

September 29, 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-2004-145 - Amendments to Schedule A to the NASD By-Laws (Fees for Qualification Examinations)

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 Ann M. Griffith, Associate Vice President and Director, Testing and Continuing Education, at (240) 386-5051; e-mail ann.griffith@nasd.com, or Shirley H. Weiss, Office of General Counsel, Regulatory Policy and Oversight, at (202) 728-8844; e-mail shirley.weiss@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Patrice M. Gliniecki
Senior Vice President and
Deputy General Counsel

Enclosures

File No. SR-NASD-2004-145
Consists of 27 Pages
September 29, 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)(3) 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 ("Schedule A") to establish examination fees that shall be assessed persons taking various qualification examinations as of January 1, 2005. The proposed rule change also lists the examination fees that NASD will publish in Schedule A regardless of whether the current examination fee will increase. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

SCHEDULE A TO NASD BY-LAWS

* * * * *

Section 4--Fees

(a) and (b) No change

(c) [There shall be an examination fee of \$60.00 assessed as to each individual who is required to take an examination for registration as a registered representative pursuant to the provisions of the Rule 1030 Series, except that the examination fee for general securities representatives shall be \$110.00.] The following fees shall be assessed to each individual who registers to take an examination as described below as of January 1, 2005. [This] These fees [is] are in addition to the registration fee described in [Item] paragraph (b). [Persons for whom an

examination is waived pursuant to Rule 1070 shall pay a fee as set forth in paragraph (1) of this Section.]

<u>Series 4</u>	<u>Registered Options Principal</u>	<u>\$80</u>
<u>Series 6</u>	<u>Investment Company Products/ Variable Contracts Representative</u>	<u>\$70</u>
<u>Series 7</u>	<u>General Securities Representative</u>	<u>\$225</u>
<u>Series 9</u>	<u>General Securities Sales Supervisor - Options Module</u>	<u>\$60</u>
<u>Series 10</u>	<u>General Securities Sales Supervisor - General Module</u>	<u>\$95</u>
<u>Series 11</u>	<u>Assistant Representative- Order Processing</u>	<u>\$60</u>
<u>Series 17</u>	<u>Limited Registered Representative</u>	<u>\$65</u>
<u>Series 22</u>	<u>Direct Participation Programs Representative</u>	<u>\$70</u>
<u>Series 23</u>	<u>General Securities Principal Sales Supervisor Module</u>	<u>\$75</u>
<u>Series 24</u>	<u>General Securities Principal</u>	<u>\$85</u>
<u>Series 26</u>	<u>Investment Company Products/ Variable Contracts Principal</u>	<u>\$75</u>
<u>Series 27</u>	<u>Financial and Operations Principal</u>	<u>\$85</u>
<u>Series 28</u>	<u>Introducing Broker/Dealer Financial and Operations Principal</u>	<u>\$75</u>
<u>Series 37</u>	<u>Canada Module of S7 (Options Required)</u>	<u>\$150</u>
<u>Series 38</u>	<u>Canada Module of S7 (No Options Required)</u>	<u>\$150</u>

<u>Series 39</u>	<u>Direct Participation Programs Principal</u>	<u>\$75</u>
<u>Series 42</u>	<u>Registered Options Representative</u>	<u>\$60</u>
<u>Series 55</u>	<u>Limited Representative- Equity Trader</u>	<u>\$80</u>
<u>Series 62</u>	<u>Corporate Securities Limited Representative</u>	<u>\$70</u>
<u>Series 72</u>	<u>Government Securities Representative</u>	<u>\$80</u>
<u>Series 82</u>	<u>Limited Representative – Private Securities Offering</u>	<u>\$75</u>
<u>Series 86</u>	<u>Research Analyst - Analysis</u>	<u>\$150</u>
<u>Series 87</u>	<u>Research Analyst - Regulatory</u>	<u>\$105</u>

(1) Persons for whom any qualification examination is waived pursuant to Rule 1070 shall be assessed as an application fee the examination fee for each qualification examination so waived.

(2) There shall be a service charge equal to the examination fee assessed to each individual who, having made an appointment for a specific time and place for computer-based administration of an examination, fails to timely appear for such examination or timely cancel such appointment.

(3) There shall be a service charge fee of \$15.00 in addition to those fees specified above for any examination taken in a foreign test center located outside the territorial limits of the United States.

