

A Summary of Requirements and Procedures for In-Firm Delivery of the Regulatory Element of Continuing Education

(Revised November 2007)

Background

Industry rules require all registered persons to participate in and complete a prescribed Regulatory Element computer-based training session within 120 days of their second registration anniversary date and every three years thereafter. There are three Regulatory Element programs: the S201 for registered Supervisors/Principals, the S106 for Investment Company Products/Variable Contracts Representatives, and the S101 for Series 7 General Securities Representatives and other registration categories not required to take either the Supervisor or Series 6 programs.

On December 11, 2000, the Securities and Exchange Commission (SEC) approved a revision to SRO continuing education rules (NYSE Rule 345A and NASD Membership and Registration Rule 1120). Effective March 11, 2001, the rules permit a member firm to deliver the Regulatory Element computer-based training to registered persons on firm premises – also called “In-Firm Delivery” – as an option to having persons take the training offsite at either a Thomson Prometric or Pearson VUE center. Pearson VUE is the vendor designated by FINRA to facilitate In-Firm Delivery.

This document summarizes the requirements and procedures for In-Firm Delivery. The *VUE Testing Center Guide* contains the detailed procedures for using *VUE Testing System* software and for operating an In-Firm Delivery site. When firm staff are in doubt about a particular procedure, they should phone VUE Support Services at 800-704-3613 or 952-681-3978 (toll call), or FINRA Field Support: 800-999-6647, option 1.

The requirements for In-Firm Delivery relate to Supervision, Site, Technology (Hardware, Software, Other), Administration and Proctoring. Firms must affirm that they are complying with these requirements by filing a Letter of Attestation with their Designated Examining Authority (DEA).

A. Supervisory Requirements

Firms must designate a registered principal to be responsible for In-Firm Delivery at the firm and they must revise their Written Supervisory Procedures to include:

1. The principal/officer designated as responsible for In-Firm Delivery, and the name(s) of individuals authorized by the firm to serve as proctors.

2. The address and location of the firm's delivery site(s).
3. The procedures implemented to comply with the requirements of In-Firm Delivery of the Regulatory Element continuing education.

There is an Example of Written Supervisory Procedures for In-Firm Delivery provided in Exhibit 1. Firms should take care to revise their Written Supervisory Procedures for In-Firm Delivery in accordance with the requirements of SRO rules and the procedures specified in the VUE *Testing Center Guide*.

B. Site Requirements

Delivery of the Regulatory Element must take place in an environment conducive to training, such as a training facility, conference room or other area dedicated to this purpose. Personal offices or any other locations that cannot be secured from traffic and interruptions are not acceptable. Firms may have more than one site for In-Firm Delivery, but the location of all delivery sites must be under the control of the firm and must be listed in the firm's Written Supervisory Procedures. All In-Firm Delivery sites must be made available for inspection by the firm's Designated Examining Authority (DEA). When establishing an In-Firm Delivery site, firms should consider the comfort of the training participants. The room should have sufficient light and space. Where there are multiple delivery stations (i.e., computers) in one room, adequate separation between stations should be maintained (3 feet is recommended). If you have any questions about the layout of your In-Firm Delivery site, please contact, FINRA Field Support: 800-999-6647, option 1.

C. Technology Requirements – Hardware, Software and Other Required Equipment

In-Firm Delivery sites are required to be set up with equipment meeting or exceeding certain specifications. Firms may procure this equipment themselves or contract with VUE to meet their equipment needs.

(1) Hardware (revised April 2005)

Administrator Station And Training Station Specifications – A site will need at least one administrator station, but can have as many training stations as it would like. All computers must be part of a workgroup or LAN. The training stations must run the English language version of Windows XP Professional or Windows 2000 Professional. Windows Advanced Server is not currently supported. They must meet or exceed the following minimum configuration:

- IBM PC or compatible
- Pentium III 1Ghz (Pentium 4, 2 Ghz is preferred)
- 512 MB RAM

- 17" SVGA monitor with video card, capable of 1024 x 768 resolution, 32-bit color and 32 MB of video RAM
- Minimum 6 gigabytes of free local hard drive space (10 GB is preferred on delivery workstation)
- Microsoft-compatible Mouse
- Network interface
- DVD ROM Drive (Required on administration workstation only)
- Headphones
- SoundBlaster or compatible audio card

Communications Specifications – Internet access via high-speed connection (100 Mbps network throughput), e.g., ISDN, DSL, T1, etc.

