

**INFORMATIONAL**

## Continuing Education

### Securities Industry/Regulatory Council On Continuing Education Issues A Status Report On The Securities Industry Continuing Education Program

**SUGGESTED ROUTING**

*The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.*

- Continuing Education
- Legal & Compliance
- Registration
- Senior Management

**KEY TOPICS**

- Continuing Education
- Firm Element
- Regulatory Element

### Executive Summary

The Securities Industry/Regulatory Council on Continuing Education (the Council), which has advisory and consultative responsibilities for the development, implementation, and ongoing operation of the Securities Industry Continuing Education Program (Program), has issued a Status Report on recent developments in both the Regulatory and Firm Elements of the Program. A short list of frequently asked questions (FAQs) addresses significant changes to the Program since the previous Status Report in August 1998 or provides clarification to major aspects of the Program.

The Council has 20 representatives — six from self-regulatory organizations (SROs),<sup>1</sup> and 14 from the industry. The industry representatives serve staggered three-year terms and are selected through a nominating committee process designed to maintain representation from a broad cross section of broker/dealers. Liaisons from the Securities and Exchange Commission and the North American Securities Administrators Association also participate in Council matters.

Questions about this *Notice* may be directed to John Linnehan, Director, Continuing Education, NASD Regulation, at (240) 386-4684.

### Endnote

- 1 The American Stock Exchange, Inc., the Chicago Board Options Exchange, Inc., the Municipal Securities Rulemaking Board, the National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

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Securities Industry Continuing Education Program

# Status Report on the Securities Industry Continuing Education Program

## Introduction

As Chairman of the Securities Industry/Regulatory Council on Continuing Education (Council), I am pleased to provide this *Status Report* on recent developments in both the Regulatory and Firm Elements of the Securities Industry Continuing Education Program (Program). At the end of the Status Report are several *Frequently Asked Questions* (FAQs) that address significant changes to the Program since the last *Status Report* in August 1998 or provide clarification to major aspects of the Program. FAQ #3, for example, summarizes how firms now use Web CRD to learn about the Regulatory Element obligations of their registered persons. For a complete list of continuing education FAQs, please visit the Council's new Web Site—[www.securitiescep.com](http://www.securitiescep.com). The FAQs and other Web Site features described below make the Council Web Site the best available source of information about the Securities Industry Continuing Education Program. I encourage you to visit and use it often.

## The Regulatory Element

Over 155,000 Regulatory Element sessions are delivered every year, and now there are three separate Regulatory Element programs. The General Program (S101) is the original Regulatory Element program developed in 1995. It is for all registrations except Series 6 and Principal/Supervisor registrations. The Series 6 Program (S106) was introduced January 14, 2002, for Investment Company Products/Variable Contracts Representatives. The Supervisor Program (S201) is for principals and supervisors, and was introduced in October 1998. The Council's goal is to

"refresh" each Regulatory Element program with all new scenarios on a cycle so that each participant sees topical and current scenarios at each Regulatory Element requirement.

### *In-Firm Delivery of the Regulatory Element*

In-Firm Delivery is the name given to the arrangement whereby a broker/dealer, adhering to certain technology, proctoring, and regulatory standards, delivers the Regulatory Element to its registered persons on firm premises. The In-Firm Delivery program was introduced in the first quarter of 2001 and a number of firms are now participating.

### *Regulatory Element Delivery Outside North America.*

The Regulatory Element and qualification exams are delivered outside North America at sites in London, which has been in operation for many years, and Paris, Frankfurt, Hong Kong, Seoul, Singapore, Sydney, and Tokyo, all of which opened in 2001.

## The Firm Element

### *The Council Web Site*

In November 2001, the Council launched its own Web Site to serve as the single location of its published material and a provider of continuing and comprehensive information and assistance. Significant features of *www.securitiescep.com* are:

- The *Firm Element Organizer*, a software application to assist firms to conduct their Firm Element Needs Analysis and develop Firm Element training plans. The *Firm Element Organizer* database may also be independently searched for an area of interest.
- Computer-based training scenarios that have been cycled out of the Regulatory Element can be ordered to use for Firm Element or compliance training.
- Users can register for e-mail alerts that will notify them whenever new SRO notices, publications, and rule and regulation updates are added to the *Firm Element Organizer* database.
- A comprehensive list of *Frequently Asked Questions* about the Regulatory and Firm Elements.
- A facility to e-mail continuing education questions and receive prompt answers.

## Looking to the Future

The Continuing Education Program has made great strides over the years, and the Council looks forward to enhancing the Program further by:

- Examining whether to incorporate new instructional design and formatting alternatives that could enhance the effectiveness of the Regulatory Element programs.
- Reviewing the procedures and requirements of the In-Firm Delivery program with an eye to increasing participation.
- Encouraging firms to use the CE Web Site as an idea-sharing medium. The Council might also periodically survey Web Site users for suggestions about how to continually improve the Site.

I encourage everyone in the securities industry to assist the Council by communicating their observations and ideas to the Council members listed in this Status Report.