[(d) There shall be a New York Stock Exchange examination development fee of \$90.00 assessed as to each individual who takes a Series 7 examination for registration as a general

securities representative. This fee is in addition to the registration and examination fees described in paragraphs (b) and (c) respectively.]

[(e) There shall be an examination fee of \$105.00 assessed as to each individual who takes a Series 86 examination for registration as a research analyst pursuant to Rule 1050. There shall be an examination fee of \$55.00 assessed as to each individual who takes a Series 87 examination for registration as a research analyst pursuant to Rule 1050. This fee is in addition to the registration fee described in paragraph (b). Persons for whom an examination is waived pursuant to Rule 1070 shall pay a fee as set forth in paragraph (l) of this Section.]

[(f) There shall be a New York Stock Exchange examination development fee of \$45.00 assessed as to each individual who takes a Series 86 or Series 87 examination for registration as a research analyst pursuant to Rule 1050. This fee is in addition to the registration and examination fees described in paragraphs (b) and (e) respectively.]

[(g) There shall be an examination fee of \$110.00 assessed as to each individual taking the General Securities-Sales Supervisor Examination. There shall be an examination fee of \$75.00 assessed as to each individual who is required to take any other examination for principals pursuant to the provisions of the Rule 1020 Series. Persons for whom an examination is waived pursuant to Rule 1070 shall pay a fee as set forth in paragraph (j) of this Section.]

[(h) There shall be a service charge fee of \$15.00 in addition to those fees specified in (b), (c), and (d) above for any examination taken in a foreign test center located outside the territorial limits of the United States.]

[(i) There shall be a service charge equal to the examination fee assessed as to each individual who, having made an appointment for a specific time and place for computer-based

administration of an examination, fails to timely appear for such examination or timely cancel such appointment.]

(j) through (o) are renumbered (d) through (i)

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Board of Governors of NASD at its meeting on July 22, 2004, which authorized the filing of the rule change with the SEC. 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 upon filing pursuant to Section 19(b)(3) of the Act and paragraph (f)(2) of Rule 19b-4 thereunder, in that the proposed rule change establishes or changes a due, fee or other charge imposed by NASD. The revised examination fees set forth in this proposed rule change will be charged persons who register for one of the affected examinations beginning on January 1, 2005.

(b) Questions regarding this rule filing may be directed to Ann M. Griffith, Associate Vice President and Director, Testing and Continuing Education, at (240) 386-5051 or Shirley H. Weiss, Associate General Counsel, Office of General Counsel, Regulatory Policy and Oversight, at (202) 728-8844.

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

(a) Purpose

The purpose of this proposed rule change is to make certain changes in qualification examination fees. NASD also is indicating in this rule filing those examinations and fees that NASD will publish in Schedule A, which shall include all examinations that may be required by NASD for its members, regardless of whether the current examination fee will change.

Any person associated with a member firm who is engaged in the securities business of the firm must register with NASD. As part of the registration process, securities professionals must pass a qualification examination to demonstrate competence in each area in which they intend to work. Some of these examinations are sponsored (i.e., developed) by NASD, and others are sponsored by the North American Securities Administrators Association ("NASAA"), the New York Stock Exchange ("NYSE"), the Municipal Securities Rulemaking Board ("MSRB"), or other self-regulatory organizations ("SROs").¹ NASD administers these qualification examinations via computer through the PROCTOR[®] system at test centers operated by vendors under contract with NASD. NASD charges an examination fee to candidates for NASD-sponsored examinations. For those examinations sponsored by an NASD client and administered/delivered by NASD, NASD charges a delivery fee that comprises either a part or all of the examination fee for these examinations.

¹ For example, NASD administers and delivers the Series 6, 24, and 27 examinations, which are sponsored by NASD. NASD also administers and delivers client examinations, such as the Series 7, which is sponsored by NYSE, and the Series 9 and 10, which are sponsored jointly by several SROs (AMEX, CBOE, MSRB, NASD, NYSE, PCX, and PHLX).

