



To: Web IARD Pilot Firms
From: NASD Regulation, Inc.
Date: August 1, 2000
Re: Web IARD Pilot Program

NASD Regulation, Inc. (NASDRSM) welcomes you to the Investment Adviser Registration Depository (IARD) Pilot Program! We appreciate your participation in this important event. In order to assist you, we are providing you with some information about the Web IARD System, as well as some general information about the Pilot Program. More detailed information, including your user identification and passwords to access the system, will be sent to you upon completion and submission of your Entitlement Forms.

ENCLOSED IN THIS PACKET ARE THREE (3) FORMS THAT MUST BE COMPLETED AND RETURNED TO NASDR BY AUGUST 31, 2000 IN ORDER FOR YOUR FIRM TO BE ENTITLED TO USE THE WEB IARD SYSTEM.

Background

Web IARD is a system sponsored by the Securities and Exchange Commission (SEC or Commission) and North American Securities Administrators Association (NASAA), using NASDR as the developer and operator of the system. Web IARD is an electronic filing system for investment advisers built to support the revised Forms ADV and ADV-W. The SEC has proposed its registrants use the system to make all filings with the Commission beginning January 1, 2001. When deployed, Web IARD will provide a mechanism that will allow federal investment advisers to satisfy the SEC mandate for electronic filing and related public disclosure. The system will also offer states similar benefits by facilitating "Notice Filing" requirements for federal filers and registration requirements of state-regulated investment advisers. In the near future, Web IARD will provide for the registration of Investment Adviser Representatives (IARs). It will also provide regulators with the ability to monitor and process investment adviser information via a single, centralized system.

The development of Web IARD leverages the technology of Web CRDSM, the centralized registration system for the broker/dealer segment of the securities industry to accomplish a rapid and cost-effective deployment. Web IARD largely resembles Web CRD; therefore, the learning curve for existing Web CRD users

will be minimal. We expect that Web IARD will deliver the efficiencies and cost savings firms have experienced with centralized processing through the Web CRD broker/dealer system.

Web IARD is composed of four critical components: IA Firm Registration, IA Firm Public Disclosure, IAR Registration, and IAR Public Disclosure. Only the Firm Investment Adviser component will be released into production as part of this Pilot. The Firm Investment Adviser component will allow investment adviser firms to file a Form ADV electronically with the SEC and states, provide the ability to view the information contained on the filings, collect and disburse fees associated with these filings, and request reports. Firms that are both broker/dealers and investment advisers will be able to share filing information between Web CRD and Web IARD.

Before you make a filing to the SEC through Web IARD, you will need to indicate the states to which your firm currently provides Notice Filings. This will ensure that Web IARD does not charge you for state Notice Filing fees for 2000, which you presumably have already paid. You will receive instructions for how to enter this information in Web IARD in our next mailing to you.

After you have provided state Notice Filing information, you are ready to complete your electronic Form ADV. Web IARD will be available to all entitled users from 7 a.m., ET, until 11 p.m., ET, Monday through Friday. Web IARD will allow you to create your electronic Form ADV over a period of time and save the filing as a draft or "pending" filing. Only you will be able to view this "pending" filing until you submit it to Web IARD, which then makes it available and viewable to regulators.

Role of NASD Regulation, Inc.

In its role as the operator of the Web IARD System, NASDR is responsible for designing and operating the system according to the requirements as detailed by the SEC and NASAA. NASDR also oversees system maintenance and availability and will have staff available to answer filers' questions regarding all aspects of system navigation and usage. NASDR has no regulatory authority over investment advisers. The review of filings will be done entirely by the SEC and/or states with whom you have filed. NASDR staff will not be able to report on specific information as to the status of such filings once they have been submitted to the Web IARD System.

The Pilot Program

The Pilot starts the week of October 3, 2000. Web IARD expects to begin with a Pilot Program of over 100 participating firms. Please keep in mind that all Pilot activities occur in the "live" system that involves *real data*. The filings you make

as a Pilot firm are submitted to the SEC. Following the Web IARD Pilot, full implementation of the system will begin using a phased-in approach.

