

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 240 and 249

[Release No. 34-37432; File No. S7-17-96]

RIN 3235-AG69

Broker-Dealer Registration and Reporting

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: The Securities and Exchange Commission is publishing for comment proposed amendments to Form BDW, the uniform request for withdrawal from broker-dealer registration under the Securities Exchange Act of 1934. The proposed amendments are designed to implement recommended changes to the Central Registration Depository system, a computer system operated by the National Association of Securities Dealers, Inc. that maintains registration information regarding registered broker-dealers and their registered personnel for use by the Commission, the self-regulatory organizations, and state securities regulators. The amendments include certain clarifying amendments to Form BDW and its filing requirements. The Commission also is publishing for comment proposed amendments to rules governing the withdrawal of broker-dealer registration under the Securities Exchange Act of 1934. Specifically, the proposed amendments would permit broker-dealers that are withdrawing from registration to consent to an extension of the effective date of their withdrawal. The proposed amendments also would permit the Commission to extend the effective date for such period as the Commission by order may determine. In addition, the Commission is publishing for comment proposed revisions to rules under the Securities Exchange Act of 1934 governing the filing of Form BD and Form BDW to provide for electronic filing of these forms and to accommodate the conversion of existing

registration information to the redesigned Central Registration Depository system.

DATES: Comments should be submitted on or before August 19, 1996.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Mail Stop 6-9, 450 Fifth Street, NW., Washington, DC. 20549. Comments also may be submitted electronically at the following E-mail address: rule-comments@sec.gov. All comment letters should refer to File No. S7-17-96. This file number should be included on the subject line if E-mail is used. Comment letters received will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC. 20549. Comment letters that are submitted electronically will be posted on the Commission's Internet web site (<http://www.sec.gov>).

FOR FURTHER INFORMATION CONTACT: Glenn J. Jessee, Special Counsel, (202) 942-0073, Office of Chief Counsel, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, NW., Mail Stop 5-10, Washington, DC. 20549.

SUPPLEMENTARY INFORMATION:

I. Introduction

As part of its continuing effort to simplify the registration forms used by broker-dealers, the Securities and Exchange Commission ("Commission") is proposing revisions to Form BDW,¹ the uniform request for broker-dealer withdrawal under the Securities Exchange Act of 1934 ("Exchange Act").² The proposed amendments are designed to reduce the regulatory burden on broker-dealers and to improve the usefulness of the information contained in Form BDW to the Commission, self-regulatory organizations ("SROs"), and state securities regulators by simplifying the form and clarifying its requirements. The proposed amendments also are designed to implement recommended changes to the Central Registration Depository ("CRD"), a computer system operated by the National Association of Securities Dealers, Inc. ("NASD") that maintains registration information regarding broker-dealers and their

registered personnel for use by federal and state securities regulators. In this regard, the proposed amendments, if adopted, would conform Form BDW in certain respects to analogous amendments to Form BD adopted today by the Commission.³

The amendments to Form BDW are being proposed in connection with the NASD's implementation of comprehensive changes to the CRD system. The redesigned CRD system, which is currently scheduled to be operational by September 9, 1996, is expected to enhance its use by the Commission, SROs, and state securities regulators by providing for (i) streamlined capture and display of data; (ii) better access to information through the use of standardized and specialized computer searches; and (iii) electronic filing by broker-dealers of uniform forms, including Forms BD, BDW, U-4, and U-5.⁴ The amendments to Form BDW proposed today by the Commission are the result of discussions held among the Commission staff, the Forms Revision and CRD Committee of the North American Securities Administrators Association, Inc. ("NASAA"), the NASD, the New York Stock Exchange, and representatives of the securities industry.

The Commission also is proposing to amend Exchange Act Rule 15b6-1 to permit broker-dealers that are withdrawing from registration to consent to a delay in the effectiveness of their notice of withdrawal. The

³ See Securities Exchange Act Release No. 37431 ("Form BD Release"). In the Form BD Release, the Commission is adopting amendments to Form BD that are designed to implement changes to the CRD, including electronic filing of Form BD with the redesigned CRD system. The amendments also are expected to provide the Commission, SROs, and state securities regulators with better information about a registrant's disciplinary history by grouping disciplinary information into related categories and by customizing the corresponding Disclosure Reporting Pages used to disclose details of the registrant's disciplinary history.

⁴ Forms BD and BDW are joint forms used by the Commission, certain SROs, and all of the states to register and terminate broker-dealers. Forms U-4 and U-5 are used by the SROs and states to register, and terminate the employment of, broker-dealer personnel. For further discussion of the CRD redesign and electronic filing, see discussion *infra* at Section IV. See also Form BD Release, *supra* note 3; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Proposed Amendments to Forms U-4 and U-5, Securities Exchange Act Release No. 37289 (Jun. 7, 1996), 61 FR 30272 (File No. SR-NASD-96-19).

¹ 17 CFR 240.15b6-1; 17 CFR 249.501a.

² 15 U.S.C. 78a et seq.

proposed amendments also would permit the Commission to extend the effective date for such period as the Commission by order may determine as necessary or appropriate in the public interest or for the protection of investors.⁵ These amendments are being proposed, in part, to provide broker-dealers adequate flexibility to bring their business operations to an orderly close in circumstances in which the 60-day period currently provided under Rule 15b6-1 would not be sufficient. These amendments also are being proposed to provide the Commission greater flexibility in concluding investigations of broker-dealers prior to such broker-dealers effecting a withdrawal from registration.

In addition, the Commission is proposing to amend Form BD filing procedures under Rules 15b1-1, 15b3-1, 15Ba2-2, 15Ca1-1, and 15Ca2-1 of the Exchange Act⁶ to implement the electronic filing of revised Form BD with the redesigned CRD system. These amendments would include temporary filing procedures in connection with the conversion of existing registration information to the redesigned CRD system. Amendments to implement electronic filing procedures for Form BDW under Rules 15b6-1, 15Bc3-1, and 15Cc1-1 of the Exchange Act also are being proposed.⁷ The proposed amendments to these filing rules, together with proposed amendments to Form BDW, are discussed further below.

II. Form BDW

A. Items 4, 5, 6, and 8

The Commission is proposing to amend Items 4, 5, 6, and 8 of Form BDW. Item 4 elicits disclosure of the date on which the withdrawing broker-dealer has ceased conducting business and, in the case of partial withdrawals from registration,⁸ the date on which the broker-dealer has ceased business in the states designated in Item 3. As currently drafted, Item 4 presumes that broker-

dealers filing Form BDW are registered entities. Certain states, however, also require broker-dealers with pending applications for registration on Form BD to file Form BDW to effect a withdrawal of their pending applications.⁹ In order to accommodate those states in which Form BDW is filed to withdraw a pending registration application, Item 4 would be amended to elicit disclosure of the date on which the broker-dealer had withdrawn its request for registration.

The Commission also is proposing to amend Item 5, which requests information concerning any funds and securities that withdrawing broker-dealers may owe to their customers or to other broker-dealers. Specifically, Item 5 requires a broker-dealer that seeks to withdraw from registration while still owing money or securities to customers or to other broker-dealers to identify the number of customers to which funds or securities are owed, and the amount of money and the market value of securities owed to customers and to broker-dealers. As amended, Item 5 would require a broker-dealer that files a partial withdrawal (*i.e.*, a withdrawal from registration with a specific state or SRO) to provide the names of the states from which the broker-dealer is requesting withdrawal *and* in which the broker-dealer still owes customer funds or securities. This amendment would assist state securities regulators in monitoring the amount of funds or securities owed to customers in their states.

The proposed revisions to Item 5 also would change the requirement that broker-dealers submit a FOCUS report or a statement of financial condition when filing Form BDW. Currently, a broker-dealer is required to file with Form BDW a FOCUS report or, if the broker-dealer is not subject to the FOCUS filing requirement, a statement of financial condition, whether or not the broker-dealer owes funds or securities to customers or to other broker-dealers. The Commission is proposing to reduce the filing burden on broker-dealers by requiring only that a FOCUS report or a statement of financial condition be filed with Form BDW when a broker-dealer is requesting full withdrawal from registration (*i.e.*, a withdrawal from registration with the Commission, all SROs, and all states)

and the broker-dealer owes money or securities to any customer or to any other broker-dealer.

