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# CRD/PD Bulletin



A PUBLICATION OF THE NASD REGULATION CRD/PUBLIC DISCLOSURE DEPARTMENT

VOLUME 6/NO. 2

## In This Issue . . .

This issue of the *CRD/PD Bulletin* focuses on the Interim Forms U-4 and U-5, which were approved by the Securities and Exchange Commission (SEC or Commission) on January 20, 1998, and became effective on March 16, 1998. The SEC also approved the revised Uniform Application for Broker-Dealer Registration (Form BD), which also became effective on March 16, 1998.

Additionally, on January 20, 1998, the Commission approved an amendment to NASD IM-8310-2, which modifies the information that may be released through the Public Disclosure Program (PDP).

Note that the Interim Form BD is being implemented on a prospective basis. Thus, any changes to your firm's filing that would require an amendment would be filed using the Interim Form BD.

In this issue you will find guidance on filling out the Interim Forms, as well as a list of Frequently Asked Questions. Also included are training aids to help your employees complete the Interim Forms.

National Association of Securities Dealers, Inc. (NASD<sup>®</sup>) member firms have already received copies of the three Interim Forms from the CRD/Public Disclosure Department, as well as *Special Notice to Members 98-27* devoted solely to this topic. This issue of the *CRD/PD Bulletin* is intended to expand upon the information previously provided with the dual goal of facilitating member firms' understanding of how to use the Interim Forms and their understanding of the modified information that will be disclosed through the PDP.

APRIL 1998



**NASD<sup>®</sup>**  
**REGULATION**

An NASD Company



## Interim Forms Approved January 20, 1998

As mentioned on the previous page, the Commission approved the Interim Forms U-4 and U-5 on January 20, 1998. These Forms, along with the Form BD, became effective on March 16, 1998.

Copies of the Interim Forms U-4, U-5, and BD may be obtained by contacting NASD MediaSource at (301) 590-6142. There is no charge for ordering additional Forms. When placing your order, please allow two to three weeks for delivery. You may also photocopy the Interim Forms U-4, U-5, and BD if you require a small number of additional forms. You can download the Interim Forms from the NASD Regulation Web Site at [www.nasdr.com](http://www.nasdr.com).

As mentioned above, member firms were required to use the Interim Forms as of March 16, 1998. All other versions of the Forms are now obsolete. All obsolete forms will be returned, unprocessed, to member firms.

### **Frequently Asked Questions Regarding the Interim Forms**

Following is a listing of Frequently Asked Questions concerning the Forms U-4. Member firms should keep in mind that significant changes have been made to the customer complaint questions. The answers provided instruct firms and registered persons how such questions should be answered.

You can stay apprised of the most recent interpretative guidance in the form of questions and answers by consulting the NASD Regulation Web Site ([www.nasdr.com](http://www.nasdr.com)).

In the near future, the Web Site will also include interpretive guidance on the Interim Form U-5.

### **Questions 22A and 22B**

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*Q1: Is a registered person required to report military charges?*

A1: Yes. If a registered person is charged with, pleads guilty or no contest to, or is convicted of a felony or

certain enumerated misdemeanors in a military court, such event must be reported.

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*Q2: If a registered person is convicted of a crime and later pardoned, must the conviction continue to be reported?*

A2: Yes. A pardon does not automatically result in an expungement of the criminal record.

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*Q3: If a registered person is arrested but not charged with a crime, is the arrest required to be reported?*

A3: No. An arrest without a charge is not required to be reported.

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*Q4: Is a misdemeanor charge of failure to file income tax required to be reported?*

A4: No.

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*Q5: Is an offense that results in an individual being placed in a pre-trial diversion or intervention program required to be reported?*

A5: Each case must be reviewed individually to determine if formal charges were filed. If so, the matter must be reported. The registered person should attach the official court documents and a copy of the relevant statute to the Form to demonstrate that no formal charges were filed or charges otherwise are not required to be reported.

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*Q6: Are misdemeanor gambling charges or convictions required to be reported?*

A6: No.

### **Question 22E**

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*Q1: If a regulatory agency enters an order against a registered person in connection with an investment-related activity, and later vacates the order, may the registered person answer "No" to Question 22E(4)?*

A1: No. The question asks whether a regulatory agency has ever entered an order. The vacated order represents the final disposition of the action; it does not alleviate the registered person from disclosing the original findings.

