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Dated at Rockville, Maryland, this 25th day of March, 2003.

For the Nuclear Regulatory Commission.

**Richard J. Laufer,**

*Chief, Section 1, Project Directorate I, Division of Licensing Project Management, Office of Nuclear Reactor Regulation.*

[FR Doc. 03-7629 Filed 3-28-03; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. IA-2117; File No. 4-476]

### Roundtable Discussions Relating to Hedge Funds

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Notice of roundtable discussions; request for comment.

**SUMMARY:** On May 14 and 15, 2003, the Securities and Exchange Commission will host roundtable discussions concerning several issues relating to private, unregistered investment pools, commonly known as hedge funds. The roundtable discussions will bring together representatives from the hedge fund industry and other interested persons to discuss issues relating to hedge funds and offer their recommendations. The roundtable discussions will take place at the Commissions' headquarters at 450 Fifth Street, NW., Washington, DC from 9 a.m. to 5:30 p.m. each day. The public is invited to observe the roundtable discussions. Seating is available on a first-come, first-serve basis.

**DATES:** Comments must be received on or before April 30, 2003.

**ADDRESSES:** To help us process and review your comments more efficiently, comments should be sent by one method only. Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Comments may also be submitted electronically at the following E-mail address: [hedgefunds@sec.gov](mailto:hedgefunds@sec.gov). All comment letters should refer to File No. 4-476; this File number should be included on the subject line if E-mail is used. Comment letters will be available for public inspection and copying in the Commission's Public Reference Room,

450 Fifth Street, NW., Washington, DC 20549. Relevant electronically submitted comment letters also will be posted on the Commission's Internet Web site: <http://www.sec.gov/spotlight/hedgefunds.htm>.

#### FOR FURTHER INFORMATION CONTACT:

Cynthia M. Fornelli, Deputy Director, Division of Investment Management, (202) 942-0720, or Elizabeth G. Osterman, Assistant Chief Counsel, Division of Investment Management, (202) 942-0580, [Ostermane@sec.gov](mailto:Ostermane@sec.gov), at Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0506.

**SUPPLEMENTARY INFORMATION:** The public may submit written comments on the following topics to be discussed at the Roundtable Discussions Relating to Hedge Funds:

The structure, operation and compliance activities of hedge funds, including the role of hedge fund service providers;

The marketing of hedge funds; Investor protection concerns, including disclosure issues, valuation issues and potential conflicts of interest; Current regulation of hedge funds and their managers, and whether additional regulation is necessary; and

If additional regulation is warranted, what form it might take.

By the Commission.

Dated: March 26, 2003.

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. 03-7615 Filed 3-28-03; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47570; File No. S7-26-98]

RIN 3235-AH04

### Books and Records Requirements for Brokers and Dealers Under the Securities Exchange Act of 1934

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Notice of OMB approval of collections of information.

**SUMMARY:** The Securities and Exchange Commission adopted amendments to Rules 17a-3 and 17a-4 (17 CFR 240.17a-3 and 240.17a-4) under the Securities Exchange Act of 1934 (17 U.S.C. 78, *et seq.*) on October 26, 2001. The amendments clarify and expand recordkeeping requirements with respect to purchase and sale documents, customer records, associated person records, customer complaints, and

certain other matters, and require broker-dealers to maintain or promptly produce certain records at each office to which those records relate. Certain provisions of these amendments contain "collection of information" requirements within the meaning of the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*), and the Commission submitted the proposed collections of information to the Office of Management and Budget ("OMB") for review. OMB has approved the collection of information requirements contained in the amendments to the Books and Records Rules.

**DATES:** The effective date of the amendments to Exchange Act Rules 17a-3 and 17a-4 is May 2, 2003.

**FOR FURTHER INFORMATION CONTACT:** Bonnie L. Gauch, Attorney, at (202) 942-0765, in the Division of Market Regulation, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549-0506.