In addition, the Commission is proposing to amend Item 6 of Form BDW, which requires disclosure of certain regulatory and other disciplinary matters that also are reportable on Form BD. As proposed, Item 6 would be amended to delete the requirement that broker-dealers reiterate information already required to be disclosed on Form BD or elsewhere on Form BDW.¹⁰ Instead, Item 6 would provide a reminder that broker-dealers are required to update any incomplete or inaccurate disciplinary information on Form BD prior to filing Form BDW.¹¹ Item 6 also would be amended to ask whether the broker-dealer is the subject of, or is named in, any investment-related investigation, consumer-initiated complaint, or private civil litigation. Item 6 currently requires disclosure if the broker-dealer is the subject of any "proceeding" not reported on Form BD, or any complaint or investigation. The question, therefore, would be revised to elicit more precise information by using specific, rather than general, terms.

Finally, the Commission is proposing to expand Item 8, the execution paragraph, to require the registrant's agent to certify that the information contained on Form BDW is complete and current, and to certify further that all of the information on Form BD is accurate and complete at the time Form BDW is filed.

B. Instructions

The Commission also is proposing changes to the general filing instructions to Form BDW. Under the proposal, the filing instructions would be expanded to provide greater guidance to broker-dealers filing Form BDW and to clarify attendant requirements that may arise out of filing Form BDW, particularly those raised by filing the form electronically with the redesigned CRD.¹² In addition, the instructions would be revised to include an explanation of the following terms: jurisdiction, investment-related, and investigation.¹³ These definitions are

¹² For further discussion of electronic filing of uniform forms, including Form BDW, see discussion *infra* Section IV.

¹³ *E.g.*, the definition of the term "investigation" includes grand jury investigations, Commission investigations after the "Wells" notice has been given, formal investigations by SROs, or actions or procedures designated as investigations by states, but does not include subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, "blue sheet" requests or other trading questionnaires, or examinations.

¹⁴ See Form BD Release, *supra* note 3.

¹⁵ Exchange Act Rule 15Ba2-2 (17 CFR 240.15Ba2-2) requires a non-bank municipal securities dealer whose business is exclusively intrastate to file with its application on Form BD a statement that it is filing for registration as an

⁹ The Commission, however, does not require a broker-dealer that has an application for registration pending to file Form BDW in order to withdraw its pending application. Broker-dealers may withdraw a pending application simply by providing notice in writing to the Commission and the applicable SRO.

¹⁰ Specifically, the question "is broker-dealer now the subject of any unsatisfied claims for funds or securities not reported under Item 5" would be deleted. These claims generally are already reportable under Item 5.

¹¹ Exchange Act Rule 15b3-1 (17 CFR 240.15b3-1) requires broker-dealers to amend any information on Form BD whenever it becomes inaccurate.

¹² For further discussion of electronic filing of uniform forms, including Form BDW, see discussion *infra* Section IV.

intended to assist broker-dealers in responding to questions about their disciplinary history and are consistent with the definitions contained in Form BD that are being adopted today by the Commission.¹⁴

C. Clarifying Amendments

In addition to the substantive amendments to Form BDW discussed above, the Commission is proposing several clarifying amendments to Form BDW. Item 3, for example, would be revised to inform the applicant broker-dealer that the SEC box should be checked only if the broker-dealer is intending to conduct an intrastate brokerage business and is not a municipal securities dealer.¹⁵

III. Rule 15b6-1

The Commission also is proposing to amend Exchange Act Rule 15b6-1.¹⁶ Rule 15b6-1 requires broker-dealers to file a notice of withdrawal on Form BDW in accordance with the instructions contained therein. The rule also provides generally that withdrawal from broker-dealer registration automatically becomes effective 60 days after the filing date of the Form BDW, unless the Commission institutes a proceeding to impose terms or conditions upon such withdrawal.¹⁷

The Commission has determined that there may be circumstances in which it would be advisable to provide broker-dealers seeking to withdraw from registration greater flexibility in scheduling the termination of their business operations. While a broker-

dealer must cease all securities activities when it files a request for withdrawal on Form BDW, it may need additional time to unwind its non-securities business operations before its Form BDW becomes effective. The Commission, too, may determine that it would be appropriate for a broker-dealer that is under investigation by the Commission to maintain its registered status in order to allow the Commission to conclude its pending investigation without prematurely instituting a proceeding to impose conditions on the broker-dealer's withdrawal. In such instances, the interests of the Commission may be served by having the broker-dealer consent to an extension of the period between filing Form BDW and the effective date of the broker-dealer's withdrawal from registration beyond the 60-day period currently provided under Rule 15b6-1. The Commission's interests also may be served by permitting the Commission to extend the effective date for such period as it by order may determine as necessary or appropriate in the public interest or for the protection of investors. Absent express consent by the broker-dealer, the issuance of a Commission order extending the effective date of withdrawal, or the initiation of a proceeding by the Commission, a request for broker-dealer withdrawal would continue to become effective for all matters on the 60th day after filing Form BDW with the Commission or within the time period specified in a Commission proceeding.

IV. Electronic Filing and Procedures for Filing Forms BD and BDW

A. Amendments to Filing Procedures for Forms BD and BDW

To implement electronic filing of revised Form BD with the redesigned CRD system, the Commission is proposing amendments to the filing procedures for Form BD under Rules 15b1-1, 15b3-1, 15Ba2-2, 15Ca1-1, and 15Ca2-1 of the Exchange Act.¹⁸ In a separate release, the Commission is adopting amendments to Form BD that, among other things, provide instructions for filing Form BD electronically with the CRD.¹⁹ The Commission also is proposing similar amendments to the filing procedures for Form BDW under Exchange Act Rules 15b6-1, 15Bc3-1, and 15Cc1-1.²⁰ The proposed procedures for electronic

filing of Form BD and Form BDW are discussed below.

1. Phase I

a. *Registered Broker-Dealers.* The filing of both revised Form BD and revised Form BDW is intended to coincide with the implementation of the redesigned CRD, which will be conducted by the NASD in phases.²¹ With the voluntary participation of several NASD member firms and one service bureau, the NASD began conducting a two-month test of the redesigned CRD on May 20, 1996. During this two-month period, the NASD will test the software that will enable broker-dealers to file Forms BD and Form BDW (and other uniform forms) with the redesigned CRD system and carry out other quality assurance testing. The NASD anticipates that on July 29, 1996, broker-dealers participating in the test will begin filing all of their registration and licensing information electronically with the redesigned CRD on a pilot basis.

On September 9, 1996, the NASD plans to implement Phase I of the transition to the redesigned CRD. During Phase I, the NASD will convert existing information about registered broker-dealers now contained in the old CRD system to the redesigned CRD system. In order to facilitate the conversion of this information to the redesigned CRD, the NASD will provide broker-dealers with advance notice of the specific dates for the conversion of their registration information and will assign broker-dealers to one of five NASD Quality and Service Teams. Through the use of manual and computer assisted procedures, these Quality and Service Teams will be responsible for converting the information for the broker-dealers assigned to them to the redesigned CRD. As part of this process, each broker-dealer also will be provided with a printout containing its disclosure information that is being converted to the redesigned CRD. The NASD will request that each broker-dealer review the information for accuracy and notify

¹³ E.g., the definition of the term "investigation" includes grand jury investigations, Commission investigations after the "Wells" notice has been given, formal investigations by SROs, or actions or procedures designated as investigations by states, but does not include subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, "blue sheet" requests or other trading questionnaires, or examinations.

¹⁴ See Form BD Release, *supra* note 3.

¹⁵ Exchange Act Rule 15Ba2-2 (17 CFR 240.15Ba2-2) requires a non-bank municipal securities dealer whose business is exclusively intrastate to file with its application on Form BD a statement that it is filing for registration as an intrastate dealer. Thus, a non-bank municipal securities dealer cannot conduct an intrastate municipal securities business without being registered with the Commission.

