done to comply with section 3 of the Private Act of 1974 and OMB Circular No. A–130, Appendix I.

By authority of the Board.

Beatrice Ezerski,

Secretary to the Board.

RRB–21

SYSTEM NAME: Railroad Unemployment and Sickness Insurance Benefit System—RRB.

* * * * *

ROUTINE USES OF RECORDS MAINTAINED IN THE SYSTEM, INCLUDING CATEGORIES OF USERS AND THE PURPOSES OF SUCH USES:

* * * * *

Paragraph ''ff'' is added to read as follows:

* * * * *

ff. Scrambled Social Security Number and complete home address information of unemployment claimants may be furnished to the Bureau of Labor Statistics for use in its Local Area Unemployment Statistics (LAUS) program.

[FR Doc. 99–8539 Filed 4–6–99; 8:45 am]

BILLING CODE 7905–01

SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (K2 Design,Inc., Common Stock, $.01 Par Value, and Redeemable Common Stock Purchase Warrants) File No. 1–11873

March 31, 1999.

K2 Design, Inc. (''Company'') has filed an application with the Securities and Exchange Commission (''Commission''), pursuant to Section 12(d) of the Securities Exchange Act of 1934 (''Act'') and Rule 12d2–2(d) promulgated thereunder, to withdraw the above specified securities (''Securities'') from listing and registration on the Boston Stock Exchange, Inc. (''BSE'' or ''Exchange'').

The reasons cited in the application for withdrawing the Securities from listing and registration include the following:

The Securities of the Company have been listed for trading on the BSE and the Nasdaq SmallCap Market since July 26, 1996, pursuant to a Registration Statement on Form SB–2 which became effective on said date.

The Company has complied with the rules of the BSE by filing with the Exchange a certified copy of the resolutions adopted by the Company's Board of Directors authorizing the withdrawal of its Securities from listing on the BSE and by setting forth in detail to the Exchange the reasons for the proposed withdrawal and the facts in support thereof. In making the decision to withdraw its Securities from listing on the BSE, the Company considered the direct and indirect costs of maintaining dual listings of its Securities on the BSE and the Nasdaq SmallCap Market. The Company does not see any particular advantage in the dual trading of its Securities and believes that the dual listing, if continued, would fragment the market for its Securities.

The BSE has informed the Company that it has no objection to the Company's application to withdraw its Securities from listing on the Exchange.

The Company's application relates solely to the withdrawal from listing of its Securities from the BSE and shall have no effect upon the continued listing of the Securities on the Nasdaq SmallCap Market. By reason of Section 12(g) of the Act and the rules and regulations of the Commission thereunder, the Company shall continue to be obligated to file reports under Section 13 of the Act with the Commission.

Any interested person may, on or before April 21, 1999, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549–0609, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–8516 Filed 4–6–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 33–7664, File No. S7–12–99]

Securities Uniformity; Annual Conference on Uniformity of Securities Laws

AGENCY: Securities and Exchange Commission.

ACTION: Notice of conference; request for comments.

SUMMARY: The Commission and the North American Securities Administrators Association, Inc. today announced a request for comments on the proposed agenda for their annual conference to be held on April 19, 1999. This meeting seeks to carry out the policies and purposes of section 19(c) of the Securities Act of 1933, which are to increase cooperation between the Commission and state securities regulatory authorities in order to maximize the effectiveness and efficiency of securities regulation.

DATES: The conference will be held on April 19, 1999. We must receive your written comments by April 14, 1999 in order to be considered by conference participants.

ADDRESSES: Please send three copies of written comments to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549–0609. Comments also can be sent electronically to the following E-mail address: rule-comments@sec.gov. Comment letters should refer to File No. S7–12–99; if E-mail is used, please include this file number on the subject line. Anyone can inspect and copy the comment letters at our Public Reference Room, 450 5th Street, NW, Washington, DC 20549. All electronic comment letters will be posted on the Commission's internet web site (http://www.sec.gov).

FOR FURTHER INFORMATION CONTACT: John D. Reynolds, Office of Small Business Review, Division of Corporation Finance, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549, Stop 3–4, (202) 942–2950.

SUPPLEMENTARY INFORMATION:

I. Discussion

The federal government and the states have jointly regulated securities offerings since the adoption of the federal regulatory structure in the Securities Act of 1933 (the ''Securities Act'').[1] Issuers trying to raise capital through securities offerings, as well as participants in the secondary trading markets, must comply with the federal securities laws as well as all applicable state laws and regulations. Parties involved in this process have long recognized the need to increase uniformity and cooperation between the federal and state regulatory systems so that capital formation can be made

[1] 15 U.S.C. 77a *et seq.*

easier while investor protections are retained.

Congress endorsed greater uniformity in securities regulation with the enactment of section 19(c) of the Securities Act in the Small Business Investment Incentive Act of 1980.[2] Section 19(c) authorizes the Commission to cooperate with any association of state securities regulators which can assist in carrying out that section's policy and purpose. Section 19(c) mandates greater federal and state cooperation in securities matters in order to:

- Maximize effectiveness of regulation;
- Maximize uniformity in federal and state standards;
- Minimize interference with the business of capital formation; and
- Reduce the costs, paperwork and burdens of raising investment capital, particularly by small business, and also reduce the costs of the government programs involved.

The Commission is required to conduct an annual conference to establish ways to achieve these goals. The 1999 meeting will be the sixteenth conference.

During 1996, Congress again examined the system of dual federal and state securities regulation. It considered the need for regulatory changes to promote capital formation, eliminate duplicative regulation, decrease the cost of capital and encourage competition, while at the same time promoting investor protection. Congress passed The National Securities Markets Improvement Act of 1996[3] (the ''1996 Act'') as a result of this reexamination. The 1996 Act contains significant provisions that realign the partnership between federal and state regulators. The legislation reallocates responsibility for regulation of the nation's securities markets between the federal government and the states in order to eliminate duplicative costs and burdens and improve efficiency, while preserving investor protections.