## Question 22G

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*Q1: Is a registered person required to report an oral complaint? What if it is subsequently settled for more than \$10,000?*

A1: Oral complaints are not required to be reported, even if they result in a settlement. However, if a customer lodges an oral complaint with a member, and the customer later submits the complaint in writing in the course of settlement negotiations, the oral complaint has become a written complaint, which must be reported.

*Q2: What constitutes a sales practice violation?*

A2: Sales practice violation is defined in the instructions to include any conduct directed at or involving a customer which would constitute a violation of any rules for which a person could be disciplined by any self-regulatory organization; any provision of the Securities Exchange Act of 1934; or any state statute prohibiting fraudulent conduct in connection with the offer, sale, or purchase of a security or in connection with the rendering of investment advice.

*Q3: If a registered person settles a written customer complaint that was reported under Question 22G, and the settlement is less than \$10,000, must he report the settlement under Question 22H(2)?*

A3: No. The registered person can answer “No” to Question 22H(2). However, the “Yes” response to Question 22G will remain on the Central Registration Depository (CRD<sup>SM</sup>) for two years after the “Yes” answer is entered on the CRD.

*Q4: If a registered person reports a customer complaint*

*under Question 22G, but after 24 months the complaint has neither been settled for \$10,000 or more, nor evolved into arbitration or civil litigation, should the registered person file an amended Interim Form U-4 changing the answer to Question 22G to “No”?*

A4: Yes, the registered person should do so.

*Q5: If a customer files a written complaint with a broker/dealer that must be reported under Question 22G and later files an arbitration regarding the same allegations, does the registered person have to answer “Yes” to both Questions 22G and 22H? What if a customer files a written complaint with the member and then subsequently files an arbitration claim that raises completely separate allegations, e.g., the written complaint alleges a sales practice violation with respect to a mutual fund transaction, while the subsequent arbitration alleges a different sales practice violation with respect to a bond transaction?*

A5: When the written customer complaint is filed with the broker/dealer, the registered person must answer “Yes” to Question 22G. When the arbitration is filed over the same allegations, the registered person should amend his Form U-4 by changing the answer to Question 22G to “No” and answering Question 22H(1) “Yes”. When a written customer complaint evolves into an arbitration, the answer to Question 22G is “No” because the event “has otherwise been reported” under Question 22H(1).

If the subsequent claim raises different allegations, then the registered person must answer “Yes” to both Question 22G and 22H(1) because the complaint and the arbitration concern different allegations and transactions, and therefore should be treated as separate events.

*Q6: How is the 24-month period calculated for purposes of reporting a complaint on the Interim Form U-4 and disclosing information through the Public Disclosure Program?*



A6: For purposes of a registered person's obligation to report a customer complaint, the 24 months is calculated from the date the complaint is filed with the firm. However, the complaint will be disclosed through the Public Disclosure Program for 24 months beginning on the date that the U-4 filing on the complaint is first entered on the CRD.

For example, if a firm receives a reportable customer complaint about a broker on September 1, 1998, and the Interim Form U-4 reporting the complaint is entered on the CRD on September 15, 1998, then the broker is obligated to answer "Yes" to Question 22G until September 1, 2000. CRD will disclose the "Yes" answer until September 15, 2000. Thus, there may be a brief period during which the complaint is no longer reportable by the broker but is still subject to disclosure under the Public Disclosure Program. This policy, which was developed in consultation with the North American Securities Administrators Association (NASAA), is designed to encourage prompt reporting of customer complaints.

The NASD and NASAA considered, but rejected, a policy that would use the firm filing date both for determining the registered person's reporting obligation and the public disclosure period. That policy was rejected because it could encourage registered persons or firms to withhold reports of customer complaints and thereby shorten the disclosure period. For example, if in the previous example the complaint was filed with the firm on September 1, 1998, but the Form U-4 was not filed until October 30, 1998, and the September 1 date was used for both reporting and disclosure, then the effective disclosure period would be only 22 months, *i.e.*, October 10, 1998 to September 1, 2000.

## Question 22H

*Q1: What if a customer files an arbitration claim alleging sales practice violations against several respondents and then withdraws the claim as to a particular respondent prior to any settlement or award?*

*Is the registered person obligated to report any subsequent settlement or award by the remaining respondents?*

A1: When the arbitration claim is filed, the registered person should answer "Yes" to Question 22H(1). When the claim is withdrawn, the registered person may file an amendment changing his answer to 22H(1) from "Yes" to "No".