¹⁶ See *supra* note 5 and accompanying text. The Commission also is proposing further amendments to Rules 15b6-1, 15Bc3-1, and 15Cc1-1 (17 CFR 240.15b6-1, 17 CFR 15Bc3-1, and 17 CFR 15Cc1-1) to provide for electronic filing of Form BDW with the redesigned CRD system. See discussion *infra* Section IV.

¹⁷ The proposed amendment to Rule 15b6-1 (17 CFR 240.15b6-1) would be consistent with a similar provision under section 15(b)(1) of the Exchange Act (15 U.S.C. § 78o(b)). Section 15(b)(1) generally requires that broker-dealer registration be granted within 45 days after the filing of Form BD, unless the applicant consents to a longer period of time.

¹⁸ 17 CFR 240.15b1-1, 17 CFR 240.15b3-1, 17 CFR 240.15Ba2-2, 17 CFR 240.15Ca1-1, and 17 CFR 240.15Ca2-1.

¹⁹ See Form BD Release, *supra* note 3.

²⁰ 17 CFR 240.15b6-1, 17 CFR 240.15Bc3-1, and 17 CFR 240.15Cc1-1.

²¹ The NASD expects to implement the redesigned CRD system in three Phases. This release, however, discusses generally only Phase I and Phase II of the redesigned CRD implementation process. The NASD anticipates that Phase III of the implementation process, among other things, will provide for large transactions relating to mergers and acquisitions of NASD member firms, and a new state annual registration and renewal process for associated persons of member firms. In connection with the implementation of electronic filing, the NASD has proposed amendments to its By-Laws and Rules of Fair Practice to require, among other things, that its members develop written supervisory procedures governing the electronic filing of registration information with the redesigned CRD. See Securities Exchange Act Release No. 37291 (Jun. 7, 1996), 61 FR 30272 (File No. SR-NASD-96-21).

the NASD of any errors.²² Details correcting inaccurate disclosure information will be submitted electronically through the redesigned CRD.

Before a broker-dealer's registration information is converted to the new CRD system, the NASD will provide each broker-dealer access for 30 days to its "test database" to allow the broker-dealer to gain familiarity with the operation of the redesigned CRD system. During this 30-day test period, each broker-dealer will execute a series of simulated electronic filings using the new CRD system. Each broker-dealer also will complete the computer-based training module that will be available on-line through the new CRD system.

After a registered broker-dealer's existing registration information has been converted to the redesigned CRD system, the broker-dealer will be required to file electronically with the redesigned CRD (i) new information elicited by revised Form BD and the corresponding Disclosure Reporting Pages and Schedules that it has not previously provided and (ii) existing registration information that was not converted to the redesigned CRD system. A broker-dealer will be required to file this information at the time it files its first amendment to Form BD after its registration information has been converted to the redesigned CRD, but, in any event, no later than six months from its date of conversion to the redesigned CRD. The broker-dealer must then file all future registration information electronically with the CRD. The mechanics of electronic filing are discussed in Subsection IV.B, below.

Until a broker-dealer's existing registration information has been converted to the redesigned CRD system, the broker-dealer must continue to file amendments to its registration on Form BD (as revised November 16, 1992) in paper form with the CRD. Similarly, unless a broker-dealer's existing registration information has been converted to the redesigned CRD system, any notice of withdrawal filed by the broker-dealer must be filed on Form BDW (as revised April 21, 1987) in paper form with the CRD system. Following the conversion of a broker-dealer's existing registration information to the redesigned CRD system, the broker-dealer would then file any notice of withdrawal on revised Form BDW electronically with the redesigned CRD system. The NASD expects Phase I to be

completed by the end of 1996, with the registration information of non-NASD member broker-dealers being converted to the redesigned CRD system toward the end of Phase I.

b. *Broker-Dealer Applicants.* During Phase I, the NASD intends to enter manually initial broker-dealer registration information into the redesigned CRD system. Accordingly, on or after September 9, 1996, initial broker-dealer applicants will be required to file revised Form BD in paper form until their applications are granted by the Commission. Once registration is granted, the broker-dealer will be required to file all future registration information electronically with the redesigned CRD, including amendments to Form BD, as well as requests for withdrawal from registration on Form BDW.

2. Phase II

Phase II currently is scheduled to begin during the spring of 1997. During Phase II of the implementation process, the Commission, the SROs, and state securities regulators will be provided with direct access to broker-dealer registration information contained in the redesigned CRD system.²³ Among other things, federal and state securities regulators and the SROs will be provided with the ability to search through hundreds of thousands of records to identify problem brokers, flag problem brokers who have left the industry so that they can be reviewed should they attempt to return to the business, and target firms and branches for examination in a more effective way. The Commission staff, as well as representatives of the SROs and state securities regulators, currently are working with the NASD to develop final requirements for the implementation of Phase II.

The NASD also anticipates that broker-dealer applicants will be able to file initial applications electronically with the redesigned CRD as part of the implementation of Phase II. In the meantime, however, the Commission is proposing to amend Exchange Act Rules 15b1-1, 15Ba2-2, and 15Ca2-1²⁴ to provide for the filing of initial applications for registration on revised Form BD in paper form with the CRD.²⁵

²³ Prior to Phase II implementation, the Commission, the SROs, and state securities regulators will continue to gain access to broker-dealer registration information, including information filed on revised Form BD, through the old CRD system.

²⁴ 17 CFR 240.15b1-1, 17 CFR 240.15Ba2-2, and 17 CFR 240.15Ca2-1.

²⁵ Provisions requiring the filing of initial applications in paper form on revised Form BD are

At such time as the redesigned CRD is capable of receiving initial applications for registration that are filed electronically, the Commission intends to adopt further amendments to Rules 15b1-1, 15Ba2-2, and 15Ca2-1, which also are being proposed today for public comment.²⁶

B. Mechanics of Electronic Filing

As noted above, the redesign of the CRD system will allow broker-dealers to file Forms BD and BDW electronically.²⁷ Because the redesigned CRD system is intended to operate in an electronic environment, the NASD anticipates that eventually paper filings no longer will be submitted by broker-dealer applicants, nor will data continue to be entered manually into the CRD system by the NASD.²⁸ Rather, once the redesigned CRD has been tested and fully implemented, broker-dealers will file registration and licensing information with the NASD electronically by direct link with the CRD system through standard dial-up access and other electronic means. To effect electronic filing with the CRD system, the NASD has developed software that will support the submission of registration information using a personal computer. Broker-dealers that elect to file their own registration information electronically with the redesigned CRD will be

designated as "Alternative 1 for paragraph (b)" under Rules 15b1-1, 15Ba2-2, and 15Ca2-1 under the Exchange Act. (17 CFR 240.15b1-1, 17 CFR 240.15Ba2-2, and 17 CFR 240.15Ca2-1).

²⁶ 17 CFR 240.15b1-1, 17 CFR 240.15Ba2-2, and 17 CFR 240.15Ca2-1. Provisions requiring the electronic filing of initial applications on Form BD are designated as "Alternative 2 for paragraph (b)" under Exchange Act Rules 15b1-1, 15Ba2-2, and 15Ca2-1.

²⁷ At the time the Commission joined the CRD, it noted that all applications, amendments, and withdrawals from registration that are filed with the CRD will be deemed to be filed with the Commission. Securities Exchange Act Release No. 31661 (Dec. 28, 1992), 58 FR 11 (Jan. 4, 1993), n.5. However, an application, amendment, or withdrawal from registration shall be considered filed on the date it is filed with the CRD only if the filing is complete in all respects. Any application, amendment, or withdrawal from registration that is incomplete at the time it is filed with the CRD shall not be deemed to be filed with the Commission until such time as any deficiency in the filing is corrected and the Commission has determined that the filing is complete. See Exchange Act Rule 0-3 (17 CFR 240.0-3); *In the Matter of First Jersey Securities, Inc.*, Securities Exchange Act Release No. 37259 (May 30, 1996), 62 SEC Docket 37; *In the Matter of F.N. Wolf & Co., Inc.*, Administrative Proceedings Rulings Release No. 470 (May 3, 1995), 59 SEC Docket 719.