#### SUPPLEMENTARY INFORMATION:

#### I. Amendments to Rules 17a-3 and 17a-4

Rules 17a-3 and 17a-4<sup>1</sup> under the Securities Exchange Act of 1934<sup>2</sup> (the "Exchange Act") (hereinafter the "Books and Records Rules"), specify minimum requirements with respect to the records that broker-dealers must make, and how long those records and other documents relating to a broker-dealer's business must be kept. The Securities and Exchange Commission (the "Commission") amended the Books and Records Rules on October 26, 2001.<sup>3</sup> The amendments to Rule 17a-3 included revisions to the information that must be recorded on order tickets, and new requirements to: create certain records relating to associated persons; collect certain account record information and verify that information with customers periodically; create a record of customer complaints; create a record indicating compliance with applicable advertising rules; and create records identifying persons responsible for establishing procedures and persons able to explain the broker-dealer's records to a regulator. The amendments to Rule 17a-4 require that a broker-dealer: maintain a record of advertisements and other "communications with the public;" clarify the definitions of organizational documents; and set recordkeeping requirements for new records required to be created pursuant to the

<sup>1</sup> 17 CFR 240.17a-3 and 240.17a-4.

<sup>2</sup> 17 U.S.C. 78, *et al.*

<sup>3</sup> Securities Exchange Act Release No. 44992, 66 FR 55818 (Nov. 2, 2001) (the "Adopting Release").

amendments to 17a-3, certain exception reports and special regulatory reports, and written compliance, supervisory and procedure manuals. Finally, the amendments to Rules 17a-3 and 17a-4 also set forth, (i) the definition of "office," (ii) what records must be created as to each office, and (iii) what records must be maintained at each office.

## II. Collection of Information Requirements

As explained in the Adopting Release, certain provisions of the amendments to the Books and Records Rules contain "collection of information" requirements<sup>4</sup> within the meaning of the Paperwork Reduction Act of 1995.<sup>5</sup> In the Adopting Release, the Commission estimated the burden hours for these collection of information requirements and solicited comments on the collection of information requirements and the burden estimate. The Commission submitted the proposed collection of information requirements to OMB for review as required pursuant to 44 U.S.C. 3507 and 5 CFR 1320.11. The titles for the collections of information are: (1) "Rule 17a-3; Records to be Made by Certain Exchange Members, Brokers and Dealers;" and (2) "Rule 17a-4; Records to be Preserved by Certain Exchange Members, Brokers and Dealers." The Commission did not receive any comments on the collection of information requirements of the amendments to the Books and Records Rules.

The purpose of requiring that broker-dealers create and maintain the records specified in the amendments to the Books and Records Rules is to enhance the ability of regulators to protect investors. These records and the information contained therein will be used by examiners and other representatives of the Commission, State<sup>6</sup> securities regulatory authorities, and the self-regulatory organizations ("SROs") to determine whether broker-dealers are in compliance with the Commission's antifraud and anti-manipulation rules, financial responsibility program, and other Commission, SRO, and State laws, rules, and regulations.

### A. Respondents

As of the end of 2000, broker-dealers reported that they maintained a total of approximately 97,600,000 customer

accounts. The Commission estimates that the total number of accounts that would need to be contacted for updating is approximately 70,500,000. Approximately 70 of the 7,217 active, registered broker-dealers<sup>7</sup> maintain over 100,000 accounts, and the remaining broker-dealers (7,147) maintain less than 100,000 accounts each. Of the approximately 70,500,000 accounts that may be affected by these Adopted Amendments to Rule 17a-3, approximately 68,385,000 (or 97%) are maintained at these large broker-dealers, and 2,115,000 (or 3%) are maintained at broker-dealers with fewer than 100,000 accounts each.

### B. Total Annual Reporting and Recordkeeping Burden of Amendments to Rule 17a-3

New paragraph (a)(17) of Rule 17a-3 requires that broker-dealers collect certain account information for each account, and send account information to customers for verification within 30 days of account opening and at least every 36 months thereafter. This new paragraph is designed to: (1) Assure that broker-dealers have customer account information to provide to regulators which enable the regulators to review for compliance with suitability rules, and (2) reduce the number of misunderstandings between customers and broker-dealers regarding the customer's situation or investment objectives. The Commission estimates that the total annual burden of new paragraph (a)(17) of Rule 17a-3 will be 1,283,786 hours.<sup>8</sup>

<sup>7</sup> Of approximately 7,739 broker-dealers registered with the Commission, approximately 341 are not yet active because their registration is pending SRO approval and approximately 181 are inactive because they have ceased doing a securities business and have filed a Form BDW with the Commission. Of these 7,217 active, registered broker-dealers, three are registered OTC Derivatives Dealers. OTC Derivatives Dealers are a special class of broker-dealers that limit their business to dealer activities in eligible over-the-counter derivative instruments and that meet certain financial responsibility and other requirements.

