

**SUPPLEMENTAL MEMORANDUM**

TO: BOX Participants and Participant Organizations  
FROM: Kerri Dixon, Senior Compliance Examiner  
DATE: September 26, 2007  
SUBJECT: Web CRD® Electronic Procedures for Forms U4 and U5

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**This memorandum shall serve as a supplement to the Memo No. 2007-001, dated September 5, 2007, from Kerri Dixon, Senior Compliance Examiner re: Web CRD® Electronic Procedures for Forms U4 and U5.**

**Please see additional information as outlined below, as Item No. 10.**

**I. INTRODUCTION**

**Information and related requirements delineated in this notice are applicable only to Members and Member Organizations that do not currently file Forms U4 and U5 via Web Central Registration Depository (“Web CRD”).**

The Boston Stock Exchange, Inc. (“BSE” or “Exchange”) has filed a proposed rule change with the Securities and Exchange Commission (“SEC”) to add and/or amend Exchange Rules, specifically, **BSE Rules Chapter I-B Sections 4, 5 and 6 and Chapter XVIII Section 4 and Boston Options Exchange (“BOX”) Rules Chapter II Sections 1(b)(i) and Section 4(b), Chapter XI Sections 2(b), 3(a) and 4(c) and Chapter X Section 2(e)** to require all members, and member and/or participant organizations (“Member Organizations”) that do not already participate in Web Central Registration Depository (“Web CRD”) as a member of a participating exchange or the Financial Industry Regulatory Authority, Inc. (“FINRA”), to file Forms U4 and U5 with the Web CRD.

This memorandum is to provide notice to Member Organizations of the pending rule change and Web CRD procedures. You will be notified separately when the SEC issues an order granting approval of the proposed rule change. The Exchange will also file a proposed rule change to adopt FINRA fees associated with participation in Web CRD. You will also be notified separately when those fees become effective.

To simplify and expedite the licensing of broker-dealers and their associated persons, the BSE and BOX, effective **September 17, 2007**, will require all Member Organizations that do not already participate in FINRA’s Web CRD as a member of a participating

exchange or the FINRA, to promptly, electronically amend and subsequently file required Forms U4, Forms U5 and required amendments by utilizing the FINRA's Web CRD. Briefly, Web CRD is a web-based system that provides broker-dealers and their associated persons "one-stop filing" with the SEC, FINRA, and other self-regulatory organizations and regulators. As a result of this change, all firms that currently would submit paper Forms U4 and U5 filings to the BSE and BOX will be required to file these forms electronically via Web CRD. Web CRD is operated by FINRA and is utilized by participating securities regulators.

This notice delineates the process and implementation dates for the transition from the current filing methodology to new requirements applicable under Web CRD.

## II. NEW REQUIREMENTS & IMPLEMENTATION DATES

Member Organizations will be required to file Forms U4 and U5 to the Exchange through the Web CRD system rather than in paper form.

Pursuant to proposed **BSE Rule Chapter I-B, Sections 4, 5 and 6 and BOX Rule, Chapter II Sections 1(b)(i) and Section 4(b), Chapter XI Sections 2(b), 3(a) and 4(c)** every individual applying to become a Member Organization must electronically submit the following via Web CRD: (i) Form U4; and (ii) any required amendment to Form U4. In connection with registration, such Member Organizations shall electronically file a Form U4 via Web CRD by appropriately checking BSE as a requested registration on the electronic Form U4 filing. Any individual required to complete a Form U4 shall electronically file any required amendments to Form U4 via Web CRD. Registration categories are explained in more detail in step 5 of the Instruction Section.

Further, pursuant to the above-referenced proposed rule, Member Organizations are required to electronically file a Form U5 and any amendment thereto with the Web CRD promptly, upon the termination date of an employee who has been approved for Membership at the BSE.

This notice and attachments describe how the transition to Web CRD will occur:

(1) Forms U4 for Existing Personnel

All individuals currently registered with the BSE who previously filed a paper Form U4 will be required to re-file an initial Form U4 electronically via Web CRD between **September 17, 2007 and September 28, 2007**. There is no BSE fee associated with re-filing these forms during this time period.

(2) Forms U4 for New Hires and Initial Registrations

After September 17, 2007, new hires must file a Form U4 via Web CRD. Paper filings will not be accepted.

(3) Forms U5

Member Organizations must file a Form U5 for a terminated employee promptly, upon the date of termination. As a result, such organizations may file a Form U5 in paper with BSE if the member

has not filed a Form U4 via Web CRD. If the member has filed a Form U4 electronically via Web CRD, the Member Organization must file a Form U5 electronically via Web CRD.