NASD has not adjusted current examination fees for NASD-sponsored examinations or delivery fees for client-sponsored examinations since 1989. At present, these fees do not reflect the costs incurred by NASD for administering and delivering these examinations. These costs consist of operational, technology and delivery costs. Operational costs consist of salaries and overhead for NASD staff involved in test delivery technical support, customer support and service, and examination administration. Delivery costs vary based on the length of the examination because NASD pays its delivery vendors an hourly rate for seat time at test delivery centers.²

Technology costs are the costs associated with the PROCTOR® system, including system maintenance and enhancements. The PROCTOR® system provides the following capabilities: importation and storage of items within examination banks; statistical analyses against the examination bank; tracking candidates' enrollment windows, appointments and result records; use of the delivery driver at the test delivery centers; and exporting raw data on item performance. Technology costs also include the significant expense being incurred over the next two years for the PROCTOR® system redesign/rebuild. The current PROCTOR® system needs to be updated to incorporate more modern technology. The new system will be more reliable and will include many new features such as additional item (question) formats (short answer, matching, drag/drop), on-line exhibits, and advanced biometrics for greater security.

This proposed rule change to Schedule A will eliminate existing provisions relating to specific examinations. Instead, the amended Schedule A will list all qualification examinations that may be required by NASD for its members, regardless of sponsor(s), and the fee that will be

² NASD provides a network of more than 400 test centers located throughout the United States and overseas

charged for each examination. These fees represent the fees to be charged persons who register for one of these examinations beginning on January 1, 2005.³ NASD plans to conduct an annual review of its costs and adjust examination and delivery fees, if necessary, as of January 1 each year after making the appropriate rule filings.

Fee Changes

NASD recently conducted an analysis of the costs of developing, administering, and delivering qualification examinations. The analysis showed that NASD's costs are rising, particularly technology and delivery costs. The proposed rule change will raise examination fees for certain NASD-sponsored examinations. In addition, NASD has advised its client examination sponsors of the impact of the higher costs on delivery fees for client-sponsored examinations. Accordingly, NASD is proposing to raise the examination fees for the following examinations.

Series 4	Registered Options Principal (Sponsored jointly by AMEX, CBOE, NASD, NYSE, PCX, and PHLX)	From \$75 to \$80
Series 6	Investment Company Products/Variable Contracts Representative (NASD-sponsored)	From \$60 to \$70
Series 7	General Securities Representative (NYSE-sponsored)	From \$200 to \$225

operated by two commercial vendors.

³ The published fee represents the fee that will be charged at the time the individual registers for the examination. The individual then has 120 days to take the examination.

Series 9	General Securities Sales Supervisor - Options Module (Sponsored jointly by AMEX, CBOE, MSRB, NASD, NYSE, PCX, and PHLX)	From \$50 to \$60
Series 10	General Securities Sales Supervisor - General Module (Sponsored jointly by AMEX, CBOE, NASD, NYSE, PCX, and PHLX)	From \$60 to \$95
Series 22	Direct Participation Programs Representative (NASD-sponsored)	From \$60 to \$70
Series 24	General Securities Principal (NASD-sponsored)	From \$75 to \$85
Series 27	Financial and Operations Principal (NASD-sponsored)	From \$75 to \$85
Series 55	Limited Representative- Equity Trader (NASD-sponsored)	From \$60 to \$80
Series 62	Corporate Securities Limited Representative (NASD-sponsored)	From \$60 to \$70
Series 72	Government Securities Representative (NASD-sponsored)	From \$60 to \$80
Series 87	Research Analyst - Regulatory (sponsored jointly by NASD and NYSE)	From \$100 to \$105

Publication of Fee Schedule in Schedule A

Notwithstanding whether the current examination fee will increase, NASD proposes to publish in Schedule A a schedule of all qualification fees that are delivered by NASD and that may be required by NASD for its members. NASD proposes to publish the following schedule:

Series 4	Registered Options Principal	\$80
Series 6	Investment Company Products/ Variable Contracts Representative	\$70
Series 7	General Securities Representative	\$225
Series 9	General Securities Sales Supervisor - Options Module	\$60
Series 10	General Securities Sales Supervisor - General Module	\$95
Series 11	Assistant Representative- Order Processing	\$60
Series 17	Limited Registered Representative	\$65
Series 22	Direct Participation Programs Representative	\$70
Series 23	General Securities Principal Sales Supervisor Module	\$75
Series 24	General Securities Principal	\$85
Series 26	Investment Company Products/ Variable Contracts Principal	\$75
Series 27	Financial and Operations Principal	\$85
Series 28	Introducing Broker/Dealer Financial and Operations Principal	\$75
Series 37	Canada Module of S7 (Options Required)	\$150