If the arbitration was preceded by a written customer complaint regarding the same allegations, then the registered person should have: **(1)** answered "Yes" to Question 22G at the time the written customer complaint was filed with the broker/dealer; **(2)** filed an amendment answering "No" to Questions 22G and "Yes" to Question 22H(1) when the arbitration was filed; and, **(3)** filed a further amendment when the arbitration is withdrawn changing the answer to Question 22H(1) to "No". Question 22G remains "No" at the time the arbitration is withdrawn because the arbitration has been disclosed on a previous Form U-4, even though it is not currently required to be disclosed. See Q5 under Question 22G. If the arbitration was not preceded by a written customer complaint regarding the same allegations, then the registered person continues to answer "No" to Question 22G. Essentially, the Form requires the registered person to report the most serious outcome related to a particular set of allegations.

A registered person against whom an arbitration is withdrawn is not required to report the subsequent settlement; as a practical matter, a person who no longer is a respondent may not have ready access to information about the subsequent disposition of the matter. The final disposition of the arbitration as to that registered person is the withdrawal, and he has no obligation to report any subsequent disposition.

*Q2: What if a customer withdraws an arbitration claim against a particular respondent as part of a settlement of \$10,000 or more?*



A2: The registered person should answer “Yes” to Question 22H(1). For item 8a on the DRP, the registered person can report that the matter was settled, and in item 8c can disclose that the claim was withdrawn as part of the settlement and that no contribution was made to the settlement.

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*Q3: If a registered person has reported an arbitration under Question 22H(1)(a), and the arbitration is settled by other respondents for \$10,000 or more, but the registered person is not a party to the settlement and does not pay any part of it, should the registered person answer “Yes” to Question 22H(1)? What if the registered person is a party to the settlement, but still does not pay any part of the settlement?*

A3: In either case, the answer to Question 22H(1) is “Yes”. If an arbitration is settled as to some respondents but not others, then the respondents who do not settle must continue to disclose that the arbitration is pending under Question 22H(1)(a) until there is some other disposition, e.g., withdrawal or dismissal of the claim or a separate settlement. If the registered person is a party to the settlement under Question 22H(1)(c), he must report the settlement, even if he contributed nothing to it. The registered person can state on the DRP that he contributed nothing to the settlement.

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*Q4: If a registered person is not named as respondent in an arbitration, but the statement of claim alleges that such person engaged in a sales practice violation, must the matter be reported?*

A4: No. Only persons who are named as respondents are required to report.

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*Q5: If an arbitration claim names several registered persons as respondents, and the statement of claim contains allegations of sales practice violations, but does not specifically allege that each respondent was involved in a violation, which respondents should answer “Yes” to Question 22H(1)?*

*For example, if the statement of claim alleges that a broker engaged in churning and that his office manager should have been overseeing the broker’s activities, and the persons named as respondents are the broker and his branch manager, as well as the compliance director and the president of the broker/dealer, who should report?*

A5: The broker and his branch manager should answer “Yes” to Question 22H(1), but the compliance director and the president may answer “No”.

Under the NASD’s interpretation of this Question on the previous Form U-4, any person who was named in an arbitration that alleged compensatory damages of \$10,000 or more, fraud, or the wrongful taking of property was required to report the arbitration.

The rewording of Question 22H(1) on the Interim U-4 clarifies that a registered person must report an arbitration if he is named as a respondent and the statement of claim alleges that the person was involved in one or more sales practice violations. Because the statement of claim alleges no sales practice violation by the compliance director or the president, they are not required to report the arbitration, even though they are named as respondents.

The term “involved” continues to be defined on the Form and the term “sales practice violations” is defined for the first time to clarify reporting obligations. The term “involved” includes both doing an act and failing reasonably to supervise another in doing an act. The term “sales practice violations” includes any conduct directed at or involving a customer that would constitute a violation of an SRO rule for which a person could be disciplined; any provision of the Securities and Exchange Act of 1934; or any state statute prohibiting fraudulent conduct in connection with the offer, sale, or purchase of a security or in connection with the rendering of investment advice, and thus includes churning. Thus, the broker and the branch manager must report the arbitration.

It is not necessary that a statement of claim use precise legal terminology. The fact that the claim does not use the legal term “failing reasonably to supervise” does not alleviate the branch manager’s obligation to report. The allegation that the manager should have been overseeing a broker’s activities is sufficient to trigger reporting. Firms and registered persons should review each claim on a case-by-case basis and make a good faith determination as to whether reporting is required.

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*Q6: If a customer complaint is settled for a total of \$10,000 or more, but the registered person’s contribution is less than \$10,000, should the registered person answer “Yes” to Question 22H(1)?*

A6: Yes. The question refers to the total amount of the settlement. The fact that the registered person contributes less than the threshold amount does not change his obligation to report.