Under no circumstances will BSE accept a Form U5 paper filing after September 28, 2007. This is the deadline by which Member Organizations must file a Form U4 electronically.

**III. KEY DATES FOR THE TRANSITION TO WEB CRD ARE AS FOLLOWS:**

September 4, 2007      *FINRA begins accepting receipt of the FINRA Entitlement Agreement (“FEA”) and the Account Administrator Entitlement Form (“AAEF”). Submission of these forms is necessary to allow BSE registrants to file Forms U4 and U5.*

September 14, 2007      *Deadline for the receipt of FEAs and AAEFs to FINRA.*

September 14, 2007      *Deadline for funding CRD Daily Account.*

September 17, 2007      *Member Organizations may begin to submit Forms U4 and Forms U5 electronically via Web CRD.*

October 1, 2007          *Commencement of migration to Web CRD.*

November 5, 2007      *Commencement of Web CRD Annual Renewal Program for 2008.*

Inquiries regarding this notice and related attachments should be directed to Kerri Dixon at 617-235-2318 or Kerri.Dixon@bostonstock.com

Attachments

Instructions for Filing Forms U4 and U5 via CRD

FINRA Entitlement Agreement (“FEA”)

Account Administrator Entitlement Form (“AAEF”)

Proposed BSE Registration Fee Schedule

List of Service Bureaus – contact FINRA’s Gateway Call Center at (301) 869-6699

## **INSTRUCTIONS AND INFORMATION FOR FILING FORMS U4 AND U5 VIA WEB CRD**

### **1. UPDATED USER ACCOUNTS AND ENTITLEMENT TO WEB CRD**

In order to file Forms U4 and U5, all Member Organizations that do not already participate in Web CRD as a member of a participating exchange, must establish new user accounts for each Member Organization and for those persons designated by each Member Organization who will require access to Web CRD. Member Organizations can designate officers, partners, employees, or external persons/entities (e.g. service bureaus or outside counsel) to access Web CRD on their behalf. Attached is a list of service bureaus that currently file Forms U4 and U5.

Also attached are FEA and AAEF forms. The FEA must be signed by an officer of the organization or other person who otherwise has legal authority to bind the organization on behalf of which the individual is signing. This form must be mailed to FINRA with original signature, to the address indicated in the document. The AAEF must be signed by an account administrator or designated firm signatory. This form may be either faxed or mailed to FINRA. Beginning September 5, 2007- both forms must be completed and submitted to FINRA at the address and/or fax number indicated in the document. FINRA must receive these forms no later than **September 14, 2007**. Please note that failure to submit the FEA and AAEF forms by September 14, 2007 may cause delays in the Member Organization's ability to file timely Forms U4 and U5, and therefore delay approvals of personnel or submission of notices of termination.

If FINRA timely receives completed FEA and AAEF forms, the organization's Web CRD account administrator will be contacted by phone with his/her user name and password shortly thereafter. In addition, FINRA will send the account administrator general information about Web CRD via e-mail. Additional information about the FINRA Entitlement Program may be obtained on the FINRA Web site at: [www.FINRA.com/entitlement](http://www.FINRA.com/entitlement).

### **2. CRD FINANCIAL ACCOUNTS**

Web CRD uses two types of accounts, Daily and Renewal, to track financial transactions. The CRD Daily Account is the firm's primary account. The organization will send payment to this account to cover the fees for new registrations, terminations, examinations, and fingerprint processing. The Renewal Account is the account the organization will use to participate in the annual CRD Renewals Program. This account will be used to cover the costs associated with renewing broker-dealer and registered representative registrations.

## **CRD DAILY ACCOUNT (Daily Account)**

All Member Organizations will be set up with a CRD Daily Account (for fee payment purposes) and will have the ability to view their detailed financial account information via Web CRD. Member Organizations must have a credit balance (funds on deposit) in their accounts for transactions to be processed. Attached is a copy of the proposed BSE Fee Schedule listing associated processing and registration fees. Each firm must deposit sufficient funds in its CRD Daily Account to cover the \$85 System Processing Fee that FINRA will collect for each registered person converted to Web CRD and the \$35 Fingerprint Card Processing Fee. In the event that an applicant answers “yes” to a disclosure question, there will be an additional \$95 FINRA fee for filing the mandatory accompanying disclosure reporting pages (DRPs). To be on the safe side, it is recommended that Member Organizations deposit, approximately \$215.00 per registered person in the CRD Daily Account. If the representative does not have disclosure information to file and/or the representative already has fingerprints processed through the FBI on file with BSE, the cost per representative will be less than \$215.00 and the excess funds will remain in the firm’s account. FINRA must receive the initial deposit on or prior to September 14, 2007.