II. 1999 Conference

The Commission and the North American Securities Administrators Association, Inc. (''NASAA'')[4] are planning the 1999 Conference on Federal-State Securities Regulation to be held April 19, 1999 in Washington, DC. At the conference, Commission and NASAA representatives will divide into working groups in the areas of corporation finance, market regulation and oversight, investment management, investor education, and enforcement. Each group will discuss methods to enhance cooperation in securities matters and improve the efficiency and effectiveness of federal and state securities regulation. Generally, only Commission and NASAA representatives may attend the conference to encourage open and frank discussion. However, each working group in its discretion may invite certain self-regulatory organizations to attend and participate in certain sessions.

The Commission and NASAA are preparing the conference agenda. We invite the public, securities associations, self-regulatory organizations, agencies, and private organizations to participate by submitting written comments on the issues set forth below. In addition, we request comment on other appropriate subjects. Conference attendees will consider all comments.

III. Tentative Agenda and Request for Comments

The tentative agenda for the conference consists of the following topics in the areas of corporation finance, investment management, market regulation and oversight, investor education, and enforcement.

(1) Corporation Finance Issues

The 1996 Act amended section 18 of the Securities Act[5] to preempt state blue-sky registration and review of offerings of ''covered securities.''[6] ''Covered securities'' are defined by section 18 and include several types of securities, including securities traded on the New York Stock Exchange, Inc. (''NYSE''), American Stock Exchange (''Amex'') and the Nasdaq National Market System (''Nasdaq/NMS'') (these securities as a group are called ''nationally-traded'' securities). Covered securities also include registered investment company securities and certain exempt securities and offerings.

The states retain some authority in connection with offerings of covered securities despite this preemption. Except for covered securities that are classified as nationally-traded securities, the states have the right to require fee payments and notice filings. The states also retain anti-fraud authority over all securities offerings, including offerings of covered securities.

Securities that are not ''covered securities remain subject to state registration requirements. These securities generally include the securities of smaller companies, such as those quoted on the Nasdaq SmallCap market or the NASD's over-the-counter Bulletin Board, or in the ''pink sheets.'' Securities issued in a private offering under section 4(2) of the Securities Act are not covered securities if the offering does not meet the safe harbor requirements of Rule 506 of Regulation D.[7] Also, securities issued under Regulation A[8] and Rules 504 and 505 of Regulation D are not covered securities.[9]

The states' authority over securities offerings, particularly their ability to register and review offerings of non-covered securities, continues the need for uniformity between the federal and state registration systems, where consistent with investor protection. The group will discuss ways to increase uniformity between the systems. Conferees will focus primarily on the following topics:

A. Reform of the Securities Offering Process

For many years, the Commission has been actively reexamining the regulatory framework for the offer and sale of securities under the federal securities laws. As a result of this work, the Commission issued a release in November 1998 proposing significant changes in the regulation of securities offerings and the disclosure system that applies to publicly reporting companies.[10] The proposals relate to five areas:

- Registration system reform;
- Communications around the time of a securities offering;
- Prospectus delivery requirements;
- Integration of private and public offerings; and
- Periodic reporting under the Securities Exchange Act of 1934 (the ''Exchange Act'').

The Commission's staff will summarize these proposals and describe the responses from the public received to date. While the group may consider various aspects of the proposals, the representatives will discuss primarily how the proposals would affect state regulation of offerings of non-covered securities. The group will focus on some or all of the following matters:

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[2] Pub. L. 96–477, 94 Stat. 2275 (October 21, 1980).

[3] Pub. L. 104–290, 110 Stat. 3416 (October 11, 1996).

[4] NASAA is an association of securities administrators from each of the 50 states, the District of Columbia, Puerto Rico, Mexico and twelve Canadian Provinces and Territories.

[5] 15 U.S.C. 77r.

[6] 15 U.S.C. 77r (a) and (b).

[7] 17 CFR 230.501 through 230.508.

[8] 17 CFR 230.251 through 230.263.

[9] Other securities also are not considered covered securities. These include securities traded on regional exchanges and asset-backed and mortgage-backed securities.

[10] Securities Act Release No. 7606 (November 3, 1998) [63 FR 67174].

1. Registration System Reforms

The Commission proposed new Form B for large issuers that meet certain reporting and annual report requirements and had registered previously an offering of securities under the Securities Act which was declared effective by the Commission's staff. Form B also would be available to smaller issuers which meet the same requirements, but only when they offer securities to relatively sophisticated investors or knowledgeable investors.

These smaller issuers could use Form B for offerings to qualified institutional buyers as defined in Rule 144A[11] and for offerings to certain existing security holders, such as: rights offerings; securities offered under dividend or interest reinvestment plans; and offerings to holders of common stock, options, warrants and convertible securities.

Form B would replace Form S–3, the current abbreviated registration statement form, and provide issuers with more flexibility than under the current system. The issuer would be able to delay filing the Form B registration statement until shortly before the first sale of securities and would be able to determine when its registration statement becomes effective.

The Commission proposed new Form A for medium-sized issuers.[12] It would replace Form S–1, the current registration statement form used by most issuers. Form A would be used by issuers that do not meet the requirements to use Form B. Some Form A issuers would be able to specify the time of effectiveness of their registration statements. Form A issuers that are able to incorporate company information into their prospectuses would be able to control the timing of effectiveness if either:

- They have a public float equal to or greater than $75 million; or
- The Exchange Act annual report that is incorporated into the Form A registration statement was reviewed by the Commission's staff and amended to comply with any staff comments.

The group will discuss these proposed registration statement reforms and consider how they would operate with state registration procedures for offerings of non-covered securities.

2. Communications Around the Time of an Offering

Under current federal regulation, an issuer's communications to investors and the market are strictly limited around the time of an offering. The Commission's proposals in this area would loosen these restrictions while preserving the legal remedies to investors for inadequate disclosures.

The approach would depend upon the type of offering. For Form B offerings, issuers would be able to make oral and written communications in any format at any time regardless of whether the offering is imminent or ongoing. Those communciations of course would be subject to the liability provisions of the federal securities laws and would need to be filed with the Commission.