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*Q7: What if an arbitration is dismissed by an arbitration panel or the panel decides in favor of the respondent?*

A7: The registered person can file an amended Interim Form U-4 changing the answer to Question 22H(1) from “Yes” to “No”.

## **Question 22I**

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*Q1: When does a registered person have to report that he is the subject of an NASD investigation?*

A1: The Forms define the term “investigation”. An investigation is defined to include an NASD Regulation investigation after the Wells notice has been given or after an associated person has been advised by the staff that it intends to recommend formal disciplinary action. An investigation does not include subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations.

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*Q2: If the NASD files a complaint against a registered person, but the complaint is dismissed and not appealed, what should the registered person report?*

A2: When the registered person receives written notice that he is the subject of an NASD investigation, the registered person should answer “Yes” to Question 22I. When the complaint is dismissed, the answer can be amended to “No”.

*Additional questions concerning this interpretive guidance may be addressed to any of the following CRD/PD Department staff members: Ann Bushey at (301) 590-6389; John Vaughn at (301) 590-6865; or Janis Paulikas at (301) 590-6184.*

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## **Train Your Staff In How To Use The Interim Forms**

Enclosed are a number of training aids specifically designed to assist you in training your staff in how to complete the Interim Forms correctly. These two documents are: *Interim U-4 Disclosure Questions Mapping* and *Interim U-5 Disclosure Questions Mapping*. These documents provide a side-by-side, question-by-question analysis of the Interim Forms U-4 and U-5, respectively, as compared to their now obsolete counterparts. These mapping documents expand upon the guidance provided in the Frequently Asked Questions article, above. Also enclosed is a one-page training aid summarizing

the significant changes on the Interim Form U-4 disclosure questions and tips for completing the Disclosure Reporting Page (DRP).

These training aids have been formatted so they can be easily photocopied to facilitate distribution to your staff.

*Questions concerning the enclosed training materials should be directed to Karen Weinstein, Training Manager, at (301) 590-6921 or [weinstek@nasd.com](mailto:weinstek@nasd.com).*



## Modification Of The Public Disclosure Program

On January 20, 1998, the Commission approved an amendment to NASD IM-8310-2 that modified the information that may be released through the Public Disclosure Program. The information that will be disclosed through the Public Disclosure Program now includes:

- ❖ all customer-initiated pending arbitrations and civil proceedings that relate to securities or commodities transactions;
- ❖ pending written customer complaints alleging sales practice violations and compensatory damages of \$5,000 or more for 24 months from original posting if closed without a settlement by a firm;
- ❖ settlements of \$10,000 or more of arbitrations, civil suits, and customer complaints involving securities or commodities transactions;
- ❖ current investigations involving criminal or regulatory matters;
- ❖ terminations of employment after allegations involving violations of investment-related statutes or rules, fraud, theft, or failure to supervise investment-related activities;
- ❖ bankruptcies and compromises with creditors less than 10 years old and outstanding liens or judgments;
- ❖ bonding company denials, pay-outs, or revocations; and,
- ❖ any suspension or revocation to act as an attorney, accountant, or federal contractor.

*If you have any questions concerning the modification of the Public Disclosure Program, please contact Ann Bushey at (301) 590-6389; John Vaughn at (301) 590-6865; or Janis Paulikas at (301) 590-6184.*

**Reminder: All correspondence from member firms should be directed to CRD/Public Disclosure's mail post office box. That address is:**

**P.O. Box 9401  
Gaithersburg, MD 20898-9401**

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**To obtain additional copies of the Interim Forms U-4, U-5, and BD, call NASD MediaSource at (301) 590-6142. There is no charge for ordering additional forms. When placing your order, please allow two to three weeks for delivery. You may also photocopy the Interim Forms U-4, U-5, and BD if you require a small number of additional forms. The Interim Forms may also be downloaded from the NASD Regulation Web Site at [www.nasdr.com](http://www.nasdr.com).**

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**The Interim Forms U-4, U-5, and BD became effective on March 16, 1998. Old Forms U-4 and U-5 (i.e., those with an 11/91 date) and old Forms BD (i.e., those with an 11/92 date) received after March 16th are obsolete, will not be processed, and will be returned to your firm.**

***Be advised that all pages of all form filings must reflect the 11/97 date (for Interim Forms U-4 and U-5) or the 2/98 date (for Interim Form BD). Filings containing one or more pages without dates or with an 11/91 date or an 11/92 date, respectively, will be returned.***



## Are Member Firms Ready For The Year 2000?

### *Are NASD Member Firms Ready For The Year 2000?*

The SEC is soliciting comment on a temporary Rule amendment for Rule 17a-5 under the Securities Exchange Act of 1934. The proposed Rule would require broker/dealers to file two reports regarding their Year 2000 compliance. The first report would be due 45 days after the Rule's adoption. Comments are due to the SEC on or before **April 13, 1998**. For further information about the proposed Rule, visit [www.sec.gov](http://www.sec.gov), or see *Special NASD Notice to Members 98-34*.