### **Payment Methods**

There are three methods of payment for funding your Daily and Renewal Accounts:

- (a) Electronic Payment via Web CRD/IARD E-Pay;
- (b) Wire Transfer; and
- (c) Check.

- **Electronic Payment via Web CRD/IARD E-Pay:**

Web CRD/IARD E-Pay allows a firm to authorize electronic payment (ACH payment) directly from its designated bank account to the organization’s Daily and/or Renewal Accounts. FINRA will not charge fees to organizations for utilizing Web CRD/IARD E-Pay; however, organizations should verify with their banks whether ACH transaction fees will be assessed by the bank for using Web CRD/IARD E-Pay. Electronic payments that are submitted by 8:30 p.m., Eastern Time (ET), should be posted within two (2) business days to the organization’s Daily and/or Renewal Accounts with FINRA.

The Web CRD/IARD E-Pay method is made available through a link accessible on either of the following Web sites:

[www.FINRA.com/crd](http://www.FINRA.com/crd) or <https://tradelinks2.mellon.com/cgi-bin/tsmenu.pl/FINRA>

- **Payment by Wire Transfers:**

Wire Transfer Deposits received before 2 p.m., ET, should be posted in the Daily Account the next business day.

Wire Transfer Deposits received after 2 p.m., ET, should be posted in the Daily Account in two (2) business days.

Instruct the organization's bank to contact: "Mellon Financial, Philadelphia, PA"

Provide the bank with the following information to initiate a wire transfer:

ABA Number: 031 000 037  
Beneficiary: FINRA  
FINRA Account Number 8-234-353  
Reference Number: *Enter Firm CRD Number*

Remember to inform the bank that funds are to be credited to the FINRA Bank Account and to use the organization's CRD Number as a reference number only.

- **Payment by Check**

Check Deposits received before 2 p.m., ET, should be posted in the Daily Account the next business day.

Check Deposits received after 2 p.m., ET, should be posted in the Daily Account in two (2) business days.

**Please make checks payable to FINRA and be sure to indicate the organization's CRD Number on the check.** You may submit your check to FINRA by either US Mail or overnight Express Mail.

**For U.S. Mail Delivery:**

FINRA, CRD-IARD  
P.O. Box 7777-W9995  
Philadelphia, PA 19175-9995

Note: This P.O. Box will not accept courier or overnight deliveries.

**For Express/Overnight Delivery:**

FINRA, CRD-IARD  
W9995 c/o Mellon Bank, Rm. 3490  
701 Market Street  
Philadelphia, PA 19106

Provide the following phone number if one is required for the recipient: (301) 869-6699.

**CRD Renewal Account (Renewal Account)**

Renewal Fees must be deposited to a separate and distinct CRD Renewal Account. The CRD Annual Renewals Program commences in November for the year 2007. For each registered person, FINRA will collect a \$30 FINRA CRD System Processing Fee that will be assessed for 2008. It will be necessary for each organization to ensure that enough funds are deposited in its CRD Renewal Account to cover the costs of these fees.

The 2008 FINRA Renewal Program kicks off on Monday, November 5, 2007, when Preliminary Renewal Statements become available (Web CRD) for firms to view and print. The deadline for payment, in full, is December 10, 2007. Firms are encouraged to submit payment no later than December 8, 2007, to allow sufficient time for processing and posting to their Renewal Account by the deadline.

For other important dates and information, see the 2008 FINRA Renewal Program Calendar.

- [2008 FINRA Renewal Program Calendar](#) (PDF 81 K)  
This calendar provides a timeline for the 2008 FINRA Renewal Program along with important deadlines for submitting your payment, submitting filings, and the availability of the Web CRD and IARD systems.

During the CRD Renewal Program, Member Organizations can link to the Web CRD/IARD E-Pay Web site directly via a link accessible on the Preliminary or Final Renewal Statement that will be available through Web CRD. Please note that the Renewal payment address differs from the CRD Daily Account address information provided above. For detailed information about the CRD Renewal Program and payment addresses, please refer to the FINRA Web site: [www.FINRA.com/renewals](http://www.FINRA.com/renewals)

### 3. **Web CRD PRE-REGISTRATION FUNCTIONALITY**

As a participant in Web CRD, a BSE firm that is not a FINRA member will now be able to request a “pre-registration” report on a prospective employee. When making such request, the BSE organization or individual must clarify (by responding “Yes” to the question, “Is this a Pre-Registration Report Request?”) that the organization is considering such subject for employment and has obtained and will keep on file such subject’s written consent to review the individual’s Web CRD record for that purpose.