²⁸ Currently, applicant broker-dealers seeking to register with the Commission and the various states file a single Form BD with the NASD, which manually enters the information into the CRD system and then electronically forwards the information to the Commission and appropriate states for review.

²² Similar procedures will be implemented for non-NASD members to ensure that non-NASD members also are converted to the new system during Phase I.

required to purchase this software from the NASD. Alternatively, broker-dealers may elect to employ a third party, such as a service bureau, to make electronic filings of registration forms on their behalf.

Electronic filings submitted by or on behalf of a broker-dealer will be transmitted to the CRD either in batch transfers or in an on-line mode.²⁹ After the information has been transmitted electronically, the CRD system will disseminate the registration requests or updated information to the Commission, the SROs, and any states in which the broker-dealer is registering or has registered. After an electronic filing is processed, the CRD system will send the filer an electronic message or identification number indicating whether the filing has been accepted. In addition, the results of Commission, SRO, and state review of broker-dealer filings also will be handled electronically and will be transmitted directly to the broker-dealer applicant via the redesigned CRD system.

The NASD recently determined that it would not be feasible for all of its members to migrate to a fully electronic filing environment during Phase I, and that certain of its members may require additional time to adapt their current registration and licensing systems to the redesigned CRD system. As a result, approximately 4,600 NASD member firms having fewer than 50 registered representatives initially will be given the option of using an electronic filing service that will be provided by the NASD.³⁰ This service will allow broker-dealers to forward their registration and licensing forms in paper form to an internal processing unit of the NASD, which then will file these forms with the redesigned CRD system on the broker-dealer's behalf.³¹ This service

will be available for up to one year from the time a firm's registration information is converted to the redesigned CRD, and will afford a substantial number of NASD member firms sufficient time to adapt their systems to the redesigned CRD.³² At the end of this one-year period, firms will be required either to purchase software that would allow them to file registration information directly with the CRD, or to use a third party service bureau to file such information electronically on their behalf. The NASD also plans to make its processing service available to non-NASD member broker-dealers for a one-year period.

C. Conforming Amendments

The Commission is proposing an amendment to Exchange Act Rule 15b1-1³³ that would clarify that an application for registration filed on Form BD with the Central Registration Depository shall be considered a "report" filed with the Commission for purposes of Section 15(b) of the Exchange Act.³⁴ This amendment is intended to conform the language in Rule 15b1-1 with language already contained in corresponding filing rules applicable to municipal securities dealers and government securities brokers and government securities dealers. The Commission also is proposing amendments to Rules 15b1-1, 15b3-1, 15b6-1, 15Ba2-2, 15Bc3-1, 15Ca2-1, and 15Cc1-1 under the Exchange Act³⁵ to clarify that the filing of Form BD or Form BDW by broker-dealers, municipal securities dealers, and government securities brokers and government securities dealers would, in each instance, constitute a "report" filed with the Commission within the meaning of sections 15(b), 15B(c), 15C(c) 17(a), 18(a), and 32(a) of the Exchange Act.³⁶

(i.e., directly through the use of the NASD's software, indirectly through a service provider, or through the NASD's electronic filing service) at least 30 days before the broker-dealer is given access to the NASD's test database prior to the conversion of the broker-dealer's registration information to the redesigned CRD system.

³² This service also will be made available to non-NASD members firms. The NASD currently intends to charge only member firms a fee for the use of this service. The NASD has no current plans to charge non-NASD member firms for the use of the filing service.

³³ 17 CFR 240.15b1-1.

³⁴ 15 U.S.C. 78o(b).

³⁵ 17 CFR 240.15b1-1, 17 CFR 240.15b3-1, 17 CFR 240.15b6-1, 17 CFR 240.15Ba2-2, 17 CFR 240.15Bc3-1, 17 CFR 240.15Ca2-1, and 17 CFR 240.15Cc1-1.

³⁶ 15 U.S.C. 78o(b), 78o-4(c), 78o-5(c), 78q(a), 78r(a), and 78ff(a).

V. Request for Comment

The Commission is soliciting comment on whether the changes to Form BDW described above will provide more meaningful information to the Commission and other securities regulators without increasing the regulatory burden on broker-dealers. The Commission further requests comment on each of the proposed changes to Form BDW, including electronic filing of Form BDW. The Commission also is requesting comment on the proposed amendments to Rules 15b6-1, 15Bc3-1, and 15Cc1-1 under the Exchange Act³⁷ that would permit broker-dealers withdrawing from registration to consent to a delay in the effectiveness of their request for withdrawal, and that would permit the Commission to extend the effective date for such period as it by order may determine.

In addition, the Commission is requesting comment on the proposal to amend the filing procedures for revised Form BD under Rules 15b1-1, 15b3-1, 15Ba2-2, 15Ca1-1, and 15Ca2-1 of the Exchange Act,³⁸ as well as the filing procedures for Form BDW under Exchange Act Rules 15b6-1, 15Bc3-1, and 15Cc1-1.³⁹ Comment is solicited with regard to not only the electronic filing of Forms BD and BDW, but also concerning proposed temporary filing instructions for broker-dealers in connection with the conversion of existing registration information to the redesigned CRD, and the proposal for electronic filing of initial applications for registration as part of the implementation of Phase II.

Comment is requested not only on the specific subjects and issues discussed in the release, but on any other approaches or issues that should be considered in connection with facilitating the use of electronic media to further the broker-dealer registration and withdrawal provisions under the federal securities laws.

VI. Proposed Effective Date

The Commission anticipates that, if adopted, the proposed amendments will become effective on or about September 9, 1996.

³⁷ 17 CFR 240.15b6-1, 17 CFR 240.15Bc3-1, and 17 CFR 240.15Cc1-1.

³⁸ 17 CFR 240.15b1-1, 17 CFR 240.15b3-1, 17 CFR 240.15Ba2-2, 17 CFR 240.15Ca1-1, and 17 CFR 240.15Ca2-1.

³⁹ 17 CFR 240.15b6-1, 17 CFR 240.15Bc3-1, and 17 CFR 240.15Cc1-1.

²⁹ The redesigned CRD will provide for batch filings of registration and licensing information. Under the redesigned CRD, broker-dealers will be able to download data from their internal data bases into programmed formats for the CRD to process. In this regard, broker-dealers or persons acting on their behalf, such as service bureaus, will be able to create several CRD filings *off-line* and, when ready, transmit them collectively to the CRD. In comparison, in an *on-line* mode, broker-dealers or persons acting on their behalf, such as service bureaus, will enter information directly into the redesigned CRD through a windows-based interactive session.

³⁰ The 819 NASD member firms having 50 or more registered representatives account for more than 90 percent of current CRD filing activity. These firms will be required to electronically file registration information with the redesigned CRD, either by filing such information directly using software purchased from the NASD or by employing the services of a service bureau.

³¹ Each broker-dealer will be required to inform the NASD of the method through which it will initially file information with the redesigned CRD

VII. Effects on Competition and Regulatory Flexibility Act Considerations

Section 23(a)(2) of the Exchange Act⁴⁰ requires the Commission, in adopting rules under the Exchange Act, to consider the anticompetitive effects of such rules, if any, and to balance any anticompetitive impact against the regulatory benefits gained in terms of furthering the purposes of the Exchange Act. The Commission is of the view that the proposed amendments to Form BDW, and the amendments to Rules 15b1-1, 15b3-1, 15b6-1, 15Ba2-2, 15Bc3-1, 15Ca1-1, and 15Cc1-1 under the Exchange Act⁴¹ would not result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. As noted above, the form revisions and rule amendments proposed today would reduce the regulatory burden on broker-dealers by clarifying the information required to be filed on Form BDW and by facilitating the filing of Form BD and Form BDW electronically with the CRD.

The Commission requests comment, however, on any competitive burdens that might result from adoption of the form revisions and rule amendments described in this release.

