board service (telephone: 202–512–1661). Internet users may reach the **Federal Register's** web page at http://www.access.gpo.gov/su____docs for access to recently published rulemaking documents.

The Proposal

The FAA is proposing an amendment to part 71 of the Federal Aviation Regulations (14 CFR part 71) to modify seven Federal airways, V–26, V–95, V–148, V–244, V–272, V–356, and V–484, due to the activation of the Monarch Pass, CO, Very High Frequency Omnidirectional Range/Distance Measuring Equipment (VOR/DME) navigational aid.

Specifically, V–26 would be modified to provide a route from Black Forest, CO, via Monarch Pass, CO, to Blue Mesa, CO; V–95 would be modified to provide a route from Durango, CO, to Monarch Pass, CO, to Falcon, CO; V–148 would be modified to provide routing from Farmington, NM, to Durango CO, to Monarch Pass, CO, and Falcon, CO; V–244 would be modified to provide routing from Blue Mesa, CO to Monarch Pass, CO, to Pueblo, CO; V–272 would be modified to provide a route from Monarch Pass, CO, via Tobe, CO, to Dalhart, TX; V–356 would be modified to provide routing from Alamosa, CO, via Monarch Pass, CO, to Red Table, CO; and V–484 would be modified to change the Blue Mesa, CO, intersection by one degree.

This proposal would enhance air traffic procedures by providing air traffic controllers with added flexibility for routing air traffic into and through the State of Colorado.

Domestic VOR Federal airways are published in paragraph 6010(a) of FAA Order 7400.9F dated September 10, 1998, and effective September 16, 1998, which is incorporated by reference in 14 CFR 71.1. The domestic VOR Federal airways listed in this document would be published subsequently in the Order.

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. Therefore, this proposed action: (1) is not a ''significant regulatory action'' under Executive Order 12866; (2) is not a ''significant rule'' under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this rule, when promulgated, will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

The Proposed Amendment

In consideration of the foregoing, the Federal Aviation Administration proposes to amend 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, CLASS B, CLASS C, CLASS D, AND CLASS E AIRSPACE AREAS; AIRWAYS; ROUTES; AND REPORTING POINTS

1. The authority citation for part 71 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p. 389.

§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of Federal Aviation Administration Order 7400.9F, Airspace Designations and Reporting Points, dated September 10, 1998, and effective September 16, 1998, is amended as follows:

Paragraph 6010(a)—Domestic VOR Federal Airways

* * * * *

V–26 [Revised]

From Black Forest, CO; via Monarch Pass, CO; Blue Mesa, CO, via Montrose, CO; 13 miles, 112 MSL, 131 MSL; Grand Junction, CO; Meeker, CO; Cherokee, WY; Muddy Mountain, WY; 14 miles 12 AGL, 37 miles 75 MSL, 84 miles 90 MSL, 17 miles 12 AGL, Rapid City, SD; 43 miles, 35 MSL Philip, SD; Pierre, SD; Huron, SD; Redwood Falls, MN; Farmington, MN; Eau Claire, WI; Wausau, WI; Green Bay, WI; INT Green Bay 116° and White Cloud, MI, 302° radials; White Cloud; Lansing, MI; Salem, MI; Detroit, MI; INT Detroit 141° and DRYER, OH, 305° radials; DRYER. The airspace within Canada is excluded.

* * * * *

V–95 [Revised]

From Gila Bend, AZ, via INT Gila Bend 096° and Phoenix, AZ, 197° radials; Phoenix; 49 miles, 40 miles 95 MSL; Winslow, AZ; 66 miles, 39 miles 125 MSL; Farmington, NM; Durango, CO; Monarch Pass, CO; INT Monarch Pass 071° and Falcon, CO, 208° radials; to Falcon.

* * * * *

V–148 [Revised]

From Farmington, NM; Durango, CO; Monarch Pass, CO; INT Monarch Pass 041° and Falcon, CO; 231° radials; Falcon, CO; Thurman, CO; 65 MSL INT Thurman 067° and Hayes Center, NE, 246° radials; Hayes Center; North Platte, NE; O'Neill, NE; Sioux Falls, SD; Redwood Falls, MN; Gopher, MN; Hayward, WI; Ironwood, MI; to Houghton, MI.

* * * * *

V–244 [Revised]

From Oakland, CA, INT Oakland 077° and Manteca, CA, 267° radials; Manteca; 76 miles 12 AGL, 27 miles 145 MSL, 59 miles 12 AGL, Coaldale, NV; Tonopah, NV; 40 miles 115 MSL Wilson Creek, NV; 28 miles 115 MSL, Milford, UT, Hanksville, UT; 63 miles, 13 miles 140 MSL, 36 miles 115 MSL, Montrose, CO; Blue Mesa, CO; Monarch Pass, CO; INT Monarch Pass 100° and Pueblo, CO, 274° radials; Pueblo, CO; 18 miles, 48 miles, 60 MSL, Lamar, CO; 20 miles, 116 miles 65 MSL, Hays, KS; Salina, KS. The airspace within R–2531A and R–2531B is excluded.

* * * * *

V–272 [Revised]

From Monarch Pass, CO; via Tobe, CO; Dalhart, TX, via Borger, TX; Sayre, OK; Will Rogers, OK; INT Will Rogers 113° and McAlester, OK, 286° radials; McAlester; to Fort Smith, AR.

