

Notice to Members

JULY 2003

SUGGESTED ROUTING

Legal & Compliance
Operations
Principals
Registration
Registered Representatives
Senior Management
Training

KEY TOPICS

Qualification Examinations
General Securities Principal Sales
Supervisor Module (Series 23)
General Securities Principal (Series 24)
General Securities Sales Supervisor
(Series 9/10)

INFORMATIONAL

Registration Rules

**New Series 23 Examination; Effective Date:
July 7, 2003**

Executive Summary

On June 4, 2003, NASD filed with the Securities and Exchange Commission (SEC) for immediate effectiveness a proposed rule change to establish the General Securities Principal Sales Supervisor Module (Series 23) examination program.¹ The new Series 23 examination, in combination with the General Securities Sales Supervisor (Series 9/10) examination, will be an acceptable qualification alternative to the General Securities Principal (Series 24) examination for associated persons who are required to register and qualify as a General Securities Principal with NASD. The Series 23 examination covers material from the Series 24 examination not otherwise covered under the Series 9/10 examination. The implementation date of the new Series 23 examination is July 7, 2003.

Questions/Further Information

Questions concerning this *Notice* may be directed to Afshin Atabaki, Attorney, Office of General Counsel, NASD Regulatory Policy and Oversight, at (202) 728-8902, or one of the following persons in NASD's Testing and Continuing Education Department: Carole Hartzog at (240) 386-4678; Eva Cichy at (240) 386-4680; Elaine Warren at (240) 386-4679; or Karen Bescher at (240) 386-4677.

Background/Discussion

The SEC recently approved a proposed rule change to NYSE Rule 342 that recognized NASD's Series 24 examination as an acceptable qualification alternative to the Series 9/10 examination for a General Securities Sales Supervisor whose duties do not include the supervision of options or municipal securities sales activity.² In an effort to establish reciprocal qualification standards, NASD will permit General Securities Sales Supervisors to register and qualify as a General Securities Principal by passing the newly developed Series 23 qualification examination.

NASD developed the Series 23 examination program to allow persons associated with NASD members who are registered as a General Securities Sales Supervisor and who are seeking to register and qualify as a General Securities Principal an alternative to completing the Series 24.

The Series 23 examination is a limited qualification examination that covers those subject matters that are covered on the Series 24 examination, but not included on the Series 9/10 examination. A committee of industry representatives that oversees the Series 24 examination program, together with NASD staff, compared the subject matters covered on the Series 9/10 and Series 24 examinations to determine the topics that would be extracted from the Series 24 examination to create the Series 23 examination program. The Series 23 examination program tests a candidate's knowledge of securities industry rules and regulations pertaining to the supervision of

investment banking, securities markets, and trading as well as financial responsibility requirements. The committee, including NASD staff, developed the selection specifications, study outline, and question bank for the Series 23 examination.

Prerequisite Examination

In order to take the Series 23, an individual must be registered as a General Securities Sales Supervisor, or have been registered in this capacity within the past two years.³

The New Series 23 Examination

A study outline has been created to assist member firms in preparing candidates for the new Series 23 examination. The study outline may be used to structure or prepare training material, develop lecture notes and seminar programs, and serve as a training aide for the candidates themselves.

The Series 23 examination contains 100 questions, and candidates are allowed 2½ hours to complete the examination. A candidate must correctly answer 70 percent of the questions to receive a passing grade. The test is administered as a closed-book exam. The proctor will provide scratch paper and a basic electronic calculator. At the completion of the test, candidates will be provided with an informational breakdown of their performance on each of the sections, along with their overall score.

The Series 23 outline and test are divided into five topical sections, which are listed below along with the number of questions designated to each section.

Section 1: Supervision of Investment Banking Activities (25)

Section 2: Supervision of Trading and Market Making Activities (29)

Section 3: Supervision of Brokerage Office Operations (16)

Section 4: Sales Supervision, General Supervision of Employees, Regulatory Framework of NASD (19)

Section 5: Compliance with Financial Responsibility Rules (11)

The questions used in the examination will be updated to reflect changes in the federal securities laws and NASD rules. Questions on new rules will be added to the examination within a reasonable period of their effective dates. Questions on rescinded rules will be promptly deleted from the examination. Candidates will only be asked questions pertaining to rules that are effective at the time they take their exams.

Availability Of Study Outline

The study outline for the new Series 23 examination program will be available shortly from NASD's Qualifications Web Page at: http://www.nasdr.com/5200_explan.htm.

Endnotes

- 1 See Securities Exchange Act Release No. 48042 (June 17, 2003), 68 FR 37186 (June 23, 2003) (notice of filing and immediate effectiveness of File No. SR-NASD-2003-91).
- 2 See Securities Exchange Act Release No. 46631 (October 9, 2002), 67 FR 64187 (October 17, 2002) (order approving File No. SR-NYSE-2002-24).
- 3 As a prerequisite to the Series 23 examination, NASD also will recognize the Series 8, the historical equivalent to the Series 9/10, and the Series 12, a subset of the Series 9/10 omitting questions on options and municipal securities.

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