Therefore, it is even more critical now that all NASD members implement their action plans effectively so that they achieve timely Year 2000 compliance. All member firms have a responsibility to make the changes needed for continued successful operation. The scope of Year 2000 plans should extend to all information technology systems (internal and external) used to conduct a securities business and other business support systems (e.g., telephone, power, elevators, etc.).

Be aware that computer failures related to Year 2000 problems generally will not be considered a defense to violations of firms' regulatory or compliance responsibilities nor a mitigation of sanctions for such violations.

Furthermore, any NASD member firm that completed neither the NASD Regulation "Year 2000 Compliance Survey" (distributed in the December 1997 *NASD Special Notice to Members 97-96*) due in January of this year nor the New York Stock Exchange Year 2000 survey should do so immediately. NASD Regulation will soon be notifying members that have failed to supply this critical information through its compliance survey that if they continue to be delinquent, they are subject to disciplinary action for violation of NASD Rule 8210 (Provision of Information and Testimony and Inspection and Copying of Books).

For those of you not familiar—the Year 2000 challenge is that most automated systems have been programmed to use a two-digit number, instead of a four-digit number, to represent the year. Since dates are essential to many automated functions, it is absolutely critical for businesses to act now to assess its information technology environment and make necessary changes to ensure that systems will correctly process "00" as the year 2000, rather than 1900, when processing dates on and after January 1, 2000.

According to Securities Industry Association (SIA) guidelines about the Year 2000 challenge, securities firm management should be fundamentally aware of this issue at this time. Industry experts have stated that by mid-1998, a typical securities firm should have a Year 2000 plan with these activities completed: review of all business aspects to determine where Year 2000 failures may occur; completion of an inventory of any replacement or renovations required; identification of costs and resources; and notification of suppliers and partners to assess and certify their Year 2000 readiness. The plan should also define how the firm will test or validate its Year 2000 readiness, including options for participating in industry-wide testing, and contain contingency planning approaches.

*Also, don't forget to join NASD Regulation May 20-22 at its Spring Securities Conference in Washington, DC, where Year 2000 issues will be prominently featured. In May and June NASD Regulation will also be conducting Year 2000 Roadshows for NASD member firms. These sessions, to be held throughout the NASD Districts, will be educational forums to discuss your Year 2000 concerns.*

*For further information, visit the Year 2000 Web Pages on both the NASD Regulation Web Site ([www.nasdr.com](http://www.nasdr.com)) and the NASD Web Site ([www.nasd.com](http://www.nasd.com)); or contact Lyn Kelly at the NASD Year 2000 Program Office, at (301) 590-6342, or via e-mail at [y2k@nasd.com](mailto:y2k@nasd.com).*



# Mailing Of Disclosure Rosters Begins

## *Record Conversion Process Moves Ahead*

As noted above, on January 20, 1998, the SEC approved the NASD's request to modify its Public Disclosure Program. The purpose of this modification is to provide investors with more useful and relevant information to aid in their decision-making process for choosing or doing business with a broker or an NASD member firm. We also modified the Program to incorporate delivery of information via the Internet.

NASD Regulation is currently undergoing a conversion of its disclosure records from the current text-based format to a new Windows-based format. An important part of this process is your review of your firm's rosters, both for all registered representatives and for the firm itself, to assure that the information contained in the new format is accurate and up-to-date. As you are aware, you are obligated by rules of the SEC and self-regulatory organizations (SROs), as well as states' securities laws, to keep your CRD records up-to-date by reporting required information to NASD Regulation. Your participation in this phase of the conversion process will facilitate compliance with those reporting requirements. The roster mailing began last month.