* * * * *

V–356 [Revised]

From Alamosa, CO; via Monarch Pass, CO; Red Table, CO, via INT Red Table 058° and Mile High, CO, 265° radials; to Mile High.

* * * * *

V–484 [Revised]

From Hailey, ID, NDB; INT Twin Falls, ID, 007° and Burley, ID, 323° radials; Twin Falls, 49 miles, 34 miles 114 MSL, Salt Lake City, UT; 25 miles, 31 miles, 125 MSL, Myton, UT; 14 miles, 79 MSL, 33 miles, 100 MSL, Grand Junction, CO; Blue Mesa, CO; INT Blue Mesa 110° and Alamosa, CO, 341° radials; Alamosa.

* * * * *

Issued in Washington, DC, on September 29, 1998.

Reginald C. Matthews,

Acting Program Director for Air Traffic Airspace Management.

[FR Doc. 98–26601 Filed 10–2–98; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF THE TREASURY

17 CFR Part 405

RIN 1505–AA74

Office of the Assistant Secretary for Financial Markets; Government Securities Act Regulations: Reports and Audit

AGENCY: Office of the Assistant Secretary for Financial Markets, Treasury.

ACTION: Proposed rule.

SUMMARY: The Department of the Treasury (''Department'' or ''Treasury'')

is publishing for comment a proposed amendment to the reporting requirements in § 405.2 of the regulations issued under the Government Securities Act of 1986 (''GSA''), as amended.[1] 17 CFR 405.2 of the GSA regulations requires entities registered with the Securities and Exchange Commission (''SEC'') as specialized government securities brokers dealers (''registered government securities brokers and dealers'') under section 15C(a)(2) of the Securities Exchange Act of 1934 (the ''Exchange Act'')[2] to comply with the requirements of section 240.17a–5 of the Exchange Act (SEC Rule 17a–5). On July 13, 1998, the SEC issued an amendment to SEC Rule 17a–5 that requires general purpose broker-dealers to file two reports regarding their year 2000 (''Y2K'') readiness. This proposed amendment by the Department parallels the SEC's final Y2K reporting rules.

DATES: Comments must be received on or before November 4, 1998.

ADDRESSES: Hardcopy comments should be sent to: Government Securities Regulations Staff, Bureau of the Public Debt, 999 E Street N.W., Room 515, Washington, D.C. 20239–0001. Comments may also be sent via the Internet to the Government Securities Regulations Staff at govsecreg@bpd.treas.gov. When sending comments via the Internet, please use an ASCII file format and provide your full name and mailing address. Comments received will be available for public inspection and downloading from the Internet and for public inspection and copying at the Treasury Department Library, Room 5030, Main Treasury Building, 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220.

This proposed amendment has also been made available for downloading from Public Debt's web site at the following address: www.publicdebt.treas.gov.

FOR FURTHER INFORMATION CONTACT: Kerry Lanham (Acting Director) or Chuck Adreatta (Government Securities Specialist), Bureau of the Public Debt, Government Securities Regulations Staff, (202) 219–3632.

SUPPLEMENTARY INFORMATION:

I. Background

On March 12, 1998, the SEC published for comment proposed temporary amendments to Rule 17a–5 that would require certain broker-dealers to file two reports regarding their year 2000 readiness.[3] Each report is to be filed with the SEC and the appropriate designated examining authority.

In developing its proposed amendment, the SEC identified six stages involved in preparing for the year 2000: (1) awareness of potential Y2K problems; (2) assessment of what steps the broker-dealer must take to avoid Y2K problems; (3) implementation of the steps needed to avoid Y2K problems; (4) internal testing of software designed to avoid Y2K problems; (5) integrated or industry-wide testing of software designed to avoid Y2K problems (including testing with other broker-dealers, other financial institutions, and customers); and (6) implementation of tested software that will avoid Y2K problems.[4] The reports require broker-dealers to address these six stages of preparation.

For purposes of its amendment, the SEC identified ''year 2000 problems'' basically as problems arising from: (1) computer software incorrectly reading the date ''01/01/00'' as being the year 1900 or another incorrect year; (2) computer software incorrectly identifying a date in the year 1999 or any year thereafter; (3) computer software failing to detect that the year 2000 is a leap year; or (4) any other computer software error that is directly or indirectly caused by (1), (2), or (3). A failure by the securities industry to prevent or minimize these types of errors could endanger the nation's capital markets and place at risk the assets of millions of investors.

The reports will enable the SEC to monitor the steps broker-dealers are taking to manage and avoid Y2K problems. The reports will also: (1) enable the SEC staff to report to Congress in 1998 and 1999 regarding the industry's preparedness; (2) supplement the SEC's examination module for year 2000 issues; (3) help the SEC coordinate self-regulatory organizations on industry-wide testing, implementation, and contingency planning; and (4) help increase broker-dealer awareness that they should be taking specific steps now to prepare for the year 2000.[5]

The SEC received 35 comment letters in response to its proposed amendments. The majority of the commenters generally supported the SEC's proposals. However, the majority of the commenters objected to: (1) the ''attestation'' requirement, a provision that would have required each broker-dealer to have an independent certified accountant attest to specific assertions included in the second Y2K report; and (2) the $100,000 minimum net capital threshold that would have triggered the Y2K reporting requirement. Some other commenters objected to the SEC's proposed plan to make Y2K reports and the accountant's attestation publicly available.