Mary N. Owen, Council Chairman  
Managing Director-Compliance  
Deutsche Bank Securities Inc.

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# Frequently Asked Questions And Answers Regarding The Securities Industry Continuing Education Program

NOTE: The seven FAQs below address significant changes to the Program since the last Status Report in August 1998 or provide clarification to major aspects of the Program. For a comprehensive list of FAQs, visit the Securities Industry/Regulatory Council on Continuing Education Web Site at [www.securitiescep.com](http://www.securitiescep.com).

1. Q. *What registration categories are covered by the Regulatory Element?*

A. **Those who hold the following registrations are subject to the Regulatory Element requirements:**

- 4 Registered Options Principal \*
- 6 Investment Company Products/Variable Contracts Limited Representative
- 7 General Securities Representative
- 7 Securities Trader (NYSE)
- 7 Trading Supervisor (NYSE)
- 7A Floor Members Engaged in Public Business with Professional Customers (NYSE)
- 7B Floor Clerks of Members Engaged in Public Business with Professional Customers (NYSE)
- 8 or 9/10 General Securities Sales Supervisor \*
- 8 or 9/10 Branch Office Manager (NYSE) \*
- 11 Assistant Representative—Order Processing
- 12 General Securities Sales Supervisor (NYSE) \*
- 13 Allied Member (NYSE)
- 14 Compliance Official (NYSE) \*
- 15 Foreign Currency Options
- 16 Supervisory Analyst (NYSE) \*
- 17 Limited Registered Representative (United Kingdom)
- 22 Direct Participation Programs Limited Representative
- 24 General Securities Principal \*
- 26 Investment Company Products/Variable Contracts Limited Principal \*
- 27 Financial and Operations Principal \*

- 28 Introducing Broker-dealer Financial and Operations Principal \*
- 37 Canada Module of the General Securities Representative Examination (Options included)
- 38 Canada Module of the General Securities Representative Examination (Options not included)
- 39 Direct Participation Programs Limited Principal \*
- 47 Japan Module of the General Securities Representative Examination
- 52 Municipal Securities Representative
- 53 Municipal Securities Principal \*
- 55 Equity Trader
- 62 Corporate Securities Limited Representative
- 72 Government Securities Representative
- Government Securities Principal \*
- Securities Lending Representative (NYSE)
- Securities Lending Supervisor (NYSE)
- 82 Limited Representative Private Securities Offerings

\* Persons with these Principal/Supervisor registrations participate in the Principal/Supervisor Regulatory Element computer-based training module (the Supervisor Program—S201).

2. Q. *Who is currently grandfathered from the Regulatory Element?*

A. **A registered person who can answer “Yes” to all of either set of conditions is currently grandfathered from the Regulatory Element.**

Those Registered as a Principal	Those Not Registered as a Principal
<ul style="list-style-type: none"> <li>1. I had been continuously registered as a principal for more than 10 years as of July 1, 1998.</li> <li>2. I have not been the subject of significant disciplinary action after June 30, 1988.</li> </ul>	<ul style="list-style-type: none"> <li>1. As of July 1, 1998, I was not registered as a principal and had been continuously registered for more than 10 years.</li> <li>2. I have not been the subject of a significant disciplinary action after June 30, 1988.</li> <li>3. I did not become registered as a principal after July 1, 1998.</li> </ul>

3. Q. How do broker/dealers learn of the Regulatory Element requirements of their registered persons?
- A. Broker/dealers must use CRD to obtain information about the Regulatory Element requirements of their registered persons. Specifically, firms must periodically review the continuing education information in their *Firm Queues* on CRD. The *Firm Queues* are listed in the Individual Processing column of the CRD Site Map, the first page after the log-in screen. CRD also makes available supplemental CE reports and e-mail notifications to assist firms in identifying and tracking their registered representatives for Regulatory Element purposes.

## Continuing Education Firm Queues

### ***Approaching CE Requirement Queue***

Lists individuals with CE Windows starting within 28 days.

### ***Currently CE Required Queue***

Lists all individuals currently in their 120-day CE Window.

### ***Recently CE Satisfied Queue***

Lists individuals who have completed the Regulatory Element within a time period specified by the user.

### ***CE Inactive Queue***

Lists *approved* individuals at the firm who are currently CE Inactive.

### ***Current Individual Deficiencies Queue<sup>1</sup> — CE Inactive***

Lists *new hires* of the firm who are CE Inactive and whose registrations are therefore not approved. (Note: CRD does not approve the registrations of persons who are inactive unless and until those persons satisfy the Regulatory Element. Persons in this situation have CRD registrations with a status of DEFICIENT-CE.)

### ***Currently 2-Year CE Termed Queue***

Lists all individuals who have had their registrations administratively terminated because they had been CE Inactive for two years.

<sup>1</sup> CE Inactive Deficiencies are found in the Registrations Queue. To access, first click on the Registrations Queue => Current Individual Deficiencies => CE Inactive from the deficiencies list.

