

# Notice to Members

NOVEMBER 2005

## SUGGESTED ROUTING

Continuing Education  
Legal & Compliance  
Registration  
Senior Management

## KEY TOPICS

Continuing Education – Regulatory  
Element Fees  
Qualification Examination Fees  
Rule 1120 (Continuing Education  
Requirements)  
Schedule A to NASD By-Laws

## GUIDANCE

### Continuing Education Regulatory Element and Qualification Examination Fees

Amendments to Section 4 of Schedule A to the NASD  
By-Laws Governing Continuing Education Regulatory  
Element and Qualification Examination Fees;  
Implementation Date: January 1, 2006

#### Executive Summary

NASD has filed for immediate effectiveness amendments to Section 4 of Schedule A to the NASD By-Laws to increase the Continuing Education Regulatory Element session fee and certain qualification examination fees.<sup>1</sup> These rule changes will become operative on January 1, 2006.

As of January 1, 2006, the session fee for the Regulatory Element of Continuing Education will increase from \$60 to \$75. This fee increase applies to all three Regulatory Element programs: the S201 for Supervisors, the S106 for Series 6 representatives and the S101 General Program for all other registrations. Firms that participate in in-firm delivery of the Regulatory Element will continue to receive a \$3 credit to their Central Registration Depository (CRD®) account for the in-firm deliveries they make.

Also, as of January 1, 2006, the fees assessed for persons taking various qualification examinations will increase, as described below. The affected examinations include the Series 6 (Investment Company Products/Variable Contracts Representative), Series 7 (General Securities Representative), Series 10 (General Securities Sales Supervisor – General Module), Series 22 (Direct Participation Programs Representative), Series 24 (General Securities Principal), Series 27 (Financial and Operations Principal), Series 55 (Limited Representative-Equity Trader), Series 62 (Corporate Securities Limited Representative and Series 72 (Government Securities Representative).

Attachment A contains the text of the amendments.

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## Questions/Further Information

Questions regarding this *Notice to Members* may be directed to Joe McDonald, Associate Director, NASD Testing and Continuing Education (T&CE), at (240) 386-5065; Elaine Warren, Lead Analyst, T&CE, at (240) 386-4679; or Amaka Omenka, Continuing Education Coordinator, T&CE, at (240) 386-4140.

## Background and Discussion

### Regulatory Element of Continuing Education

The Regulatory Element, a computer-based education program that helps ensure that registered persons are kept up-to-date on regulatory, compliance and sales practice matters in the industry, is a component of the Securities Industry Continuing Education Program (Program) under NASD Rule 1120. Member firms currently pay \$60 each time one of their registered persons participates in the Regulatory Element.

The Securities Industry/Regulatory Council on Continuing Education (Council)<sup>2</sup> was organized in 1995 to facilitate cooperative industry/regulatory coordination of the administration and future development of the program in keeping with applicable industry regulations and changing industry needs. It is the Council's responsibility to maintain the program on a revenue-neutral basis while maintaining adequate reserves. In its 2005 annual financial review, the Council determined that program reserves would not remain adequate unless the fee for a Regulatory Element session were raised to \$75. At its September 2005 meeting, the Council unanimously supported a recommendation to increase the Regulatory Element session fee from \$60 to \$75, effective January 1, 2006.

### Qualifications Examinations

Any person associated with a member firm who is engaged in the securities business of the firm must register with NASD. As part of the registration process, securities professionals must pass a qualification examination to demonstrate competence in each area in which they intend to work. Some of these examinations are sponsored (*i.e.*, developed) by NASD, and others are sponsored by other self-regulatory organizations (SROs) such as the New York Stock Exchange, Inc. (NYSE), the Municipal Securities Rulemaking Board (MSRB) or the North American Securities Administrators Association (NASAA). NASD administers these qualification examinations via computer through the PROCTOR<sup>®</sup> system at test centers operated by vendors under contract with NASD. NASD charges an examination fee to candidates for NASD-sponsored examinations. For those examinations sponsored by an NASD client and administered/delivered by NASD, NASD charges a delivery fee that comprises either a part or all of the fee for these examinations.