For non-Form B offerings, the Commission has proposed a bright-line safe harbor for all communications made before the 30-day period before the date of filing the registration statement. Communications within 30 days of filing would remain restricted although the Commission has proposed safe harbors for factual business communications and regularly released, forward-looking information. After the registration statement is filed, the Commission proposes to lift restrictions on communications. These post-filing communications would be subject to the liability provisions and would have to be filed with the Commission.

The group will discuss the proposed federal approach to communications. The conferees also will consider how the Commission's proposals would coordinate with state regulations applicable to communications.

3. Integration of Offerings

An issuer of securities that has commenced a private offering may decide to switch to a registered public offering. Similarly, an issuer may decide to end a registered offering and offer securities under a private exemption. The current federal rules prevent most companies from switching from registration to a private offering, and vice versa, in a timely fashion. The Commission has proposed changes to remove most of these impediments.

The Commission has proposed a safe harbor for issuers that have started a registered offering and wish to switch to a private offering. Under the safe harbor, the issuer may withdraw its registration statement and either wait 30 days to sell privately or sell privately sooner if it accepts a higher liability standard for written disclosures provided to purchasers.

Another safe harbor would apply to an issuer that has started a private offering and later decides to abandon it and file a registration statement. Under this proposal, the issuer could file a registration statement for a public offering immediately after abandonment of the private offering, unless it had offered the securities to persons ineligible to buy in a private offering. In that case, the issuer would need to wait 30 days before filing its registration statement.

The group will discuss the proposed integration safe harbors and consider how they would coordinate with state rules that apply in these situations.

B. Small Business Initiatives

1. Registration System Reform—Effects on Small Business Issuers

Certain Commission registration reform proposals are tailored to benefit smaller issuers. One important proposal would modify the definition of ''small business issuer.'' In 1992 and 1993, the Commission adopted special forms for small issuers to use in registering under the Securities Act and Exchange Act and in reporting under the Exchange Act. The disclosure requirements of these forms are less extensive than those applicable to larger issuers. The Commission adopted the definition of ''small business issuer'' to distinguish the class of smaller issuers that would be permitted to use these special forms. A small business issuer generally is a company with revenues of less than $25 million and a public float of less than $25 million.[13]

The Commission proposed to change the definition by increasing the revenue level to $50 million and removing the public float limitation. This proposal would update the definition for the significant economic and market changes that have occurred since the definition was adopted in 1992. The proposal would significantly increase the number of public companies that would qualify as small business issuers.

Another important reform proposal would allow small business issuers to use Form B when offering securities to relatively sophisticated or knowledgeable investors. Small business issuers would be able to enjoy the various benefits of Form B in these offerings.[14]

Other reform proposals also would benefit smaller issuers. Under one proposal, a small business issuer whose registration statement has become effective would be allowed to increase the size of its offering by up to 50% of the maximum offering price of the earlier effective registration statement. The second registration statement for the additional offering amount would become effective automatically under certain circumstances. Another proposal

[11] 17 CFR 230.144A.

[12] The effects of the reform proposals on small business issuers are discussed under (1) B.1. below.

[13] 17 CFR 228.10. Other requirements also must be met.

[14] See discussion under (1) A.1. above.

would permit incorporation by reference of Exchange Act reports into Form SB–2, the basic registration statement for small business issuers. This change would permit earlier incorporation by reference than allowed currently.[15] Also, the Commission proposed a new Form SB–3, a registration statement form designed especially for small business issuers to use in business combinations.

The Commission's integration proposal, although applicable to all issuers, may benefit small business issuers in particular. Because small business issuers often have no market or only a limited market for their securities before a securities offering, they may be unable to predict investors' interest in their offerings. Once a smaller issuer begins an offering, it may wish to switch between a registered offering and an exempt offering depending upon the amount of investor interest in its securities. The integration proposal would permit an issuer to switch between registration and an exemption in a timely manner if certain conditions are met.[16]

The group will discuss the impact of these proposed changes, if adopted, and the need for any additional rulemaking in the small business area.

2. Rule 504

Rule 504 of Regulation D provides an exemption from the Securities Act registration requirements for offerings up to $1 million in any 12-month period, if certain conditions are met. Generally, Rule 504 is available only to the smallest companies that do not report under the Exchange Act. Under prior Rule 504, issuers were permitted to generally solicit and advertise in Rule 504 offerings, and the securities issued in those offerings were freely tradeable. The Commission recently amended Rule 504 to address concerns with the previous approach.[17] The revised rule limits the circumstances where general solicitation is permitted and freely tradeable securities are issued under the rule. Specifically, issuers may generally solicit and advertise and issue freely tradeable securities only in transactions that are either:

- Registered under state law requiring public filing and delivery of a substantive disclosure document to investors before sale; or
- Exempted under state law permitting general solicitation and general advertising so long as sales are made only to ''accredited investors.'' [18]

Only companies that do not report under the Exchange Act may use Rule 504. Where an issuer becomes a reporting company during an ongoing Rule 504 offering, the issuer may not continue to rely on the rule after it becomes a reporting company. To address this case, one of the Commission's reform proposals would amend Rule 504 to permit an issuer that becomes a reporting company during an ongoing Rule 504 offering to continue to rely on the rule in that offering, if certain conditions are met.

The group will discuss the revisions and proposed amendment to Rule 504. Conferees will consider whether other changes are needed in the rule while at the same time preserving the ability of small companies to raise capital.

3. State Initiatives

The group will discuss several state initiatives designed to facilitate offerings by smaller issuers. These include:

- The Coordinated Equity Review (''CER'') program;
- The Small Company Offering Registration (''SCOR'') form; and
- The state regional review program for SCOR and Regulation A filings (the ''Regional Review Program'').

The CER program provides for a coordinated state review process for offerings of equity securities registered at the federal level. Under CER, the participating states coordinate with each other to produce one comment letter to an issuer which addresses both substantive and disclosure matters. To date, 38 states (out of 42 states that require registration of these offerings) have agreed to participate in the program. The states have reviewed approximately 32 registration statements under this program.