Series 38	Canada Module of S7 (No Options Required)	\$150
Series 39	Direct Participation Programs Principal	\$75
Series 42	Registered Options Representative	\$60
Series 55	Limited Representative- Equity Trader	\$80
Series 62	Corporate Securities Limited Representative	\$70
Series 72	Government Securities Representative	\$80
Series 82	Limited Representative – Private Securities Offering	\$75
Series 86	Research Analyst - Analysis	\$150
Series 87	Research Analyst - Regulatory	\$105

As noted in Section 2 of this filing, the proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act and paragraph (f)(2) of Rule 19b-4 thereunder, in that the proposed rule change establishes or changes a due, fee or other charge imposed by NASD. NASD will announce the implementation of the proposed rule change in a Notice to Members to be published no later than 30 days following Commission approval. The new fees will be become effective for "120-day examination windows" opened in the Central Registration Depository (CRD[®]) on or after January 1, 2005.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act, which requires, among other things, that NASD 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. NASD believes that the rule change is consistent with Section 15A(b)(5) of the Act in that the fee changes reflect NASD's increased costs in delivering the examinations and in maintaining and upgrading the examination delivery system.

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

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) of the Act and paragraph (f)(2) of Rule 19b-4 thereunder, in that the proposed rule change establishes or changes a due, fee or other charge imposed by NASD. The new fees will become effective for "120-day examination windows" opened in CRD on or after January 1, 2005.

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

BY: _____

Patrice M. Gliniecki
Senior Vice President and Deputy General Counsel
NASD, Regulatory Policy and Oversight

Date: September 29, 2004

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-2004-145)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Amendments to Schedule 4 to the NASD By-Laws (Fees for Qualification Examinations)

Pursuant to Section 19(b)(3) 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") 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. NASD has designated the proposed rule change as "establishing or changing a due, fee or other charge" under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. 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 is proposing to amend Section 4 of Schedule A to the NASD By-Laws, to [insert description]. Below is the text of the proposed rule change. Proposed new language is in italics;

¹ 15 U.S.C. 78s(b)(3).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

proposed deletions are in brackets.

* * * * *

SCHEDULE A TO NASD BY-LAWS

* * * * *

Section 4--Fees

(a) and (b) No change

(c) [There shall be an examination fee of \$60.00 assessed as to each individual who is required to take an examination for registration as a registered representative pursuant to the provisions of the Rule 1030 Series, except that the examination fee for general securities representatives shall be \$110.00.] The following fees shall be assessed to each individual who registers to take an examination as described below as of January 1, 2005. [This] These fees [is] are in addition to the registration fee described in [Item] paragraph (b). [Persons for whom an examination is waived pursuant to Rule 1070 shall pay a fee as set forth in paragraph (1) of this Section.]

<u>Series 4</u>	<u>Registered Options Principal</u>	<u>\$80</u>
<u>Series 6</u>	<u>Investment Company Products/ Variable Contracts Representative</u>	<u>\$70</u>
<u>Series 7</u>	<u>General Securities Representative</u>	<u>\$225</u>
<u>Series 9</u>	<u>General Securities Sales Supervisor - Options Module</u>	<u>\$60</u>
<u>Series 10</u>	<u>General Securities Sales Supervisor - General Module</u>	<u>\$95</u>
<u>Series 11</u>	<u>Assistant Representative- Order Processing</u>	<u>\$60</u>

<u>Series 17</u>	<u>Limited Registered Representative</u>	<u>\$65</u>
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<u>Series 23</u>	<u>General Securities Principal Sales Supervisor Module</u>	<u>\$75</u>
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<u>Series 26</u>	<u>Investment Company Products/ Variable Contracts Principal</u>	<u>\$75</u>
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<u>Series 42</u>	<u>Registered Options Representative</u>	<u>\$60</u>
<u>Series 55</u>	<u>Limited Representative- Equity Trader</u>	<u>\$80</u>
<u>Series 62</u>	<u>Corporate Securities Limited Representative</u>	<u>\$70</u>
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<u>Series 87</u>	<u>Research Analyst - Regulatory</u>	<u>\$105</u>

(1) Persons for whom any qualification examination is waived pursuant to Rule 1070 shall be assessed as an application fee the examination fee for each qualification examination so waived.

(2) There shall be a service charge equal to the examination fee assessed to each individual who, having made an appointment for a specific time and place for computer-based administration of an examination, fails to timely appear for such examination or timely cancel such appointment.

(3) There shall be a service charge fee of \$15.00 in addition to those fees specified above for any examination taken in a foreign test center located outside the territorial limits of the United States.