Pilot activities begin with this mailing. Included in this package are the forms you need to complete and submit to NASDR in order to gain access, or be entitled, to Web IARD. As a Pilot participant, we are requesting you to file your Form ADV as **early as possible** after you are entitled to Web IARD and, no later than, **November 3, 2000**. This will provide us early feedback and help us to identify any potential problems so that we may take steps to correct them before mandatory filing begins early next year.

IARD Entitlement

Before you can file electronically, you will need to have an IARD User Account set up and be entitled to access the Web IARD System.

Setting Up Your Web IARD User Account

The first step in setting up a Web IARD User Account is the completion of three (3) NASDR forms: the IARD User Account Acknowledgment Form (UAAF), the IARD Account Administrator Entitlement Form(s) (AAEF), and the Pilot Acknowledgment (PA). **These forms are enclosed in this packet.** Please complete these forms and mail them, in the enclosed, pre-addressed envelope, to:

Web IARD Pilot Entitlement Requests
NASD Regulation, Inc.
P.O. Box 9495
Gaithersburg, MD 20898-9495

We must receive your completed forms no later than August 31, 2000. NASDR will begin setting up your Web IARD User Account after the forms are received.

Completing Account Entitlement Forms: the UAAF, AAEF, and the Pilot Acknowledgment

The Web IARD System is a secure system. These forms are used to identify all users from your firm who will require access to Web IARD. The term "user" refers to anyone in your firm who will need access to the Web IARD System to (1) file an ADV or ADV-W Form, (2) review your firm's financial information, or (3) perform the role of your firm's Account Administrator. An Account Administrator is the person who maintains your firm's Web IARD User Accounts. Only persons authorized on these forms will be able to access your financial account, enter and/or view information, and submit electronic filings.

IARD User Account Acknowledgment Form (UAAF) - This form is used to identify all individuals at your firm who will require access to the Web IARD System. **NASDR requires that the UAAF be signed with an original signature.** On this form, you list:

- Persons who will serve as the Primary and the Alternate Account Administrators
- The firm's Financial Contact employee
- Other Web IARD users at your firm who will prepare and submit electronic ADV/ADV-W filings

NASDR asks that, initially, you limit the number of users who will be given access to Web IARD to individuals who need to file an ADV or ADV-W, need access to financial information, or need to perform Account Administrator responsibilities. When full Web IARD System implementation begins, your firm can request that additional users be added through the Web IARD on-line request functionality.

IARD Account Administrator Entitlement Form (AAEF) - This form must be completed by those persons designated as the Primary Account Administrator and Alternate Account Administrator in the UAAF. The AAEF is used to designate what account privileges the Account Administrator will have. Two (2) AAEF forms are enclosed in this packet. One AAEF must be completed by the Primary Account Administrator and the other AAEF must be completed by the Alternate Account Administrator. For more information on the role and responsibilities of the Account Administrator(s), read the enclosed Account Administrator Navigation Guide.

Pilot Acknowledgment (PA) - This form provides the preliminary terms for your firm's participation in the Pilot. NASDR will be sending, in a separate mailing, a **Final User Agreement** to enable your continued access to Web IARD after the Pilot. **NASDR requires that the Pilot Acknowledgment be signed with an original signature.**

You must send the completed UAAF (with original signature), the completed AAEF(s), and the completed Pilot Acknowledgment (with original signature) to NASDR in the enclosed envelope. NASDR must receive these forms no later than August 31, 2000. Faxed copies *will not* be accepted.

If you are a joint BD/IA firm and already have access to Web CRD/FOCUS, you still must complete and return the UAAF, AAEFs, and Pilot Acknowledgment as explained above.

