

INFORMATIONAL

Continuing Education

NASD Regulation Adopts Amendments To Relieve Registered Representatives Serving In The Armed Forces From Continuing Education Requirements

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
- Operations
- Registration
- Senior Management

KEY TOPICS

- Continuing Education
- IM-1000-2

Executive Summary

NASD Regulation, Inc. (NASD Regulation) has adopted amendments to National Association of Securities Dealers, Inc. (NASD®) IM-1000-2 to codify the staff's position regarding the relief from NASD Rule 1120, Continuing Education Requirements, for securities industry professionals who volunteer or are called into active military duty. The rule change became effective immediately upon filing with the Securities and Exchange Commission on January 7, 2002. Attachment A contains the text of the amendments.

Questions/Further Information

Questions regarding this *Notice* may be directed to Grace Yeh, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-6939.

Background And Discussion

NASD IM-1000-2 (the Interpretation) addresses the registration status of sole proprietors and registered representatives serving in the armed forces. The Interpretation states that securities industry professionals who volunteer or are called into active military duty (Active Duty Professionals) will be placed in a specially designated "inactive" status once the NASD is notified of their military service, but will remain registered for NASD purposes. While IM-1000-2 previously did not address continuing education obligations with respect to Active Duty Professionals, NASD Regulation staff has interpreted NASD Rule 1120 to relieve Active Duty Professionals from continuing education obligations for the

period of time that they are on active duty. NASD Regulation has amended IM-1000-2 to codify the staff's position.

NASD Regulation has, for the reasons set forth below, relieved Active Duty Professionals from continuing education requirements. Rule 1120(a)(2) provides that "Unless otherwise determined by the Association, any registered persons who have not completed the Regulatory Element within the prescribed time frames will have their registrations deemed inactive until such time as the requirements of the program have been satisfied." A registered person may satisfy his or her Regulatory Element requirement at a Prometric Center in the United States and Canada, or at a VUE Center in Europe and the Pacific Rim. Because it is generally not practical for Active Duty Professionals to be at a facility that delivers the Regulatory Element, Active Duty Professionals should be relieved from fulfilling the Regulatory Element requirements that arise during the period of time that they are on active duty.

With respect to the Firm Element requirements of continuing education, Rule 1120(b)(1) currently provides that only persons who have "direct contact with customers" in the conduct of securities activities are subject to the Firm Element requirements. Active Duty Professionals are excluded from the Firm Element requirements because they do not have contact with customers. Accordingly, the amendment to IM-1000-2 expressly states that Active Duty Professionals are not required to complete either of the Regulatory or Firm Elements of the continuing education requirements set forth in Rule 1120 during the pendency of such inactive status.

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ATTACHMENT A

New language is underlined; deletions are in brackets.

IM-1000-2. Status of Sole Proprietors and Registered Representatives Serving in the Armed Forces

Any Registered [registered] Representative of a member who volunteers or is called into the Armed Forces of the United States shall be placed, after proper notification to the Executive Office, upon inactive status and need not be re-registered by such member upon his or her return to active employment with the member.

Any member (Sole Proprietor) who temporarily closes his or her business by reason of volunteering or being called into the Armed Forces of the United States, shall be placed, after proper notification to the Executive Office, on inactive status until his or her return to active participation in the investment banking and securities business.

A Registered Representative who is placed on inactive status as set forth above shall not be included within the definition of "Personnel" for purposes of the dues or assessments as provided in Article VI of the By-Laws.

Any member placed on inactive status as set forth above shall not be required to pay dues or assessments during the pendency of such inactive status and shall not be required to pay an admission fee upon return to active participation in the investment banking and securities business.

A Registered Representative who is placed on inactive status as set forth above shall not be required to complete either of the Regulatory or Firm Elements of the continuing education requirements set forth in Rule 1120 during the pendency of such inactive status.