Many states use a similar coordinated program to review state registrations using the SCOR form, the ''Regional Review Program.'' The SCOR form is a simplified question and answer format used for the registration of securities offerings with approximately 47 states. This form is used to register securities offerings exempt from federal registration under Rule 504 of Regulation D or Regulation A. Under the Regional Review Program, states in certain regions of the country elect one state to lead the review and issue comments on the filing. Three regional programs have been started to date and include about 22 of the states requiring registration of these offerings.[19] About 37 SCOR filings have been reviewed under the Regional Review Program. The SCOR form was adopted by NASAA in 1989. NASAA's Small Business Capital Formation and Regional Review Committee is considering certain revisions to update and modernize the form.

NASAA's representatives will discuss their experiences with the SCOR form and the state coordinated review programs, including issues which have arisen in their use. Participants will consider how these programs may be improved to increase uniformity between the federal and state levels.

C. Definition of Qualified Purchaser and Accredited Investor; NASAA's Model Accredited Investor Exemption

Section 18 of the Securities Act, after the 1996 Act, excludes from state regulation and review securities offerings to purchasers who are defined by Commission's rules to be ''qualified purchasers.'' [20] A security sold to a ''qualified purchaser'' is a ''covered security'' subject to the same regulatory approach as other covered securities. The Commission is planning to propose a definition of ''qualified purchaser'' for this purpose. In this process, the Commission is considering whether changes should be made to the definition of ''accredited investors'' under the Securities Act, and whether the definitions of ''qualified purchasers'' and ''accredited investors'' should be similar or different. The Commission and state representatives will discuss the appropriate criteria for these two definitions.

The group also will discuss NASAA's Model Accredited Investor Exemption which was adopted in 1997. Generally, the model rule exempts offers and sales of securities from state registration requirements if, among other things, the securities are sold only to persons who are, or are reasonably believed to be, accredited investors. To date, 16 states have adopted the exemption and other states indicate that they intend to adopt the exemption in the near future. State representatives will share their

[15] Existing Form S–2 permits incorporation by reference if the issuer has been reporting for a three year period and meets other requirements. Proposed Form SB–2 would reduce the three year period to two years.

[16] See the discussion under (1) A. 3. above.

[17] Securities Act Release No. 7644 (February 25, 1999) [64 FR 11090].

[18] 17 CFR 230.501(a). The term *accredited investor*, as defined by the Securities Act and the Commission's rules, is intended to encompass those persons whose financial sophistication render the protections of the Securities Act registration process unnecessary. Offers and sales to these investors are afforded special treatment under the federal securities laws.

[19] A fourth regional program is forming now. It will consist of six states in the mid-Atlantic region and expects to accept filings in late spring 1999.

[20] 15 U.S.C. 77r(b)(3).

experiences with the exemption, including any issues that have arisen.

D. Plain English Disclosure

Beginning October 1, 1998, issuers filing Securities Act registration statements must use plain English writing principles when drafting the front part of prospectuses, *i.e.*, the cover page and the summary and risk factors sections.[21] These plain English principles include: active voice; short sentences; everyday language; tabular presentation or ''bullet lists'' for complex material, if possible; no legal jargon or highly technical business terms; and, no multiple negatives.

The Division of Corporation Finance, in its full review of a registration statement, examines the prospectus for compliance with the plain English requirements. If appropriate, the Division staff will issue comments to obtain improved plain English disclosures. The Division representatives will discuss their experiences with the plain English system. The group will consider any issues that have arisen and federal and state coordination needed to facilitate success of the system.

E. Year 2000 Disclosure Issues

The Commission and its staff have published several statements which provide guidance about the disclosure requirements of public companies facing year 2000 technology problems. The Commission recently provided guidance in a July 1998 release.[22] That release provides advice to public companies so they can determine whether their year 2000 issues should be disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of their disclosure documents. The release also advises public companies to consider Year 2000 issues when preparing their financial statements and drafting other disclosures, such as risk factors and business description disclosures. The working group will consider this issue and discuss how to require and review disclosures on this matter in a consistent manner.

(2) Market Regulation Issues

A. Books and Records

Section 103 of the 1996 Act prohibits any state from imposing broker-dealer books and records requirements that differ from, or are in addition to, the Commission's requirements. In addition, the same section directs the Commission to consult periodically with the state securities authorities concerning the adequacy of the Commission's books and records requirements.

On October 2, 1998, the Commission reproposed amendments to the books and records rules to clarify and expand recordkeeping requirements with respect to purchase and sale documents, customer records, associated person records, customer complaints, and certain other matters. The reproposed amendments also specified the books and records that broker-dealers would make available at their local offices. The Commission modified the reproposed amendments to reduce the burden on broker-dealers without substantially detracting from the original objective of establishing rules that would facilitate examinations and enforcement activities of the Commission, self regulatory organizations (''SROs''), and state securities regulators.[23] Among other changes in the reproposed amendments, the Commission redefined the term ''local office'' to include a place where two or more associated persons regularly conduct a securities business. The original proposal[24] defined the term local office to include a place where one associated person conducted a securities business. Furthermore, as reproposed, a broker-dealer would be required to update its customer account records at least once every three years. The original proposal required broker-dealers to update the customer account records annually.

The comment period closed December 9, 1998. The Commission received approximately 120 comment letters in response to the release re-proposing the amendments. The Commission's staff has been reviewing the comments that have been submitted. The working group will discuss these efforts to amend Rules 17a–3 and 17a–4.

B. Central Registration Depository

The CRD system is a computer system operated by the National Association of Securities Dealers, Inc. (''NASD'') and used by the Commission, the states and the SROs primarily as a means to facilitate registration of broker-dealers and their associated persons. The NASD is in the process of implementing a comprehensive plan to modernize the CRD and to expand its use by federal and state securities regulators as a tool for broker-dealer regulation. As a result of the NASD's efforts, the modernized CRD system ultimately is expected to provide the Commission, the SROs, and state securities regulators with: (1) Streamlined capture and display of data; (2) better access to registration and disciplinary information through the use of standardized and specialized computer searches; and (3) electronic filing of uniform registration and licensing forms, including Forms U–4, U–5, BD and BDW.

