

**Appendix A and B [Removed]**

6. By amending § 229.102 by revising the term "industry segment(s)" in the introductory paragraph to read "segment(s), as reported in the financial statements,".

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

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

**Authority:** 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z-2, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78d, 78f, 78i, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78o, 78p, 78q, 78s, 78u-5, 78w, 78x, 78ll(d), 78mm, 79q, 79t, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4 and 80b-11, unless otherwise noted.

**§ 240.14a-101 [Amended]**

8. By amending § 240.14a-101 (Schedule 14A) in Item 14(b)(2)(ii)(A)(3)(i) by revising the phrase "industry segments" to read "segments".

**PART 249—FORM, SECURITIES EXCHANGE ACT OF 1934**

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

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

\* \* \* \* \*

**§ 249.220f (Form 20-F) [Amended]**

10. By amending Form 20-F (referenced in § 249.220f) by removing the term "SFAS 14" from Instruction 3 to Item 17 and inserting the term "SFAS No. 131" in its place.

**Note:** The text of Form 20-F does not, and the amendment will not, appear in the Code of Federal Regulations.

By the Commission.

Dated: January 5, 1999.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-589 Filed 1-11-99; 8:45 am]

BILLING CODE 8010-01-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:** Final rule.

**SUMMARY:** The Department of the Treasury ("Department" or "Treasury") is publishing an amendment to the reporting requirements in § 405.2 of the regulations issued under the Government Securities Act of 1986 ("GSA"), as amended.<sup>1</sup> 17 CFR 405.2 of the GSA regulations requires entities registered with the Securities and Exchange Commission ("SEC") as specialized government securities brokers and dealers ("registered government securities brokers and dealers") under section 15C(a)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")<sup>2</sup> 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. The Department then published proposed Y2K reporting rules on October 5, 1998, that essentially parallel the SEC's Y2K reporting rules.<sup>3</sup>

**EFFECTIVE DATE:** February 11, 1999.

**ADDRESSES:** This final rule is available for downloading from the Bureau of the Public Debt's Internet site at the following address:

www.publicdebt.treas.gov. It is also available for public inspection and copying at the Treasury Department Library, FOIA Collection, Room 5030, Main Treasury Building, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. To visit the library, call (202) 622-0990 for an appointment.

**FOR FURTHER INFORMATION CONTACT:**

Kerry Lanham (Acting Director) or Chuck Andreatta (Senior Financial Advisor), (202) 219-3632, Government Securities Regulations Staff, Bureau of the Public Debt, 999 E. Street, NW, Room 315, Washington, DC 20239-0001.

**SUPPLEMENTARY INFORMATION:****I. Background**

On July 13, 1998, the SEC issued an amendment to SEC Rule 17a-5<sup>4</sup> that requires general purpose broker-dealers to file two reports regarding their year 2000 ("Y2K") readiness.<sup>5</sup> Each report is to be filed with the SEC and the appropriate designated examining authority.

In developing its 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.<sup>6</sup> 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.<sup>7</sup>

Treasury's final Y2K rules incorporate the SEC's final rules at § 240.17a-5(e)(5), with minor modifications. The same report (Form BD-Y2K, Parts I and II) required under the SEC's rules is also required under Treasury's rules. This report is required to be submitted to the SEC and to the broker-dealer's designated examining authority. In addition, the Department requests that a copy of the report be provided directly to the Government Securities Regulations Staff.

<sup>1</sup> 15 U.S.C. 78o-55

<sup>2</sup> 15 U.S.C. 78o-5(a)(2).

<sup>3</sup> 63 FR 53326 (October 5, 1998).

<sup>4</sup> 17 CFR 240.17a-5.

<sup>5</sup> Securities Exchange Act Release No. 34-40162, (July 2, 1998), 63 FR 37668 (July 13, 1998).

<sup>6</sup> Securities Exchange Act Release No. 34-39724 (March 5, 1998) 63 FR 12057 (March 12, 1998).

<sup>7</sup> Id.

## II. Comments Received in Response to Proposed Rules

The Department received one comment letter in response to its proposed amendments, from The Bond Market Association ("Association").<sup>8</sup> The Association supports the Department's proposals. The Association, however, asked for clarification regarding the proposed exemption provided to a specialized government securities broker-dealer ("15C firm," i.e., registered with the SEC under Section 15C of the Exchange Act) that has an affiliated registered broker-dealer that files reports under the SEC's Y2K reporting rules. The proposed rule said that such 15C firms would be exempt from the Department's Y2K rules if the affiliate's reports encompass Y2K issues that include the 15C firm's transactions in, and holdings of, government securities. Specifically, the Association was concerned about how the SEC and Treasury would know if a 15C firm was relying on the exemption. The Association therefore recommended that Treasury consider requiring 15C firms relying on the exemption to write a letter to the SEC, Treasury and their designated examining authority stating their reliance on the exemption, the name of the affiliate that filed the report encompassing the information on government securities transactions, and the date the report was filed. This final rule basically adopts this recommendation.