<sup>8</sup> The Commission estimates that, as their processes are more automated, it will take large broker-dealers an average of 1½ additional minutes per account every three years, thus requiring large broker-dealers to spend an additional 569,875 hours per year (68,385,000 account records / 3 years × 1.5 minutes / 60 minutes) to send account information to customers. As small broker-dealers utilize processes that are more manual in nature, the Commission estimates that it will take small broker-dealers an average of 7 minutes per account every three years, thus requiring small broker-dealers to spend an additional 82,250 hours per year (2,115,000 account records / 3 years × 7 minutes / 60 minutes) to send account records to customers. Thus, the total additional burden on the industry to send account records to customers is approximately 652,125 hours per year.

The Commission estimates that approximately 20% of the customers from whom information is

Amendments to paragraph (a)(12) and new paragraph (a)(19) of Rule 17a-3 require broker-dealers to keep certain records regarding their associated persons. These amendments will allow securities regulators to identify where associated persons work, read various records which may identify the associated persons solely through the use of identification numbers, and quickly identify compensation trends and focus examinations. The Commission estimates that, on average, these amendments would require each broker-dealer to spend approximately 30 minutes each year to ensure that it is in compliance with these amendments to Rule 17a-3, which would result in a total annual compliance burden of about 3,609 hours.<sup>9</sup>

The amendments to Rule 17a-3 also require broker-dealers to make records: That indicate that they have either complied with or adopted procedures designed to establish compliance with applicable regulations of certain securities regulatory authorities,<sup>10</sup> that list persons who can explain the information in the broker-dealer's records,<sup>11</sup> and that list principals responsible for establishing compliance policies and procedures.<sup>12</sup> These

requested will update their account records, resulting in 4,700,000 updated account records each year (70,500,000 / 3 years × 20%). Thus, the Commission estimates that it would take, on average, 5 minutes for large broker-dealers to update each account and 10 minutes for small broker-dealers to update each account, resulting in an additional burden of approximately 403,417 hours per year ((4,559,000 account records × 5 minutes / 60 minutes) + (141,000 account records × 10 minutes / 60 minutes)).

If a customer has provided the broker-dealer with updated account record information, under Paragraphs (a)(17)(B)(2) and (3) of Rule 17a-3 the broker-dealer must send a copy of the revised account record to the customer within 30 days after the broker-dealer received notification of the change or, under (a)(17)(B)(3), the broker-dealer may send the notification with the next statement mailed to the customer. The Commission estimates that, in addition to the 70,500,000 updated account records discussed above, approximately 3,525,000 customers (5% of the 70,500,000 accounts for which firms will be required to make the account record) will initiate changes to their account records on a yearly basis, just as they do now, with no prompting from any account record mailing. The Commission estimates, as stated above, that it will take large broker-dealers 1½ minutes and smaller broker-dealers 7 minutes to send out account information to each customer who updated their account. The Commission estimates that 8,225,000 (4,700,000 + 3,525,000) customers will update their account record, and that broker-dealers will spend an additional 228,244 hours each year ((7,978,250 account records × 1.5 minutes / 60 minutes) + (246,750 account records × 7 minutes / 60 minutes)) sending the updated account records to customers.

<sup>9</sup> (7,217 broker-dealers × 30 minutes) / 60 minutes.

<sup>10</sup> 17 CFR 240.17a-3(a)(17)(iii) and 17 CFR 240.17a-3(a)(20).

<sup>11</sup> 17 CFR 240.17a-3(a)(21).

<sup>12</sup> 17 CFR 240.17a-3(a)(22).

<sup>4</sup> 66 FR 55818, at 55834 through 55837 (Nov. 2, 2001).

<sup>5</sup> 44 U.S.C. 3501 *et seq.*

<sup>6</sup> 15 U.S.C. 78c(a)(16).

requirements are designed to assist securities regulators in conducting efficient examinations. The Commission estimates, therefore, that on average each broker-dealer would spend 10 minutes each year to ensure compliance with these requirements, yielding a total additional burden of about 1,203 hours.<sup>13</sup>

Thus, the Commission estimates that the total annual burden of the amendments to Rule 17a-3 will be 1,288,598 hours. The Commission further estimates that broker-dealers would incur a one-time burden to update certain forms, to include additional information on the new account form and provide customers with an address as to where they should direct complaints, of 28,856 hours.<sup>14</sup> Finally, based on comments received in response to the reproposing release,<sup>15</sup> the Commission estimates that broker-dealers will incur \$21.2 million in start-up costs for systems and equipment development, and up to \$24.8 million in annual costs for postage and systems development in order to comply with the amendments to Rule 17a-3. On January 30, 2002, OMB approved the collections of information contained in the amendments to rule 17a-3.