In addition, the Commission has prepared an Initial Regulatory Flexibility Analysis ("IRFA"), pursuant to the requirements of the Regulatory Flexibility Act,⁴² regarding the proposed revisions to Form BDW and proposed amendments to the Form BD and Form BDW filing rules under the Exchange Act.

A copy of the IRFA may be obtained from Glenn J. Jessee, Special Counsel, Office of Chief Counsel, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, NW., Mail Stop 5-10, Washington, DC 20549; (202) 942-0073.

VIII. Paperwork Reduction Act Analysis

Certain provisions of the proposal to amend Form BDW may contain "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.). The Commission has submitted the proposal to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d). The title for this collection of

information is: "Proposed Amendments to Form BDW."

The Commission is proposing amendments to Form BDW that are designed to reduce the regulatory burden on broker-dealers and to improve the usefulness of the information to federal and state securities regulators by simplifying the form and clarifying its requirements. The proposed amendments also are designed to implement changes to the CRD system, including providing for electronic filing of Form BDW.⁴³

This collection of information will be used by the Commission to determine whether it is in the public interest to permit a broker-dealer to withdraw its registration. This collection of information also is important to a withdrawing broker-dealer's customers and to the general public because it provides, among other things, the name and address of the broker-dealer's agent to contact regarding the broker-dealer's unfinished business.

The likely respondents to the proposed collection of information will be the 900 or fewer broker-dealers that withdraw from registration annually. They will be required to respond to the proposed collection of information before being allowed to withdraw their registration with the Commission. The Commission expects that the proposed collection of information on revised Form BDW will result in no additional burdens to broker-dealers seeking to withdraw from registration on Form BDW. The Commission estimates that the average burden to complete Form BDW will be approximately 15 minutes, or 0.25 hours. (based on the Commission staff's experience in administering the form). Approximately 900 respondents file one response per year, resulting in an estimated total annual reporting burden of 225 hours.

As proposed, likely respondents would be required to retain the collection of information for a period of no less than six years and to make it available for inspection upon a regulatory request. Disclosure of data solicited in this proposed collection of information by the likely respondents is

mandatory before a request for withdrawal from registration may become effective. Disclosure of social security numbers, however, is voluntary. The responses provided by the likely respondents would be made a matter of public record and would be available for inspection by any member of the public. Likely respondents, however, would not be required to provide a response to questions contained in this proposed collection of information unless a current OMB control number is displayed.

Pursuant to 44 U.S.C. 3506(c)(2)(B), the Commission solicits comment to:

- (i) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility;
- (ii) Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information;
- (iii) Enhance the quality, utility, and clarity of the information to be collected; and
- (iv) Minimize the burden of collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology.

Persons desiring to submit comments on the collection of information requirements should direct them to the Office of Management and Budget, Attention: Desk Office for the Securities and Exchange Commission, Office of Information and Regulatory Affairs of the OMB, Washington, DC 20503, and should also send a copy of their comments directly to the Commission. OMB is required to make a decision concerning the collection of information between 30 and 60 days after publication; thus, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication.

IX. List of Subjects in 17 CFR Parts 240 and 249

Reporting and recordkeeping requirements, Securities, Broker-Dealers

Statutory Basis and Text of Proposed Amendments

In accordance with the foregoing, Title 17, Chapter II of the Code of Federal Regulations is proposed to be amended as follows:

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

1. The authority citation for part 240 continues to read in part as follows:

⁴⁰ 15 U.S.C. 78w(a)(2).

⁴¹ 17 CFR 240.15b1-1, 17 CFR 240.15b3-1, 17 CFR 240.15b6-1, 17 CFR 240.15Ba2-2, 17 CFR 240.15Bc3-1, 17 CFR 240.15Ca1-1, and 17 CFR 240.15Cc1-1.

⁴² 5 U.S.C. 603 (1990).

⁴³ Rules 15b6-1, 15Bc3-1, and 15Cc1-1 under the Exchange Act (17 CFR 240.15b6-1, 17 CFR 240.15B3-1, and 17 CFR 240.15Cc1-1) require broker-dealers to file a notice of withdrawal on Form BDW in accordance with the instructions contained therein. The collection of information on Form BDW is necessary for the Commission to determine whether it is in the public interest to permit a broker-dealer to withdraw its registration. The proposed amendments to Exchange Act Rules 15b1-1, 15b3-1, 15Ba2-2, 15Ca1-1, and 15Ca2-1 (17 CFR 240.15b1-1, 17 CFR 240.15b3-1, 17 CFR 240.15Ba2-2, 17 CFR 240.15Ca1-1, and 17 CFR 240.15Ca2-1) governing Form BD filing procedures do not require a collection of information.

Authority: 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78d, 78i, 78j, 78l, 78m, 78n, 78o, 78p, 78q, 78s, 78w, 78x, 78ll(d), 79q, 79t, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4 and 80b-11, unless otherwise noted.

* * * * *

2. By revising § 240.15b1-1 to read as follows:

§ 240.15b1-1 Application for registration of brokers or dealers.

(a) An application for registration of a broker or dealer filed pursuant to section 15(b) of the Act (15 U.S.C. 78o(b)) shall be filed on Form BD (17 CFR 249.501) in accordance with the instructions contained therein. Every application for registration of a broker or dealer shall be filed with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.) in accordance with applicable filing requirements.

[Alternative 1 for paragraph (b)]

(b) Every application for registration of a broker or dealer filed pursuant to paragraph (a) of this section shall be filed on Form BD (17 CFR 249.501) in paper form with the Central Registration Depository in accordance with applicable filing requirements.

[Alternative 2 for paragraph (b)]

(b) Every application for registration of a broker or dealer filed pursuant to paragraph (a) of this section shall be filed on Form BD (17 CFR 249.501) electronically with the Central Registration Depository in accordance with applicable filing requirements.

(c) An application for registration that is filed with the Central Registration Depository pursuant to this section shall be considered a "report" filed with the Commission for purposes of sections 15(b), 17(a), 18(a), 32(a) (15 U.S.C. 78o(b), 78q(a), 78r(a), 78ff(a)) and other applicable provisions of the Act.

3. By revising § 240.15b3-1 to read as follows:

§ 240.15b3-1 Amendments to application.

(a) If the information contained in any application for registration as a broker or dealer, or in any amendment thereto, is or becomes inaccurate for any reason, the broker or dealer shall promptly file with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.), in accordance with applicable filing requirements, an amendment on Form BD (17 CFR 249.501) correcting such information.

(b) Temporary Filing Instructions: (1) Every broker or dealer who is registered with the Commission as of September 9, 1996 shall file as an amendment to its application a complete Form BD (17

CFR 249.501), and any subsequent amendments thereto pursuant to paragraph (a) of this section, electronically with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.) no later than six months following receipt of notification from the National Association of Securities Dealers, Inc. or the broker's or dealer's Designated Examining Authority (DEA) that the information contained in such broker's or dealer's application for registration has been converted to the redesigned Central Registration Depository system.

(2) Notwithstanding paragraph (b)(1) of this section, if the information contained in any application for registration as a broker or dealer is or becomes inaccurate for any reason during the six months following receipt of notification from the National Association of Securities Dealers, Inc. or the broker's or dealer's DEA that the information contained in such broker's or dealer's application for registration has been converted to the redesigned Central Registration Depository system, the broker or dealer shall promptly file as an amendment to its application a complete Form BD (17 CFR 249.501) electronically with the Central Registration Depository.

(3) If the information contained in any application for registration as a broker or dealer is or becomes inaccurate for any reason prior to receipt of notification from the National Association of Securities Dealers, Inc. or the broker's or dealer's DEA that the information contained in such broker's or dealer's application for registration has been converted to the redesigned Central Registration Depository system, the broker or dealer shall promptly file as an amendment to its application a complete Form BD (17 CFR 249.501) (as revised November 16, 1992) in paper form with the Central Registration Depository.

(c) Every amendment filed with the Central Registration Depository pursuant to this section shall constitute a "report" filed with the Commission within the meaning of sections 15(b), 17(a), 18(a), 32(a) (15 U.S.C. 78o(b), 78q(a), 78r(a), 78ff(a)) and other applicable provisions of the Act.

