MEMORANDUM

TO: Members, Member Organizations, Participants and Participant Organizations
FROM: Robert Kreszswick, Director, Membership Services Department
DATE: April 10, 2006
SUBJECT: Web CRD® Electronic Procedures Update

WebCRD

Please read attached Memo and
Frequently Asked Questions.
The Philadelphia Stock Exchange, Inc. ("PHLX" or “Exchange”) filed a proposed rule change with the Securities and Exchange Commission (“SEC”) to among other things, amend Exchange Rules 600, 604, 620, 623, 1024 and Equity Floor and Options Floor Procedure Advices F-25 to require all member organizations that do not already participate in Web Central Registration Depository (“Web CRD”) as a member of a participating exchange or the National Association of Securities Dealers (“NASD”), to file Forms U4 and U5 and any amendments with the Web CRD.

Beginning today, April 10, 2006, and continuing through May 12, 2006, individuals who previously filed paper Forms U4 with the PHLX are required to electronically file updated Forms U4 via Web CRD. All individuals who seek to register with the PHLX or be approved by the PHLX for THE FIRST TIME are also required to file their Form U4 application electronically via Web CRD.

Individuals are required to register with the PHLX 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)
- IE – United Kingdom-Limited General Securities Registered Representative (S17)
- SU – General Securities Sales Supervisor (S9 and S10)
- ME – Member Exchange

Please note that as part of the migration to Web CRD, the NASD will add a new designation, Member Exchange (ME), to the Form U4 for registration. This designation will apply to Exchange members who have a trading permit and are otherwise members of the Exchange. Should we clarify that ME’s can also check off another registration category, i.e., GS or was that sufficiently explained in previous memos? As part of the registration process, Exchange members who qualify for this registration will be required to check this designation on the Form U4 and will also be subject to the fees related to the registration.

Members and member organizations who fail to complete, on a timely basis, the required electronic filings may be found in violation of certain Exchange rules and floor procedure advices, including Rule 604, and be subject to disciplinary action.

Complete details were provided in PHLX Memorandum 0453-06, dated February 21, 2006. To receive a copy of this memorandum or if you have questions regarding this notice, contact Robert Kreszswick at 215-496-5109 or Susan Murray at 215-496-5322.
WebCRD Frequently Asked Questions

1) If my firm is already entitled on WebCRD for filing form BD only, do I still have to send in entitlement forms for WebCRD for PHLX and then register?
   A: Yes. All PHLX member firms must send in entitlement forms unless FAQ #2 applies.

2) If my firm is already entitled on WebCRD via another exchange for registration purposes (not form BD only), do I still have to send in entitlement forms for WebCRD for PHLX and then register?
   A: No. This is the only case when you do not have to send in entitlement forms because you already have full entitlement.

3) If I am not sure whether my firm should send in a WebCRD entitlement form, who should I ask – PHLX or NASD?
   A: Ask PHLX Examinations or Membership department. Even if NASD has already told you that you do not need to send the form, please ask PHLX.

4) If I have questions about how to fill in the WebCRD entitlement form or register individuals using the WebCRD system, who should I call for help – PHLX or NASD?
   A: Call the NASD help desk at 301-869-6699.

5) When is the deadline for sending in the WebCRD entitlement form?
   A: The deadline has already passed. Please send the form in right away if you have not done so yet.

6) When is the deadline for registering all individuals on WebCRD?
   A: May 12, 2006. However, please do not wait until the deadline to do start registering.

7) In the past, I received regular bills for what my firm owed. Will WebCRD work the same way?
   A: No! WebCRD requires prepayment to your designated Daily Account with NASD/CRD. In order for you to register all your employees, you should prepay your account for $270 per representative. Note that for non-registered clerks, you only need to prepay enough to cover the fingerprint fees, which are $35 for a first submission, and $13 for a second submission for an individual. Please see attached information in the Appendix, or the 2/21/06 WebCRD memo, instructions section p. 1, for details on how to fund your account.

8) When is the deadline for funding the Daily Account?
   A: The deadline has already passed. If you have not done so already, please fund the account right away.
9) What is the difference between a CRD Daily Account and Renewal Account, and which one should I fund for the initial registration?
   A: You should fund the Daily Account for initial registration. Going forward, this account will be used for all fees other than the yearly renewal fees. You will be reminded at the appropriate time to fund your Renewal Account every year in time for the annual renewal. For additional questions regarding the differences between the two accounts, call the NASD help desk at 301-869-6699.

10) Should I continue to send new fingerprint cards to PHLX?
   A: No! After April 7, 2006, you must submit fingerprint cards to NASD Registration and Disclosure Department. P.O. Box 9495, Gaithersburg, MD 20898-9495. Please refer to 2/21/06 WebCRD memo, instructions section p. 6, for details, including instructions for resubmitting cards that had been previously filed?

11) If I check ME (Member Exchange) category on WebCRD, is this the only category that I am able to check?
   A: If you are registered under an exam such as Series 7 (GS), you should check all appropriate categories.
Appendix

From funding instructions included with memo 453 (February 21, 2006):

1. **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 PHLX Fee Schedule listing associated processing and registration fees. Each firm must deposit sufficient funds in its CRD Daily Account to cover the $85 Transition Fee that NASD will collect for each registered person converted to Web CRD, the $35 Fingerprint Card Processing Fee, and the $55 annual/initial PHLX registration fee, which will also be collected by NASD on behalf of the Exchange. In the event that an applicant answers “yes” to a disclosure question, there will be an additional $95 NASD fee for filing the mandatory accompanying disclosure reporting pages (DRPs). To be on the safe side, it is recommended that member organizations deposit, approximately $270.00 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 PHLX, the cost per representative will be less than $270.00 and the excess funds will remain in the firm’s account. NASD must receive the initial deposit on or prior to April 5, 2005.

**Payment Methods**

There are three payment methods 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. NASD 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 NASD.
The Web CRD/IARD E-Pay method is made available through a link accessible on either of the following Web sites:
www.nasd.com/crd or https://tradelinks2.mellon.com/cgi-bin/tsmenu.pl/nasd

- 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: NASD
- NASD Account Number 8-234-353
- Reference Number: *Enter Firm CRD Number*

Remember to inform the bank that funds are to be credited to the NASD 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 NASD and be sure to indicate the organization’s CRD Number on the check.** You may submit your check to NASD by either US Mail or overnight Express Mail.

**For U.S. Mail Delivery:**
NASD, 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:**
NASD, 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, NASD will collect an $85 Renewal Fee that will be assessed for 2007. 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. Information about retrieving online Renewal statement and reports via Web CRD and additional payment information will be made available by NASD in early October 2006.

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 NASD Web site: www.nasd.com/renewals

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.

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1 Refer to NASD’s Web site at www.nasd.com/renewals for detailed information concerning the CRD Annual Renewal Program.
2 This includes a $55.00 PHLX Maintenance Fee and a $30 NASD CRD System Processing Fee.