Each year, NASD staff conducts a comprehensive review of the licensing examination fee structure, which includes an analysis of the costs of developing, administering and delivering examinations. Staff's review in 2005 showed that certain operational costs are rising. In particular, these costs consist of: (1) the cost of providing the extensive network of test delivery centers; and (2) technology costs required to maintain the current PROCTOR® system and to redesign the PROCTOR® system. As a result of these cost increases, as of January 1, 2006, there will be an increase in examination fees for certain NASD-sponsored examinations and other examinations that are delivered by NASD and that may be required by NASD for its members<sup>3</sup> as follows:

Series 6	Investment Company Products/Variable Contracts Representative	From \$70 to \$75
Series 7	General Securities Representative	From \$225 to \$250
Series 10	General Securities Sales Supervisor – General Module	From \$95 to \$100
Series 22	Direct Participation Programs Representative	From \$60 to \$70
Series 24	General Securities Principal	From \$85 to \$95
Series 27	Financial and Operations Principal	From \$85 to \$95
Series 55	Limited Representative- Equity Trader	From \$80 to \$85
Series 62	Corporate Securities Limited Representative	From \$70 to \$75
Series 72	Government Securities Representative	From \$80 to \$85

The new fees will be charged for persons who register for one of these examinations beginning January 1, 2006. The individual then has 120 days to take the examination.

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## Endnotes

- 1 See SR-NASD-2005-132 (Regulatory Element Continuing Education session fees) and SR-NASD-2005-133 (Qualification Examination fees). Under Section 19(b) of the Securities Exchange Act of 1934, the Securities and Exchange Commission (SEC) has the authority to summarily abrogate this type of rule change within 60 days of filing.
- 2 The Council currently consists of 20 individuals, 14 of whom are securities industry professionals associated with NASD member firms and six of whom represent self-regulatory organizations (SROs) (the American Stock Exchange LLC; the Chicago Board Options Exchange, Inc; the Municipal Securities Rulemaking Board; NASD, the New York Stock Exchange, Inc; and the Philadelphia Stock Exchange, Inc.).
- 3 NASD also administers and delivers examinations sponsored by NASAA that, while not required by NASD rules, are taken by persons associated with NASD members to obtain certain licenses. NASD notes that the fee for the NASAA-Series 66 (Uniform Combined State Law) also will increase from \$110 to \$113, effective January 1, 2006; such fee increase is not part of the rule changes discussed in this *Notice to Members*, however, since the Series 66 is not required by NASD rules.

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## ATTACHMENT A

New language is underlined; deletions are in brackets.

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### SCHEDULE A TO NASD BY-LAWS

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#### Section 4—Fees

(a) and (b) No change

(c) The following fees shall be assessed to each individual who registers to take an examination as described below as of January 1, 200[5]6. These fees are in addition to the registration fee described in paragraph (b).

Series 4	Registered Options Principal	\$80
Series 6	Investment Company Products/ Variable Contracts Representative	[\$70] <u>\$75</u>
Series 7	General Securities Representative	[\$225] <u>\$250</u>
Series 9	General Securities Sales Supervisor - Options Module	\$60
Series 10	General Securities Sales Supervisor - General Module	[\$95] <u>\$100</u>
Series 11	Assistant Representative- Order Processing	\$60
Series 17	Limited Registered Representative	\$65
Series 22	Direct Participation Programs Representative	[\$70] <u>\$75</u>
Series 23	General Securities Principal Sales Supervisor Module	\$75
Series 24	General Securities Principal	[\$85] <u>\$95</u>

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Series 26	Investment Company Products/ Variable Contracts Principal	\$75
Series 27	Financial and Operations Principal	<del>[\$85]</del> <u>\$95</u>
Series 28	Introducing Broker/Dealer Financial and Operations Principal	\$75
Series 37	Canada Module of S7 (Options Required)	\$150
Series 38	Canada Module of S7 (No Options Required)	\$150
Series 39	Direct Participation Programs Principal	\$75
Series 42	Registered Options Representative	\$60
Series 55	Limited Representative- Equity Trader	<del>[\$80]</del> <u>\$85</u>
Series 62	Corporate Securities Limited Representative	<del>[\$70]</del> <u>\$75</u>
Series 72	Government Securities Representative	<del>[\$80]</del> <u>\$85</u>
Series 82	Limited Representative – Private Securities Offering	\$75
Series 86	Research Analyst - Analysis	\$150
Series 87	Research Analyst - Regulatory	\$105

(1) through (3) No change

(d) through (j) No change

(k) There shall be a session fee of ~~[\$60.00]~~ \$75.00 assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Rule 1120.

(l) No change.

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