Confirmation Packet and Account ID Information

Once NASDR receives and processes your completed UAAF, AAEFs, and Pilot Acknowledgment, your firm will be sent a Confirmation Packet in early October. The Confirmation Packet will contain:

- Special User Name and Password for each Account Administrator
- Additional information on Web IARD
- Financial account deposit information
- Recommended system configuration requirements
- Security reminder

Pilot firms that already have Web CRD access as a broker/dealer will use their existing entitlement User Name and Password. These firms **will not** receive a new User Name or Password. Likewise, these firms will use their existing CRD financial account from which all Web CRD and Web IARD transactions will be posted.

When you receive your Confirmation Packet, you will be able to access Web IARD and begin completing, electronically, the revised Form ADV. Although you may begin completing your Form ADV, you **will not** be able to submit an electronic filing until money is deposited into your account, either by wire transfer or check. You will receive detailed information on how your financial account works, billing procedures, and the Web IARD Accounting System in your Confirmation Packet.

Support for the Pilot

NASDR has established a dedicated telephone number, **240.386.4848**, for Web IARD calls related to system navigation and usage. We request that all questions and/or problems you may have using the system be directed to this number. This should include any problems you are having accessing or using the system and the reporting of potential system “bugs.” If the Call Center staff is unable to answer your question, they will route your inquiry to a subject-matter expert who will promptly return your call. There will be Call Center staff available from 8 a.m., ET, until 8 p.m., ET, Monday through Friday to answer your Web IARD system-related calls. **Any questions related to policy, interpretation, regulatory requirements, or status of filings should be directed to the SEC’s IARD information line @ 202.942.0691 or to the appropriate regulatory authority.**

Schedule of Pilot Activities:

Date	Pilot Event
August 31, 2000	ALL Web IARD Entitlement Forms must be received by NASDR.
September 16, 2000	Web IARD Users Manual available on <i>www.webiard.com</i> Web Site.
September 20, 2000	Web IARD Navigation Guides available on <i>www.webiard.com</i> Web Site.
Week of October 2, 2000	NASDR mails Entitlement Confirmation Packets (User ID and Password) to Pilot firms.
October 3, 2000	IA Firm Pilot Begins! <ul style="list-style-type: none"> • Pilot firms can begin preparing electronic Form ADV and Notice Filings. • Pilot firms send funds immediately, by wire or check, to NASDR to be deposited in their financial accounts to cover fees. • Once money has been deposited into their financial accounts, Pilot firms submit electronic filings to the Web IARD System.
October 4, 11, 18, 25 & November 1 (11 a.m., ET, to 12:30 p.m., ET)	Weekly Pilot feedback conference calls.
November 3, 2000	Pilot firm deadline for filing electronic Form ADV and Notice Filings
November 4, 2000 Onward	All subsequent ADV and ADV-W filings MUST BE MADE ELECTRONICALLY.

Pilot Feedback Process

Pilot firm volunteers will be asked to provide NASDR with feedback on their filing experience. As a means to facilitate the feedback process, NASDR will be hosting a weekly conference call on Wednesdays from 11:00 a.m., ET, to 12:30 p.m., ET. Representatives from the SEC, NASAA, and NASDR will participate to address your questions and hear your feedback.

Users will also have the ability to generate e-mail messages to NASDR. These messages will be reviewed by NASDR staff and responded to in a timely fashion. While we encourage you to use the e-mail function, we suggest that users call for responses to matters that need immediate attention.

User Assistance Tools

To assist filers, we have created a Users Manual. This Users Manual will be available for your review and referencing on or about September 16 on a new IARD Web Site that is currently being developed, www.webiard.com. The manual is designed to allow you to view and print all, or part of it, as necessary.

Additionally, we have developed a series of functional Navigation Guides which are meant to be used as quick reference tools for users on how to use the system. They are not meant to replace the Users Manual. Rather, the Guides are a support tool to keep handy by your PC. These Navigation Guides will be available on the IARD Web Site on or about September 20.

We thank you for volunteering to participate in the Web IARD Pilot. The information that you will provide us will be invaluable in refining both the system and the processes before full implementation of the system occurs. NASDR looks forward to working with you in the coming months.

Enclosures: