

FOR YOUR INFORMATION

NASD Creates Two New Exams— Equity Trading And Government Securities

The NASD® Board of Governors has approved the creation of two new qualification exams for securities industry personnel. The new exams, one for Equity Securities Traders and the other for Government Securities Representatives, join an existing battery of tests that NASD Regulation, Inc. (NASD RegulationSM) administers to qualify registered representatives to conduct securities business.

Once the exam is approved by the Securities and Exchange Commission (SEC), every individual who functions as an Equity Trader, as defined in the proposed rule, must take and pass the new Limited Representative—Equity Trader Examination (Series 55). The new exam will assure that traders have more consistent understanding of securities industry rules and practices, especially in light of the rapid regulatory and structural changes in the marketplace.

The Series 55 exam is not designed as a stand-alone examination. Individuals requesting registration as an Equity Trader also will be required to satisfy the prerequisite of either the General Securities Representative Examination (Series 7) or the Limited Representative—Corporate Securities Examination (Series 62). If an individual is currently registered, or is eligible to be registered, as a General Securities or Corporate Securities Representative, he or she is not required to pass either the Series 7 or Series 62 a second time. After the SEC approves the Series 55 Exam, those who currently function as traders will be granted a two-year period in which to pass the exam, with a minimum of a 30-day waiting period between attempts. New traders must satisfy the qualification requirement before functioning as an Equity Trader and will be subject to the standard waiting periods of 30

days between attempts for the first three attempts and 180 days thereafter.

Candidates for the Series 55 exam will be given three hours to complete the 90-question examination. The exam has four sections covering a variety of topics.

Section 1 The Nasdaq® Market and Market Maker Activities (40 questions)

Section 2 Automated Execution and Trading Systems (10 questions)

Section 3 Trade Reporting Requirements (13 questions)

Section 4 Securities Industry Regulations (27 questions)

The proposed new examination for Government Securities Representatives, the Series 72 exam, was developed following Congressional approval of the Government Securities Act Amendments of 1993. Previously the NASD lacked the authority to require a qualification examination of representatives engaged solely in the solicitation and sale of government securities.

The proposed rule allows individuals who have been registered as a Government Securities Representative for more than two years from the effective date of the examination to be grandfathered. Those who do not qualify for grandfathering will be required to pass the Limited Representative—Government Securities Examination (Series 72) or the General Securities Representative Examination (Series 7). All examination candidates are subject to the standard waiting periods of 30 days for the first three attempts and 180 days thereafter.

Candidates for the Government Securities Examination will have

three hours to answer 100 questions. The exam has six sections covering a variety of topics.

Section 1 Government Securities
(25 questions)

Section 2 Mortgage Backed
Securities (25 questions)

Section 3 Other Related Securities
and Financial Instru-
ments (9 questions)

Section 4 Economic Activity,
Government Policy, and
the Behavior of Interest
Rates (16 questions)

Section 5 Legal Considerations
(10 questions)

Section 6 Customer Considerations
(15 questions)

The new exams will significantly upgrade the qualifications standards necessary for registered representatives who focus on sales or trading in these areas.

Questions regarding the Limited Representative—Equity Trader Examination can be directed to David Frandina, Qualifications & Exams, NASD Regulation, at (301) 208-2787 and questions regarding the Limited Representative—Government Securities can be directed to Peter Murray, Qualifications & Exams, NASD Regulation, at (301) 208-2789.

The Series 55 exam was filed with the SEC on March 25, 1997, and the Series 72 exam was filed on April 8, 1997. It is expected that the SEC will publish these rule filings for industry comment in the very near future. After the SEC comment period has ended and the rules approved, the

NASD will announce the effective date of each examination. At that time, application for the exams can be made through the usual application procedures on Form U-4.

Disciplinary Action Corrections

The following corrections are from the April 1997 *Notices to Members* Disciplinary Actions section.

- Page 172—Joseph Francis Chester, Jr., should have been named, *not* John F. Chester, Jr.
- Page 175—National Investor Services Corporation was incorrectly included in the Firms Suspended section.

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