

April 26, 2000

Katherine A. England, Esq.
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001

Re: **File No. SR-NASD-00-25** - Extension of Time to Pass Series 55 Examination, Equity
Trader

Dear Ms. England:

Pursuant to Rule 19b-4, enclosed is the above-numbered rule filing. Also enclosed is a 3-1/2" disk containing the rule filing in Microsoft Word 7.0 to facilitate production of the Federal Register release.

If you have any questions, please contact Eric Moss, Office of General Counsel, NASD Regulation, Inc., at (202) 728-8982; e-mail eric.moss@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Patrice M. Gliniecki
Vice President and
Deputy General Counsel

Enclosures

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

Form 19b-4

Proposed Rule Change

by

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”), the National Association of Securities Dealers, Inc. (“NASD” or “Association”), through its wholly owned subsidiary, NASD Regulation, Inc. (“NASD Regulation”), is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend NASD Rule 1032(f) to change the date by which certain registered representatives who trade equity securities in the Nasdaq Stock Market (“Nasdaq”) and/or over-the-counter must pass the Series 55 Examination. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * *

Rule 1032. Categories of Representative Registration

* * *

(f) Limited Representative - Equity Trader

* * *

(2) Before registration as a Limited Representative - Equity Trader as defined in subparagraph (1) hereof may become effective, an applicant must:

* * *

(B) pass an appropriate Qualification Examination for Limited Representative-Equity Trader. Any person who was performing any of the activities described in paragraph (f)(1) above on or prior to May 1, 1998 and who has filed an application to take this examination by August 31, 1998 must pass the examination by October 1,

2000 [May 1, 2000]. Any person who is eligible for this extended qualification period and who fails this examination during the twenty-nine [four] (29[4]) month time period commencing on May 1, 1998 and ending on [May 1, 2000] October 1, 2000 must wait thirty (30) days from the date of failure to take the examination again. Any person, other than a person who is eligible for the extended qualification period, who files an application to take this qualification examination after May 1, 1998 must pass this examination before conducting such activities as described in paragraph (f)(1) above. In no event may a person who is eligible for the extended qualification period function as an Equity Trader beyond the 29[4] - month period without having successfully passed the appropriate qualification examination.

* * *

(b) Not applicable

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The Board of Directors of NASD Regulation authorized the filing with the Securities and Exchange Commission ("SEC") of proposed Rule 1032(f), File No. SR-NASD-97-21, at its meeting on November 14, 1996. The Nasdaq Stock Market had an opportunity to consult with respect to the original proposed rule change, pursuant to the Plan of Allocation and Delegation of Functions by the NASD to its Subsidiaries. The NASD Board of Governors had an opportunity to review the original proposed rule change at its meeting on December 12, 1996. Section 1(a)(ii) of Article VI of the By-

Laws permits the NASD Board of Governors to adopt amendments to NASD Rules without recourse to the membership for approval.

The original rule filing, File No. SR-NASD-97-21, afforded certain registered persons a two-year grace period, ending on May 1, 2000, to pass the Series 55 Examination. In this rule filing, NASD Regulation is proposing to extend the grace period to October 1, 2000. Since this rule filing is only proposing to extend the grace period provided for in the original rule filing, File No. SR-NASD-97-21, this rule filing is consistent with prior authorization. No other action by the NASD is necessary for the filing of the proposed rule change. The proposed rule change which is a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule, will take effect upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f).

(b) Questions regarding this rule filing may be directed to Eric Moss, Assistant General Counsel, NASD Regulation, Office of General Counsel, at (202) 728-8982.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

On January 2, 1998, the SEC approved File No. SR-NASD-97-21, which proposed amending NASD Rule 1032 to add an additional category of representative registration.¹ Specifically, Rule 1032(f) requires each registered representative who engages in proprietary or agency trades of equities, preferred securities or convertible debt securities otherwise than on a securities exchange, or who directly supervises such activities (*i.e.*, functioning as an “Equity Trader”), to register as a Limited Representative-Equity Trader. In order to register as a Limited Representative-Equity Trader, the

representative must be registered as a General Securities Representative (Series 7) or as a Limited Representative-Corporate Securities (Series 62), and must pass the Series 55 Examination.² The rule contains an exemption for representatives whose principal trading activities involve executing orders on behalf of an affiliated investment company that is registered with the SEC under the Investment Company Act of 1940.

As discussed above, Rule 1032 affords certain registered representatives a two-year grace period, ending on May 1, 2000 to pass the Series 55 Examination. NASD Regulation believed this would provide such representatives sufficient time to pass the examination. Unfortunately, this has not been the case. It has come to NASD Regulation's attention that many registered representatives who are eligible for the two-year grace period will not pass the Series 55 Examination by May 1, 2000. If the deadline is not extended, these registered persons will be forced to cease certain trading activities, which could cause disruptions at NASD member firms and could cause harm to customers. NASD Regulation does not believe the markets or customers will be served by a strict application of this deadline. Consequently, NASD Regulation is proposing to extend the grace period for passing the examination. NASD Regulation is proposing that registered representatives who were eligible for the two-year grace period, but who failed to pass the Series 55 Examination, be given until October 1, 2000 to pass the examination. However, such representatives will not be permitted to function as Equity Traders after October 1, 2000 unless they receive passing scores on the Series 55 Examination.

¹ Securities Exchange Act Release No. 39516, 63 FR 1520 (January 9, 1998).

² Representatives who have been Agrandfathered@ from taking the Series 7 or the Series 62 Examinations will not be required to take either examination in order to take the Series 55.