## *Roster Review Coordinator*

You have until May 31, 1998, to review the rosters and to report any conversion discrepancies. To coordinate the review of your firm's rosters, you will want to designate a contact person from your firm's Registration Department to be responsible for reporting any errors or conversion discrepancies to NASD Regulation by the May 31 deadline. **Inquiries from individual registered representatives will not be honored.** The package contains detailed instructions on how to review the rosters and how to report a conversion discrepancy, as well as guidance on what constitutes a disclosable event for both registered representatives and firms.

Information contained in the rosters is current as of November 21, 1997. Data entered into the CRD system after that date will not appear on the rosters. You will not receive rosters for individuals hired after that date and may disregard rosters received for individuals terminated after that date. Disclosure data is continuing to be converted on an ongoing basis for all events submitted after November 21, 1997. This converted information will be available for review on the Public Disclosure Program on the Internet (PDP/I).

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# Electronic Filing Instruction For Form BD Published In Error

Please be aware that erroneous information describing certain electronic filing requirements and instructions for the Form BD was published by Commerce Clearinghouse (CCH) in the February 12, 1998 issue (Number 358) of the CCH inserts to the *NASD Manual*.

The information on page 442 of the inserts pertaining to electronic requirements and instructions for Form BD are not valid and were published in error. It is our understanding that CCH will publish a correction in the near future.



# Assist Us In Communicating With You More Effectively

The CRD/Public Disclosure Department is eager to develop more effective mechanisms for communicating with you. While the *CRD/PD Bulletin* is one communication tool, it does not always allow us to alert you to upcoming events in as timely a fashion as we would like. *FAQS News* and *CRD News* provide the means for more rapid communication; however, the audience with access to those mechanisms is limited, as is the capacity for the message itself.

We are pursuing the possibility of implementing a broadcast fax capability that would allow us to communicate with you, literally, at the touch of a button. However, for

this to become a viable communications tool, we will need to develop an extensive database of member firms' fax numbers, as this information has not been "captured" in current databases.

If you are interested in having your firm's fax number(s) included in a broadcast fax database, please take a few moments to complete the enclosed response form and fax it back to us. Should member firm response be sufficient to warrant the investment in broadcast fax capability, we will move ahead with the development of that additional communication mechanism.

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## BROADCAST FAX DATABASE RESPONSE FORM

YES! My firm is interested in being included in a possible CRD/Public Disclosure Department broadcast fax database. I understand that if a sufficient number of firms indicate an interest in adding broadcast fax to the current mix of communication mechanisms, the Department will move ahead to develop that capability.

**FIRM:** \_\_\_\_\_

**CONTACT:** \_\_\_\_\_

**FAX NUMBER:** \_\_\_\_\_

**COMMENTS:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Fax the completed response form to:**

**CRD/Public Disclosure Department**  
**Attn: M. Legatski**  
**(301) 590-6863 FAX**



## Procedures For Requesting New Exams

### ***Series 55 and Series 72 Exams Effective April 1, 1998***

In February, member firms were advised of the availability of two new examinations: Series 55 for Equity Traders and Series 72 for Government Securities Representatives. Refer to the February 1998 edition of *Notices to Members, Notices 98-17 and 98-16*, respectively. Both of these exams become effective April, 1, 1998.

### ***Series 55 - Equity Trader***

Individuals filing a request for the Equity Trader status between April 1 and May 1, 1998, will have a two-year grace period in which to pass the exam. Individuals filing a request for the Series 55 Exam after May 1, 1998, will have a 90-day exam window. Please note there is **no** grandfather provision for this registration. All persons trading equity stocks will be required to take the Series 55 Exam.

To request the Series 55 Exam, please file a Page 1 amendment to the Form U-4. Under "Type of Examination/Registration Requested," check the box marked "Other" and then indicate you are requesting a Series 55 or Equity Trader Exam. The cost of this Exam is \$60.

### ***Series 72 - Government Securities Representative***

Agents registered as Government Securities Representatives (RG) or Government Securities Principals (PG) on or before April 1, 1996, and who have no significant disciplinary actions will be grandfathered, *i.e.*, they will not be required to take the Series 72 Exam.

Agents registered as RG or PG between April 1, 1996, and March 31, 1998, may function as Government Securities Representatives; however, they will need to take either the Series 72 or the Series 7 Exam by September 30, 1998. Agents who do not successfully complete either the Series 72 or the Series 7 by September 30, 1998, will have their Government Securities registration terminated on October 1, 1998.

Agents whose status was not grandfathered due to significant disciplinary action must pass the Series 72 or the Series 7 by September 30, 1998, or be terminated as of October 1, 1998.

To request the Series 72 Exam, please file a Page 1 amendment to the Form U-4. Under "Type of Examination/Registration Requested," check the box marked "RG." The cost of the exam is \$60.