Based on the comments received, the SEC made certain changes in the final rule, which was published on July 13, 1998.[6] The primary changes pertained to the attestation requirement and the net capital reporting threshold. One commenter noted that the required attestation would be difficult for independent public accountants to provide because of the absence of established, consistent criteria to measure readiness. As a result, the SEC announced in its final rule that it is deferring a decision on the attestation requirement (the SEC issued a companion release to solicit comments on this issue, including commentary on the feasibility and desirability of an ''agreed-upon procedures'' engagement instead of an ''attestation'' engagement).[7]

The proposed rule would have required broker-dealers with at least $100,000 in net capital to submit Y2K reports. Several commenters contended that this threshold excludes 72 percent of all registered broker-dealers from the Y2K reporting requirement. The commenters argued that the failure of a large number of these firms to adequately prepare for Y2K could have adverse systemic results on the world's financial markets. As a result, the SEC created a two-tiered net capital threshold. Broker-dealers with at least $5,000 in minimum net capital must file only Part I of the report. Those with at least $100,000 in minimum net capital must file Part II.

II. Analysis

The Department agrees with the SEC that broker-dealers should be taking steps to avoid Y2K problems because accurate output from computer programs is vital to a broker-dealer's recordkeeping and operations. To underscore the importance that it places on this issue, the Department, along with the Federal Reserve Bank of New York and the Bond Market Association, presented a conference on year 2000 testing for the U.S. Treasury securities market on June 17, 1998, in New York

[1] 15 U.S.C. 78*o*–5.

[2] 15 U.S.C. 78*o*–5(a)(2).

[3] Securities Exchange Act Release No. 34–39724 (March 5, 1998), 63 FR 12056 (March 12, 1998).

[4] Id. at 12057.

[5] Id.

[6] Securities Exchange Act Release No. 34–40162, (July 2, 1998) 63 FR 37668 (July 13, 1998).

[7] Securities Exchange Act Release No. 34–40164, (July 2, 1998) 63 FR 37709 (July 13, 1998).

City. The Department also agrees that the required reports will heighten broker-dealer awareness and help regulators monitor the steps these firms are taking to manage and address Y2K problems.

Treasury's proposed Y2K rules incorporate the SEC's final rules at § 240.17a–5(e)(5), with minor modifications. The same two reports (Form BD–Y2K Parts I and II) required under the SEC's rules would be required under the Treasury's rules. These reports would be required to be submitted to the SEC and the broker-dealer's designated examining authority (''DEA'').

Part I is a check-the-box report that would be required from all registered government securities broker-dealers. It would be filed by December 31, 1998, and would reflect the status of a firm's Y2K efforts as of November 15, 1998. Based on field testing of Part I of the form, the SEC estimates that on average a broker-dealer would spend approximately two hours completing it.

Part II would be required of every registered government securities broker or dealer that was required to maintain minimum liquid capital pursuant to § 402.2(b)(1) or (b)(2) as of November 15, 1998. Section 402.2(b)(1), which applies to broker-dealers that carry customer accounts and hold funds or securities for those accounts, requires that liquid capital after deducting for total haircuts be at least $250,000. Section 402.2(b)(2) requires liquid capital after haircuts of at least $100,000 for broker-dealers that carry customer accounts but do not generally hold customer funds or securities. Like Part I, Part II of the form would be filed by December 31, 1998, and would reflect the status of a firms' Y2K readiness as of November 15, 1998. Registered government securities brokers or dealers who are not required to file Part II by December 31, 1998, but who become subject to § 402.2(b)(1) or (b)(2) at any time between November 16, 1998 and March 15, 1999 would also be required to submit Part II by April 30, 1999, to reflect the firm's Y2K status as of March 15, 1999. The SEC estimates that on average a broker-dealer will spend 35 hours completing Part II of Form BD–Y2K, which requires a narrative discussion of its efforts to address Y2K problems.

The Department reserves the right to require that Y2K reports be submitted again sometime during 1999. This determination would be based on the responses received on the Y2K reports. To assist the Department in making this determination, the Department will request that a copy of the report be provided directly to the Department in addition to being filed as required with the SEC and the broker-dealer's DEA.

The Department's provisions will exempt any registered government securities broker or dealer if it has an affiliated registered broker or dealer that files reports under the SEC's Y2K reporting rules, and that affiliate's reports encompass Y2K issues that include the registered government securities broker-dealer's transactions in, and holdings of, government securities.

Because the reports required under this rule will be received and reviewed by the SEC, the SEC will make the reports available in whatever way it deems to be appropriate. In its final rule, the SEC states that the reports required under its rule will be made available to the public. We expect that the reports required under this proposed rule would be made available to the public by the SEC as well.

Copies of Form BD–Y2K are available in the SEC's Public Reference Room located at 450 Fifth Street, NW, Washington, D.C. 20549, or copies can be obtained from the SEC's Internet web site at the following address: www.sec.gov.