### C. Total Annual Reporting and Recordkeeping Burden of Amendments to Rule 17a-4

The amendments to Rule 17a-4 require that certain information be kept for prescribed periods of time. The Commission estimates that compliance with the amendments for Rule 17a-4 would require an additional 28,868 hours each year.<sup>16</sup> On April 18, 2002, OMB approved the collections of information contained in the amendments to Rule 17a-4.

### III. Additional Information

The amendments to Rules 17a-3 and 17a-4 (OMB Control Nos. 3235-0033 and 3235-0279, respectively) were adopted pursuant to the authority conferred on the Commission by the Exchange Act, including sections 17(a) and 23(a). An agency may not conduct or sponsor, and a person is not required

to respond to, a collection of information unless it displays a currently valid control number. We are providing this notice to inform the public that the Commission has received OMB approval and OMB has issued a control number for this collection.

It is mandatory for all brokers and dealers to create records as required pursuant to Rules 17a-3 and to retain those and other specified records as set forth in Rule 17a-4.

The records required by the amendments to the Books and Records Rules are not filed with the Commission, but are available to the examination staffs of the Commission, State regulatory authorities, and the SROs. Subject to the provisions of the Freedom of Information Act, 5 U.S.C. 552 ("FOIA") and the Commission's rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission generally does not publish or make available information contained in reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation.

Dated: March 26, 2003.

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 03-7617 Filed 3-28-03; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47566; File No. SR-NASD-2003-41]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. To Disseminate Up to Thirty Additional Corporate Bonds Under the Trade Reporting and Compliance Engine ("TRACE") Rules

March 25, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 18, 2003, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. NASD

has designated the proposed rule change as constituting a "non-controversial" rule change pursuant to section 19(b)(3)(A)(iii) of the Act,<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission.<sup>5</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD is proposing to amend Rule 6250(a)(4) to increase the number of TRACE-eligible securities to be disseminated under the rule from 90 securities to up to 120 securities. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in brackets.

\* \* \* \* \*

#### 6250. Dissemination of Corporate Bond Trade Information

##### (a) General Dissemination Standard

Immediately upon receipt of transaction reports received at or after 8:00 a.m. through 6:29:59 p.m. Eastern Time, NASD will disseminate transaction information (except that market aggregate information and last sale information will not be updated after 5:15 p.m. Eastern Time) in the securities described below.

(1) No Change.

(2) No Change.

(3) No Change.

(4) Ninety to 120 TRACE-eligible securities designated by NASD that are rated "Baa/BBB" at the time of designation, according to the following standards.

(A) Three groups, *each* composed of *up to 50* [30] TRACE-eligible securities (Group 1, Group 2, and Group 3), *but collectively not exceeding 120* shall be designated by NASD. At the time of designation, each TRACE-eligible security in Group 1 must be rated "Baa1/BBB+[:]" and each TRACE-eligible security in Group 2 and Group 3 must be rated, respectively, "Baa2/BBB - [:]" and "Baa3/BBB - [:]" [provided that if] *If* a TRACE-eligible security is rated one of the "Baa" ratings by Moody's and one of the "BBB" ratings by S&P and the ratings indicate two different levels of credit quality, the lower of the two ratings will be used to determine the group to which a debt

<sup>13</sup> (7,217 broker-dealers × 10 minutes) / 60 minutes.

<sup>14</sup> 7,217 total active registered broker-dealers × 4 hours each. This includes the time it would take for a broker-dealer to draft the additional language and incorporate it into its present forms.

<sup>15</sup> Exchange Act Release No. 40518 (Oct. 2, 1998), 63 FR 54404 (Oct. 9, 1998).

<sup>16</sup> The Commission estimates that, on average, each broker-dealer (7,217) would spend four hours each year to ensure that it is in compliance with the amendments to Rule 17a-4 and to produce required records promptly at an office when so required.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> NASD asked the Commission to waive the 30-day operative delay. See Rule 19b-4(f)(6)(iii). 17 CFR 240.19b-4(f)(6)(iii).