

Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MBSCC-96-01) and amended such filing on March 25, and May 30, 1996,² as described in Items I, II, and III below, which items have been prepared primarily by MBSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will revise MBSCC's rules to modify MBSCC participants' deposit requirements to the participants fund.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In Its filing with the Commission, MBSCC included statements concerning the purpose of and basic for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. MBSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The MBSCC participant fund is composed of a basic deposit, a minimum market margin deposit, and a daily margin requirement.⁴ The basic deposit component is intended to ensure that a participant's obligations to MBSCC for services will be satisfied if

the participant is unable to meet such obligations.⁵ Currently, the basic deposit component is \$10,000, which must be in cash for each account maintained by a participant. The proposed rule change will require a minimum deposit of \$1,000 for each participant regardless of the number of accounts maintained.⁶ If a participant's average monthly services bill, as determined by MBSCC on a semiannual basis, exceeds \$1,000, the participant's minimum deposit amount will be the amount of such average monthly services bill up to a maximum amount of \$10,000 per account maintained by such participant. MBSCC believes that as a result of the proposed rule change, participants fund deposits will reflect more accurately each participant's actual services billing.

MBSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁷ and the rules and regulations thereunder because it provides for the equitable allocation of dues, fees, and other charges among MBSCC's participants.

(B) Self-Regulatory Organization's Statement on Burden on Competition

MBSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments relating to the proposed rule change have solicited or received. MBSCC will notify the Commission of any written comments received by MBSCC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and

publishes its reasons for so finding or (ii) as to which MBSCC consents, the Commission will:

(A) By order approve such proposed rule change or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of MBSCC. All submissions should refer to the file number SR-MBSCC-96-01 and should be submitted by July 5, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-15180 Filed 6-13-96; 8:45 am]

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[Release No. 34-37291; File No. SR-NASD-96-21]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Mandatory Electronic Filing of Forms U-4, U-5 and BD

June 7, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on June 7, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission")

² Letters from Anthony H. Davidson, MBSCC, to Christine Sibille, Division of Market Regulation ("Division"), Commission (March 18, 1996) and to Mark Steffensen, Division, Commission (May 30, 1996).

³ The Commission has modified the text of the summaries prepared by MBSCC.

⁴ The purpose of the daily margin requirement ("MMD") is to ensure that a participant's open obligations to MBSCC will be satisfied in the event the participant is unable to meet such obligations. MMD is derived from a formula which assesses various factors including the type of position held and marked-to-market value fluctuations. The purpose of the minimum market margin deposit ("3MD") is to provide additional assurances that each participant's fund contributions will be adequate to satisfy all open commitments recorded with MBSCC. Currently, the deposit required to satisfy this component of the participant fund is \$250,000 per participant. The proposed rule change will not affect the requirements of MBSCC participants with regard to the MMD and 3MD components of the participant's fund.

⁵ Notwithstanding the purposes of the basic deposit, MMD, and 3MD components of the participants fund, MBSCC is not limited in its application of participant fund proceeds. Rather, MBSCC can utilize the total participants fund to satisfy a participant's obligations irrespective of the type of default.

⁶ MBSCC determined that its participants on average maintain two accounts at MBSCC. Presently, the monthly maintenance fee per account is \$350 or \$700 for two accounts. MBSCC based the minimum deposit amount of \$1,000 upon these averages and other participant usage data.

⁷ 15 U.S.C. § 78q-1 (1988).