The Association also asked for further clarification on which firms would qualify for this exemption. Specifically, the Association said that firms are concerned whether the reports already filed in August 1998 under the SEC's Y2K reporting rules would be deemed sufficient to satisfy the conditions of the exemption. Such reports would be deemed sufficient by the Department. If the affiliated firm filed a Form BD-Y2K prior to the August 31, 1998 SEC deadline (either Part I or both Parts I and II) and the report encompassed the 15C firm's government securities transactions and holdings, that 15C firm is exempt from the Department's Y2K reporting rules and will only be required to submit a letter as discussed above. If the 15C firm does not have such an affiliate that has already filed a

Y2K report with the SEC, then the 15C firm must complete Form BD-Y2K under the Department's Y2K reporting rules.

In a footnote to its comment letter, The Bond Market Association informed the Department of its understanding that some 15C firms have already completed and filed their Y2K readiness reports even though they were not required to do so under the SEC's Y2K reporting rules. Any such 15C firms will be viewed by the Department as having filed their reports and will not have to file again. However, such firms should submit a letter to the SEC and their designated examining authority stating the date that the reports were submitted.

Finally, the Association recommended that Treasury consider finalizing and publishing its final rule in the **Federal Register** before November 15, 1998. The principal concern was that it would be difficult to report "as of" a date that was prior to the publication date in the **Federal Register**. To avoid this problem, the Department is requiring the reports to be filed by February 28, 1999, to reflect the status of a firm's Y2K readiness as of January 15, 1999.

## III. Additional Analysis

At the same time that the SEC published its final Y2K reporting rules for general-purpose broker-dealers, it also issued a companion release to solicit comments on the feasibility of having an independent public accountant perform an "agreed-upon procedures engagement." The proposed engagement would follow certain established procedures as an independent check on a broker-dealer's assertions in its second filing of Form BD-Y2K, which is due April 30, 1999.<sup>9</sup> The SEC subsequently adopted the proposed amendment for engagement of an independent public accountant, with some modifications.<sup>10</sup>

Although the Department reserves the right to require that Y2K reports be submitted again sometime during 1999, at this time the reports will be required to be filed only once, by the February 28, 1999 deadline, with no independent accountant involvement. The Department would expect, however, 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.

Copies of Form BD-Y2K are available in the SEC's Public Reference Room at

450 Fifth Street, NW, Washington, DC 20549, or copies can be obtained from the SEC's Internet website at the following address: [www.sec.gov](http://www.sec.gov).

## IV. 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.<sup>11</sup> 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.<sup>12</sup> The Department reiterates this advisory. The SEC also reminded broker-dealers that its Rule 17a-11<sup>13</sup> requires every broker-dealer to promptly notify the SEC of its failure to make and keep current books and records.<sup>14</sup> The Department reminds registered government securities broker-dealers that they have this same requirement under § 405.3 of the GSA regulations.

## V. Special Analyses

This rule does not meet the criteria for a "significant regulatory action" under Executive Order 12866.

In the preamble to the proposed rules, regarding the requirement under the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*), the Department certified that this amendment would not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis was not prepared.

The collection of information under this final amendment consists of the completion of Form BD-Y2K. This collection of information has been reviewed and approved by OMB and 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, 17 CFR Part 405 is amended as follows:

## PART 405—REPORTS AND AUDIT

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

<sup>11</sup> 17 CFR 240.17a-33.

<sup>12</sup> 63 FR 12056, 12059 (March 12, 1998) and 63 FR 37668 (July 13, 1998).

<sup>13</sup> 17 CFR 240.17a-11.

<sup>14</sup> See *supra* note 8.

<sup>8</sup> Letter from Paula H. Simpkins, Vice President and Assistant General Counsel, The Bond Market Association, to Kerry Lanham, Acting Director, Government Securities Regulations Staff, dated November 4, 1998. The letter can be downloaded from the Bureau of the Public Debt's website at [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov). It is also available for inspection and copying at the Treasury Department Library at the address provided earlier in the rule.