(b) Statutory Basis

NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASD Regulation believes that the failure to extend the deadline to pass the Series 55 Examination will cause disruptions at some NASD member firms and could cause harm to customers. NASD Regulation does not believe the markets or customers will be served by a strict application of this deadline.

4. Self-Regulatory Organization's Statement on Burden on Competition

NASD Regulation does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act and paragraph (f)(1) of Rule 19b-4 thereunder, in that the proposed rule change is a stated policy, practice, or interpretation with respect to the meaning administration or enforcement of an existing rule.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Exhibits

Completed notice of proposed rule change for publication in the Federal Register.

Pursuant to the requirements of the Securities Exchange Act of 1934, NASD Regulation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

NASD REGULATION, INC.

BY: _____

Patrice M. Gliniecki

Vice President and Deputy General Counsel

Date: April 26, 2000

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-00-25)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Extension of Time to Pass for Series 55 Examination, Equity Trader

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, the National Association of Securities Dealers, Inc. (“NASD”), through its wholly owned subsidiary, NASD Regulation, Inc. (“NASD Regulation”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation. NASD Regulation has designated this proposal as one constituting a stated policy, practice, or interpretation with respect to the meaning administration, or enforcement of an existing rule under Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, which renders the rule effective upon the Commission’s receipt of this filing. 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 Regulation is proposing to amend Rule 1032(f) of the National Association of Securities Dealers, Inc. (“NASD” or “Association”), to change the date by which certain registered representatives who trade equity securities in the Nasdaq Stock Market (“Nasdaq”) and/or over-the-

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

counter must pass the Series 55 Examination. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * *

Rule 1032. Categories of Representative Registration

* * *

(f) Limited Representative - Equity Trader

* * *

(2) Before registration as a Limited Representative - Equity Trader as defined in subparagraph (1) hereof may become effective, an applicant must:

* * *

(B) pass an appropriate Qualification Examination for Limited Representative-Equity Trader. Any person who was performing any of the activities described in paragraph (f)(1) above on or prior to May 1, 1998 and who has filed an application to take this examination by August 31, 1998 must pass the examination by October 1, 2000 [May 1, 2000]. Any person who is eligible for this extended qualification period and who fails this examination during the twenty-nine [four] (29[4]) month time period commencing on May 1, 1998 and ending on [May 1, 2000] October 1, 2000 must wait thirty (30) days from the date of failure to take the examination again. Any person, other than a person who is eligible for the extended qualification period, who files an application to take this qualification examination after May 1, 1998 must pass this examination before conducting such activities as described in paragraph (f)(1) above.

In no event may a person who is eligible for the extended qualification period function as an Equity Trader beyond the 29[4] - month period without having successfully passed the appropriate qualification examination.

* * *

II. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE PURPOSE OF, AND STATUTORY BASIS FOR, THE PROPOSED RULE CHANGE

In its filing with the Commission, NASD Regulation included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD Regulation has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

On January 2, 1998, the SEC approved File No. SR-NASD-97-21, which proposed amending NASD Rule 1032 to add an additional category of representative registration.³ Specifically, Rule 1032(f) requires each registered representative who engages in proprietary or agency trades of equities, preferred securities or convertible debt securities otherwise than on a securities exchange, or who directly supervises such activities (*i.e.*, functioning as an "Equity Trader"), to register as a Limited Representative-Equity Trader. In order to register as a Limited Representative-Equity Trader, the representative must be registered as a General Securities Representative (Series 7) or as a Limited

³ Securities Exchange Act Release No. 39516, 63 FR 1520 (January 9, 1998).

Representative-Corporate Securities (Series 62), and must pass the Series 55 Examination.⁴ The rule contains an exemption for representatives whose principal trading activities involve executing orders on behalf of an affiliated investment company that is registered with the SEC under the Investment Company Act of 1940.

As discussed above, Rule 1032 affords certain registered representatives a two-year grace period, ending on May 1, 2000 to pass the Series 55 Examination. NASD Regulation believed this would provide such representatives sufficient time to pass the examination. Unfortunately, this has not been the case. It has come to NASD Regulation's attention that many registered representatives who are eligible for the two-year grace period will not pass the Series 55 Examination by May 1, 2000. If the deadline is not extended, these registered persons will be forced to cease certain trading activities, which could cause disruptions at NASD member firms and could cause harm to customers. NASD Regulation does not believe the markets or customers will be served by a strict application of this deadline. Consequently, NASD Regulation is proposing to extend the grace period for passing the examination. NASD Regulation is proposing that registered representatives who were eligible for the two-year grace period, but who failed to pass the Series 55 Examination, be given until October 1, 2000 to pass the examination. However, such representatives will not be permitted to function as Equity Traders after October 1, 2000 unless they receive passing scores on the Series 55 Examination.

(b) Statutory Basis

NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules must be

⁴ Representatives who have been Agrandfathered@ from taking the Series 7 or the Series 62 Examinations will not be required to take either examination in order to take the Series 55.

designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASD Regulation believes that the failure to extend the deadline to pass the Series 55 Examination will cause disruptions at some NASD member firms and could cause harm to customers. NASD Regulation does not believe the markets or customers will be served by a strict application of this deadline.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NASD Regulation does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. DATE OF EFFECTIVENESS OF THE PROPOSED RULE CHANGE AND TIMING FOR COMMISSION ACTION

The Notice to Members is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act and paragraph (f)(1) of Rule 19b-4 thereunder, in that the Notice to Members is a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule. At any time within 60 days of this filing, the Commission may summarily abrogate this proposal if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by [insert date 21 days from the date of publication].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Jonathan G. Katz
Secretary