The NASD is preparing to implement the web-based form filing component of the modernized CRD system in the third quarter of 1999. In the past year, NASAA, the NASD, the Commission and others have worked together to modify Forms U–4, U–5 and BD in order to accommodate the electronic filing environment that will exist in the modernized CRD. At NASAA's Annual Fall conference held in October 1998, NASAA adopted new versions of Forms U–4 and U–5. The NASD has submitted, and the Commission is reviewing, a rule proposal to modify Forms U–4 and U–5. The NASD rule proposes additional formatting and technical changes to the forms in order to fully implement the web-based CRD system. Also, the Commission is considering revisions to the Form BD to accommodate web-based form filing.

In anticipation of the conversion to the web-based CRD system, the NASD is planning a two week transition period during which time registration activities will not be processed. This two week period is currently scheduled for the beginning of August 1999.

The conference participants will discuss the CRD modernization process, including the proposed changes to the forms and the transition period.

C. Micro-cap Fraud Rules

Rule 15c2–11 under the Exchange Act requires a broker-dealer to review current information about an issuer before it publishes a quotation for the issuer's security in the non-Nasdaq over-the-counter markets. Because of the rule's ''piggyback'' provision, generally only the first broker-dealer has to review this information. Once the security is quoted regularly for 30 days, other broker-dealers can ''piggyback'' off those quotes without reviewing any information about the issuer.

On February 17, 1998, the Commission proposed amendments to Rule 15c2–11 that would strengthen the rule in a number of ways.[25] The Commission received approximately

[21] Securities Act Release No. 7497 (January 28, 1998) [63 FR 6370].

[22] Securities Act Release No. 7558 (July 29, 1998) [63 FR 41394].

[23] Exchange Act Rel. No. 40518 (October 2, 1998) [63 FR 54404].

[24] Exchange Act Rel. No. 37850 (October 22, 1996) [61 FR 55593].

[25] Exchange Act Release No. 39670 (February 17, 1998) [63 FR 9661].

199 written comments from 193 commenters, including 68 identical letters from OTC Bulletin Board issuers in response to the release proposing amendments. Broker-dealers, trade associations, and law firms representing broker-dealers submitted 45% of the comment letters. OTC Bulletin Board issuers submitted 30% of the comment letters. State securities regulators and NASAA accounted for 5% of the comment letters. The majority of the comment letters opposed the proposed amendments. Because of the significant comments received, the Commission decided to modify some of these amendments and repropose them for public comment.[26] The reproposal acknowledges commenters' concerns about the initial proposal by limiting the scope of the rule principally to priced quotations and to those securities that are more likely to be the subject of improper activities. The provisions relating to the broker-dealer's obligations under the rule and the specified issuer information that the broker-dealer must obtain and review are essentially unchanged from the initial proposal. The reproposed amendments would:

- Eliminate the rule's piggyback provision and require all broker-dealers to review current issuer information before publishing priced quotations for a security;
- Limit the rule's applicability to priced quotations only (except in the case of the first broker-dealer to quote the security);
- Require broker-dealers publishing priced quotations for a security to review current information about the issuer at least annually;
- Require documentation of the broker-dealer's compliance with the rule; and
- Require broker-dealers publishing quotes in compliance with the rule to make the issuer information available at the request of customers, prospective customers, information repositories, and other broker-dealers to the extent that such information is not available through EDGAR, any other federal or state electronic information system, or an information repository.

However, the new amendments would narrow the scope of the rule to those kinds of securities most frequently involved in micro-cap fraud schemes by excluding the following securities:

- Securities with a worldwide average daily trading volume value of at least $100,000 during each of the six full calendar months immediately preceding the date of publication of a quotation, and convertible securities where the underlying security satisfies this threshold;
- Securities with a bid price of at least $50 per share;
- Securities of issuers with net tangible assets in excess of $10,000,000, based on audited financial statements; and
- Non-convertible debt, non-participatory preferred stock, and investment grade asset-backed securities.

The amendments also reorganize and simplify the rule's provisions consistent with the Commission's plain English program. The goals of the amendments are to deter fraudulent or manipulative quotations for OTC securities, improve the integrity of quotations for OTC securities, enhance broker-dealer responsibility for quotations for OTC securities, and provide market professionals, investors, and others with greater access to issuer information. The participants will discuss the recent reproposal and the effects of such reproposal, if adopted, and other ways to promote investor protection in the OTC market arena.

D. NASD Proposals

The NASD has undertaken several regulatory initiatives in the past two years. A new rule change limited the securities that a member can quote on the OTC Bulletin Board to the securities of issuers that are registered under section 12 of the Exchange Act, certain insurance companies, and registered closed-end investment companies, but only if they are current in their reporting obligations.

A proposed rule amendment would require clearing firms to (1) forward customer complaints about an introducing firm to the introducing firm and the introducing firm's designated examining authority (''DEA''), (2) notify complaining customers that the complaint has been forwarded to the introducing member and the introducing member's DEA, (3) provide introducing firms with a list of exception reports available to help the introducing firms supervise their activities, and (4) permit introducing firms to issue checks drawn on the clearing firm's account only after the introducing firm has notified the clearing firm, in writing, that it has established and will maintain and enforce appropriate supervisory procedures.

The NASD submitted a proposed rule that would provide guidelines that apply to the employment and supervision of unregistered persons who contact prospective and existing customers, and provide for heightened supervision of cold callers. This proposal is currently out for comment.

Finally, a new rule proposed by the NASD in 1998 would require a member to review current financial statements of an issuer prior to recommending a transaction in the issuer's OTC securities to a customer, and to deliver a disclosure statement to its customer prior to making an initial purchase of an OTC security for the customer, and annually thereafter.

These four initiatives are still being reviewed by the Commission. The working group will discuss the impact of the new rules, the status of the proposals, the comments received to date, and their implications for small businesses and NASAA members.