Shared Storage Space – The software requires at least 12 gigabytes of shared disk storage on the local area network. This space is required for the storage of the continuing education software and the required scheduling and administrative software (see below). The shared disk storage must be accessible by the training stations and the administrator station.

Printers – Administrator and training stations must have access to an inkjet or laserjet printer located outside the training room. Non-PCL drivers only.

Backups – Shared storage must be backed up each business day.

(2) Software

Firms must use the software applications of the VUE *Testing System* and execute a Software License Agreement with VUE. Firms pay VUE a one-time licensing fee of \$600 per site to install *Testing System*. *Testing System* consists of four separate software applications:

Site Manager – allows firm to enter information about its In-Firm Delivery site and view appointment schedule information.

Registration Manager – allows firm to create and change appointments for Regulatory Element participants.

Delivery Manager – allows firms to deliver the Regulatory Element computer-based training to participants, suspend or stop a session, or adjust the remaining time of a session.

Remote Maintenance Agent (RMA) –RMA works behind the scenes to automatically transfer information between the In-Firm Delivery site and VUE.

VUE provides each In-Firm Delivery site with a copy of VUE's *Testing Center Guide*. The *Testing Center Guide* contains detailed information on how to use VUE software and how to operate an In-Firm Delivery site. In addition to the *Testing Center Guide*, VUE Support Services provides technical support for installation and operating problems if any.

D. Administrative Requirements – Scheduling the Regulatory Element

(1) Background – A registered person required to take the Regulatory Element has an "enrollment " created by Web CRD in a software system called PROCTOR. The enrollment entitles the individual to schedule and to take the Regulatory Element computer-based training program appropriate to the person's registration. On Web CRD, a Regulatory Element "window" opens on the registration anniversary date and closes 120 days later. It is within this 120-day window that the person must complete the Regulatory Element computer-based training. Persons who do not satisfy the Regulatory Element requirement within their 120-day window will have all their registrations become inactive. An inactive person may not perform, or be compensated for, any activities requiring a securities registration.

(2) Scheduling Normal Appointments – A firm will use VUE's *Testing System* software to schedule appointments and operate its In-Firm Delivery site(s). Scheduling may be done by anyone at the firm trained to use *Testing System* software. *Testing System* users do not have to be registered persons, although proctors do (See Section E. "PROCTOR Requirements", below). All In-Firm Delivery appointments will be made using the *Testing System* except for appointments for persons with disabilities covered by the Americans With Disabilities Act (see below). *Testing System* communicates the appointment to CRD via PROCTOR. On the evening before the appointment, PROCTOR and VUE will match up the appointment with the enrollment so that the registered person will be permitted by the *Testing System* to participate in the Regulatory Element. VUE and FINRA Field Support Services will provide technical support and help to resolve any appointment or delivery problems.

The appointment time for any of the three Regulatory Element programs is 3½ hours (210 minutes). All sessions include a mandatory Introduction/Tutorial that explains the operation of the Regulatory Element. After the Introduction/Tutorial, the participant has three hours (180 minutes) to complete the Regulatory Element. At the conclusion of the three hours, the participant is asked to answer a brief questionnaire about the session. The questionnaire is not part of the 3½ hours provided for the session.

Once the participant completes the questionnaire, the delivery site printer will print a report stating whether the person satisfied or did not satisfy the Regulatory Element requirement. At the end of each day, *Testing System* will send the results of all sessions delivered that day to CRD. Persons who have not satisfied the requirement will have another enrollment created for them by CRD and they must reschedule another appointment.

