Notice to Members

OCTOBER 2004

SUGGESTED ROUTING

Executive Representatives
Legal & Compliance
Operations
Senior Management
Registered Representative, Registration

KEY TOPICS

IARD℠
Maintenance Fees
Registration
Renewals
Web CRD®

ACTION REQUIRED

Broker-Dealer and Investment Adviser Renewals

Broker-Dealer, Investment Adviser Firm, Agent and Investment Adviser Representative Renewals for 2005; **Payment Deadline: December 6, 2004**

Executive Summary

The 2005 NASD Broker/Dealer and Investment Adviser Registration Renewal Program will begin on November 8, 2004, when online Preliminary Renewal Statements are made available to all firms on Web CRD/IARD. This annual program simplifies the registration renewal process for more than 26,000 Broker/Dealer (BD) and Investment Adviser (IA) firms and over 800,000 registered representatives and investment adviser representatives with the payment of one amount to NASD by the published deadline. On **November 1, 2004**, firms may start submitting post-dated Forms U5, BDW, Schedule E, and ADV-W via Web CRD/IARD. Post-dated filings that are submitted by 11 p.m., Eastern Time (ET), November 5, 2004, will not appear on the firm's Preliminary Renewal Statement.

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 Investment Adviser Representative Renewal Fees.

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Please Note: If you have not logged onto one of the following systems, Web CRD, IARD, Regulation Filing Applications, or the NASD Contact System since August 30, 2004, you may wish to do so prior to November 8, 2004, when Preliminary Renewal Statements become available. Web CRD and IARD were migrated to a new security platform on August 30, 2004, and you will have to complete a one-time, online, self-migration process to migrate your user account to the new NASD Entitlement security platform before being able to access those systems. You will need to provide your legacy User ID and Password, set a new password and select a security challenge question. The process should take less than five minutes. You can find out more information about the new NASD Entitlement Program at *www.nasdr.com/entitlement.asp*, including a user's self-migration job aide. Remember to note your new User ID and Password as they are what you will use after you have completed the self-migration.

Members should read this *Notice to Members* and any instructions posted to the NASD Web site under the Renewals button at *www.nasdr.com/3400_renewals_intro.asp*, especially the CRD Fall Bulletin, which will be a special Renewal Program edition, the Investment Adviser Web site (if applicable), *www.iard.com/renewals.asp* for the IARD Renewals Bulletin, and any mailed information to ensure continued eligibility to do business as of January 1, 2005. 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/Further Information

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

Preliminary Renewal Statements

Beginning **November 8, 2004**, Preliminary Renewal Statements will be available for viewing and printing on Web CRD for all entitled users. 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, 2004.

If payment is **not** received by the **December 6, 2004, Payment Due Date**, the firm will be assessed a **Renewal Payment Late Fee**. This Renewal Payment Late Fee will be included as part of the firm's Final Renewal Statement and will be calculated as follows: 10 percent 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

A fee of $30 will be assessed for each person who renews his/her registration with any regulator through Web CRD. Firms can access a listing of agents for whom the firm will be assessed by requesting the Renewals-Firm Renewal Roster.

The *RA Renewal System Processing Fee* of $45 will be assessed for every Investment Adviser Representative who renews through the IARD Program.

The *IARD Firm System Fee* of $100 will be assessed for every state-registered Investment Adviser firm that renews through the IARD Program.

The *NASD Branch Office Assessment Fee* of $75 per branch, based on the number of active NASD branches as of December 31, 2004, will be assessed.

NASD Personnel Assessment Fees are not assessed through the NASD Annual Renewal Program. NASD will mail all NASD member firms a separate billing for this fee during the first quarter of 2005. Firms can access a listing of agents for whom the firm will be assessed the Personnel Assessment Fee by requesting the Renewals-Firm Renewal Roster.

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

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. A Regulator Directory can be found at *www.nasaa.org/nasaa/abtnasaa/find_regulator.asp*.

