SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 249

Release No. 34-35224; File No. S7-2-95

RIN 3235-AG25

Form BD Amendments

AGENCY: Securities and Exchange Commission.

ACTION: Proposed amendments to Form BD.

SUMMARY: The Securities and Exchange Commission is proposing amendments to Form BD, the uniform broker-dealer registration form under the Securities Exchange Act of 1934. The proposed amendments are to implement recommended changes to the Central Registration Depository System, a computerized filing and data processing system operated by the National Association of Securities Dealers, Inc. that maintains registration information regarding broker-dealers and their registered personnel. Specifically, the amendments are intended to facilitate retrieval of disciplinary information through the redesigned Central Registration Depository by eliciting more precise disclosure and reorganizing items into categories. The changes to the disclosure section of Form BD are consistent with changes to the analogous section in Form U-4, the uniform form for registration of associated persons of a broker-dealer. Other changes to Form BD are more technical in nature and are intended to clarify certain information requests. DATES: Comments should be submitted on or before February 21, 1995. ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. All comment letters should refer to File No. S7-2-95. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549

FOR FURTHER INFORMATION CONTACT: Belinda Blaine, Deputy Chief Counsel, or Terry R. Young, Attorney, (202) 942– 0073, Office of Chief Counsel, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 7–10, Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION:

I. Introduction

The Securities and Exchange Commission ("Commission") is

proposing several amendments to Form BD ("Form"),¹ the uniform application form for broker-dealer registration under the Securities Exchange Act of 1934 ("Exchange Act").2 The proposed amendments to Form BD respond to design updates to the Central Registration Depository ("CRD") system operated by the National Association of Securities Dealers, Inc. ("NASD"). The CRD is a customized electronic database that allows "one-stop" filing for brokerdealer registration among the various state and federal regulators and that maintains information relevant to a registrant's securities business.³ Applicants for broker-dealer registration file a single Form BD with the NASD, which enters the information into the CRD system and then electronically forwards the information to the Commission and appropriate states for review.

Currently, the CRD system is used primarily as a means to facilitate brokerdealer registration with the Commission, certain SROs, and all of the states. In order to keep pace with advancements in information imaging and transmission, the NASD recently has initiated a comprehensive plan to overhaul the CRD system. Under this plan, the CRD system will be expanded beyond its principal function of facilitating broker-dealer registration to enhance its regulatory use by the Commission, SROs, and state securities regulators. Among other things, the redesigned CRD system will allow

117 CFR 249.501.

²15 U.S.C. §§ 78a *et seq*. Form BD was last amended in Securities Exchange Act Release No. 31398 (Nov. 4, 1992), 57 FR 53261. Form BD also is used by the NASD and all of the states.

³In Securities Exchange Act Release No. 31660 (Dec. 28, 1992), 58 FR 11 (''1992 Release''), the Commission, as part of its ongoing effort to reduce the costs associated with broker-dealer registration, joined the CRD system and adopted amendments to the broker-dealer registration process. The 1992 amendments required, among other things, that all broker-dealers, including government securities broker-dealers, applying for registration with the Commission on or after January 25, 1993, file Form BD with the CRD.

Direct participation in the CRD system has improved the efficiency of the registration process by creating a comprehensive, centralized database of all registrants, and by giving the Commission more immediate access to current data in brokerdealer filings. In addition, the new system has resulted in cost savings to registrants, who no longer are required to make multiple filings with the Commission, certain self-regulatory organizations ("SROs"), and state regulators. *See* 1992 Release, at 58 FR 11.

If the Commission adopts the amendments to Form BD, the Commission, at the same time, will adopt technical amendments to the registration rules to remove obsolete instructions. For example, Commission Rules 15b3–1 (17 CFR 240.15b3–1) and 15b6–1 (17 CFR 240.15b6–1) currently contain temporary filing instructions for the CRD that are obsolete and will be removed. federal and state securities regulators to customize regulatory queries and reports. In addition, the redesigned CRD system ultimately is intended to enable broker-dealers and their associated persons to file Form BD and Form U– 4 registration information with the NASD electronically by direct link with the CRD through a variety of methods, including computer-to-computer interface, network access, and standard dial-up access.⁴

To allow the NASD sufficient time to redesign the CRD to permit securities regulators to efficiently retrieve relevant information through searches by subject category, the Commission is proposing several amendments to Form BD. The proposed amendments are intended to elicit more precise information from applicants by asking more specific questions about an applicant's business. While the proposed amendments would increase the number of questions on the Form, the Form will be easier for applicants to complete because the specificity of the questions will lessen the need for descriptive textual information.

For instance, as discussed further below, the proposed amendments to the disclosure section, where most of the changes are proposed to be made, would provide the Commission, SROs, and state securities regulators with better information about a registrant's disciplinary history by: (1) grouping disciplinary information into related categories (e.g., criminal charges and convictions); and (2) customizing the accompanying Disclosure Reporting Pages ("DRPs") used to disclose details of the disciplinary history. The changes to the disciplinary section of the Form are consistent with changes to the analogous section in Form U-4, the uniform form for registration of associated persons of a broker-dealer, which have been approved by the North American Securities Administrators Association, Inc. ("NASAA") and will be considered by the NASD's Board of Governors.5

⁴According to the NASD, software will be developed to support off-line personal computer or firm system entry of application information. The new CRD system will include commentary screens that can be attached to specific items to provide information to applicants relating to the type or nature of the information being requested. Clarification of disclosure information also may be included with these commentary screens, including explanations of certain terms.

⁵NASAA approved amendments to Form U–4 at the 1994 NASAA Spring Conference. After the NASD Board of Governors adopts proposed amendments to Form U–4, they will be filed with the Commission pursuant to Section 19(b)(2) of the Exchange Act (15 U.S.C. § 78s(b)(2)) and Rule 19b-4 thereunder (17 CFR 240.19b-4).