E. Arbitration

The NASD submitted to the Commission rule filings that focus on and deal with the eligibility rule, the contract rule, the creation of a discovery guide for arbitrators, whether punitive damages should be capped in arbitration, and the use of interim injunctive relief in arbitration. On June 22, 1998, the Commission approved an NASD rule filing which eliminated the NASD's regulatory requirement that securities industry employees arbitrate statutory employment discrimination claims.[27] Additionally, on December 29, 1998, the Commission approved by delegated authority the NYSE's proposal to exclude statutory employment discrimination claims from its arbitration forum unless all parties agreed to the arbitration after the claim arose.[28] On October 14, 1998, the Commission approved the NASD's rule change altering the system for selecting arbitrators by substituting for the current system of administrative appointment of arbitrators by NASD staff a new system whereby parties are provided with lists of arbitrators that they may rank by preference.[29] Recently, the Commission approved an NASD rule proposal to increase NASD

[26] Exchange Act Release No. 41110 (February 25, 1999) [64 FR 11124].

[27] Exchange Act Release No. 40109 (June 22, 1998) [63 FR 35299].

[28] Exchange Act Release No. 40858 (December 29, 1998) [64 FR 1051]. Commission staff is working with the regional exchanges to assure conforming changes to their rules. In December 1998, the Commission approved proposals substantially similar to the NYSE's filed by the Boston Stock Exchange and Chicago Stock Exchange. Exchange Act Release No. 40861 (December 29, 1998) [64 FR 1039] (Boston); Exchange Act Release No. 40873 (December 31, 1998) [64 FR 1253] (Chicago).

[29] Exchange Act Release No. 40556 (October 14, 1998) [63 FR 56957].

Regulation's arbitration fees and the honoraria it pays its arbitrators.[30]

The NASD filings resulted in part from its work with the Securities Industry Conference on Arbitration (''SICA''). The participants are likely to address some or all of the above proposed changes in the securities arbitration process.

F. Day Trading

''Day trading'' has been in the news a great deal recently. A ''day trader'' can be loosely defined as someone who buys and sells stocks during the day, often within minutes, hoping to take profitable advantage of intraday swings in share prices. What particularly distinguishes a day trader from a more typical retail investor is that he or she, generally, will (1) not carry a position overnight; (2) try to make money on the ''spreads'' between the bids and offers; (3) trade through automatic order execution systems, and not on-line through the Internet, in order to obtain nearly instantaneous order execution; (4) look at historical buying patterns in order to determine if the stock is most actively sought during certain hours of the day, times of the year, etc., rather than looking at a company's fundamentals or growth prospects; (5) have the mind set of a ''trader'' rather than a long term investor; and (6) focus on trading in volatile stocks.

The Commission is looking carefully at the activity of firms that facilitate day trading. Areas that the Commission is looking into include: (1) Activities that may require broker-dealer or investment adviser registration with the Commission, or that may require registration with the Commission of sales of shares of day trading accounts or firms; (2) compliance by day trading firms with margin and short sale rules, including loans made to customers; (3) capital requirements; (4) the manner in which client funds are used; and (5) suitability requirements.

In early 1998, NASAA formed a task force to examine day trading. The work of the task force is ongoing. The participants are likely to address the task force's work.

G. Migration of Rogue Brokers

The federal securities laws do not currently prevent persons subject to disciplinary findings by state securities and insurance commissions, and federal banking agencies,[31] from entering the securities industry (and vice-versa). A 1994 General Accounting Office (''GAO'') study raised similar concerns about the migration of unscrupulous brokers into the financial services industry, such as banking and insurance.[32] The GAO recommended that the Department of Treasury work with the Commission and other financial regulators to (1) increase disclosure of CRD information so that regulators can consider a broker's disciplinary history in allocating examination resources and employers can use the information in making hiring decisions and (2) determine whether legislation or additional reciprocal agreements between the Commission and other financial regulators are necessary to prevent the migration of unscrupulous brokers to other financial services industries.

In 1996, the Commission's staff met with representatives from the NASD, NASAA, and the National Association of Insurance Commissioners (''NAIC''), to discuss steps that could be taken to stem the migration of unscrupulous brokers. At that meeting, it was agreed that an important first step would be to complete the ongoing CRD modernization project. The participants also discussed ways for additional regulatory authorities to obtain access to the insurance industry's Producer Information Network (''PIN'').[33]

The participants are likely to discuss the CRD modernization program and other avenues of information sharing between federal and state securities, insurance and banking regulators in order to address the possible migration of unscrupulous brokers.

Similarly, the group also expects to discuss whether it would be appropriate to amend the Exchange Act, to make persons subject to a ''statutory disqualification'' [34] if they have been found by a state securities or insurance commission, or state or federal banking agency, to have committed certain fraudulent acts or violated the statutes enforced by these agencies.

H. Year 2000

The Commission has been very active in addressing the potential problems for securities industry computer systems as a consequence of the date change on January 1, 2000 (''Year 2000'').

In particular, the Commission adopted rules that require broker-dealers, non-bank transfer agents, and investment advisers to file with the Commission (and, in the case of broker-dealers, with their designated examining authority) reports regarding their Year 2000 efforts.[35] The first reports for broker-dealers and transfer agents were due August 31, 1998; the first reports for investment advisers were due December 7, 1998. The Commission brought enforcement actions against 37 broker-dealers and 9 transfer agents who failed to file the first report or filed it late, while the NASD brought 59 similar actions against broker-dealers.[36]

Broker-dealers and non-bank transfer agents are required to file a second report on April 30, 1999; larger broker-dealers and non-bank transfer agents are also required to file a report prepared by an independent public accountant regarding the broker-dealers' and the non-bank transfer agents' processes for preparing for the Year 2000. Investment advisers are required to file a second report on June 7, 1999.[37]

Also during the past year, the Commission has supported the industry's efforts to conduct an industry wide test for Year 2000 problems in March 1999. Commission staff has worked with test organizers and the SROs to identify key test participants. In particular, the Commission has approved new SRO rules that allow the SROs to mandate their member firms conduct Year 2000 testing. Commission staff also meets regularly with the SROs to discuss member readiness for Year 2000 and contingency planning.