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## Department Restructure Continues

The January 1998 edition of the *CRD/PD Bulletin* focused exclusively on the Department's restructuring effort. As you recall, the objective of this restructure is to separate duties and responsibilities into logical, functional business areas that will provide the most efficient and timely processing support to you. In the past month, we have made significant progress in identifying and selecting the next layer of the Department's management. An updated Department organization chart, on the following page, reflects the current status of the restructure. We

are continuing the search for an Assistant Director, Quality, as well as the next level of management in the Policies and Guidelines function and will report our progress in these areas to you in an upcoming issue of the *CRD/PD Bulletin*.

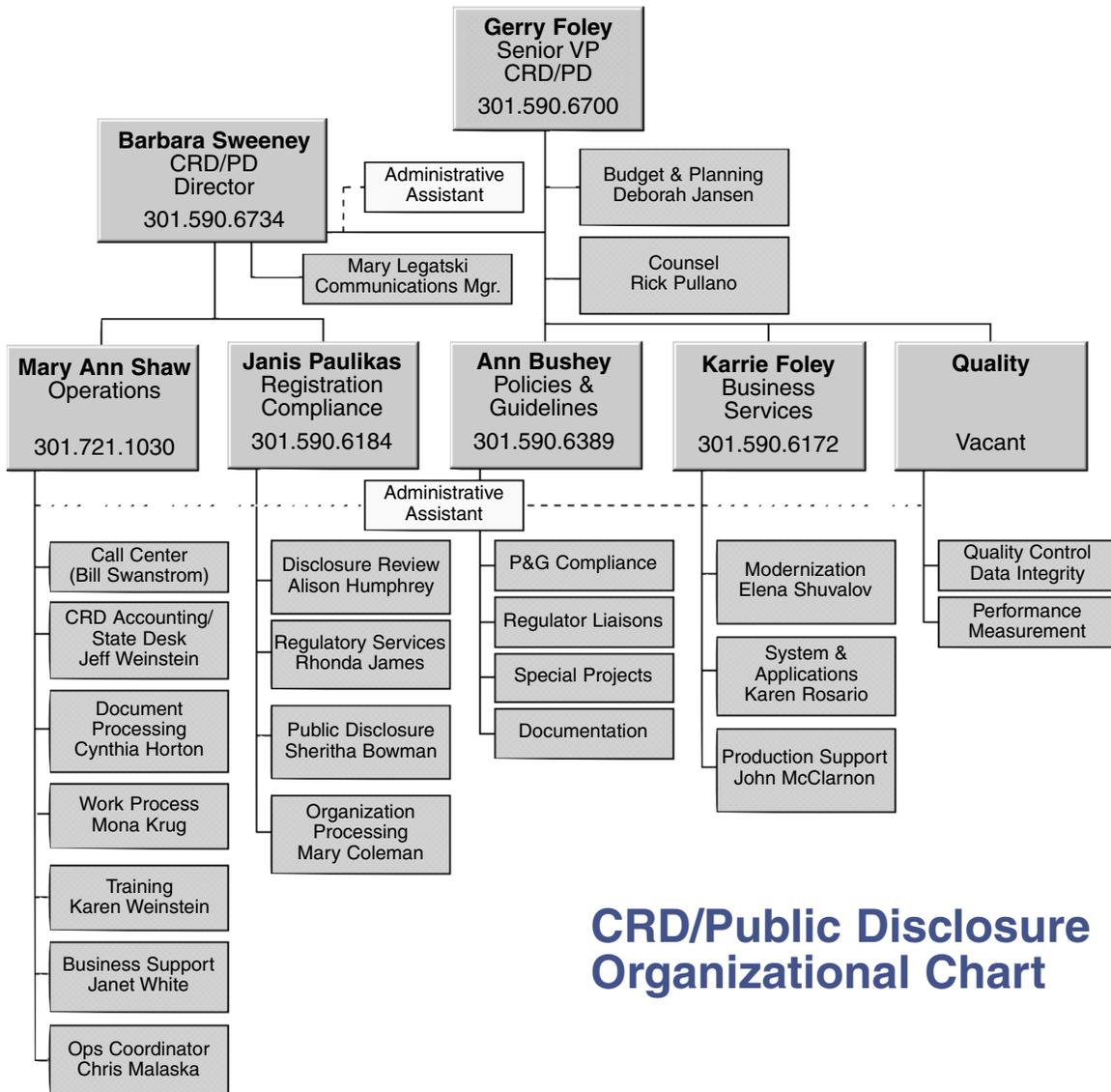
We are pleased to announce the selection of Richard Pullano as Counsel to the CRD/Public Disclosure Department. He is responsible for providing legal advice to CRD/Public Disclosure senior management and

NASD Committees on a broad range of legal and regulatory issues, including the Public Disclosure Program and NASD Regulation's rules governing the registration of broker/dealers and their associated persons. Mr. Pullano will work closely with the Policies and Guidelines Unit to ensure consistency in the development of CRD/Public Disclosure policies and interpretive guidance and will serve as the Department's liaison with the Office of General Counsel.