⁸ 17 CFR 200.30-3(a)(12) (1995)

the proposed rule change as described in Items, I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD is herewith filing a proposed rule change to the NASD By-Laws and Membership and Registration Rules. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

By-Laws

Ineligibility of Certain Persons for Membership or Association

Article II Sec. 3(a)

No registered broker, dealer, municipal securities broker or dealer, or government securities broker or dealer shall be admitted to membership, and no member shall be continued in membership, if such broker, dealer, municipal securities broker or dealer, or government securities broker or dealer, or member * * * *or if such member fails to comply with the requirement that all forms filed pursuant to these By-Laws be filed via electronic process or such other process the Corporation may prescribe.*

Application for Membership

Article III Sec. 1(a)

Application for membership in the Corporation, properly signed by the applicant, shall be made to the Corporation *via electronic process or such other process the Corporation may prescribe*, on the form to be prescribed by the corporation, and shall contain:
* * *

Article III Sec.1 (d)

Each member shall ensure that its membership application with the Corporation is kept current at all times by supplementary amendments *via electronic process or such other process the Corporation may prescribe* to the original application. *Such amendments to the application shall be filed with the Corporation not later than thirty (30) calendar days after learning of the facts or circumstances giving rise to the amendment.*

Executive Representative

Article III Sec. 3

Each member shall appoint and

certify to the Secretary of the Corporation one "executive representative" who shall represent, vote and act for the member in all the affairs of the Corporation, except that other executives of a member may also hold office in the Corporation, serve on the Board of Governors or committees of the Corporation, or otherwise take part in the affairs of the Corporation. A member may change its executive representative upon giving [written] notice thereof *via electronic process or such other process the Corporation may prescribe* to the Secretary, or may, when necessary, appoint, by [written] notice *via electronic process* to the Secretary, a substitute for its executive representative. An executive representative of a member or a substitute shall be a member of senior management and registered principal of the member.

Resignation of Members

Article III Sec. 5

Membership in the Association may be voluntarily terminated only by formal resignation. Resignations of members must be *filed via electronic process or such other process the Corporation may prescribe* [in writing] and addressed to the Corporation which shall immediately notify the appropriate District Committee. Any member may resign from the Corporation at any time. Such resignation shall not take effect until thirty (30) *calendar* days after the receipt thereof by the Corporation and until all indebtedness due the Corporation from such member shall have been paid in full and so long as any complaint or action is pending against the member under the Code of Procedure. The Corporation, however, may in its discretion declare a resignation effective at any time.

Registration of Branch Offices

Article III Sec.8(b)

Each member of the Corporation shall promptly advise the Corporation *via electronic process or such other process the Corporation may prescribe* of the opening, [or] closing, relocation, change in designated supervisor or change in designated activities of any branch office of such member *not later than thirty (30) calendar days after the effective date of such change.*

Application for Registration

Article IV Sec.2(a)

Application by any person for registration with the Corporation, properly signed by the applicant, shall be made to the Corporation *via electronic process or such other process the Corporation may prescribe*, on the form to be prescribed by the Corporation [Board of Governors] and shall contain: * * *.

Article IV Sec.2(c)

Every application for registration filed with the Corporation shall be kept current at all times by supplementary amendments *via electronic process or such other process the Corporation may prescribe* to the original application. *Such amendments to the application shall be filed with the Corporation not later than thirty (30) calendar days within learning of the facts or circumstances giving rise to the amendment. If such amendment involves a statutory disqualification as defined in Section 3(a)(39) and Section 15(b)(4) of the Act, such amendment shall be filed not later than ten (10) calendar days after such disqualification occurs.*

Notification by Member to Corporation and Associated Person of Termination; Amendments to Notification

Article IV Sec.3(a)

Following the termination of the association with a member of a person who is registered with it, such member shall [promptly, but] *not* [in no event] later than thirty (30) calendar days after such termination, give [written] notice of the termination of such association to the Corporation [Association] *via electronic process or such other process the Corporation may prescribe* on a form designated by the Corporation [Board of Governors], and concurrently shall provide to the person whose association has been terminated a copy of said notice as filed with the Corporation [Association]. A member which does not submit such notification [in writing], and provide a copy to the person whose association has been terminated, within the time period prescribed shall be assessed a late filing fee as specified by the Corporation [Board of Governors]. Termination of registration of such person associated with a member shall not take effect so long as any complaint or action *under the Code of Procedure* is pending against a member and to which complaint or action such person associated with

a member is also a respondent, or so long as any complaint or action is pending against such person individually under the Code of Procedure. The Corporation, however, may in its discretion declare the termination effective at any time.