(3) Special Scheduling Accommodations – Scheduling Appointments of More Than 3½ Hours

(a) Americans With Disabilities – Certain participants will require an appointment of more than 3½ hours because they have a disability covered by the Americans With Disabilities Act. In these situations, firms must phone FINRA Field Support Services at 800-999-6647, option 2. Field Support will advise of the necessary documentation the firm must furnish to certify the disability and schedule the extended appointment once FINRA has received the documentation.

(b) English As A Second Language (ESL) – Where English is the participant's second language, firms will use *Testing System* to add a maximum of 60 minutes to the scheduled appointment. On the day of the ESL appointment the participant must give the session proctor a letter on firm letterhead that includes:

- the participant's name and social security number or CRD number
- the type of Regulatory Element session, e.g., S101, S106, or S201 and the date of the appointment
- a statement that English is the participant's second language
- an original signature by the participant's supervisor or manager

The proctor must send the original letter to FINRA at 9509 Key West Avenue, 3rd Floor, Rockville, MD 20850, Attn: Field Support Services. **If the participant does not have the letter, his or her appointment must be changed back to 3½ hours.** Some firms have created form letters for their employees. These forms are acceptable as long as the participant's name, Social Security or CRD number, CE session type, date, and manager's signature are original and NOT photocopied.

(4) Retaking the Regulatory Element – When a participant does not complete the Regulatory Element, the firm must wait 48 hours before another appointment can be rescheduled. This allows time for the VUE software to report the session results to CRD and for CRD to create another enrollment for the participant.

E. Proctor Requirements – Delivering the Regulatory Element (Revised November 2002)

All sessions must be proctored. Proctors must be present in the session room or must be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor. Only registered persons can be proctors. Any registration is acceptable, including the registration position IF, which can be obtained by anyone not already a registered person simply by filing Form U4 (For more information please refer to [NASD Notice To Members 02-77](#) or [NYSE Information Memo 02-49](#)). There is no qualification exam necessary for the IF position.

Proctors must follow the policies and procedures for In-Firm Delivery contained in the VUE *Testing Center Guide*. Here are some of a proctor's major responsibilities.

(1) Daily Preparation of the In-Firm Delivery Site – There must be one or more proctors present at every Regulatory Element session delivered at the firm. Proctors must be registered persons and be supervised by the principal/officer in charge of the site. Proctors will follow the policies and procedures outlined here and found in more detail in the VUE *Testing Center Guide*. The following checklist can be useful to get the In-Firm Delivery site ready each day. Either a proctor or an administrative person can perform the duties on this checklist.



In-Firm Delivery – Daily Start-up Checklist (Revised May 2001)

- _____ Check e-mail for special instructions from VUE.
- _____ Run *Remote Maintenance Agent (RMA)*, if your testing center runs it manually.
- _____ Review the day's training schedule.

Ensure that all necessary training sessions are marked "Deliverable" in *Site Manager*.

Note any participants who have been granted an ESL or ADA accommodation, so that you can check their documentation when they arrive and ensure they receive the appropriate amount of time.

- _____ Turn on the workstations and verify that they are working properly, including the headphones.
- _____ Check that special accommodations are available, if needed.
- _____ Check the room's lighting, temperature, cleanliness, and noise level.
- _____ Make copies of the daily log sheet and Participant Rules Checklist. Prepare the log sheet.

(2) ID Checks – Proctors will check and verify the participant's official form of identification according to the following rules:

- Participants must provide one form of government-issued identification, containing **both** a signature and a photo.
- The last name on the ID must match the registration name exactly. If it does not match, do not seat the participant for the Regulatory Element.
- The first name on the ID must match the registration name within reason; that is, both first names must be similar. For example, the proctor might consider the first names to be a close match if the names are obviously supposed to be the same but the name is misspelled on the ID (e.g., John and Jonh). If, in the proctor's opinion, the first name matches are out of the normal range, the proctor should still seat the participant for the session but complete a Testing Center Incident Report.