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 2005 IARD Investment Adviser Renewal Program is posted at *www.iard.com/pdf/rep_fee_sch.pdf*.

Renewal Payment

Firms have four (4) payment methods available to pay 2005 Renewal Fees:

1. Web CRD/IARD E-Pay
2. Check
3. Wire payment, or
4. Request a transfer of the entire amount from the firm's Daily Account to its Renewal Account (Note: The entire amount of the payment must be available).

Web E-Pay Instructions:

The E-Payment application is accessible from both the Preliminary and Final Renewal Statements, and 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 the firm's Renewal Account by **DECEMBER 6, 2004**, payment must be submitted electronically, <u>no later than</u> 8:30 p.m., Eastern Time (ET) on December 2, 2004.

Check Instructions:

The check should be drawn on the member firm's account, with the firm's CRD Number included on the front of the check, along with the word "Renewals" in the memo line.

Firms should mail their Renewal Payment, **along with a print-out of the first page of their online Renewal Statement** directly to:

<u>U.S. Mail</u>

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

<u>Express/Overnight Delivery</u>

NASD, CRD-IARD

W8705

c/o Mellon Bank, Rm 3490

701 Market Street

Philadelphia, PA 19106

Telephone No: (301) 869-6699

Member firms should use the blue, pre-addressed Renewal Payment envelope that they are scheduled to receive the second week of November or, if using their own envelope, should use the full address, as noted above, including the "W8705" number shown in each address above to ensure prompt processing.

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

To ensure prompt processing of your Renewal Payment check:

- Include a print-out 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 Payment envelope that will be mailed to you or write the address on the envelope exactly as noted above.

Wire Payment Instructions:

Firms may wire full payment of the Preliminary Renewal Statement by requesting their bank to initiate the wire transfer to: **"Mellon Financial, Philadelphia, PA."** Firms should provide their bank the following information:

Transfer funds to:	**Mellon Financial, Philadelphia, PA.**
ABA Number:	**031 000 037**
Beneficiary:	**NASD**
NASD Regulation Account Number:	**8-234-353**
Reference Number:	**Firm CRD Number and the word "Renewals"**

To ensure prompt processing of a Renewal Payment by wire payment:

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

Transfer of Funds Instructions:

Firms may also call the Gateway Call Center at (301) 869-6699 and request that a transfer of the full Renewal payment be transferred from the firm's Daily Account to its Renewal Account. **Note:** the firm must have the available funds in order for the transfer to be processed.

Members are advised that failure to return full payment of their Preliminary Renewals Statement to NASD by the December 6, 2004, deadline could cause a member to become ineligible to do business in the jurisdiction effective January 1, 2005.

Renewal Reports

Beginning November 8, 2004, the Renewal Reports are available to request, print, and/or download via Web CRD. 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 2005 Renewal Program 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 for which the firm is being assessed a fee. Firms should use this report to reconcile their records for Renewal purposes.
- **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. The report should be used throughout the year, including during the Renewal Program, as an aid for firms to reconcile personnel registrations. Firms should request this report as soon as possible to determine if any NASD registrations need to be requested or jurisdictions terminated prior to Renewal processing for the Preliminary Renewal Statement available on November 8, 2004. Any post-dated termination filings submitted by 11:00 p.m., ET on November 5, 2004 will not appear on the firm's Preliminary Renewal Statement.

Filing Form U5

Firms may begin submitting post-dated U5 filings on November 1, 2004. If Forms U5 (either Full or Partial) are filed electronically via Web CRD by 11:00 p.m., ET November 5, 2004, for agents (AGs) and/or investment adviser representatives (RAs) terminating in one or more jurisdiction affiliations, those individuals' Renewal Fees will not be included on the Preliminary Renewal Statement.

The deadline for electronic filing of Form U5 for firms that want to terminate an agent affiliation before year-end 2004 is 6:00 p.m., ET, on December 18, 2004. Firms may file both Partial and Full Forms U5 with a post-dated **termination date of December 31, 2004.** (This is the only date that can be used for a post-dated Form U5.) The deadline for submission of all EFT (electronic file transfer) filings is 2:00 p.m., ET, December 18, 2004.