Other Commission efforts regarding Year 2000 efforts include a moratorium on the implementation of new Commission rules that require major reprogramming of computer systems by Commission-regulated entities between June 1, 1999 and March 31, 2000 [38] and surveys of Year 2000 remediation efforts

[30] Exchange Act Release No. 41056 (February 16, 1999) [64 FR 10041].

[31] This includes the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision.

[32] Securities Markets: Actions Needed to Better Protect Investors Against Unscrupulous Brokers (Letter Report, September 14, 1994, GAO/GGD–94–208).

[33] The NAIC's five year strategic plan, issued in 1993, included the development of a producer database and common insurance/producer licensing procedures. PIN, developed in 1995, is one of the tools to modernize the insurance licensing process. The insurance industry will have access to the Producer Database (''PDB'') through PIN. PDB access will include all non-confidential information such as the states in which a producer is licensed, what type of license is held as well as the status of the license and lines of authority.

[34] Exchange Act Section 3(a)(39).

[35] Exchange Act Release Nos. 40162 and 40163 (July 2, 1998) [63 FR 37668, 37688]; Investment Advisers Act Release No. 1769 (October 1, 1998) [63 FR 54308].

[36] Exchange Act Release No. 40573 and 40574 (October 20, 1998) and 40895 (January 7, 1999).

[37] Exchange Act Release Nos. 40608 (October 28, 1998) [63 FR 59208] and 40587 (October 22, 1998) [63 FR 58630].

[38] Exchange Act Release No. 40377 (August 27, 1998) [63 FR 47051].

at the exchanges, Nasdaq and clearing agencies.

I. Examination Issues

State and federal regulators also will discuss various examination-related issues of mutual interest, including: summits and examination coordination; branch office examinations; micro-cap issues; and day trading.

(3) Investment Management Issues

A. Division of Regulatory Authority

Title III of the 1996 Act amended the Investment Advisers Act of 1940 (''Advisers Act'') [39] to divide regulatory responsibility for investment advisers between the Commission and state securities regulators. The law generally requires advisers that have assets under management of $25 million or more, or that advise registered investment companies, to register with the Commission.[40] Advisers that have assets under management of less than $25 million must register with the appropriate state securities authorities.

On May 15, 1997, the Commission adopted rules to implement this division of regulatory authority,[41] including a requirement that each Commission-registered adviser indicate whether it was eligible for continued registration with the Commission and, if not, withdraw from Commission registration. Approximately 11,800 advisers withdrew from Commission registration and the Commission canceled the registrations of 4,200 advisers that failed to indicate whether they were eligible for continued registration with the Commission.[42] Approximately 8,500 investment advisers are currently registered with the Commission.

The conferees will discuss cooperation between Commission and state adviser programs, including sharing information about past examinations and monitoring advisers switching between federal and state registration.

B. Electronic Filing System

The 1996 Act requires the Commission to establish and maintain a ''readily accessible telephonic or other electronic process'' to receive public inquiries about the disciplinary histories of investment advisers and persons associated with investment advisers.[43] In October 1998, Commission staff announced that they would recommend that the Commission designate NASD Regulation, Inc. (''NASDR'') to operate an electronic investment adviser registration system.[44] This decision was made jointly with a NASAA committee.

The Commission has been working with NASAA, the state securities authorities, and NASDR to develop a one-stop electronic filing system that investment advisers will use to apply for registration with the Commission or the appropriate state securities authorities, and to update their registration. The Commission and state authorities will have access to the resulting database to review adviser registration materials and the database will be available to the public on an Internet web site. Clients and prospective clients of investment advisers will be able to quickly obtain disciplinary and other information about investment advisers and persons associated with investment advisers.

The conferees will discuss the progress to date in creating this new electronic filing system.

C. Revised Registration and Disclosure Forms

The Commission and NASAA are revising the investment adviser registration and disclosure forms. The revised registration form would provide more useful information to the Commission and the state securities regulators. The new disclosure form would require advisers to provide clear and complete disclosures in plain English to clients and prospective clients.

The conferees will consider and discuss ways in which the forms can be made most useful to the Commission and state securities authorities, and clients and prospective clients of investment advisers.

(4) Investor Education and Assistance

The Commission currently pursues a number of programs to educate investors on how to invest wisely and to protect themselves from fraud and abuse. The states and NASAA have a longstanding commitment to investor education, and the Commission intends to complement those efforts to the greatest extent possible. The working group will discuss the following investor education initiatives and potential joint projects:

A. Financial Literacy 2001

In the spring of 1998, NASAA, the NASD, and the Investor Protection Trust (''IPT'') joined forces to launch ''Financial Literacy 2001'' (''FL2001''), an unprecedented $1 million campaign targeting 25,000 high school teachers across America. The goal of FL2001 is to encourage—and make it easier for—teachers in every state to teach the basics on saving and investing. Working together, NASAA, the NASD, and the IPT have developed a state-by-state customized classroom guide and have begun to provide aggressive distribution and teacher training. During the working group session, the states will brief the Commission's staff on the progress of FL2001 and plans for dissemination of the FL2001 program in the coming year.

B. Plain English Update

In January 1998, the Commission approved new rules that require issuers to write the cover page, summary, and risk factors section of prospectuses in plain English. These rules apply to all registration statements filed with the Commission on or after October 1, 1998, and to all mutual fund disclosure statements filed on or after December 1, 1998. During the working group session, the participants will discuss the status of the Commission's plain English initiative.

C. Facts on Saving and Investing Campaign

In the spring of 1998, NASAA and the Commission, in conjunction with the Council of Securities Regulators of the Americas, launched the ''Facts on Saving and Investing Campaign.'' The campaign is an ongoing, grassroots effort to educate individuals about saving, investing, and avoiding financial fraud. Twenty-one countries throughout the Western Hemisphere participated in the campaign's enormously successful kick-off week. In the U.S., campaign partners—including more than thirty government agencies, consumer organizations, and financial industry associations—held educational events and distributed information on saving and investing throughout the country. In the coming year, the campaign plans to target two key audiences—schools and

[39] 15 U.S.C. 80b–1 et seq.