(3) Sign-In Logs and Proctor Certification – A sign-in log (Exhibit 2) must be maintained at the delivery facility. Logs will contain the date of each session, the name and social security

number of the individual taking the session, and that required identification was checked, the sign-in time, the sign-out time, and the name of the individual proctoring the session. The proctor will sign the log to certify that required procedures have been followed. (Note: In-Firm Delivery site logs are required to be retained by the firm pursuant to Rule 17a-4 of the 1934 Exchange Act.)

(4) Scratch Paper – If the participant requests it, the proctor may give the participant one page of scratch paper. At the end of the session, this scratch paper must be collected and shredded immediately. Besides scratch paper, no other material will be permitted to be utilized for the session nor may any session-related material be removed.

(5) Language dictionary – ESL Participants are allowed to bring a language dictionary as long as it meets these requirements:

- The dictionary may contain translations to and from English only; it cannot contain English definitions.
- Word-to-word translations and/or phrases are acceptable.
- No extra writing or extra pages may be inserted into the dictionary.

The following checklist may be helpful to remind proctors of the proper sign-in procedures.

In-Firm Delivery – Sign-in Checklist



(revised May 2001)

- _____ Check identification.
- _____ Assign secure space for storing personal articles.
- _____ Make sure participant signs the log sheet.
- _____ If participant received an ESL time extension, ask for the letter provided by his or her company. Check that the letter contains all of the necessary items specified in the testing center guide. If participant is going to use a language dictionary, verify that the dictionary meets the requirements listed in the testing center guide.
- _____ Hand out numbered sheets of scratch paper. Have participant sign log sheet to verify receipt of these materials.
- _____ Escort participant to assigned seat. Be sure to seat the participant at a workstation designated for Regulatory Element training.
- _____ Verify participant name and session name. If participant received an ESL time extension and **DID NOT** provide required documentation, be sure to select **No** on Accommodations screen in *Delivery Manager* to rescind the accommodation.

_____ Show participant how to start session. Explain that the tutorial is mandatory in all Regulatory Element sessions.

(6) Administration During the Session

(a) Session Interruptions – If a session is interrupted and/or cannot be restarted because of technical problems, the participant must wait a minimum of 30 minutes to allow the proctor to work with VUE technical support to correct the problem and restart the session. If the problem is not resolved after 30 minutes, the participant can reschedule the appointment. New sessions cannot be started from the point where the interrupted session left off. New sessions must start from the beginning of the program. When a session has to be rescheduled, the proctor must fill out a Testing Center Incident Report (see below).

(b) Breaks – Participants may take restroom breaks during their Regulatory Element session, however the session clock will continue running. Participants may go only to the restroom. They may not confer with colleagues, use a telephone, cellular phone, pager, computer (including Blackberry or other PDA device) during restroom breaks.

(7) Incident Reporting – It is the proctor's responsibility to decide whether an incident influenced a participant's session negatively and to record this information. The proctor is required to report an incident at the In-Firm Delivery site in the following situations:

- A disturbance affects a participant's performance in the Regulatory Element.
- Weather emergencies interrupt the session or close your center.
- Proctor suspects a participant of cheating.
- Proctor allows a participant to take a break during a session and the participant does not return promptly.
- A power disruption interrupts the training session.
- Participant misconduct occurs (see "Candidate Misconduct" in Section 15 of the *Training Center Guide*).
- A participant questions the validity of portions of a Regulatory Element session.
- A building evacuation due to fire alarm, bomb threat, etc.

The proctor must report all incidents on an Incident Report Form that can be found on the VUE Support Services Web site:

<http://vss.vue.com>
Select: New Incidents

To file the Incident Report properly, the proctor should be sure to follow the on-screen

Summary of Requirements & Procedures for In-Firm Delivery

- _____ Collect and file the daily log sheet(s).
- _____ On the administrator workstation, close *Registration Manager* and *Site Manager*. Close *Delivery Manager* on each delivery workstation. **DO NOT TURN OFF THE ADMINISTRATOR WORKSTATION.** Files are transferred between the In-Firm Delivery site system and VUE during the night. This transfer cannot occur if the administrator workstation is turned off.
- _____ Begin nightly back-up process after RMA has completed the nightly maintenance cycle.