III. Notice Regarding Current Books and Records Requirements

Section 404.2 of the GSA regulations requires registered government securities broker-dealers, with certain modifications, to comply with SEC Rule 17a–3. This SEC rule requires registered broker-dealers to make and keep current certain books and records relating to the broker-dealer's business.[8] In the preambles to its proposed and final rules, the SEC warned that a broker-dealer with computer systems that have Y2K problems may be deemed not to have accurate and current records and in violation of Rule 17a–3.[9] The Department reiterates this advisory. The SEC also reminded broker-dealers that its Rule 17a–11 [10] requires every broker-dealer to promptly notify the SEC of its failure to make and keep current books and records.[11] The Department reminds registered government securities broker-dealers that they have this same requirement under § 405.3 of the GSA regulations.

The Department would expect that an independent public accountant's required ''material inadequacies'' letter would include a discussion of Y2K issues if any potential problems in this regard were to be found.

[8] 17 CFR 240.17a–3.

[9] 63 FR 12056, 12059 (March 12, 1998) and 63 FR 37668 (July 13, 1998).

[10] 17 CFR 240.17a–11.

[11] See *supra* note 8.

IV. Special Analyses

This proposed rule amendment does not meet the criteria for a ''significant regulatory action'' pursuant to Executive Order 12866. The Administrative Procedure Act (''APA'') (5 U.S.C. 553) generally requires that prior notice and opportunity for comment be afforded before the adoption of rules by federal agencies.

In addition, pursuant to the Regulatory Flexibility Act,[12] it is hereby certified that the proposed regulations, if adopted, will not have a significant economic impact on a substantial number of small entities. There are currently about 20 active registered government securities broker-dealers, only two of which would be considered ''small'' under the SEC's definition of ''small entity.'' [13] Accordingly, the number of small entities that would be required to complete Form BD–Y2K is not significant. As a result, a regulatory flexibility analysis is not required.

Although the proposed amendment to section 405.2 contains ''collection of information'' requirements within the meaning of the Paperwork Reduction Act of 1995,[14] the Department has determined that no submissions of the requirements to the Office of Management and Budget (''OMB'') are necessary. The collection of information under this proposed amendment would consist solely of the completion of Form BD–Y2K. This collection of information has already been reviewed and approved by OMB and was assigned control number 3235–0511.

List of Subjects in 17 CFR Part 405

Brokers, Government securities, Reporting and recordkeeping requirements.

For the reasons set out in the preamble, it is proposed to amend 17 CFR Part 405 as follows:

PART 405—REPORTS AND AUDIT

1. The authority citation for Part 405 continues to read as follows:

Authority: 15 U.S.C. 78*o*–5(b)(1)(B), (b)(1)(C), (b)(2), (b)(4).

2. Section 405.2 is amended by redesignating paragraphs (a)(11) and (a)(12) as paragraphs (a)(14) and (a)(15), respectively, and adding new paragraphs (a)(11) through (a)(13) as follows:

[12] 5 U.S.C. 601, *et seq.*

[13] 63 FR 37688, 37672 (July 13, 1998).

[14] 44 U.S.C. 3501 *et seq.*

§ 405.2 Reports to be made by registered government securities brokers and dealers.

(a) * * *

(11) Section 240.17a–5(e)(5)(ii) is modified to read as follows:

''(ii) No later than December 31, 1998, every registered government securities broker or dealer shall file Part I of Form BD–Y2K (§ 249.618 of this title) prepared as of November 15, 1998.''.

(12) Section 240.17a–5(e)(5)(iii) is modified to read as follows:

''(iii)(A) No later than December 31, 1998, every registered government securities broker or dealer required to maintain minimum liquid capital pursuant to § 402.2(b)(1) or (b)(2) of this title as of November 15, 1998, shall file Part II of Form BD–Y2K (§ 249.618 of this title). Part II of Form BD–Y2K shall address each topic in § 240.17a–5(e)(5)(iv) of this title as of November 15, 1998.

''(B) No later than April 30, 1999, every registered government securities broker or dealer that was not required to file Part II of Form BD–Y2K under paragraph (e)(12)(iii)(A) of this section but was required to maintain minimum liquid capital pursuant to § 402.2(b)(1) or (b)(2) of this title at any time between November 16, 1998, and March 15, 1999, shall file Part II of Form BD–Y2K. Part II of Form BD–Y2K shall address each topic in § 240.17a–5(e)(5)(iv) as of March 15, 1999.

''(C) Any registered government securities broker or dealer that has an affiliated registered broker or dealer that files Form BD–Y2K subject to 17 CFR 240.17a–5(e)(5) will be exempted from paragraphs (e)(11) and (12) of this section, *provided* the affiliate's reports encompass the registered government securities broker's or dealer's transactions in, and holding of, government securities.''

(13) References to Form BD–Y2K mean Form BD–Y2K in § 249.618 of this title.

Dated: September 16, 1998.

Gary Gensler,

Assistant Secretary for Financial Markets.