Article IV Sec.3(b)

The member shall notify the Corporation [Association] via electronic process or such other process the Corporation may prescribe [in writing] by means of an amendment to the notice filed pursuant to paragraph (a) above in the event that the member learns of facts or circumstances causing any information set forth in said notice to become inaccurate or incomplete. Such amendment shall be filed with the Corporation [Association] and a copy provided to the person whose association with the member has been terminated not later than thirty (30) calendar days after the member learns of facts or circumstances giving rise to the amendment.

Membership and Registration Rules

Electronic Filing Rules

Registration—Electronic Filing

This Part has been prepared pursuant to the provisions of Article II Section 2, Article III Section 1, and Article IV Sections 2 and 3 of the NASD By-Laws and contains the requirements of filing the appropriate forms for members and persons associated with members.

(1) Filing Requirement:

All forms required to be filed by these By-Laws shall be filed through an electronic process or such other process the Corporation may prescribe to the Central Registration Depository.

(2) Supervisory Requirements:

(a) In order to comply with the supervisory procedures requirement in Rule 3010 of the Conduct Rules, each member must identify a Registered Principal(s) or corporate officer(s) who has a position of authority over registration functions, to be responsible for supervising the electronic filing of appropriate forms pursuant to this Part.

(b) The Registered Principal(s) or corporate officer(s) who has or have the responsibility to review and approve the forms filed pursuant to this Part will be required to acknowledge, electronically, that he is filing this information on behalf of the firm and the member firm's associated persons.

(3) Form U-4 Filing Requirements:

(a) Initial and transfer electronic application filings will be based on a signed Form U-4 provided to the firm by the applicant. As part of the member firm's recordkeeping requirements, it must retain the applicant's signed Form U-4 and make it available upon regulatory request.

(b) Amendments to the disclosure information in Item 22 can be filed electronically without obtaining the associated person's signature on Form U-4. The member will be required to provide the associated person with a copy of the amended disclosure information that was filed. In providing this material to the associated person, the firm must obtain the written acknowledgement that the information has been received and reviewed. The member must maintain this acknowledgement in its books and records and must make it available upon regulatory request.

(4) Form U-5 Filing Requirements:

(a) Initial filings and amendments of Form U-5 will be done electronically. As part of the member firm's recordkeeping requirements, it must make them available upon regulatory request.

(5) A Member may employ a third party to file the required forms electronically on its behalf, if the member and the third party have executed NASD's Broker-Dealer Agent—Filing Addendum To CRD Subscribe Agreement.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The NASD has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Since 1992, the NASD has undertaken an extensive redesign effort to improve the Central Registration Depository ("CRD") with the goal of requiring total electronic filing of registration-related

forms. The central focus of the redesign effort is to provide efficient, reliable, effective, state-of-the-art systems and procedures at reasonable cost to support licensing and regulation of the securities industry. Implementation of mandatory electronic filing will eliminate delays in processing information in hard copy. The redesigned CRD will offer efficient processing of registration-related filings and user friendly access to information contained in those filings for all industry and regulatory participants. A detailed discussion of the CRD implementation plan appeared in the December 1995 issue of *Membership On Your Side*.

The revisions to the By-Laws include amendments that require filers to submit information on Forms U-4, U-5, and BD via electronic means.¹ The impact of this requirement on small member firms with limited access and form filing needs was considered by the Board of Governors. The Board addressed this concern, by providing all firms with the option to contract with third party vendors to handle the filings with the CRD. The Board also determined to give firms who have less than fifty registered persons the option to file electronically, utilize a third-party service bureau or file with the NASD's internal processing unit. Member firms can choose for themselves based upon their needs whether to access the system directly by acquiring the necessary hardware and software and training their registration staff or to access the system indirectly via a third party agent or service bureau. NASD Membership staff are working with the vendors and service bureaus to make sure they are prepared to provide this service to members.