[(d) There shall be a New York Stock Exchange examination development fee of \$90.00 assessed as to each individual who takes a Series 7 examination for registration as a general securities representative. This fee is in addition to the registration and examination fees described in paragraphs (b) and (c) respectively.]

[(e) There shall be an examination fee of \$105.00 assessed as to each individual who takes a Series 86 examination for registration as a research analyst pursuant to Rule 1050. There shall be an examination fee of \$55.00 assessed as to each individual who takes a Series 87 examination for registration as a research analyst pursuant to Rule 1050. This fee is in addition to the registration fee described in paragraph (b). Persons for whom an examination is waived pursuant to Rule 1070 shall pay a fee as set forth in paragraph (l) of this Section.]

[(f) There shall be a New York Stock Exchange examination development fee of \$45.00 assessed as to each individual who takes a Series 86 or Series 87 examination for registration as

a research analyst pursuant to Rule 1050. This fee is in addition to the registration and examination fees described in paragraphs (b) and (e) respectively.]

[(g) There shall be an examination fee of \$110.00 assessed as to each individual taking the General Securities-Sales Supervisor Examination. There shall be an examination fee of \$75.00 assessed as to each individual who is required to take any other examination for principals pursuant to the provisions of the Rule 1020 Series. Persons for whom an examination is waived pursuant to Rule 1070 shall pay a fee as set forth in paragraph (j) of this Section.]

[(h) There shall be a service charge fee of \$15.00 in addition to those fees specified in (b), (c), and (d) above for any examination taken in a foreign test center located outside the territorial limits of the United States.]

[(i) There shall be a service charge equal to the examination fee assessed as to each individual who, having made an appointment for a specific time and place for computer-based administration of an examination, fails to timely appear for such examination or timely cancel such appointment.]

(j) through (o) are renumbered (d) through (i)

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

1. Purpose

The purpose of this proposed rule change is to make certain changes in qualification examination fees. NASD also is indicating in this rule filing those examinations and fees that NASD will publish in Schedule A, which shall include all examinations that may be required by NASD for its members, regardless of whether the current examination fee will change.

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⁵ For example, NASD administers and delivers the Series 6, 24, and 27 examinations, which are sponsored by NASD. NASD also administers and delivers client examinations, such as the Series 7, which is sponsored by NYSE, and the Series 9 and 10, which are sponsored jointly by several SROs (AMEX, CBOE, MSRB, NASD, NYSE, PCX, and PHLX).

NASD has not adjusted current examination fees for NASD-sponsored examinations or delivery fees for client-sponsored examinations since 1989. At present, these fees do not reflect the costs incurred by NASD for administering and delivering these examinations. These costs consist of operational, technology and delivery costs. Operational costs consist of salaries and overhead for NASD staff involved in test delivery technical support, customer support and service, and examination administration. Delivery costs vary based on the length of the examination because NASD pays its delivery vendors an hourly rate for seat time at test delivery centers.⁶

Technology costs are the costs associated with the PROCTOR® system, including system maintenance and enhancements. The PROCTOR® system provides the following capabilities: importation and storage of items within examination banks; statistical analyses against the examination bank; tracking candidates' enrollment windows, appointments and result records; use of the delivery driver at the test delivery centers; and exporting raw data on item performance. Technology costs also include the significant expense being incurred over the next two years for the PROCTOR® system redesign/rebuild. The current PROCTOR® system needs to be updated to incorporate more modern technology. The new system will be more reliable and will include many new features such as additional item (question) formats (short answer, matching, drag/drop), on-line exhibits, and advanced biometrics for greater security.

This proposed rule change to Schedule A will eliminate existing provisions relating to specific examinations. Instead, the amended Schedule A will list all qualification examinations that may be required by NASD for its members, regardless of sponsor(s), and the fee that will be

⁶ NASD provides a network of more than 400 test centers located throughout the United States and overseas

charged for each examination. These fees represent the fees to be charged persons who register for one of these examinations beginning on January 1, 2005.⁷ NASD plans to conduct an annual review of its costs and adjust examination and delivery fees, if necessary, as of January 1 each year after making the appropriate rule filings.

Fee Changes

NASD recently conducted an analysis of the costs of developing, administering, and delivering qualification examinations. The analysis showed that NASD's costs are rising, particularly technology and delivery costs. The proposed rule change will raise examination fees for certain NASD-sponsored examinations. In addition, NASD has advised its client examination sponsors of the impact of the higher costs on delivery fees for client-sponsored examinations. Accordingly, NASD is proposing to raise the examination fees for the following examinations.