Note. Form BD–Y2K does not appear in the *Code of Federal Regulations.* Form BD–Y2K is attached as Appendix A to this document as follows:

BILLING CODE 4810–39–M

Appendix A

Broker/Dealer-Year 2000 Report

FORM BD-Y2K

OMB APPROVAL	
OMB Number:	3235-0511
Expires:	December 31, 1999
Estimated average burden hours per response:	2

Cover Page

Submit Report To: (original plus 2 copies to the SEC; one copy to DEA)

United States Securities and Exchange Commission

Mail Stop A-2
450 5th Street, N.W. Washington, DC 20549

REPORT FOR:
- ☐ August 31,1998
- ☐ April 30, 1998

/ /
MM DD YYYY
REPORT FILING DATE

Reporting Entity

Name of Broker/Dealer: _____

SEC File No: 8- | | | | | |

CRD File No: | | | | | |

Address of Principal Place of Business (Do Not Use P.O. Box No.):

_____
Street Address

_____
City State Zip

Contact Person Responsible for Filling Out This Form (Please provide your business address and phone number):

Name: _____

Title: _____

Phone: _____

Address: _____

City _____ State _____ Zip _____

Signature _____

Title _____

Attention: Intentional misstatements or omissions of fact constitutes Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78ff (a))

SEC 2435 (6-98)

GENERAL INSTRUCTIONS

These instructions are considered an integral part of Form BD-Y2K.

Form BD-Y2K is divided into two parts. As discussed below, Part I applies to each broker or dealer with a minimum net capital requirement of $5,000 or greater. Part II applies to only those brokers or dealers with a minimum net capital requirement of $100,000 or greater.

An original and two copies of each Form BD-Y2K must be filed with the Commission's principal office at mail stop A-2, 450 5th Street, N.W., Washington, D.C. 20549, and one copy of each Form BD-Y2K must be filed with the designated examining authority of the broker or dealer.

The original Form BD-Y2K that is required to be filed with the Securities and Exchange Commission ("Commission") must be manually signed. If the broker or dealer is a sole proprietorship, the signature shall be made by the proprietor; if a partnership, by a general partner; or if a corporation, by the Chief Executive Officer, or if not available, by any person authorized to act on behalf of the broker or dealer.

For the purposes of this Form BD-Y2K, the term "Year 2000 Problem" includes any erroneous result caused by computer software (i) incorrectly reading the date "01/01/00" or any year thereafter; (ii) incorrectly identifying a date in the year 1999 or any year thereafter; (iii) failing to detect that the Year 2000 is a leap year; and (iv) any other computer error that is directly or indirectly related to the problems set forth in (i), (ii), or (iii) above.

PART I

Pursuant to section 240.17a-5(e)(5)(ii)(A), no later than August 31, 1998, every broker or dealer required to maintain minimum net capital of $5,000 or greater as of July 15, 1998, pursuant to section 240.15c3-1(a)(2) shall file Part I of Form BD-Y2K prepared as of July 15, 1998, and no later than April 30, 1999, every broker or dealer required to maintain minimum net capital of $5,000 or greater as of March 15, 1999, pursuant to section 240.15c3-1(a)(2) shall file Part I of Form BD-Y2K prepared as of March 15, 1999.

Pursuant to section 240.17a-5(e)(5)(ii)(B), every broker or dealer that registers pursuant to section 15 of the Act between July 16, 1998 and December 31, 1998 or between March 16, 1999 and October 1, 1999, and that is required to maintain net capital pursuant to § 240.15c3-1(a)(2) of $5,000 or greater, shall file Part I of Form BD-Y2K no later than 30 days after its registration becomes effective. Part I of Form BD-Y2K shall be prepared as of the date its registration became effective.

Please do not write explanatory notes next to the questions on the Form.

PART II

Pursuant to section 240.17a-5(e)(5)(iii), no later than August 31, 1998, every broker or dealer with a minimum net capital requirement pursuant to section 240.15c3-1(a)(2) of $100,000 or greater as of July 15, 1998, shall file Part II of Form BD-Y2K prepared as of July 15, 1998.
Pursuant to section 240.17a-5(e)(5)(iii), no later than April 30, 1999, every broker or dealer with a minimum net capital requirement pursuant to section 240.15c3-1(a)(2) of $100,000 or greater as of March 15, 1999, and every broker or dealer required to file Part II of Form BD-Y2K as of July 15, 1998 shall file Part II of Form BD-Y2K prepared as of March 15, 1999.

Pursuant to section 240.17a-5(e)(5)(iii), every broker or dealer that registers pursuant to section 15 of the Act between July 15, 1998 and December 31, 1998 or between March 16, 1999 and October 1, 1999, and that is required to maintain net capital pursuant to § 240.15c3-1(a)(2) of $100,000 or greater, shall file Part II of Form BD-Y2K no later than 30 days after registration becomes effective. Part II of Form BD-Y2K shall address each topic in paragraphs (e)(5)(iv) of this section as of the effective date of its registration.

A broker or dealer required to complete Part II of the Form must also complete Part I. Each question should be answered in narrative form, even if your answer covers the same topics included in Part I of this Form.

PAPERWORK REDUCTION ACT DISCLOSURE

Form BD-Y2K requires a broker or dealer to file with the Commission and with its designated examining authority information concerning the broker's or dealer's efforts to address Year 2000 Problems. The Form is designed to (i) increase broker-dealer awareness that they should be taking specific steps now to prepare for the Year 2000; (ii) facilitate coordination with self regulatory organizations on industry wide testing, implementation, and contingency planning; (iii) supplement the Commission's examination module for Year 2000 issues; and (iv) provide information regarding the securities industry's preparedness for the Year 2000.