4. By revising § 240.15b6-1 to read as follows:

§ 240.15b6-1 Withdrawal from registration.

(a) Notice of withdrawal from registration as a broker or dealer pursuant to section 15(b) of the Act (15 U.S.C. 78o(b)) shall be filed on Form BDW (17 CFR 249.501a) in accordance with the instructions contained therein.

Every notice of withdrawal from registration as a broker or dealer shall be filed with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.) in accordance with applicable filing requirements. Prior to filing a notice of withdrawal from registration on Form BDW (17 CFR 249.501a), a broker or dealer shall amend Form BD (17 CFR 249.501) in accordance with § 240.15b3-1(a) to update any inaccurate information.

(b) Temporary filing instructions: Notwithstanding paragraph (a) of this section, a notice of withdrawal from registration filed by a broker or dealer on or after September 9, 1996 but prior to receipt of notification from the National Association of Securities Dealers, Inc. or the broker's or dealer's DEA that the information contained in such broker's or dealer's application for registration has been converted to the redesigned Central Registration Depository system, shall be filed on Form BDW (17 CFR 249.501a) (as revised April 21, 1987) in paper form with the Central Registration Depository.

(c) A notice of withdrawal from registration filed by a broker or dealer pursuant to section 15(b) of the Act (15 U.S.C. 78o(b)) shall become effective for all matters (except as provided in this paragraph (c) and in paragraph (d) of this section) on the 60th day after the filing thereof with the Commission, within such longer period of time as to which such broker or dealer consents or the Commission by order may determine as necessary or appropriate in the public interest or for the protection of investors, or within such shorter period of time as the Commission may determine. If a notice of withdrawal from registration is filed with the Commission at any time subsequent to the date of the issuance of a Commission order instituting proceedings pursuant to section 15(b) of the Act (15 U.S.C. 78o(b)) to censure, place limitations on the activities, functions or operations of, or suspend or revoke the registration of, such broker or dealer, or if prior to the effective date of the notice of withdrawal pursuant to this paragraph (c), the Commission institutes such a proceeding or a proceeding to impose terms or conditions upon such withdrawal, the notice of withdrawal shall not become effective pursuant to this paragraph (c) except at such time and upon such terms and conditions as the Commission deems necessary or appropriate in the public interest or for the protection of investors.

(d) With respect to a broker's or dealer's registration status as a member within the meaning of section 3(a)(2) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78ccc(a)(2)) for purposes of the application of sections 5, 6, and 7 (15 U.S.C. 78eee, 78fff, and 78fff-1) thereof to customer claims arising prior to the effective date of withdrawal pursuant to paragraph (c) of this section, the effective date of a broker's or dealer's withdrawal from registration pursuant to this paragraph (d) shall be six months after the effective date of withdrawal pursuant to paragraph (c) of this section or such shorter period of time as the Commission may determine.

(e) Every notice of withdrawal filed with the Central Registration Depository pursuant to this section shall constitute a "report" filed with the Commission within the meaning of sections 15(b), 17(a), 18(a), 32(a) (15 U.S.C. 78o(b), 78q(a), 78r(a), 78ff(a)) and other applicable provisions of the Act.

5. By revising § 240.15Ba2-2 to read as follows:

§ 240.15Ba2-2 Application for registration of non-bank municipal securities dealers whose business is exclusively intrastate.

(a) An application for registration, pursuant to Section 15B(a) of the Act (15 U.S.C. 78o-4(a)), of a municipal securities dealer who is not subject to the requirements of § 240.15Ba2-1, shall be filed on Form BD (17 CFR 249.501) in accordance with the instructions contained therein. Every application for registration of a municipal securities dealer who is not subject to the requirements of § 240.15Ba2-1 shall be filed with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.) in accordance with applicable filing requirements.

[Alternative 1 for paragraph (b)]

(b) Every application for registration of a municipal securities dealer who is not subject to the requirements of § 240.15Ba2-1 shall be filed on Form BD (17 CFR 249.501) in paper form with the Central Registration Depository in accordance with applicable filing requirements.

[Alternative 2 for paragraph (b)]

(b) Every application for registration of a municipal securities dealer filed pursuant to paragraph (a) of this section shall be filed on Form BD (17 CFR 249.501) electronically with the Central Registration Depository in accordance with applicable filing requirements.

(c) If the information contained in any application for registration filed

pursuant to paragraph (a) of this section, or in any amendment to such application, is or becomes inaccurate for any reason, the dealer shall promptly file with the Central Registration Depository, in accordance with applicable filing requirements, an amendment on Form BD (17 CFR 249.501) correcting such information.

(d) Temporary Filing Instructions: (1) Every municipal securities dealer who is registered with the Commission as of September 9, 1996 shall file as an amendment to its application a complete Form BD (17 CFR 249.501), and any subsequent amendments thereto pursuant to paragraph (c) of this section, *electronically* with the Central Registration Depository no later than six months following receipt of notification from the National Association of Securities Dealers, Inc. that the information contained in such municipal securities dealer's application for registration has been converted to the redesigned Central Registration Depository system.

(2) Notwithstanding paragraph (d)(1) of this section, if the information contained in any application for registration as a municipal securities dealer is or becomes inaccurate for any reason during the six months following receipt of notification from the National Association of Securities Dealers, Inc. that the information contained in such municipal securities dealer's application for registration has been converted to the redesigned Central Registration Depository system, the municipal securities dealer shall promptly file as an amendment to its application a complete Form BD (17 CFR 249.501) electronically with the Central Registration Depository.

(3) If the information contained in any application for registration as a municipal securities dealer is or becomes inaccurate for any reason prior to receiving notification from the National Association of Securities Dealers, Inc. that the information contained in such municipal securities dealer's application for registration has been converted to the redesigned Central Registration Depository system, the municipal securities dealer shall promptly file as an amendment to its application a complete Form BD (17 CFR 249.501) (as revised November 16, 1992) in paper form with the Central Registration Depository.

(e) Every application or amendment filed with the Central Registration Depository pursuant to this section shall constitute a "report" filed with the Commission within the meaning of sections 15(b), 15B(c), 17(a), 18(a), 32(a) (15 U.S.C. 78o(b), 78o-4(c), 78q(a),

78r(a), 78ff(a)) and other applicable provisions of the Act.

6. By revising § 240.15Bc3-1 to read as follows:

§ 240.15Bc3-1 Withdrawal from registration of municipal securities dealers.

(a) Notice of withdrawal from registration as a municipal securities dealer pursuant to section 15B(c) (15 U.S.C. 78o-4(c)) shall be filed on Form MSDW (17 CFR 249.1110), in the case of a municipal securities dealer which is a bank or a separately identifiable department or division of a bank, or Form BDW (17 CFR 249.501a), in the case of any other municipal securities dealer, in accordance with the instructions contained therein. Prior to filing a notice of withdrawal from registration on Form MSDW (17 CFR 249.1110) or Form BDW (17 CFR 249.501a), a municipal securities dealer shall amend Form MSD (17 CFR 249.1100) in accordance with § 240.15Ba2-1(b) or amend Form BD (17 CFR 249.501) in accordance with § 240.15Ba2-2(c) to update any inaccurate information.

(b) Every notice of withdrawal from registration as a municipal securities dealer that is filed on Form BDW (17 CFR 249.501a) shall be filed with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.) in accordance with applicable filing requirements. Every notice of withdrawal on Form MSDW (17 CFR 249.1110) shall be filed with the Commission.

(c) Temporary filing instructions: Notwithstanding paragraph (a) of this section, a notice of withdrawal from registration filed by a municipal securities dealer (other than a municipal securities dealer which is a bank or a separately identifiable department or division of a bank) on or after September 9, 1996 *but* prior to receipt of notification from the National Association of Securities Dealers, Inc. that the information contained in such municipal securities dealer's application for registration has been converted to the redesigned Central Registration Depository system, shall be filed on Form BDW (17 CFR 249.501a) (as revised April 21, 1987) in paper form with the Central Registration Depository.