Series 4	Registered Options Principal (Sponsored jointly by AMEX, CBOE, NASD, NYSE, PCX, and PHLX)	From \$75 to \$80
Series 6	Investment Company Products/Variable Contracts Representative (NASD-sponsored)	From \$60 to \$70
Series 7	General Securities Representative (NYSE-sponsored)	From \$200 to \$225

operated by two commercial vendors.

⁷ The published fee represents the fee that will be charged at the time the individual registers for the examination. The individual then has 120 days to take the examination.

Series 9	General Securities Sales Supervisor - Options Module (Sponsored jointly by AMEX, CBOE, MSRB, NASD, NYSE, PCX, and PHLX)	From \$50 to \$60
Series 10	General Securities Sales Supervisor - General Module (Sponsored jointly by AMEX, CBOE, NASD, NYSE, PCX, and PHLX)	From \$60 to \$95
Series 22	Direct Participation Programs Representative (NASD-sponsored)	From \$60 to \$70
Series 24	General Securities Principal (NASD-sponsored)	From \$75 to \$85
Series 27	Financial and Operations Principal (NASD-sponsored)	From \$75 to \$85
Series 55	Limited Representative- Equity Trader (NASD-sponsored)	From \$60 to \$80
Series 62	Corporate Securities Limited Representative (NASD-sponsored)	From \$60 to \$70
Series 72	Government Securities Representative (NASD-sponsored)	From \$60 to \$80
Series 87	Research Analyst - Regulatory (sponsored jointly by NASD and NYSE)	From \$100 to \$105

Publication of Fee Schedule in Schedule A

Notwithstanding whether the current examination fee will increase, NASD proposes to publish in Schedule A a schedule of all qualification fees that are delivered by NASD and that may be required by NASD for its members. NASD proposes to publish the following schedule:

Series 4	Registered Options Principal	\$80
Series 6	Investment Company Products/ Variable Contracts Representative	\$70
Series 7	General Securities Representative	\$225
Series 9	General Securities Sales Supervisor - Options Module	\$60
Series 10	General Securities Sales Supervisor - General Module	\$95
Series 11	Assistant Representative- Order Processing	\$60
Series 17	Limited Registered Representative	\$65
Series 22	Direct Participation Programs Representative	\$70
Series 23	General Securities Principal Sales Supervisor Module	\$75
Series 24	General Securities Principal	\$85
Series 26	Investment Company Products/ Variable Contracts Principal	\$75
Series 27	Financial and Operations Principal	\$85
Series 28	Introducing Broker/Dealer Financial and Operations Principal	\$75
Series 37	Canada Module of S7 (Options Required)	\$150
Series 38	Canada Module of S7	

	(No Options Required)	\$150
Series 39	Direct Participation Programs Principal	\$75
Series 42	Registered Options Representative	\$60
Series 55	Limited Representative- Equity Trader	\$80
Series 62	Corporate Securities Limited Representative	\$70
Series 72	Government Securities Representative	\$80
Series 82	Limited Representative – Private Securities Offering	\$75
Series 86	Research Analyst - Analysis	\$150
Series 87	Research Analyst - Regulatory	\$105

As noted in Section 2 of this filing, the proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act and paragraph (f)(2) of Rule 19b-4 thereunder, in that the proposed rule change establishes or changes a due, fee or other charge imposed by NASD. NASD will announce the implementation of the proposed rule change in a Notice to Members to be published no later than 30 days following Commission approval. The new fees will be become effective for "120-day examination windows" opened in the Central Registration Depository (CRD[®]) on or after January 1, 2005.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act, which requires, among other things, that NASD 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. NASD believes that the rule change is consistent with Section 15A(b)(5) of the Act in that the fee changes reflect NASD's increased costs in delivering the examinations and in maintaining and upgrading the examination delivery system.

(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 designated the proposed rule change as "establishing or changing a due, fee, or other charge" under Section 19(b)(3)(A)(ii) of the Act⁸ and Rule 19b-4(f)(2) thereunder,⁹ which renders the proposal effective upon receipt of this filing by the Commission.

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.

⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

⁹ 17 CFR 240.19b-4(f)(2).

IV. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change 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 also may be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. SR-NASD-2004-145. 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].

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