Mr. Pullano has substantial experience in the area of securities regulation, having spent 10 years with the SEC before joining NASD Regulation. He began his career at the Commission as Counsel to the Office of

Consumer Affairs and Information Services. Mr. Pullano then moved to the Division of Market Regulation as a Senior Counsel in the Office of Compliance, Inspections and Oversight. Most recently, he was a Special Counsel in the Division's Office of Chief Counsel, where he focused on broker/dealer registration and compliance issues and administered the Division's statutory disqualification and reentry program.

Mr. Pullano received his Bachelor of Arts degree *cum laude* from the State University of New York at Fredonia and his Juris Doctor degree from the Columbus School of Law at The Catholic University of America.



**CRD/Public Disclosure  
Organizational Chart**



## CRD/PD Information

To keep you apprised of the status of CRD modernization, the CRD/Public Disclosure Department will be initiating a new publication focusing solely on the CRD modernization effort. The anticipated publication date for the first issue is second quarter 1998. Keep an eye on your in-box for this timely and informative update.

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Effective November 1996, all payments are to be sent directly to the NASD Regulation Finance Department. To avoid processing delays, please remit your payments to:

NASD Regulation, Inc.  
15201 Diamondback Drive  
Rockville, MD 20850  
Attention: Finance Department - Cash Receipts

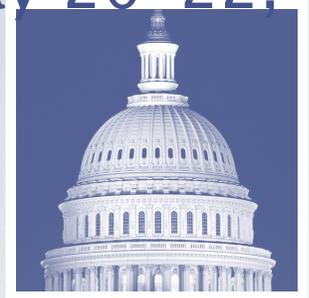
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*The CRD/PD Bulletin contains important information that you and your firm will want to refer to time and again. Retaining each issue in a binder will provide a ready reference on interpretive guidance, frequently asked questions, and renewal procedures. If you would be interested in receiving a complimentary CRD binder in which to file issues of the CRD/PD Bulletin, please contact Mary Legatski at (301) 590-6440 or legatskm@nasd.com.*



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# Mark Your Calendars!

***From The Desk Of Barbara Sweeney, Director, CRD/Public Disclosure***

I wanted to take this opportunity to make you aware of a new procedure implemented by the CRD/Public Disclosure Department as part of its restructuring.

During the summer of 1997, the CRD/Public Disclosure Department completed the rollout of a new, automated call tracking system known as TRAC. This new system has allowed us to provide you, the member firms, with an increased level of customer service. As an example of the efficiencies achieved utilizing the TRAC system, a total of 12,449 separate cases were opened in the six-month period of July 1 through December 31, 1997. Of these cases, 86 percent were resolved within three business days.

Here is how TRAC works. In the event that your request cannot be fulfilled by a Call Center Representative during the initial call, he or she will create a new CASE. In the process, you will receive a CASE ID number generated by the TRAC system and assigned to each request for additional information or need for further research. This will allow you to track each of your cases from initiation until completion by simply providing a Call Center Representative the specific CASE ID number.

It is our goal to close a TRAC case within 48 hours of the time the case is opened and to notify you that the case has been closed. If we are unable to close the TRAC case within the 48-hour period, we will call to update you on the status of the case.

Another added benefit of the TRAC system is that whenever you place a follow-up call to the CRD/Public Disclosure Call Center, **any** one of the Call Center Representatives will be able to provide you with a timely and accurate update on the status of your case. Additionally, the TRAC system automatically alerts CRD management of any unresolved cases, notifications which continue until the case is closed.

We appreciate the opportunity to be of assistance to you and encourage you to continue contacting the CRD/Public Disclosure Call Center at (301) 590-6500 as your initial point of contact for all of your registration questions. And remember: If further research is required, the new TRAC system assures that your case is monitored until it is successfully completed.



**Barbara Z. Sweeney**  
**Director, CRD/Public Disclosure Department**