(d) A notice of withdrawal from registration filed by a municipal securities dealer pursuant to Section 15B(c) (15 U.S.C. 78o-4(c)) shall become effective for all matters on the 60th day after the filing thereof with the Commission, within such longer period of time as to which such municipal securities dealer consents or the

Commission by order may determine as necessary or appropriate in the public interest or for the protection of investors, or within such shorter period of time as the Commission may determine. If a notice of withdrawal from registration is filed with the Commission at any time subsequent to the date of the issuance of a Commission order instituting proceedings pursuant to section 15B(c) (15 U.S.C. 78o-4(c)) to censure, place limitations on the activities, functions or operations of, or suspend or revoke the registration of, such municipal securities dealer, or if prior to the effective date of the notice of withdrawal pursuant to this paragraph (d), the Commission institutes such a proceeding or a proceeding to impose terms or conditions upon such withdrawal, the notice of withdrawal shall not become effective pursuant to this paragraph (d) except at such time and upon such terms and conditions as the Commission deems necessary or appropriate in the public interest or for the protection of investors.

(e) Every notice of withdrawal filed with the Central Registration Depository pursuant to this section shall constitute a "report" filed with the Commission within the meaning of sections 15B(c), 17(a), 18(a), 32(a) (15 U.S.C. 78o-4(c), 78q(a), 78r(a), 78ff(a)) and other applicable provisions of the Act.

7. By amending § 240.15Ca1-1 by revising paragraph (c) to read as follows:

§ 240.15Ca1-1 Notice of government securities broker-dealer activities.

* * * * *

(c) Any notice required pursuant to this section shall be considered filed with the Commission if it is filed with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.) in accordance with applicable filing requirements.

8. By revising § 240.15Ca2-1 to read as follows:

§ 240.15Ca2-1 Application for registration as a government securities broker or government securities dealer.

(a) An application for registration, pursuant to section 15C(a)(1)(A) of the Act (15 U.S.C. 78o-5(a)(1)(A)), of a government securities broker or government securities dealer shall be filed on Form BD (17 CFR 249.501) in accordance with the instructions contained therein. Every application for registration of a government securities broker or government securities dealer shall be filed with the Central Registration Depository (operated by the National Association of Securities

Dealers, Inc.) in accordance with applicable filing requirements.

[Alternative 1 for paragraph (b)]

(b) Every application for registration of a government securities broker or government securities dealer pursuant to paragraph (a) of this section shall be filed on Form BD (17 CFR 249.501) in paper form with the Central Registration Depository in accordance with applicable filing requirements.

[Alternative 2 for paragraph (b)]

(b) Every application for registration of a government securities broker or government securities dealer filed pursuant to paragraph (a) of this section shall be filed on Form BD (17 CFR 249.501) electronically with the Central Registration Depository in accordance with applicable filing requirements.

(c) Temporary Filing Instructions: (1) Every government securities broker or government securities dealer who is registered with the Commission as of September 9, 1996 shall file as an amendment to its application a complete Form BD (17 CFR 249.501), and any subsequent amendments thereto, *electronically* with the Central Registration Depository no later than six months following receipt of notification from the National Association of Securities Dealers, Inc. that the information contained in such government securities broker's or government securities dealer's application for registration has been converted to the redesigned Central Depository Registration system.

(2) Notwithstanding paragraph (c)(1) of this section, if the information contained in any application for registration as a government securities broker or government securities dealer is or becomes inaccurate for any reason during the six months following receipt of notification from the National Association of Securities Dealers, Inc. that the information contained in such government securities broker's or government securities dealer's application for registration has been converted to the redesigned Central Registration Depository system, the broker or dealer shall promptly file as an amendment to its application a complete Form BD (17 CFR 249.501) electronically with the Central Registration Depository.

(3) If the information contained in any application for registration as a government securities broker or government securities dealer is or becomes inaccurate for any reason prior to receiving notification by the National Association of Securities Dealers, Inc. such government securities broker or

government securities dealer shall promptly file as an amendment to its application a complete Form BD (17 CFR 249.501) (as revised November 16, 1992) in paper form with the Central Registration Depository.

(d) Every application or amendment filed with the Central Registration Depository pursuant to this section shall constitute a "report" filed with the Commission within the meaning of sections 15, 15C(c), 17(a), 18(a), 32(a) (15 U.S.C. 78o, 78o-5(c), 78q(a), 78r(a), 78ff(a)) and other applicable provisions of the Act.

9. By revising § 240.15Cc1-1 to read as follows:

§ 240.15Cc1-1 Withdrawal from registration of government securities brokers or government securities dealers.

(a) Notice of withdrawal from registration as a government securities broker or government securities dealer pursuant to section 15C(a)(1)(A) of the Act (15 U.S.C. 78o-5(a)(1)(A)) shall be filed on Form BDW (17 CFR 249.501a) in accordance with the instructions contained therein. Every notice of withdrawal from registration as a government securities broker or dealer shall be filed with the Central Registration Depository (operated by the National Association of Securities Dealers, Inc.) in accordance with applicable filing requirements. Prior to filing a notice of withdrawal from registration on Form BDW (17 CFR 249.501a), a government securities broker or government securities dealer shall amend Form BD (17 CFR 249.501) in accordance with § 400.5(a) to update any inaccurate information.

(b) Temporary filing instructions: Notwithstanding paragraph (a) of this section, a notice of withdrawal from registration filed by a government securities broker or government securities dealer on or after September 9, 1996 *but* prior to receipt of notification from the National Association of Securities Dealers, Inc. that the information contained in such government securities broker's or government securities dealer's application for registration has been converted to the redesigned Central Registration Depository system, shall be filed on Form BDW (17 CFR 249.501a) (as revised April 21, 1987) in paper form with the Central Registration Depository.

(c) A notice of withdrawal from registration filed by a government securities broker or government securities dealer shall become effective for all matters on the 60th day after the filing thereof with the Commission, within such longer period of time as to

which such government securities broker or government securities dealer consents or the Commission by order may determine as necessary or appropriate in the public interest or for the protection of investors, or within such shorter period of time as the Commission may determine. If a notice of withdrawal from registration is filed with the Commission at any time subsequent to the date of the issuance of a Commission order instituting proceedings pursuant to section 15C(c) (15 U.S.C. 78o-5(c)) to censure, place limitations on the activities, functions or operations of, or suspend or revoke the registration of such government securities broker or government securities dealer, or if prior to the effective date of the notice of

withdrawal pursuant to this paragraph (c), the Commission institutes such a proceeding or a proceeding to impose terms or conditions upon such withdrawal, the notice of withdrawal shall not become effective pursuant to this paragraph (c) except at such time and upon such terms and conditions as the Commission deems necessary or appropriate in the public interest or for the protection of investors.

(d) Every notice of withdrawal filed with the Central Registration Depository pursuant to this section shall constitute a "report" filed with the Commission within the meaning of sections 15(b), 15C(c), 17(a), 18(a), 32(a) (15 U.S.C. 78o(b), 78o-5(c), 78q(a), 78r(a), 78ff(a)) and other applicable provisions of the Act.

PART 249—FORMS, SECURITIES EXCHANGE ACT OF 1934

10. The authority citation for part 249 continues to read in part as follows:

Authority: 15 U.S.C. 78a, *et seq.*, unless otherwise noted;

* * * * *

11. By revising Form BDW (referenced in § 249.501a) to read as set forth below:

Note: Form BDW does not and the revisions will not appear in the Code of Federal Regulations. Revised Form BDW is attached as an Appendix to this document.

Dated: July 12, 1996.

By the Commission.

Jonathan G. Katz,
Secretary.

BILLING CODE 5010-01-P

APPENDIX

Form BDW

OMB APPROVAL	
OMB Number:	3235-0018
Expires: . . .	September 30, 1998
Estimated average	
burden hours per form:	
0.50	

Uniform Request for Broker-Dealer Withdrawal

NOTE: Form BDW does not and the revisions will not appear in the Code of Federal Regulations. Pages are numbered consecutively with the release.