### 4. **TRANSITION PERIOD**

During the period between September 17, 2007 and September 28, 2007, individuals who previously filed paper Form U4s with the BSE will be required to electronically file updated Forms U4 via Web CRD.

After September 17, 2007, all individuals who seek to register with the BSE or be approved by the BSE for THE FIRST TIME will be required to file their Form U4 application forms electronically via Web CRD.

Member Organizations must file a Form U5 for a terminated employee promptly, upon the date of termination. As a result, such organizations may file Forms U5 in paper with BSE if the member has not filed a Form U4 for the terminated employee via Web CRD. If the member has filed a Form U4 electronically via Web CRD, the Member Organization must file a Form U5 electronically via Web CRD.

Under no circumstances will BSE accept a Form U5 paper filing after September 17, 2007. This is the deadline by which members must file a Form U4 electronically.

5. **REGISTRATION CATEGORIES AND QUALIFYING EXAMINATIONS AVAILABLE ON WEB CRD**

Individuals are required to register with the BSE in at least one of the following registration categories, as applicable to the type of business conducted, in Section 4 of Form U4 “SRO Registrations”:

- OP – Registered Options Principal (S4)
- GS – Full Registration/General Securities Representative (S7)
- SU – General Securities Sales Supervisor (S9 and S10)
- GP- General Securities Principal (S24)
- FN- Financial Operations Principal (S27)
- OR- Options Representative (S42)
- ME -Member Exchange

Web CRD automatically schedules an examination and deducts the examination fee from a firm’s CRD Daily Account for individuals who are registering through Web CRD for the first time, and have not previously taken the examination, in categories that require a qualifying examination administered by FINRA. For example, an individual registering for the first time via Web CRD in the Full Registration/General Securities Representative (GS) category will be automatically scheduled to take the Series 7 examination and assessed the Series 7 examination fee of \$250.00.

Individuals who have been either previously granted an examination waiver by the BSE or qualify for an exemption pursuant to an Exchange Rule should **NOT** select the applicable registration category(ies) in the first part of Section 7 of the Form U4. The individuals should proceed to the last part of Section 7 that reads “If you have taken an exam prior to registering through the CRD system enter the exam type and date taken”. Enter the exam passed and the date the exam was taken. The system will not automatically schedule the exam required for the registration category and the fee for the exam will not be deducted from the account.

After the U4 filing is submitted, FINRA and/or BSE will verify that the exam was passed and post the appropriate score if the information is available.

***Important note applicable to use of either method***

All individuals transitioning to Web CRD will have their Continuing Education base dates reset to the date of the Web CRD filing. For individuals with active Web CRD registrations from a prior broker-dealer, the base date will remain the same.

**Primary contact for assistance with Web CRD registration is provided by the FINRA Gateway Call Center at (301) 869-6699.**

6. **FINGERPRINTS**

In connection with the implementation of electronic filing for Forms U4 and U5, FINRA will require organizations to resubmit new fingerprint cards for individuals. In lieu of resubmitting fingerprint cards, firms that have already submitted fingerprint cards to the Federal Bureau of Investigation (“FBI”), and have dispositions available from the FBI, may submit one of the following to FINRA:

1. A fingerprint card with an FBI "CLEAR" disposition stamped on the back of the card; or
2. A Civil Applicant Response Sheet (“CARS”). [Note: If the fingerprint results were returned from the FBI with a “RAPP” status, a copy of the Criminal History Record Information (“CHRI”) must be included.]

FINRA will assess a \$35 Fingerprint Card Fee for a first card submission, \$13.00 for a second card submission, and \$35.00 for a third card submission. For a card submission where the member had prints processed through a self-regulatory organization other than the FINRA, the FINRA fee is \$13.00. These fees are automatically collected through the Member Organization’s CRD Daily Account.

Commencing September 17, 2007, BSE will no longer accept fingerprint cards for processing. Fingerprint cards must be submitted directly to FINRA within 30 days of filing the Form U4 for individuals who seek to register with the BSE or be approved by the BSE. Firms may use existing stock of BSE fingerprint cards until the supply is depleted. FINRA will place a barcode sticker on the card and change the **ORI** number from BSE to FINRA. The BSE Security Department will continue to take fingerprints on FINRA approved cards, which the members will be required to submit to FINRA.

