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July 26, 2004

Katherine A. England
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-2004-115 – Amendments to Reduce the Fee for the Regulatory Element of Continuing Education Program

Dear Ms. England:

Pursuant to Rule 19b-4, enclosed please find 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 Grace Yeh, Office of General Counsel, Regulatory Policy and Oversight, at (202) 728-6939; e-mail grace.yeh@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Barbara Z. Sweeney
Senior Vice President
and Corporate Secretary

Enclosures

File No. SR-NASD-2004-115
Consists of 12 Pages
July 26, 2004

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) of the Securities Exchange Act of 1934 (“Act”), the National Association of Securities Dealers, Inc. (“NASD”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Section 4 of Schedule A to the NASD By-Laws to reduce fees for the Regulatory Element of the continuing education requirements of Rule 1120.¹ Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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SCHEDULE A TO NASD BY-LAWS

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Section 4—Fees

(a) through (l) No change.

(m) There shall be a session fee of [~~\$65.00~~] \$60.00 assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Rule 1120.

(n) through (o) No change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change has been approved by the Board of Governors of NASD

¹ NASD filed a proposed rule change (for immediate effectiveness under Section 19(b)(3) of the Act) to reduce the Regulatory Element continuing education fees from \$65 to \$60 on December 24, 2003 (the “original rule proposal”). While a signed receipt for the original rule proposal was obtained upon arrival at the SEC’s

(“Board”) and authorized for filing with the SEC pursuant to a delegation of authority granted by the Board at its meeting on July 31, 2003 to, among others, the President of the Regulatory Policy and Oversight Division of NASD to propose and approve de minimis changes to all fees administered by NASD (“Delegation of Authority”). The staff will advise the Board of the exercise of discretion to approve de minimis fee changes and the exercise of discretion being taken pursuant to the Delegation of Authority.² Counsel for The Nasdaq Stock Market and NASD Dispute Resolution were provided an opportunity to consult with respect to the general Delegation of Authority, pursuant to the Plan of Allocation and Delegation of Functions by NASD to its Subsidiaries. No other action by NASD is necessary for the filing of the proposed rule change. Section 1(a)(ii) of Article VII of the NASD By-Laws permits the NASD Board of Governors to adopt amendments to NASD Rules without recourse to the membership for approval.

The proposed rule change is effective retroactively beginning January 1, 2004. As further detailed in Section 7 below, NASD is requesting that the SEC grant accelerated approval to the proposed rule change.

(b) Questions regarding this rule filing may be directed to Grace Yeh, Assistant General Counsel, Office of General Counsel, Regulatory Policy and Oversight, at (202) 728-6939.

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

(a) Purpose

The Regulatory Element, a computer-based education program administered by NASD to help ensure that registered persons are kept up-to-date on regulatory, compliance, and sales

premises, the original rule proposal apparently was not delivered to the SEC’s Department of Market Regulation.

practice matters in the industry, is a component of the Securities Industry Continuing Education Program (“Program”) under Rule 1120. The Securities Industry/Regulatory Council on Continuing Education (“Council”)³ 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. Its roles include recommending and helping develop specific content and questions for the Regulatory Element, defining minimum core curricula for the Firm Element component of the Program, and developing and updating information about the Program for industry-wide dissemination.

It is the Council’s responsibility to maintain the Program on a revenue neutral basis while maintaining adequate reserves. In its annual financial review, the Council analyzed projected revenues and expenses through 2008. The analysis showed that the current surplus, which is adequate for the Program’s needs, would likely grow over the next two years if Regulatory Element volumes continue at current levels and the fee is maintained at \$65 per session, and that reserves would remain adequate if the fee for a Regulatory Element session were reduced by \$5. As such, at its December 2003 meeting, the Council unanimously supported a reduction of the fee that firms pay when their registered persons take the Regulatory Element from \$65 to \$60. This is the second reduction in fees since the Program began in 1995. The first was a reduction of \$10 in 1999.

² In this regard, the staff advised the Board of the filing of the original rule proposal pursuant to the Delegation of Authority at the Board’s meeting in January 2004. See supra note 1.

³ As of the date of this rule filing, the Council consists of 17 individuals, six of whom represent self-regulatory organizations (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.) and 11 who represent the industry.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Sections 15A(b)(5) and 15A(b)(6) of the Act, which require, among other things, that NASD's rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system that NASD operates or controls, and that NASD 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 believes that the proposed rule change is designed to accomplish these ends by enabling the Program to be maintained on a revenue neutral basis.

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

NASD 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

NASD does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.