<sup>9</sup> Securities Exchange Act Release No. 34-40164, (July 2, 1998) 63 FR 37709 (July 13, 1998).

<sup>10</sup> Securities Exchange Act Release No. 34-40608, (October 28, 1998) 63 FR 59208 (November 3, 1998).

**Authority:** 15 U.S.C. 78o-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)(15) and (a)(16), respectively, and adding new paragraphs (a)(11) through (a)(14) to read as follows:

**§ 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 February 28, 1999, every registered government securities broker or dealer shall file Part I of Form BD-Y2K (§ 249.618 of this title) prepared as of January 15, 1999.”.

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

“(iii)(A) No later than February 28, 1999, 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 January 15, 1999, 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) as of January 15, 1999.

“(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 January 16, 1999, 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 report encompasses the registered government securities broker’s or dealer’s transactions in, and holdings of, government securities. Any such registered government securities broker or dealer shall submit a letter stating its

reliance on the exemption, the name of the affiliated registered broker or dealer that filed the report encompassing its government securities transactions and holdings, and the date the report was filed. The letter shall be filed with the SEC’s principal office in Washington, D.C. and with the broker’s or dealer’s designated examining authority.”.

(13) The report by an independent public accountant described in § 240.17a-5(e)(5)(vi) of this title, concerning a broker’s or dealer’s process for addressing year 2000 problems, is not required.

(14) References to Form BD-Y2K mean Form BD-Y2K in § 249.618 of this title.

\* \* \* \* \*

Dated: December 28, 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-P

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:	<input type="checkbox"/> August 31, 1998
	<input type="checkbox"/> April 30, 1998
MM / DD / YYYY	
REPORT FILING DATE	

**Reporting Entity**

Name of Broker/Dealer: \_\_\_\_\_

SEC File No: 

8-							
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CRD File No: 

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**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))

## 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***

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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**

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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**

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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 \_\_\_\_\_

REPORT FOR:

Firm Address \_\_\_\_\_

<input type="checkbox"/>	August 31, 1998
<input type="checkbox"/>	April 30, 1998

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

MM	/	DD	/	YYYY
REPORT FILING DATE				

SEC File No. 8- \_\_\_\_\_

Firm CRD No. \_\_\_\_\_

**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
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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
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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.*

SEC 2435 (6-98)



BROKER/DEALER NAME:

SEC File No.

8- | | | | | | | |

Firm CRD No.

| | | | | | | |

**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

Please do not write explanatory notes on this Form.

SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No.

8- | | | | | | | |

Firm CRD No.

| | | | | | | |

(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.*

SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No.

8-

Firm CRD No.

(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

*Please do not write explanatory notes on this Form.*

SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No.

8-

Firm CRD No.

(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

*Please do not write explanatory notes on this Form.*

SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No. 

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Firm CRD No. 

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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): \_\_\_\_\_

BROKER/DEALER NAME:

SEC File No.

8- [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

Firm CRD No.

[ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

(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

BROKER/DEALER NAME:

SEC File No.

8-					
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Firm CRD 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

BROKER/DEALER NAME:

SEC File No.

8-

Firm CRD No.

- (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
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- (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
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- (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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Please do not write explanatory notes on this Form.

SEC 2435 (6-98)



BROKER/DEALER NAME:

SEC File No. 8- 

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Firm CRD No. 

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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
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**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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BROKER/DEALER NAME:

SEC File No.

8- | | | | | | | |

Firm CRD No.

| | | | | | | |

- (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
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- (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
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- (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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Please do not write explanatory notes on this Form.

SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No.

8- [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

Firm CRD No.

[ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

- (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
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**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%

*Please do not write explanatory notes on this Form.*

SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No.

8- | | | | | | | |

Firm CRD No.

| | | | | | | |

(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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SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No.

8-

Firm CRD No.

- (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

*Please do not write explanatory notes on this Form.*

SEC 2435 (6-98)

**PART II**

<b>Firm Name</b> _____ <b>Firm Address</b> _____ _____ CITY STATE ZIP <b>SEC File No.</b> 8- _____ <b>Firm CRD No.</b> _____	<b>REPORT FOR:</b> <input type="checkbox"/> August 31, 1998 <input type="checkbox"/> April 30, 1998 _____ MM / DD / YYYY <b>REPORT FILING DATE</b>
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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.

SEC 2435 (6-98)

BROKER/DEALER NAME:

SEC File No.

8- 

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Firm CRD No.

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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.

SEC 2435 (6-98)