Firms may request FINRA-approved fingerprint cards through the Gateway Call Center at: (301) 869-6699.

Fingerprint cards should be sent directly to:

**For Regular U.S. Mail:**

FINRA  
Registration and Disclosure Department  
P.O. Box 9495  
Gaithersburg, MD 20898-9495  
P.O. Boxes will not accept courier or overnight deliveries.

**For Express/Overnight Mail Delivery:**

FINRA

Registration and Disclosure Department

9509 Key West Avenue

Rockville, MD 20850

If a phone number is required for the recipient, provide: (301) 869-6699.

Firms should receive the FBI research results in the “Fingerprint Status Received from FBI Notice Queue” within three business days after the card is sent to the FBI. Additional information regarding the submission of fingerprints to Web CRD may be obtained on the FINRA Web site: [www.FINRA.com/crd](http://www.FINRA.com/crd).

7. **RECORD KEEPING**

Member Organizations must maintain for their records signed copies of the electronically filed Forms U4 and U5 pursuant to Exchange and SEC rules. The information contained on the Form U4 must be kept current and shall be updated by the filing of an amendment. The proposed rule change will require members and persons associated with a member firm to file any required amendments to Form U4 and Form U5 promptly, after the filer knew or should have known of the facts which gave rise to the amendment.

Forms U5 must be filed promptly upon the termination of a person associated with a member and a copy of the termination notice must be sent concurrently to the person whose association has been terminated. A copy of such amendment shall also be provided to the person whose association has been terminated.

8. **SYSTEM USAGE**

Member Organizations will need to monitor Web CRD queues for account balances, registration approvals, terminations and deficiencies, examination schedules and results, Continuing Education requirements and fingerprint card statuses. For information concerning Web CRD queue management and other topics relating to Web CRD, Navigation Guides are available under the User Support Link on the FINRA Web site at: [www.FINRA.com/crd](http://www.FINRA.com/crd)

9. **QUESTIONS**

Questions concerning Web CRD system usage or navigation can be directed to the Gateway Call Center at (301) 869-6699.

Questions concerning the transition process can be directed to Kerri Dixon at (617) 235-2318 or [Kerri.Dixon@bostonstock.com](mailto:Kerri.Dixon@bostonstock.com)

10. **SUPPLEMENTAL INFORMATION**

Pursuant to Section III, as outlined above, and as a reminder, **September 28, 2007** is the deadline for all Participants to submit amendments to Form U4, U5 and BDW. Prior to the expiration of this date, all related fees will be waived. It is expected that Participants will also submit the entitlement Packages to FINRA as prescribed above.

As announced on September 5, 2007, The Boston Stock Exchange (BSE) discontinued the operations of the Boston Equities Exchange (BeX). The BSE will continue to be active in the marketplace and will support the Company's remaining ventures including the regulation of the Boston Options Exchange (BOX) (for a full copy of the release, go to [www.bostonstock.com](http://www.bostonstock.com) and click on "news").

Therefore, any BOX Participant who is registered with the BSE should follow the procedures outlined in this memorandum and supplemental memorandum to effectuate its compliance with the BSE's requirement that all members, and member or participant organizations, shall remain in good standing.

All BOX firms should ensure that the firm is registered with the BSE (as a BOX Participant) as well as all representatives that are doing business on BOX. All of the firm's representatives must amend Form U4 to show BSE registration (as a BOX Participant).

## **Proposed BSE Registration Fee Schedule**

As part of the migration to Web CRD, fees will be imposed upon non-FINRA Exchange members and member organizations, which members will be instructed to pay directly to FINRA through the Web CRD system. The fees will be assessed at the time the Exchange member or member organization effects a registration transaction through Web CRD. These fees include: (a) a FINRA Non-Member Processing Fee of \$85.00; (b) a FINRA Disclosure Processing Fee of \$95.00; (c) a FINRA Annual System Processing Fee of \$30.00; and (d) fingerprinting fees which vary depending on the submission (for a first card submission the fee is \$35.00, for a second card submission the fee is \$13.00, for a third card submission the fee is \$35.00, and for a card submission, where the member had prints processed through a self-regulatory organization other than the FINRA, the fee is \$13.00). The FINRA will process fingerprints and provide the results via Web CRD. Fingerprinting charges (like the other fees listed above) will be paid directly to the FINRA. The FINRA will charge these fees to Web CRD participants and disburse to the Exchange the portion of the fee that is an Exchange fee, namely the \$60.00 initial fee; the \$50.00 annual renewal fee; the \$40.00 transfer fee; and the \$30.00 termination fee.