

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-49876; File No. SR-NASD-2004-016)

June 16, 2004

Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Implementation of a Web-based Arbitration Claim Notification and Filing Procedure

I. Introduction

On January 29, 2004, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change amending NASD Rule 10314(a) to allow parties to complete part of the arbitration claim filing process through the Internet. On February 25, 2004, NASD filed Amendment No. 1 to the proposed rule change.³ On April 16, 2004, NASD filed Amendment No. 2 to the proposed rule change.⁴ Notice of the proposed rule change, as amended, was published for comment in the Federal Register on May 14, 2004.⁵ No comments were received on the proposed rule change. This order approves the proposed rule change.

II. Description of Proposed Rule Change

Currently, to file an arbitration claim, NASD requests that the party voluntarily complete and remit, along with other documents, a Claim Information Sheet containing data about the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Mignon McLemore, Counsel, NASD, to Katherine England, Assistant Director, Division of Market Regulation, Commission, dated February 24, 2004.

⁴ See letter from Mignon McLemore, Counsel, NASD, to Katherine England, Assistant Director, Division of Market Regulation, Commission, dated April 16, 2004.

⁵ See Securities Exchange Act Release No. 49673 (May 10, 2004), 69 FR 26910.

claim and the parties. Upon receipt, NASD staff manually enters the claim data into its CRAFTIS computer system.⁶

The proposed rule change would permit, but not require, a claimant to file an arbitration claim by completing an online version of the Claim Information Form. The online version of the Claim Information Form would gather information similar to the paper Claim Information Sheet currently in use. Once the claimant has completed the Claim Information Form, the system would generate a Tracking Form that summarizes the claimant's entries for review and provides a tracking number for the claim. The claimant would then file a copy of the Tracking Form, the Statement of Claim (if it has not been submitted electronically with the Claim Information Form), an executed Uniform Submission Agreement, and the filing fee and hearing session deposit through the mail, as is the current practice.

Using the tracking number, NASD staff could locate the claimant's data, verify it, and then upload it into CRAFTIS. NASD staff would be able to analyze the claimant's file without having to manually input the data into CRAFTIS.

III. Discussion

For the following reasons, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.⁷ Specifically, the Commission believes that the proposed rule change is consistent with Section 15A(b)(6) of the Act, which requires, among other things, that

⁶ CRAFTIS is the legacy software application that NASD Dispute Resolution uses to support its case administration function. It uses a non-Web-based technology platform.

⁷ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

NASD's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that the proposed rule change should enhance the efficiency of the NASD arbitration forum by providing a mechanism to process new claims expeditiously. The proposed implementation of the voluntary online claim notification procedure should expedite the case intake process, reduce manual data entry, and provide for more efficient claims intake and administration. Moreover, the implementation of a Web-based arbitration claim notification and filing system should streamline the claim filing process and provide global access to potential filers.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-NASD-2004-016) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland
Deputy Secretary

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).