[40] Advisers Act Section 203A(a), 15 U.S.C. 80b–3a. The Advisers Act also provides for registration with the Commission of advisers that have their principal office and place of business in a state that has not enacted an investment adviser statute (currently, Wyoming), or that have their principal office and place of business outside the United States. In addition, the Commission has adopted rules exempting five categories of investment advisers from the prohibition on registration with the Commission. See Rule 203A–2, 17 CFR 275.203A–2.

[41] Investment Advisers Act Rel. No. 1633 (May 15, 1997) [62 FR 28112].

[42] The Commission published a Notice of Intention to Cancel Registrations of Certain Investment Advisers on March 9, 1998. See Investment Advisers Act Rel. No. 1705 [63 FR 12526].

[43] 1996 Act Section 306.

[44] SEC News Release 98–120.

the workplace. During the working group session, participants will discuss the campaign and future campaign initiatives. The group also will discuss other initiatives for international investor education.

D. New Investor Education Programs

Participants in the working group session will brainstorm ideas for new investor education programs, including joint NASAA and Commission initiatives.

E. Investor Education Resources

Participants in the working group session will assess existing resources for investor education—including brochures, videotapes, online materials, and other media—and identify gaps. Conferees also will discuss the most efficient and effective ways to provide educational resources to individuals at the grassroots level.

(5) Enforcement Issues

In addition to the above topics, state and federal regulators will discuss various enforcement-related issues which are of mutual interest.

(6) General

There are a number of matters which are applicable to all, or a number, of the areas noted above. These include EDGAR, the Commission's electronic disclosure system, rulemaking procedures, training and education of staff examiners and analysts and sharing of information.

The Commission and NASAA request specific public comments and recommendations on the above-mentioned topics. Commenters should focus on the agenda but may also discuss or comment on other proposals which would enhance uniformity in the existing scheme of state and federal regulation, while helping to maintain high standards of investor protection.

Dated: March 31, 1999.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–8515 Filed 4–6–99; 8:45 am]

BILLING CODE 8010–01–P

SMALL BUSINESS ADMINISTRATION

Request for Proposal for the Drug-Free Workplace Demonstration Program

AGENCY: U.S. Small Business Administration.

ACTION: Request for Proposal.

SUMMARY: The U.S. Small Business Administration (SBA) plans to issue request for proposal (RFP) no. SBDC–99–0001 to invite applications from eligible intermediaries in accordance with the Drug-Free Workplace Act of 1998 (Act). The authorizing legislation is the Small Business Act, Section 21(c)(3)(T) and Section 27, 15 U.S.C. 648(c)(3)(T) and 654, (Title IX of Pub. L. 105–277).

The Act permits the SBA to make grants to eligible intermediaries for the purpose of providing financial and technical assistance to small businesses seeking to establish drug-free workplace programs. In establishing these DFWP programs, as contemplated by the Act, eligible intermediaries should provide outreach to the small business community and provide additional voluntary education for parents. Outreach must include educating small businesses on the benefits of a drug-free workplace and encouraging small business employers and employees to participate in drug-free workplace programs. Education for parents must include teaching them how to keep their children drug-free.

All applicants must meet the definition of ''Eligible Intermediary'' as defined in the Act. Any applicants not meeting the definition will be considered non-responsive and their proposals will not be technically evaluated. The Act defines ''Eligible Intermediary'' as an organization that:

1. has at least two years of experience in carrying out drug-free workplace programs;

2. has a drug-free workplace policy in effect;

3. is located in a State, the District of Columbia, or a territory of the United States; *and*

4. has as its purpose the development of comprehensive drug-free workplace programs, or supplying drug-free workplace services, or providing other forms of assistance and services to small businesses.

SBA is looking for applications that include innovative and creative approaches to address the Drug-Free Workplace Act of 1998. The grants should be viewed as an opportunity to develop a community-wide collaborative effort in which a plan for a system of action aimed at reducing drug abuse in small businesses can serve as a national demonstration model.

SBA will select successful applicants through a competitive process. Evaluation criteria will be included in the RFP. The successful applicants will receive a 12-month grant award to provide financial and technical assistance to small businesses seeking to implement drug-free workplace programs.

DATES: SBA will mail the RFP to interested parties between mid and late April 1999. The closing date will be 30 days later. SBA Headquarters must receive the applications/proposals by the date and time that will be specified in the RFP.

FOR FURTHER INFORMATION CONTACT: Joan Bready, Office of Small Business Development Centers, SBA, at (202) 205–7384 or Mina Wales, Office of Procurement and Grants Management, SBA, at (202) 205–7080.

Dated: April 1, 1999.

Johnnie Albertson,

Associate Administrator, Small Business Development Centers.

[FR Doc. 99–8531 Filed 4–6–99; 8:45 am]

BILLING CODE 8025–01–P

SMALL BUSINESS ADMINISTRATION

[License No. 05/05–5210]

Cactus Capital Company; Notice of Surrender of License

Notice is hereby given that Cactus Capital Company, 6660 N. High Street, #1B, Worthington, Ohio 43085, has surrendered its license to operate as a small business investment company under the Small Business Investment Act of 1958, as amended (the Act). Cactus Capital Company was licensed by the Small Business Administration on September 22, 1989.

Under the authority vested by the Act and pursuant to the regulations promulgated thereunder, the surrender was effective as of February 28, 1999, and accordingly, all rights, privileges, and franchises derived therefrom have been terminated. (Catalog of Federal Domestic Assistance Program No. 59.011, Small Business Investment Companies).

Dated: March 30, 1999.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 99–8532 Filed 4–6–99; 8:45 am]

BILLING CODE 8025–01–P

SMALL BUSINESS ADMINISTRATION

Southeastern States Regional Fairness Board Public Hearing

The Small Business Administration Region IV Heartland States Regional Fairness Board located in the geographical area of Omaha, Nebraska, will hold a public meeting at 12:30 p.m. on Friday, June 11, 1999 at the Executive West Hotel-Drinkwater Room,