

Notice to Members

FEBRUARY 2005

SUGGESTED ROUTING

Continuing Education
Executive Representatives
Legal & Compliance
Registered Representatives
Registration
Research
Senior Management
Training

KEY TOPICS

Qualification Examinations
Registration
Research Reports
Rule 1050
Supervision

GUIDANCE

Research Analysts and Research Reports

NASD Reminds Firms of April 4, 2005, Expiration Date of Grace Period to Meet NASD Research Analyst Qualification and Examination Requirements (Series 86/87)

Executive Summary

In *Notice to Members (NTM) 04-25*, NASD announced that the research analyst registration requirements and examination program went into effect on March 30, 2004. As of that date, any associated person functioning as a research analyst must pass the Research Analyst Qualification Examination (Series 86/87) or obtain an exemption or waiver. Persons functioning as research analysts on March 30, 2004, were granted a grace period until April 4, 2005, within which to meet the registration requirements, provided the member firm with which they are associated applied for the research analyst registration by June 1, 2004. NASD reminds such persons and member firms that the grace period will end on April 4, 2005, and should a research analyst fail to pass (or receive an exemption from) the necessary examination(s) by April 4, 2005, such individual's registration as a research analyst will terminate on April 4, 2005. NASD will not grant any extensions of the grace period.

Questions/Further Information

Questions concerning this *Notice* may be directed to Joe McDonald, Associate Director, NASD Testing and Continuing Education Department (TCE), at (240) 386-5065; or Carole Hartzog, Senior Analyst, TCE, at (240) 386-4678.

Background and Discussion

NASD Rule 1050 requires all persons associated with a member who function as research analysts to be registered as such with NASD and pass a qualification examination. Those individuals required to be registered as research analysts must pass the Research Analyst Qualification Examination (Series 86/87) or qualify for an exemption. That examination consists of two parts: Analysis (Series 86), which tests fundamental analysis and valuation of equity securities; and Regulatory Administration and Best Practices (Series 87), which tests knowledge of applicable rules and regulations, including NASD Rule 2711, NYSE Rule 344, and SEC Regulation AC.

NASD announced in *NTM 04-25* that the research analyst registration requirements and examination program went into effect on March 30, 2004. As of that date, all associated persons functioning as research analysts must pass the required examinations (or obtain an exemption or waiver) to continue to function in that capacity. However, candidates who were functioning as research analysts on the effective date of March 30, 2004, were allowed a grace period until April 4, 2005, to meet the research analyst registration requirements. The grace period was intended to provide these analysts sufficient time to study and pass the examination without causing undue disruption in carrying out their responsibilities to their member firm and its customers.

To avail a research analyst of the grace period, the member firm needed to submit to NASD a registration application (or amendments thereto) for the research analyst on or before June 1, 2004. Individuals who applied for registration as a research analyst after June 1, 2004, were and are subject to NASD's normal qualification requirements and procedures.

NASD is issuing this reminder to firms and individuals that the expiration of the grace period is approaching. NASD will not grant an extension of the grace period to any individuals. This includes individuals who have failed one or both parts of the qualification examination or who have requested and been denied an exemption from Part I (Series 86), the Analysis section of the examination.

The usual policy regarding waiting periods for candidates retaking a failed exam was modified for candidates subject to the one-year grace period described above. Typically, a candidate must wait 30 days before retaking a failed exam and 180 days after the third and all subsequent failures. Candidates who qualified for the grace period must wait 30 days before retaking a failed Series 86 and/or Series 87 Exam, but are not subject to any 180-day waiting period irrespective of whether the candidate fails an exam three times or more. NASD reminds firms and individuals that this special exemption from the waiting period ends on April 4, 2005. For those research analysts who received the grace period and failed the Series 86 and/or 87, the normal waiting period of 30 days after first and second attempts and 180 days after third and subsequent attempts will be enforced as of April 4, 2005.

Finally, NASD states that it will not waive the 30-day waiting period before retaking a failed exam. Therefore, if an individual fails one or both parts of the exam less than 30 days before expiration of the grace period (March 4, 2005, or later), the individual will not be able to retake the exam until after April 4, 2005. The individual's registration as a research analyst will terminate on April 4, 2005, and the individual will not be able to function in the capacity of a research analyst until he or she has passed each part of the exam (or has received an exemption from the Series 86 and passed the Series 87).

Examination Appointments

The Series 86 and 87 examination is administered at conveniently located test centers operated by Pearson Vue and Prometric. Appointments to take the examination can be scheduled through either network:

- ▶ **Pearson Professional Centers:** contact Pearson VUE's National Registration Center at **1-866-396-6273 (toll free)**, or **1-952-681-3873 (toll number)**, or go to www.pearsonvue.com/nasd for Web-based scheduling.
- ▶ **Prometric Testing Centers:** contact Prometric's National Call Center at **1-800-578-6273 (toll free)** or go to www.prometric.com/nasd for Web-based scheduling.

©2005. NASD. All rights reserved. *Notices to Members* attempt to present information to readers in a format that is easily understandable. However, please be aware that, in case of any misunderstanding, the rule language prevails.