FORM BDW INSTRUCTIONS

A. GENERAL INSTRUCTIONS

1. Broker-Dealers must file Form BDW to withdraw their registration from the Securities and Exchange Commission ("SEC"), Self-Regulatory Organizations ("SROs"), and appropriate *jurisdictions*. These instructions apply to filing Form BDW electronically with the Central Registration Depository ("CRD") or by paper. Some *jurisdictions* may require a separate paper filing of Form BDW and/or additional filing requirements. Thus, the applicant should contact the appropriate *jurisdiction(s)* for specific filing requirements.
2. All questions must be answered and all fields requiring a response must be complete before the filing is accepted. If filing Form BDW on paper, enter "None" or "N/A" where appropriate.
3. File Form BDW with the CRD, operated by the NASD. Prior to filing Form BDW, amend Form BD to update any incomplete or inaccurate information.
4. A paper copy of this Form BDW (or a reproduction of this form printed off the CRD), with original manual signature(s), must be retained by the broker-dealer filing the Form BDW and be made available for inspection upon a regulatory request. A paper copy of the initial Form BD filing and amendments to Disclosure Reporting Pages (DRPs BD) also must be retained by the broker-dealer filing the Form BDW.

B. FULL WITHDRAWAL (terminates registration with the SEC, all SROs, and all *jurisdictions*):

1. Complete all items except Item 3.
2. If Item 5 is answered "yes," file with the CRD a paper copy of FOCUS Report Part II (or Part IIA for non-carrying or non-clearing firms) "Statement of Financial Condition" and "Computation of Net Capital" sections. For firms that do not file FOCUS Reports, file a statement of financial condition giving the type and amount of the firm's assets and liabilities and net worth. This information must reflect the finances of the firm no earlier than 10 days before this Form BDW is filed.

C. PARTIAL WITHDRAWAL (terminates registration with specific *jurisdictions* and SROs, but does not terminate registration with the SEC and at least one SRO and *jurisdiction*):

1. Complete all items.
2. Check with *jurisdiction(s)* in which the firm is requesting withdrawal.

The CRD mailing address for questions and correspondence is:

NASAA/NASD Central Registration Depository
P.O. Box 9401
Gaithersburg, MD 20898-9401

EXPLANATION OF TERMS

(The following terms are italicized throughout this form.)

The term **JURISDICTION** means a state, the District of Columbia, the Commonwealth of Puerto Rico, or any subdivision or regulatory body thereof.

the term **INVESTIGATION** includes grand jury investigations, U.S. Securities and Exchange Commission investigations after the "Wells" notice has been given, formal investigations by SROs or actions or procedures designated as investigations by *jurisdictions*, but does not include subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, "blue sheet" requests or other trading questionnaires, or examinations.

The term **INVESTMENT-RELATED** pertains to securities, commodities, banking, insurance or real estate (including, but not limited to, acting as or being associated with a broker-dealer, municipal securities dealer, government securities broker or dealer, issuer, investment company, investment adviser, futures sponsor, bank, or savings association).

FORM BDW (REV. 11/95)	UNIFORM REQUEST FOR WITHDRAWAL FROM BROKER-DEALER REGISTRATION	OFFICIAL USE	
WARNING: INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACT MAY CONSTITUTE CRIMINAL VIOLATIONS.			
1. A. FULL NAME OF BROKER-DEALER (if sole proprietor, state last, first and middle name):		B. IRS Emp. Ident. No.:	
C. NAME UNDER WHICH BUSINESS IS CONDUCTED, IF DIFFERENT:		D. FIRM CRD NO.:	
E. SEC FILE NO.:	F. FIRM MAIN ADDRESS: NUMBER AND STREET CITY STATE/COUNTRY ZIP+4/POSTAL CODE		
G. MAILING ADDRESS, IF DIFFERENT: NUMBER AND STREET CITY STATE/COUNTRY ZIP+4/POSTAL CODE		H. AREA CODE / TELEPHONE NO.:	
2. Check One: <input type="checkbox"/> Full Withdrawal (skip Item 3) <input type="checkbox"/> Partial Withdrawal (Check box(es) where withdrawing in Item 3.)			
3. SEC <input type="checkbox"/> SECURITIES AND EXCHANGE COMMISSION (check only if intending to conduct an intrastate business)			
SRO JURISDICTION	ASE BSE CBOE CHX CSE NASD NYSE PHLX PSE OTHER (specify)		
	<input type="checkbox"/> Alabama	<input type="checkbox"/> Hawaii	<input type="checkbox"/> Michigan
	<input type="checkbox"/> Alaska	<input type="checkbox"/> Idaho	<input type="checkbox"/> Minnesota
	<input type="checkbox"/> Arizona	<input type="checkbox"/> Illinois	<input type="checkbox"/> Mississippi
	<input type="checkbox"/> Arkansas	<input type="checkbox"/> Indiana	<input type="checkbox"/> Missouri
	<input type="checkbox"/> California	<input type="checkbox"/> Iowa	<input type="checkbox"/> Montana
	<input type="checkbox"/> Colorado	<input type="checkbox"/> Kansas	<input type="checkbox"/> Nebraska
	<input type="checkbox"/> Connecticut	<input type="checkbox"/> Kentucky	<input type="checkbox"/> Nevada
	<input type="checkbox"/> Delaware	<input type="checkbox"/> Louisiana	<input type="checkbox"/> New Hampshire
	<input type="checkbox"/> District of Columbia	<input type="checkbox"/> Maine	<input type="checkbox"/> New Jersey
<input type="checkbox"/> Florida	<input type="checkbox"/> Maryland	<input type="checkbox"/> New Mexico	
<input type="checkbox"/> Georgia	<input type="checkbox"/> Massachusetts	<input type="checkbox"/> New York	
4. Date firm ceased business or withdrew registration request (for partial withdrawals, give the date ceased business in the <i>jurisdictions</i> checked in Item 3):		MM DD YYYY / /	
5. Does the broker-dealer owe any money or securities to any customer or broker-dealer?		YES NO	
If partial withdrawal, indicate <i>jurisdiction(s)</i> from which you are withdrawing where you owe funds or securities to customers in such <i>jurisdiction(s)</i> :			
If full withdrawal, complete A-D below.			
A. Number of customers owed funds or securities:			
B. Amount of money owed to: customers \$ broker-dealers \$			
C. Market value of securities owed to: customers \$ broker-dealers \$			
D. Describe arrangements made for payment:			
If this is a full withdrawal and Item 5 is answered "yes," file with the CRD a FOCUS Report Part II (or Part IIA for non-carrying or non-clearing firms) "Statement of Financial Condition" and "Computation of Net Capital" sections. For firms that do not file FOCUS Reports, file a statement of financial condition giving the type and amount of the firm's assets and liabilities and net worth. The FOCUS Report and the statement of financial condition must reflect the finances of the firm no earlier than 10 days before this Form BDW is filed.			
6. Is the broker-dealer now the subject of or named in any <i>investment-related</i> :		YES NO	
• investigation		<input type="checkbox"/> <input type="checkbox"/>	
• consumer-initiated complaint		<input type="checkbox"/> <input type="checkbox"/>	
• private civil litigation		<input type="checkbox"/> <input type="checkbox"/>	
NOTE: Update any incomplete or inaccurate information contained in Item 11 of Form BD.			
7. NAME AND ADDRESS OF THE PERSON WHO WILL HAVE CUSTODY OF BOOKS AND RECORDS:		AREA CODE / TELEPHONE NO.:	
ADDRESS WHERE BOOKS AND RECORDS WILL BE LOCATED, IF DIFFERENT: NUMBER AND STREET CITY STATE/COUNTRY ZIP+4/POSTAL CODE			
8. EXECUTION: The undersigned certifies that he/she has executed this form on behalf of, and with the authority of, the broker-dealer, and that all information herein, including any attachments hereto, is accurate, complete, and current. The undersigned and broker-dealer further certify that all information previously submitted on Form BD is accurate and complete as of this date, and that the broker-dealer's books and records will be preserved and available for inspection as required by law.			
Date (MM/DD/YYYY) Name			
By: Signature Print Name and Title			
Subscribed and sworn before me this day of , Year by Notary Public			
My Commission expires County of State of			