(F). Letter of Attestation

Before commencing In-Firm Delivery of the Regulatory Element continuing education, members must file a Letter of Attestation with their Designated Examining Authority (DEA). The letter must be signed by a principal executive officer or executive representative, attesting to the establishment of required procedures addressing principal in-charge, supervision, In-Firm Delivery site(s), technology, administration and proctoring.

Sample Letter of Attestation *

{Date}

FINRA
Continuing Education Department – 3rd Floor
9509 Key West Avenue
Rockville, MD 20850

OR Continuing Education Section
FINRA
20 Broad Street - 25th Floor
New York, NY 10005

{Name of firm} has established procedures for delivering Regulatory Element continuing education on its premises. I have determined that these procedures are reasonably designed to comply with SRO requirements pertaining to In-Firm Delivery of Regulatory Element continuing education, including that such procedures have been implemented to comply with principal/officer in-charge, supervision, site, technology, proctors, and administrative requirements.

Signature

Printed name

Title {Must be signed by a Principal Executive Officer (or Executive Representative) of the firm}

* For firms for which the New York Stock Exchange (NYSE) is their designated examining authority, Paragraph G, *Annual Representation*, of NYSE Rule 345A, *Continuing Education For Registered Persons*, requires that each NYSE member and member organization must represent to the NYSE annually, that it has continued to maintain, and reasonably believes that it has complied with, all required procedures outlined in sections A through F of NYSE

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Sample Letter of Attestation *

{Date}

FINRA Continuing Education Section
Continuing Education Department – 3rd Floor
9509 Key West Avenue
Rockville, MD 20850

FINRA
20 Broad Street - 25th Floor
New York, NY 10005

{Name of firm} has established procedures for delivering Regulatory Element continuing education on its premises. I have determined that these procedures are reasonably designed to comply with SRO requirements pertaining to In-Firm Delivery of Regulatory Element continuing education, including that such procedures have been implemented to comply with principal/officer in-charge, supervision, site, technology, proctors, and administrative requirements.

Signature

Printed name

Title {Must be signed by a Principal Executive Officer (or Executive Representative) of the firm}

* For firms for which the New York Stock Exchange (NYSE) is their designated examining authority, Paragraph G, *Annual Representation*, of NYSE Rule 345A, *Continuing Education For Registered Persons*, requires that each NYSE member and member organization must represent to the NYSE annually, that it has continued to maintain, and reasonably believes that it has complied with, all required procedures outlined in sections A through F of NYSE

Summary of Requirements & Procedures for In-Firm Delivery

Interpretation Memo 01-02, *Revised Interpretation To Rule 345A – Continuing Education For Registered Persons* for the previous year. Such annual attestation must be signed by a senior officer or partner of the firm and mailed to the NYSE at the address above.

An Example of Written Supervisory Procedures for In-Firm Delivery

Firm name/Broker-dealer # : _____ / _____

Background

Broker-dealers are permitted by SRO regulations (NYSE Rule 345A and NASD Rule 1120) to administer the continuing education Regulatory Element program to their registered persons by instituting an in-firm program acceptable to the Association.

Principal-/Officer-In-Charge

The firm has designated the following principal-/officer-in-charge to be responsible for the In-Firm Delivery of the Regulatory Element:

Name/CRD # : _____ / _____

Site Requirements

- The training delivery site(s) are conducive to training and their location(s) are under the control of the firm. Delivery sites shall be made available for inspection by the SROs.
- There is adequate separation between terminals in the training site.
- Communication links and computer hardware comply with standards defined by the FINRA or its designated vendor.
- Location of In-Firm Delivery site(s):
 1. _____
 2. _____
 3. _____

Administration

Firm will use VUE *Testing System* software (Site Manager, Registration Manager, Delivery Manager and Remote Maintenance Agent) and follow the procedures for scheduling appointments and operating the training center as found in the VUE *Testing Center Guide*. The VUE *Testing Center Guide* will be readily accessible to firm employees. When staff are in doubt about a particular operational procedure they should phone VUE Support Services at 800-704-3613 or 612-995-8978 (toll call), or FINRA Field Support: 800-999-6647, option 1.