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

NASD requests the Commission to find good cause pursuant to Section 19(b)(2) of the Act for approving the proposed rule change prior to the 30th day after its publication in the Federal Register. An original rule proposal was delivered to the SEC for filing on December 24,

2003. While a signed receipt for the original rule proposal was obtained upon arrival at the SEC's premises, the original rule proposal apparently was not delivered to the SEC's Department of Market Regulation. The original rule proposal was filed for immediate effectiveness under Section 19(b)(3) of the Act with an implementation date of January 1, 2004. As such, changes were made to Web Central Registration Depository (Web CRD[®]) to charge members the reduced \$60 fee beginning January 1, 2004. Accordingly, this rule change also is effective retroactively beginning January 1, 2004.

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

Not applicable.

9. Exhibits

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

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

NASD, INC.

BY: _____
Barbara Z. Sweeney, Senior Vice President and
Corporate Secretary

Date: July 26, 2004

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-2004-115)
July 26, 2004

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Amendments to Reduce the Fee for the Regulatory Element of the Continuing Education Program

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 , 2004, the National Association of Securities Dealers, Inc. (“NASD”), 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. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

I. SELF-REGULATORY ORGANIZATION’S STATEMENT OF THE TERMS OF SUBSTANCE OF THE PROPOSED RULE CHANGE

NASD is proposing to amend Section 4 of Schedule A to the NASD By-Laws to reduce fees for the Regulatory Element of the continuing education requirements of Rule 1120.³ Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ NASD filed a proposed rule change (for immediate effectiveness under Section 19(b)(3) of the Act) to reduce the Regulatory Element continuing education fees from \$65 to \$60 on December 24, 2003 (the “original rule proposal”). While a signed receipt for the original rule proposal was obtained upon arrival at the SEC’s premises, the original rule proposal apparently was not delivered to the SEC’s Department of Market Regulation.

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SCHEDULE A TO NASD BY-LAWS

* * * * *

Section 4—Fees

(a) through (l) No change.

(m) There shall be a session fee of [~~\$65.00~~] \$60.00 assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Rule 1120.

(n) through (o) No change.

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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 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 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

The Regulatory Element, a computer-based education program administered by NASD to help 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 Rule 1120. The Securities Industry/Regulatory Council on

Continuing Education (“Council”)⁴ 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. Its roles include recommending and helping develop specific content and questions for the Regulatory Element, defining minimum core curricula for the Firm Element component of the Program, and developing and updating information about the Program for industry-wide dissemination.

It is the Council’s responsibility to maintain the Program on a revenue neutral basis while maintaining adequate reserves. In its annual financial review, the Council analyzed projected revenues and expenses through 2008. The analysis showed that the current surplus, which is adequate for the Program’s needs, would likely grow over the next two years if Regulatory Element volumes continue at current levels and the fee is maintained at \$65 per session, and that reserves would remain adequate if the fee for a Regulatory Element session were reduced by \$5. As such, at its December 2003 meeting, the Council unanimously supported a reduction of the fee that firms pay when their registered persons take the Regulatory Element from \$65 to \$60. This is the second reduction in fees since the Program began in 1995. The first was a reduction of \$10 in 1999.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Sections 15A(b)(5) and 15A(b)(6) of the Act, which require, among other things, that NASD’s

⁴ As of the date of this rule filing, the Council consists of 17 individuals, six of whom represent self-regulatory organizations (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.) and 11 who represent the industry.

rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system that NASD operates or controls, and that NASD 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 believes that the proposed rule change is designed to accomplish these ends by enabling the Program to be maintained on a revenue neutral basis.

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

NASD 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

NASD has requested that the Commission find good cause pursuant to Section 19(b)(2) of the Act for approving the proposed rule change prior to the 30th day after publication in the Federal Register. The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NASD and, in particular, the requirements of Section 15A and the rules and regulations thereunder. An original rule proposal was delivered to the SEC for filing on December 24, 2003. While a signed receipt for the original rule proposal was obtained upon arrival at the SEC's premises, the original rule proposal apparently was not delivered to the SEC's Department of Market Regulation. The original rule proposal was filed for immediate effectiveness under Section 19(b)(3) of the Act

with an implementation date of January 1, 2004. As such, changes were made to Web Central Registration Depository (Web CRD[®]) to charge members the reduced \$60 fee beginning January 1, 2004. Accordingly, this rule change also is effective retroactively beginning January 1, 2004.

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change [as amended] is consistent with the act. 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.

Comments may also be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. SR-NASD-2004-115. This file number should be included on the subject line if e-mail is used. To help us process and review comments more efficiently, comments should be sent in hardcopy or by e-mail but not by both methods. 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 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].

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change be, and hereby is, approved.

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

Margaret H. McFarland
Deputy Secretary