Specific By-Law provisions which currently require filers to use "forms" or provide "written notification" are changed to require filing by electronic process or such other process as the NASD may prescribe. The provisions which refer to the filer obligations to keep applications "current" have been revised to set out more specific requirements including specific time frames (usually 30 days) for the filing of information. In addition, the NASD's membership eligibility criteria are amended to require firms to file via the electronic process. Firms who fail to comply with the electronic filing requirement may be subject to suspension or cancellation of membership.

¹ The Commission is simultaneously publishing notice of NASD's proposed rule changes amending Forms U-4 and U-5. File No. SR-NASD-96-19; Securities Exchange Act Release No. 37289 (June 7, 1996).

The NASD has established a rollout schedule which began in May 1996 with approximately eleven member firms and one service bureau being involved in a pilot test. It is anticipated that the pilot firms will file all forms electronically in the new CRD system on approximately July 29, 1996.

The NASD Board in assessing the impact of mandatory electronic filing on smaller members decided to divide the membership into two groups. This was done by analyzing the average number of filings a firm makes in conjunction with the number of registered persons employed at the firm. The analysis revealed that firm which employ 50 or more registered persons are responsible for an overwhelming majority of the filings. Therefore, the Board used this criteria as the dividing point for the two groups. The NASD used April 26, 1996 as the date to divide the members. On that date, there were 813 members who employed 50 or more registered persons ("Group I") and approximately 4,600 members with less than 50 registered persons ("Group II").

The rollout schedule for all NASD members is as follows. These firms have been divided among the five NASD Service and Quality teams. Team 1 goes into production on approximately September 9, 1996, Teams 2 and 3 on approximately October 7, 1996, and Teams 4 and 5 on approximately November 4, 1996.

Firms in Group II may comply with the electronic filing requirement through any of three methods: (1) they may file electronically on their own; (2) they may utilize a third-party vendor to file on their behalf; or (3) for a period of one year commencing on September 9, 1996 and ending on September 9, 1997, for a prescribed fee, these firms may file paper forms with the NASD which through its own internal processing unit will file the forms with the new CRD system.

The NASD is also amending its Membership and Registration Rules to establish electronic filing protocols. Under these protocols the member will:

(1) Designate a Registered Principal(s) or corporate officer(s) to be responsible for supervising the electronic filing of appropriate filings with such responsibility to acknowledge, electronically, that the filing is on behalf of the firm and the member firm's associated persons.

(2) Retain and provide upon regulatory request original, signed Form U-4s which were electronically processed as initial or transfer applications as part of the recordkeeping requirements.

(3) File amendments to administration data without the signature of the subject individual. Such information includes the addition of state or SRO registration, exam scheduling and updates to residential, business and personal history.

(4) File amendments to disclosure data electronically provided that the subject person has acknowledged that the information has been received and reviewed. This acknowledgement must be retained and provided upon regulatory request.

(5) File initial and amended Form U-5 Notice of Terminations electronically. The filing firm must make the filings available upon regulatory request.

The NASD believes that the proposed rule changes are consistent with the provisions of Section 15A(b)(6) of the Act in that mandatory electronic filing with the new CRD system will provide efficient processing of registration-related filings and will allow for easy access to information in these filings by all industry and regulatory participants.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve such proposed rule change, or

B. Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange

Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by July 5, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-15181 Filed 6-13-96; 8:45 am]

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[Release No. 34-37289; File No. SR-NASD-96-19]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating of Proposed Amendments to Forms U-4 and U-5

June 7, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on May 16, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD.¹ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD is proposing to amend the Uniform Application for Securities

¹ On June 5, 1996, the NASD filed Amendment No. 1 to the proposed rule change to clarify that rather than submitting entirely new forms for the Commission's approval, the filing seeks to amend currently existing Forms U-4 and U-5. Amendment No. 1 was submitted along with a redlined version of the signature page (page 4) for Form U-4 to highlight the revisions to that part of the Form. Letter from Craig I. Landauer, Associate General Counsel, NASD to Mark P. Barracca, Special Counsel, SEC, dated June 5, 1996.