Proctors

Individuals serving as proctors must be registered with an SRO. They are supervised by the designated principal listed above.

Name/CRD # of Proctor(s)

1. _____ / _____

2. _____ / _____

3. _____ / _____

Proctor Duties (revised May 2001)

- Proctor checks and verifies the identification of all individuals taking Regulatory Element continuing education.
- All sessions are proctored for the entire Regulatory Element session. Proctor will either be present in the session room or will be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor.
- No material will be permitted to be utilized for the session nor may any session-related material be removed.
- A Sign-In Log (see Exhibit 2) will be maintained at the delivery facility. Logs contain the date of each session, the name and social security number of the individual taking the session, that required identification was checked, the sign-in time, the sign-out time, and the name of the individual proctoring the session. Logs will be retained pursuant to SEC Rules 17a-3 and 17a-4.
- At the end of the Regulatory Element session, the proctor will sign the log to certify that required procedures have been followed, that no material from Regulatory Element continuing education has been reproduced, and that no candidate received any assistance to complete the session.
- Proctor, or designated administrative person will see that the In-Firm Delivery site is shut down properly to assure that confidential materials are filed properly and that daily Regulatory Element training session results are transferred to VUE.

Proctors will utilize the following checklists:

Sign-In Checklist (revised May 2001)

- _____ Check identification.
- _____ Assign secure space for storing personal articles.
- _____ Make sure participant signs the log sheet.
- _____ If participant received an ESL time extension, ask for the letter provided by his or her company. Check that the letter contains all of the necessary items specified in the testing center guide. The letter must be forwarded to FINRA. If participant is going to use a language dictionary, verify that the dictionary meets the requirements listed in the testing center guide.
- _____ Hand out numbered sheets of scratch paper. Have participant sign log sheet to verify receipt of these materials.
- _____ Escort participant to assigned seat. Be sure to seat the participant at a workstation designated for Regulatory Element training.
- _____ Verify participant name and session name. If participant received an ESL time extension and **DID NOT** provide required documentation, be sure to select **No** on Accommodations screen in *Delivery Manager* in order to rescind the accommodation.
- _____ Show participant how to start session. Explain that the tutorial is mandatory in all Regulatory Element sessions.

Sign-Out Checklist

- _____ Collect and destroy the scratch paper
- _____ Make sure the participant signs out.
- _____ Give participant the session report.
- _____ Thank each participant.

End-of-Day Checklist

- _____ Make sure all training and confidential materials (e.g. Logs, approval letters for ESL added time, etc.) are put away in a secure area.

- _____ On the administrator workstation, close *Registration Manager* and *Site Manager*. Close *Delivery Manager* on each delivery workstation. **DO NOT TURN OFF THE ADMINISTATOR WORKSTATION.** Files are transferred between the In-Firm Delivery site system and VUE during the night. This transfer cannot occur if the administrator workstation is turned off.

- _____ Begin nightly back-up process after *Remote Maintenance Agent* software has completed the nightly maintenance cycle.

Letter of Attestation

A Letter of Attestation as required by NYSE Rule 345A or NASD Rule 1120(a)(6)(F)(vi), dated _____ (copy attached), has been filed with our Designated Examining Authority (DEA).

VUE Testing Center Log Sheet

Center Number: _____ Center: _____ Date: _____ Page: ____ of ____

Candidate: _____ Sign In: _____ Time: _____

CE Name: _____ Sign Out: _____ Time: _____

CE Series #: _____

Proctor: _____

Government-issued ID

Signature: _____

Break ID

Scratch Paper In (#)

Scratch Paper Out (#)

Candidate: _____ Sign In: _____ Time: _____

CE Name: _____ Sign Out: _____ Time: _____

CE Series #: _____

Proctor: _____

Government-issued ID

Signature: _____

Break ID

Scratch Paper In (#)

Scratch Paper Out (#)