It is estimated that a broker or dealer will spend approximately 2 hours completing Part I of Form BD-Y2K and will spend approximately 35 hours completing Part II of Form BD-Y2K. Any member of the public may direct to the Commission any comments concerning the accuracy of this burden estimate and any suggestions for reducing this burden.

No assurance of confidentiality is given by the Commission with respect to the responses made in the Form BD-Y2K. This filing will be available to the public.

This collection of information has been reviewed by the Office of Management and Budget (OMB) in accordance with the clearance requirements of 44 U.S.C. § 3507. This collection of information has been assigned Control Number 3235-0511 by OMB.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid number. Section 17(a) of the Securities Exchange Act of 1934 authorized the Commission to collect the information on this Form from registrants. See 15 U.S.C. § 78q.

PART I

Firm Name _____

Firm Address _____

CITY STATE ZIP

SEC File No. 8- | | | | | |

Firm CRD No. | | | | | |

REPORT FOR:

- ❑ August 31,1998
- ❑ April 30, 1998

MM / DD / YYYY

REPORT FILING DATE

1. Year 2000 compliance plan

(a) Do you have a plan for Year 2000 compliance to address whether your computer systems will operate correctly after December 31, 1999?

- ❒ Yes
- ❒ No

(b) If not, are you:

- ❒ Developing a written plan? It is expected to be completed by: MM / DD / YYYY
- ❒ Not developing a written plan because you do not plan to be conducting business after January 1, 2000?

  Plan to be out of business by: MM / DD / YYYY

- ❒ Other (Please specify) _____

If you do not have a plan, go to question 2.

(c) Does the plan address external interfaces with third party computer systems that communicate with your systems?

- ❒ Yes
- ❒ No

(d) Is your Year 2000 compliance plan in writing?

- ❒ Yes
- ❒ No

Please do not write explanatory notes on this Form.

SEC 2435 (6-98)

BROKER/DEALER NAME: _____

SEC File No. 8- | | | | | |

Firm CRD No. | | | | | |

(e) Who has approved the plan? (Check all that apply)

- ❒ No approval
- ❒ Board of Directors
- ❒ Corporate officers
- ❒ Executive management
- ❒ Head of Information Technology
- ❒ Employees

(f) Has the plan been discussed with your outside auditors?

- ❒ Yes
- ❒ No

(g) What is the scope of coverage of the plan? (Check all that apply)

- ❒ All systems
- ❒ Mission critical systems
- ❒ Physical facilities
- ❒ Communications systems

(h) Which of your facilities does the plan cover? (Check all that apply)

- ❒ Our primary facility
- ❒ Certain U.S. facilities
- ❒ All U.S. facilities
- ❒ Certain facilities worldwide
- ❒ All facilities worldwide
- ❒ We have no international facilities

(i) Are your activities for non-U.S. clients covered by the plan?

- ❒ Yes
- ❒ No
- ❒ Not Applicable

Please do not write explanatory notes on this Form.

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2. Funding for Year 2000 compliance

(a) Please indicate the month your fiscal year begins:

/ MM /

(b) Has specific funding been allocated for fiscal year 1998, fiscal year 1999, or fiscal year 2000 for your Year 2000 compliance plan?

(i) 1998
- ❒ Yes
- ❒ No

(ii) 1999
- ❒ Yes
- ❒ No

(iii) 2000
- ❒ Yes
- ❒ No

If funding has not been allocated for fiscal year 1999 or fiscal year 2000, mark "no." If you marked "no" for 1998, 1999, and 2000 go to question 3.

(c) What is your specific 1998 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

- ❒ Less than $1,000
- ❒ $1,001 - $10,000
- ❒ $10,001 - $50,000
- ❒ $50,001 - $100,000
- ❒ $100,001 - $500,000
- ❒ $500,001 - $1 million
- ❒ $1 million - $2 million
- ❒ $2 million - $5 million
- ❒ $5 million - $10 million
- ❒ $10 million - $20 million
- ❒ $20 million - $50 million
- ❒ $50 million - $100 million
- ❒ Over $100 million

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(d) What items are contained in your 1998 budget for Year 2000 compliance?
(Check all that apply)

- ❒ Assessment of the problem
- ❒ Correction of systems
- ❒ Replacement of systems
- ❒ Internal testing
- ❒ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents, clearing agencies, other service providers, etc.)
- ❒ Training
- ❒ SIA industry wide testing
- ❒ Implementation of contingency plans

If you marked "no" for fiscal year 1999 and fiscal year 2000 in question 2(b), go to question 3.

(e) What is your specific 1999 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

- ❒ Less than $1,000
- ❒ $1,001 - $10,000
- ❒ $10,001 - $50,000
- ❒ $50,001 - $100,000
- ❒ $100,001 - $500,000
- ❒ $500,001 - $1 million
- ❒ $1 million - $2 million
- ❒ $2 million - $5 million
- ❒ $5 million - $10 million
- ❒ $10 million - $20 million
- ❒ $20 million - $50 million
- ❒ $50 million - $100 million
- ❒ Over $100 million

Please do not write explanatory notes on this Form.

