

Mignon McLemore
Counsel, Dispute Resolution

March 3, 2004

Paula Jenson
Deputy Chief Counsel
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001

Re: File No. SR-NASD-2004-001 – Background Information on Arbitrator Chairperson Training

Dear Ms. Jenson:

Pursuant to a request by Division of Market Regulation staff, NASD is submitting this letter to provide background information on the arbitrator chairperson training referred to in the above-numbered rule filing.

NASD Dispute Resolution (“Dispute Resolution”) began offering the panel member training (*i.e.*, basic arbitrator training) and the chairperson training in 1993. The purpose of chairperson training is to assist arbitrators, who serve as the chairperson on an arbitration panel, in conducting a hearing and in managing and performing the many duties and functions unique to the chairperson. The panel member training became mandatory in 1998; however, the chairperson training has never been made mandatory.

In March 1998, the cost for each panel and chairperson training was increased from \$25 to \$100. The \$100 registration fee was established to cover NASD costs for printing and distributing the training materials, staff travel, room rentals (in most areas), and compensating the arbitrator co-trainers with a small stipend.

From 1993 to 2003, the chairperson training consisted of home study followed by an in-person training session. In June 2003, NASD converted this chairperson training program to an interactive, online format. Online chairperson training provides NASD certain benefits that the in-person training did not: an expedient method of offering current and time-sensitive training materials to a widespread and diverse audience as well as the ability to update and disseminate training materials quickly. The online version of this training provides significant benefits to the arbitrators as well. As the online chairperson training is available twenty-four hours a day, seven

days a week, arbitrators can learn at their own pace and in the setting of their choice.¹ Moreover, the continuous accessibility of this training provides arbitrators with the flexibility to accommodate their professional and personal schedules.

The online chairperson training course takes approximately nine hours to complete, and arbitrators have one month to complete the program from the date of their enrollment. The training does not have to be completed in one sitting. The course is programmed so that arbitrators can bookmark their current place in the training if they leave a lesson before completing it. Thus, when arbitrators exit a lesson without completing it, the training program will return them automatically to the screen they had been studying prior to exiting.

Arbitrators must pass the test that follows the chairperson training. There are 25 questions and the passing grade is 80%. The program grades the test immediately and advises arbitrators whether they passed or failed. Arbitrators who pass have the option of printing out a certificate of training, which is suitable for framing. Arbitrators who fail the test will be advised that they can re-enroll to take the course, and the test. If arbitrators have questions about the content of the training course, the Web site provides contact information for the NASD staff training liaison. If arbitrators have technical questions, the Web site provides separate contact information for FIRE Solutions, the developer of the training module.

Finally, NASD announced the new online chairperson training program using the following methods:

- A press release announcing the launch (a copy is attached.);
- Flyers, announcing the availability of the online chairperson training, were inserted in all mail sent to arbitrators through U.S. mail for several weeks after the service became available (a copy is attached.); and
- Several issues of the arbitrator newsletter, *The Neutral Corner*, have referred to the training course. *The Neutral Corner* can be accessed through the Dispute Resolution Web site at http://www.nasdadr.com/nc_index.asp.

¹ An arbitrator would need to have access to a computer with an Internet connection.

Paula Jenson
March 3, 2004
Page 3

If you have any further questions or need additional information, I can be reached at (202) 728-8151 or by email at Mignon.McLemore@NASD.com.

Very truly yours,

Mignon McLemore

cc: Rob Curry

Enclosures