## Supplemental CE Reports Available From CRD

CRD will also provide firms with various reports to complement the Continuing Education Queues. Reports marked with an asterisk (\*) may be imported into a spreadsheet or database where the user may then sort the data. To request any of these reports, please send an e-mail request to [crdreports@nasd.com](mailto:crdreports@nasd.com) or call the Gateway Call Center at (301) 869-6699.

### ***CE Download\****

This report defines the CE base date for actively registered individuals with the firm who are subject to the Regulatory Element.

### ***Approaching CE Queue Download\****

This report allows firms to download the list of individuals in the firm's Approaching CE Requirement Queue.

### ***Approaching CE Queue Report***

This report will provide the firm with a "printable" list of individuals in the firm's Approaching CE Requirement Firm Queue.

### ***Current Inactive CE Individuals Within A Firm***

This report lists all individuals currently employed with the requesting firm who have a status of CE Inactive at the time the report is requested.

### ***Previously Inactive CE Individuals Within A Firm***

This report lists all individuals who were employed by the requesting firm and who had a status of CE Inactive during the timeframe specified.

### ***Approaching CE 2 Year Termed Report***

This report lists individuals who *will be* administratively terminated within the next 10 days (if they remain CE Inactive) for failure to satisfy the Regulatory Element requirement. These individuals have had a status of CE Inactive for two years from their most recent requirement window end date.

### ***CE 2 Year Termed Report***

This report lists individuals who were employed by the requesting firm and were administratively terminated during the timeframe specified. Individuals on this report will need to re-qualify for registration by a qualification examination and must submit an Initial Form U-4 to re-activate their registrations.



## E-Mail Notifications

There are two types of e-mail notifications that firms can request from CRD. The first is an e-mail sent to the firm whenever a registered person has not satisfied his or her Regulatory Element requirement within the first 30 days of his or her 120-day requirement window. The second is an e-mail sent to the firm whenever a registered person at the firm becomes inactive for failing to satisfy the Regulatory Element requirement. To request these e-mails, firms should:

1. Log onto CRD and go to the CRD *Main* tab. This is the Site Map.
  2. In the *Organization* column on the Site Map, click on *NFI Organization Search* under the *Organization Non-Filing Info* heading.
  3. Click on *Firm Notification* on the Navigation Panel at the left of the screen, OR on the footer at the bottom of the screen. (**Important Note:** if you do not see *Firm Notification* on the Navigation Panel or at the bottom of the screen, it is probably because you do not have authorization for this function. Contact your firm's CRD Account Administrator to obtain authorization.)
  4. Enter the e-mail address to which you would like the e-mail notifications sent, and the contact individual's name and phone number.
  5. Click on the box or boxes that represent the continuing education e-mail notification(s) you wish to receive.
  6. Click on Save.
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4. Q. *How many different Regulatory Element programs are there?*  
A. **There are currently three different Regulatory Element programs: the S201 Supervisor Program for registered principals and supervisors, the S106 Series 6 Program for Investment Company Products/Variable Contracts Representatives, and the S101 General Program for all other registrations.**
  
  5. Q. *Are there examples of Regulatory Element questions available?*  
A. **Yes. Firms may order S101 General Program scenarios from the Council Web Site: [www.securitiescep.com](http://www.securitiescep.com) => *Regulatory Element* => *Regulatory Element Scenario Catalog*. The available scenarios have been removed from the S101 program to accommodate new content. Broker/dealers have used the scenarios for their Firm Element training programs and also to provide their registered persons with examples of the S101 General Program. The S101 scenarios are very similar to the S106 Series 6 scenarios. S201 Supervisor Program scenarios will become available in 2002.**

6. Q. *What is the Firm Element Organizer?*
- A. The ***Firm Element Organizer*** is a software application that firms can use when undertaking their Firm Element Needs Analysis and in developing written training plans. At the heart of the Firm Element Organizer is a database of ***NASD Notices to Members, NYSE Information Memos***, and publications from other SROs and the SEC from the past three years. To keep the database current, new items are added regularly. The Firm Element Organizer and a link to a tutorial showing how the Firm Element Organizer might be used when developing a training plan for training about variable annuities at XYZ Co., a hypothetical firm with one office and 25 registered persons, can be found at [www.securitiescep.com](http://www.securitiescep.com) => ***Firm Element => Firm Element Organizer.***
7. Q. *Can registered persons who volunteer or are called into active military duty obtain relief from continuing education (Regulatory and Firm Element) obligations for the period of time that they are on active duty?*
- A. **Yes.** Both the NYSE and the NASD (see amended IM-1000-2) provide relief to registered persons who volunteer or are called into active military duty. The procedure requires the broker/dealer of the registered person to notify the CRD/Public Disclosure Department by means of a letter (on firm letterhead) identifying the name and CRD number of the person called into active duty, the name and CRD number of the firm (or firms) with whom the person is associated, and a copy of the official call-up notification. Letters should be mailed to P.O. Box 9495, Gaithersburg, MD 20898-9495 or faxed to (240) 386-4751.