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(f) What items are contained in your 1999 budget for Year 2000 compliance?
(Check all that apply)

- ❒ Assessment of the problem
- ❒ Correction of systems
- ❒ Replacement of systems
- ❒ Internal testing
- ❒ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents, clearing agencies, other service providers, etc.)
- ❒ Training
- ❒ SIA industry wide testing
- ❒ Implementation of contingency plans

If you marked "no" for fiscal year 2000 in question 2(b), go to question 3.

(g) What is your specific 2000 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

- ❒ Less than $1,000
- ❒ $1,001 - $10,000
- ❒ $10,001 - $50,000
- ❒ $50,001 - $100,000
- ❒ $100,001 - $500,000
- ❒ $500,001 - $1 million
- ❒ $1 million - $2 million
- ❒ $2 million - $5 million
- ❒ $5 million - $10 million
- ❒ $10 million - $20 million
- ❒ $20 million - $50 million
- ❒ $50 million - $100 million
- ❒ Over $100 million

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(h) What items are contained in your 2000 budget for Year 2000 compliance?
(Check all that apply)

- ❒ Assessment of the problem
- ❒ Correction of systems
- ❒ Replacement of systems
- ❒ Internal testing
- ❒ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents, clearing agencies, other service providers, etc.)
- ❒ Training
- ❒ SIA industry wide testing
- ❒ Implementation of contingency plans

(3) Persons responsible for Year 2000

(a) Has one or more individuals been designated as responsible for your Year 2000 compliance?

- ❒ Yes
- ❒ No

(b) If yes, please provide the following information on the person primarily responsible:

_____
Name

_____
Title

_____
Business Name

_____
Street Address

_____
City State Zip

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4. Staffing for Year 2000

(a) Is this a full-time project for at least one individual (including both employees and consultants)?

- ❒ Yes
- ❒ No

(b) If yes, how many individuals are working full time on Year 2000 compliance?

- ❒ 1
- ❒ 2-5
- ❒ 6-10
- ❒ 11-20
- ❒ 21-50
- ❒ 51-100
- ❒ 101-200
- ❒ over 200

(c) Have you hired third parties to assist you on Year 2000 issues?

- ❒ Yes
- ❒ No

(d) If yes, what function(s) are the third parties performing?
(Check all that apply)

- ❒ Assessment of the problem
- ❒ Correction of systems
- ❒ Replacement of systems
- ❒ Internal testing
- ❒ Training
- ❒ Vendor assessment
- ❒ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents, clearing agencies, other service providers, etc.)
- ❒ SIA industry wide testing
- ❒ Other (Please specify): _____

_____

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(e) If you have not completed staffing your Year 2000 project, are you?

- ❒ Defining resources. This will be completed by: MM / DD / YYYY
- ❒ Unable to find sufficient staffing resources.
- ❒ Handling the staffing as part of your ongoing business operations.

5. Inventory of systems

(a) Have you inventoried all systems?

- ❒ Yes
- ❒ No

(b) What is the nature of the computer systems you utilize? (Check all that apply)

- ❒ Off the shelf
- ❒ Vendor provided
- ❒ In house developed (custom made)
- ❒ Other (Please specify): _____

(c) Have you identified your mission critical systems?

- ❒ Yes
- ❒ No

(d) If no, this will be completed by: MM / DD / YYYY

(e) Have you determined which of your mission critical systems are not currently Year 2000 compliant?

- ❒ Yes
- ❒ No

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6. Awareness of the problem

(a) What steps have you taken to enhance **awareness** of potential Year 2000 Problems? (Check all that apply)

- ❒ None to date
- ❒ Designated individuals for Year 2000 compliance
- ❒ Presentations to the Board
- ❒ Presentations to management
- ❒ Presentations to employees
- ❒ Contacted third parties
- ❒ Other (Please specify): _____

7. Progress on preparing mission critical systems for the Year 2000

What is your progress on the following stages of preparation for the Year 2000?

(a) **Assessment** of steps you will take to address Year 2000 Problems with your mission critical systems (including preparing an inventory of computer systems affected by the Year 2000):

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, assessment expected to be completed by: MM / DD / YYYY

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(b) **Implementation** of steps you will take to address Year 2000 Problems with your mission critical systems:

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, implementation expected to be completed by: MM / DD / YYYY

(c) **Testing of your mission critical internal systems:**

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, testing expected to be completed by: MM / DD / YYYY

(d) Did your testing of internal systems result in material exceptions that remain unresolved as of this filing?

- ❒ Yes
- ❒ No

(e) Point-to-point testing of your mission critical systems (including testing with other broker-dealers, other financial institutions, customers, and vendors):

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, testing expected to be completed by: MM / DD / YYYY

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(f) Did your point-to-point testing result in material exceptions that remain unresolved as of this filing?

- ❒ Yes
- ❒ No

(g) **Implementation** of tested software that addresses Year 2000 Problems with your mission critical systems:

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, implementation expected to be completed by: MM / DD / YYYY

8. Progress on preparing all other systems for the Year 2000

What is your progress on the following stages of preparation for the Year 2000?