Post-Dated Form Filings

Firms can begin electronically filing post-dated Forms U5, BDW, Schedule E and ADV-W via Web CRD/IARD on November 1, 2004. This functionality allows firms to file a termination form on, or after, November 1, 2004, with a termination date of December 31, 2004. Firms that submit post-dated termination filings by 11:00 p.m., ET on November 5, 2004, **will not** be assessed Renewal Fees for the terminated jurisdictions on their Preliminary Renewal Statement.

Firms that submit post-dated termination filings on, or after, November 8, 2004, will not be assessed Renewal Fees for the terminated jurisdictions on the Final Renewal Statement in January 2005. Those firms will see a credit balance on their Final Renewal Statement if the firm has not requested additional registrations to offset the credit balance.

Between November 1, 2004, and December 18, 2004, firms may process Forms U5, BDW, Schedule E, and ADV-W (both partial and full terminations) with a post-dated termination date of **December 31, 2004**. (This is the only date that can be used for a post-dated form filing.) If a Form U5, BDW, Schedule E, or ADV-W indicates a termination date of December 31, 2004, 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 2005 Renewal Fees. Firms should access individual and/or firm registrations after a termination filing is submitted to ensure that electronic Forms U5, BDW, Schedule E, and ADV-W are filed by the Renewal filing deadline date of 6:00 p.m., ET on December 18, 2004.

Members should exercise care when submitting post-dated Forms U5, BDW, Schedule E, and ADV-W. NASD will systematically process these forms as they are submitted and <u>cannot</u> 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 U4, BD Amendment, or ADV when Web CRD/IARD resumes filing processing on January 3, 2005. New registration fees would be assessed as a result.

Firms should also review individual and firm registrations via Web CRD/IARD to ensure post-dated filings were submitted.

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 5, 2004, will avoid the assessment of the applicable Renewal Fees on their 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 <u>do not</u> 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 2004 is 6:00 p.m., ET, December 18, 2004. 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, 2004, see the section 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 5, 2004, 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 2004 is 6:00 p.m., ET, December 18, 2004. For information regarding post-dating Form ADV-W with the termination date of December 31, 2004, for state registrations, see the section below.

Removing Open Registrations

Throughout the year, firms have access to the "Approved AG Reg Without NASD Approval" Report via Web CRD. This report identifies agents whose NASD registrations are either terminated or have 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 report to terminate obsolete state registrations through the submission of Forms U5 or reinstate the NASD licenses through the filing of a Form U4 Amendment. This report should aid firms in the reconciliation of personnel registrations prior to year's end and should be requested as soon as possible. Requesting this report will enable firms to identify individuals who can be terminated by November 5, 2004, to avoid being charged for those individuals on their Preliminary Renewal Statement. The "Approved AG Reg Without NASD Approval" Report will also advise a firm if there are no agents at the firm within this category.

Final Renewal Statements

Beginning January 3, 2005, 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, 2004. 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-end than it did when the Preliminary Renewal Statement was generated, additional Renewal 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. As of January 3, 2005, overpayments will be systemically transferred to a firm's Daily Account. A firm that has a credit (sufficient) balance in its Daily Account may request a refund by faxing or mailing a written request signed by the designated signatory to the User Support Unit at (240) 386-4849. The request should include a printout of the firm's credit balance as reflected on Web CRD.

Beginning January 3, 2005, 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. Downloaded versions of these reports will also be available.

Firms have until **February 4, 2005**, to report any discrepancies on the Renewal Reports. This is also the deadline for **receipt of final payment**. Specific information and instructions concerning the Final Renewal Statements and Renewal Reports will appear in the January 2005 *Notices to Members*. Firms may also refer to the Fall CRD *Bulletin*, which is devoted entirely to the 2005 NASD Renewal Program, and is available on the NASD Web site at *www.nasdr.com/3400_publications.asp*.