, or is no longer qualified or authorized to sign FOCUS Reports, the member must immediately contact NASD Regulation to cancel the PIN for that principal.

- A member that uses a service bureau, accounting firm, or some other entity to file FOCUS Reports on its behalf must provide written notification to NASD Regulation that authorizes the designated entity to use the member's PIN. However, the PIN remains the principal's signature and the member is responsible for the filing.

Updating PIN Information

FOCUS filings that are submitted with an invalid or inactive PIN will be deemed incomplete. Members must then refile their reports with a valid PIN before NASD Regulation considers the reports as received. If an individual with a PIN leaves the firm or changes duties, it is the member's responsibility to notify the Business Program Support Help Desk so that accurate PIN information can be kept on file. Members may call the Help Desk at (800) 321-NASD, or write to the address given below, on company letterhead, advising of the status change and requesting that the individual's PIN be removed.

To register the replacement, members then must complete a new PIN registration form, which must be signed and notarized. Members may fax the form to NASD Regulation at (301) 590-6312, but also must send the original by mail to:

NASD Regulation, Inc.
Business Program Support
Attention: PIN Coordinator
15201 Diamondback Drive
Rockville, MD 20850-3389

Questions concerning PIN information may be directed to the Business Program Support Help Desk at (800) 321-6273.

SEC Issues No-Action Letter On Repos And Reverse Repos

On April 1, 1998, in response to a request from the Government Securities Clearing Corporation (GSCC), the SEC Division of Market Regulation issued a no-action letter concerning the appropriate net capital treatment for repurchase and reverse repurchase agreement transactions (repos) that have been netted and guaranteed through GSCC's netting system.

In its request letter, GSCC noted that its netting system totals and nets, on a daily basis, each netting member's buy and sell cash activity, Treasury auction purchases, and repos in a security to establish a single net position as long, short, or flat. After determining the netting member's net settlement positions, corresponding receive and deliver obligations are established, and GSCC becomes primarily obligated as the new counterparty for each transaction and guarantees settlement of all repos that enter its netting system.

GSCC also discussed its risk management procedures that require a daily mark-to-the-market and settlement process, which eliminates each netting member's deficits on repo contracts on a daily basis. Since these deficits are never outstanding for more than one business day, GSCC made its no-action request under paragraph (c)(2)(iv)(F) of SEC Rule 15c3-1, which requires a broker/dealer, when calculating its net capital, to deduct from its net worth certain deficits arising from repo activities. The rule provides that repo and reverse repo deficits may be reduced by "calls for margin, marks to the market, or other required deposits which are outstanding one business day or less."

Based on GSCC's representations, the SEC issued a no-action letter stating that, when computing net capital, GSCC members that use its netting system are not required to deduct from their net worth deficits arising from repo and reverse repo agreements, outstanding one business day or less, that are netted and guaranteed by GSCC.

Questions concerning the letter may be directed to Diane Waller at (212) 412-8693 or *dwaller@gscc.com*, or Jeffrey Ingber at (212) 412-8637 or *jingber@gscc.com* at the GSCC.

Agent Fees Increase

All Central Registration Depository (CRDSM) participants, please be advised that the State of Pennsylvania Securities Commission has recently informed CRD that agent registration, transfer, and renewal fees will increase effective Wednesday, July 1, 1998. Agent registration and transfer fees will increase from $77 to $80. Agent renewal fees will increase from $62 to $65. There will be no change in broker/dealer registration or renewal fees.

Year 2000 Tips For Members

As the Year 2000 grows near, each NASD member firm should check its systems and facilities to be ready for the coming millennium. Important among these systems is checking an item you use and depend on every day—your personal computer (PC).

The following steps are suggested to determine if a PC will roll over to the year 2000 correctly.

The test presented here requires a bootable DOS floppy diskette. This is a safer method to test your PC's system clock because it leaves the data and programs on the PC's hard disk unaffected. If you boot to your C: drive, you may end up loading Windows® or Windows® 95 and other applications from your startup routine. Using a bootable diskette will ensure the integrity of the data and programs on your PC's hard disks. The test script presented here will check your PC's ability to transition to the year 2000 and recognize it as a leap year.

Step 1: Create a bootable test diskette:

Insert a blank floppy diskette into the PC's A: drive. From a DOS prompt, type FORMAT A:/S. Or from Windows File Manager, click on DISK/FORMAT and check MAKE SYSTEM DISK.

Step 2: Shut down the PC:

With the bootable diskette created in Step 1 still in your PC's floppy drive, shut down your system (close Windows) and power off your PC. DO NOT use the reset button or warmboot (CTL-ALT-DEL).

Step 3: Power on the PC:

Turn the power on your PC and allow the PC to boot from the diskette. After bootup, type DATE and press enter. DOS automatically shows the current date. Current date should be displayed.

Step 4: Enter new date and time:

At the Enter New Date (mm-dd-yy) prompt, type 12-31-1999. After changing the date, the new date will be displayed. Type TIME and press enter. At the Enter New Time prompt, type 23:55:00.

Step 5: Shut down the PC:

Turn the power off on your PC and wait at least 10 minutes. If you don't, DOS will appear to transition correctly to the year 2000 but your system may not be Year 2000 compliant.

Step 6: Power on the PC:

Turn the power back on and wait for the boot process to complete.

Step 7: Check the system date:

Type in Date at the Ready prompt. If Sat 01-01-2000 is displayed, your PC's BIOS passes the test.

Step 8: Test your system's ability to recognize the year 2000 as a leap year:

Repeat steps 3 and 4 using 02-28-2000 as the date and set the time to 23:55:00.

Step 9: Power off your PC:

Turn the power off on your PC and wait at least 10 minutes.

Step 10: Power on the PC:

Turn the power on the PC. Type in DATE at the Ready prompt. If Tue 02-29-2000 is displayed, your PC's BIOS passes the leap year test.

Step 11: Conclude Testing:

To conclude testing, repeat steps 3 and 4 to reset your PC to the current date and time. Enter the current date, *e.g.* 07-04-1997, and time, *e.g.* 06-:00:00. Remove the bootable

diskette from the floppy and power off your PC.

(Source: Based on information obtained from the Small Business Administration's Web Site—*www.sba.gov.*)

Clarification To May *Notice To Members*

The Andrew Friedman listed in the May *Notice to Members* is not the Andrew J. Friedman of New York, New York, employed by Prime Capital Services.