(a) **Assessment** of steps you will take to address Year 2000 Problems with your non-critical systems (including preparing an inventory of computer systems affected by the Year 2000):

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, assessment expected to be completed by: MM / DD / YYYY

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(b) **Implementation** of steps you will take to address Year 2000 Problems with your non-critical systems:

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, implementation expected to be completed by: MM / DD / YYYY

(c) **Testing of your non-critical internal systems:**

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, testing expected to be completed by: MM / DD / YYYY

(d) Did your testing of internal systems result in material exceptions that remain unresolved as of this filing?

- ❒ Yes
- ❒ No

(e) **Point-to-point testing of your non-critical systems (including testing with other broker-dealers, other financial institutions, customers, and vendors):**

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, testing expected to be completed by: MM / DD / YYYY

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(f) Did your point-to-point testing result in material exceptions that remain unresolved as of this filing?

- ❒ Yes
- ❒ No

(g) **Implementation** of tested software that address Year 2000 Problems with your non-critical systems:

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ complete

If not completed, implementation expected to be completed by: ___ / ___ / ____ (MM DD YYYY)

9. Contingency Plans

(a) Do you have a contingency plan for your systems if, after December 31, 1999, you have problems caused by Year 2000 Problems?

- ❒ Yes
- ❒ No

(b) If yes, is the contingency plan in writing?

- ❒ Yes
- ❒ No
- ❒ Not Applicable

(c) If not, what is your progress in preparing a contingency plan?

- ❒ 0% complete
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-100%

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(d) What is the scope of coverage of the contingency plan?
(Check all that apply)

- ❒ No systems
- ❒ Mission critical systems
- ❒ Physical facilities
- ❒ Communication systems
- ❒ All systems

(e) Who has approved the contingency plan?
(Check all that apply)

- ❒ No approval
- ❒ Board of Directors
- ❒ Corporate officers
- ❒ Executive management
- ❒ Head of Information Technology
- ❒ Employees

10. Third parties (including clearing firms, vendors, service providers, counterparties, etc.) who provide mission critical systems

(a) Have you identified all third parties upon whom you rely for your mission critical systems?

- ❒ Yes
- ❒ No

(b) If yes, how many third parties do you rely upon for your mission critical systems?

_____
(numeric value)

(c) What percentage of third parties upon whom you rely for mission critical systems have you contacted regarding their readiness for the Year 2000?

- ❒ 0%
- ❒ 1-25%
- ❒ 26-50%
- ❒ 51-75%
- ❒ 76-99%
- ❒ all

If not all, contact expected to be completed by: ___ / ___ / ____ (MM DD YYYY)

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(d) Has any third party upon whom you rely for mission critical systems declined or failed to provide you with assurances that it is taking the necessary steps to prepare for the Year 2000?

- ❒ Yes
- ❒ No
- ❒ Not Applicable

(e) If yes, how many third parties providing mission critical systems have not provided such assurances? _____
(numeric value)

(f) Does your contingency plan account for third parties whose systems may fail after December 31, 1999?

- ❒ Yes
- ❒ No
- ❒ We have no contingency plan

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PART II

Firm Name _____

Firm Address _____

CITY STATE ZIP

SEC File No. 8- | | | | | |

Firm CRD No. | | | | | |

REPORT FOR:

☐ August 31,1998

☐ April 30, 1998

/ /
MM DD YYYY
REPORT FILING DATE

Pursuant to Section 240.17a-5(e)(5)(iv), identify a specific person or persons that are available to discuss the contents of this report and please respond to each of the following questions in narrative form. Each question must be answered, even if your answer covers the same topics included in Part I of this Form.

(A) Has the broker's or dealer's board of directors (or similar body) approved and funded plans for preparing and testing its computer systems for Year 2000 Problems?

(B) Do the broker's or dealer's plans for preparing and testing its computer systems for Year 2000 Problems exist in writing and do the plans address all mission critical computer systems of the broker or dealer wherever located throughout the world?

(C) Has the broker or dealer assigned existing employees, hired new employees, or engaged third parties to provide assistance in addressing Year 2000 Problems? If so, provide a description of the work that these groups of individuals have performed as of the date of each report.

(D) What is the broker's or dealer's current progress on each stage of preparation for potential problems caused by Year 2000 Problems? These stages are:

(1) Awareness of potential Year 2000 Problems;

(2) Assessment of what steps the broker or dealer must take to address Year 2000 Problems;

(3) Implementation of the steps needed to address Year 2000 Problems;

(4) Internal testing of software designed to address Year 2000 Problems, including the number and a description of the material exceptions resulting from such testing that are unresolved as of the reporting date;

(5) Point-to-point or industry wide testing of software designed to address Year 2000 Problems (including testing with other brokers or dealers, other financial institutions, and customers), including the number and a description of the material exceptions resulting from such testing that are unresolved as of the reporting date; and

(6) Implementation of tested software that will address Year 2000 Problems.

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(E) Does the broker or dealer have written contingency plans in the event, that after December 31, 1999, it has problems caused by Year 2000 Problems?

(F) What levels of management of the broker or dealer are responsible for addressing potential problems caused by Year 2000 Problems? Provide a description of the responsibilities for each level of management regarding the Year 2000 Problems.

(G) Provide any additional material information concerning the broker's or dealer's management of Year 2000 Problems that will help the Commission and the designated examining authorities assess the readiness of the broker or dealer for the Year 2000.

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[FR Doc. 98–26544 Filed 10–2–98; 8:45 am]
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