

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.

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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.

Industry Registration or Transfer, Form U-4, and the Uniform Termination Notice for Securities Industry Registration, Form U-5.²

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

The NASD is proposing to amend the Uniform Application for Securities Industry Registration or Transfer, Form U-4 and the Uniform Termination Notice for Securities Industry Registration, Form U-5.

Since November 1993, in support of efforts to redesign the Central Registration Depository (CRD), a task force comprising the North American Securities Administrators Association (NASAA), industry representatives, the SEC, NASD and other SROs has worked to revise the uniform registration forms (Form U-4 and Form U-5). The NASD has undertaken an extensive redesign effort to improve the CRD which will require electronic filing of registration-related forms.³ Currently scheduled for pilot phase during the second quarter of 1996, 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.

The revised forms define how the information will be collected and stored in the revised CRD. Implementation of the amended forms will coincide with implementation of the redesigned CRD.

The forms revision effort has dealt with bringing better clarity and fairness into the reporting of disclosable information. The most significant changes relate to the disclosure questions on Forms U-4 and U-5. The revisions will provide for more detailed reporting to support new functionality created by CRD's redesign. The forms have been revised to include:

- Expansion of Page 1 of Form U-4 and the parallel items on Form U-5 to handle the registration of non-members and to accommodate multiple types of registration or notices of termination for Investment Adviser Representative and Agent of Issuer registrations. (In the long term, the new CRD will ultimately contain licensing data bases for non-members.)

- Addition of a statement on Page 4 of Form U-4 that will be executed by the applicant and retained by the member firm, that authorizes the member firm to make electronic filings on behalf of the applicant.

- An option for the applicant and member firm to request on the Form U-4 processing under a Relicensing Program. This program is intended to replace the existing Temporary Agent Transfer (TAT) Program. The new program will result in expedited handling for eligible persons including most individuals who previously have reported an affirmative answer to disclosure questions on their Forms U-4, but who have no new disclosure upon transfer. Even if there is new disclosure, the applicant may have an opportunity to gain a Temporary Registration while that disclosure is reviewed.

- An opportunity for an individual to provide a summary of the circumstances relating to an internal review disclosure submitted by the individual's former employer on the Form U-5. Individuals already have the opportunity to provide responses to other Form U-5 disclosures on their next U-4 filing upon transfer to a new employer.

- Item 22, the disclosure question on the Form U-4 and the parallel disclosure items on the Form U-5 have been made consistent with each other to the extent possible.

- The questions relating to disclosure have been categorized to provide a uniform format to collect, display and sort disclosure detail.

- Each category of disclosure has its own custom Disclosure Reporting Page (DRP) soliciting detail unique to that category.

- Each custom DRP solicits detail to provide the information that regulators have indicated they need in order to make informed registration decisions. The revised DRPs require more detail than the current DRPs, which will

reduce the number of requests for additional disclosures that prolong the review and registration process.

The forms also contain a new customer complaint question. The question was developed after much discussion between representatives from the NASD, NASAA and the securities industry. The NASD believes the new question will greatly simplify and clarify what types of complaints have to be reported on the Forms U-4 and U-5. The question will require the reporting of all written customer complaints which allege sales practice rule violations and compensatory damages of \$5,000 or more. The definition of sales practice violations will be included in the explanation of terms section of the forms. The NASD intends to issue a Notice to Members which will include a list of examples of sales practice violations under this section and the instructional software in the new CRD system will have this list as well. The NASD will periodically revise this list as warranted. Written complaints, which do not evolve into arbitration, civil litigation or a settlement over the jurisdictional amount, would be deleted from the CRD system two years from the date of the complaint. All arbitration and civil litigation proceedings involving securities transaction matters will be reported regardless of the dollar amount of compensatory damages. All settlements of \$10,000 or more will be reported as well.

The NASD began a test pilot phase of the new CRD system on approximately May 20, 1996 with eleven firms and one service bureau who agreed to participate. The pilot participants will go into actual production on the new system on approximately July 29, 1996 using the revised Forms U-4 and U-5. The NASD intends to phase-in the use of the amended Forms with the remaining NASD members commencing on approximately September 9, 1996 and concluding on approximately November 7, 1996.⁴

The NASD believes that the amended Forms U-4 and U-5 are consistent with the provisions of Section 15A(b)(6) of the Act in that the NASD is required to adopt appropriate qualification and registration requirements for persons associated with NASD members or

² Copies of the revised Forms U-4 and U-5 were attached as Exhibit 2 to the NASD's rule proposal and are available for inspection and copying in the Commission's Public Reference Room and are available from the NASD.

³ The Commission is simultaneously publishing notice of NASD's proposed rule changes to its By-Laws and Membership and Registration Rules that will require member firms to submit information on Forms U-4, U-5, and BD via electronic means and to establish electronic filing protocols. File No. SR-NASD-96-21; Securities Exchange Act Release No. 37291 (June 7, 1996).

⁴ Registered representatives will not be required to refile Form U-4 with the NASD as a result of the changes to the form. Registered representatives, however, will continue to be subject to the requirement to update their forms when any information becomes inaccurate or incomplete. When updating a particular item, all information relating to that item must be completed, including DRP pages, if applicable.

applicants for NASD membership. Article IV, Section 2 of the NASD By-Laws authorizes the Board to prescribe the form used by any person who wishes to make application for registration with the NASD. The NASD believes the amended forms will make the filing of disclosable information easier and more efficient and will provide more complete information for use by securities regulators.

(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 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 the 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.

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[Release No. 34-37293; File No. SR-NSCC-96-12]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Revising Service Fees

June 10, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 23, 1996, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by NSCC. 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 purpose of the proposed rule change is to revise NSCC's fee schedule.

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

In its filing with the Commission, NSCC 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. Set forth in sections (A), (B), and (C) below, are the most significant aspects of such statements.²

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

The purpose of this rule change is to reduce five existing service fees. The revisions to the fee schedule are being

made as a result of increased trading volumes and the related reduction in costs with respect to these services. Fees relating to equity trade recording, certain clearance services, Automated Customer Account Transfer Service/Transfer Initiation Form submissions, Networking accounts, and Fund/Serv transactions are being reduced.³ The new fees will be effective as of May 1, 1996.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(D) of the Act,⁴ and the rules and regulations thereunder because it provides for the equitable allocation of dues, fees, and other charges among NSCC's participants.

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

NSCC does not believe that the proposed rule change will impact 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 have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁵ and pursuant to Rule 19b-4(e)(2)⁶ promulgated thereunder because the proposal changes a due, fee, or other charge imposed by NSCC. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

³ The exact changes to NSCC's fee schedule are attached as Exhibit A.

⁴ 15 U.S.C. 78q-1(b)(3)(D) (1988).

⁵ 15 U.S.C. 78s(b)(3)(A)(ii) (1988).

⁶ 17 CFR 240.19b-4(e)(2) (1995).

¹ 15 U.S.C. 78s(b)(1) (1988).

² The Commission has modified the text of the summaries prepared by NSCC.