

Notice to Members

OCTOBER 2004

SUGGESTED ROUTING

Legal & Compliance
Registered Representatives
Senior Management

KEY TOPICS

Examination Fees
Qualification Examinations
Registration
Schedule A to the NASD By-Laws

GUIDANCE

Examination Fees

Amendments to Section 4 of Schedule A to the NASD By-Laws Governing Qualification Examination Fees;
Implementation Date: January 1, 2005

Executive Summary

NASD has filed for immediate effectiveness amendments to Section 4 of Schedule A to the NASD By-Laws.¹ The amendments increase certain examination fees, as described below, and also list the fees for all qualification examinations that may be required by NASD for its members, regardless of whether the current examination fee has been increased.

The amendments to Section 4 become operative on January 1, 2005. The published fee schedule represents the fee that will be charged at the time the individual registers for the examination, starting on January 1, 2005. The individual then has 120 days in which to take the examination.

Included with this *Notice* is Attachment A, the text of amended Section 4.

Questions/Further Information

Questions concerning this *Notice* may be directed to Ann Griffith, Associate Vice President and Director, Testing and Continuing Education, at (240) 386-5051.

Background and Discussion

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 the areas in which they intend to work. NASD sponsors (*i.e.*, develops) some of these examinations while others are sponsored by NASAA, NYSE, MSRB, and other self-regulatory organizations (SROs).

NASD administers these qualification examinations on behalf of the securities industry. NASD owns a proprietary system (the PROCTOR® system) to administer qualification examinations to securities industry professionals via computer. The examinations are delivered to candidates at test centers operated by vendors under contract with NASD.²

NASD has not adjusted examination fees for NASD-sponsored examinations since 1989, nor has NASD increased the fees charged to its clients for administration and delivery of their examinations during that same time period. NASD recently conducted an analysis of the costs of developing, administering, and delivering qualification examinations. The analysis showed that NASD's costs, particularly technology³ and delivery costs, are rising. After consulting with several NASD committees and the clients for whom NASD administers and delivers examinations, NASD staff received approval from the NASD Finance Committee to adjust examination and delivery fees beginning in January 2005.

The amendments to Schedule A eliminate existing provisions relating to specific examinations and, instead, list all qualification examinations that may be required by NASD for its members. The fees for these examinations represent the fees to be charged persons who register for any of these examinations beginning on January 1, 2005.⁴ 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

As a result of the cost increases explained above, examination fees for the following examinations that are delivered by NASD and that may be required by NASD for its members⁵ will be adjusted as follows:

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

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,
MSRB, 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
Examination
(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

NASD will publish the following schedule of qualification examination fees in Schedule A.

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

Endnotes

- 1 Under Section 19(b) of the Securities Exchange Act of 1934, the SEC has the authority to summarily abrogate this type of rule change within 60 days of filing.
- 2 The vendors are Pearson Professional Centers (contact Pearson VUE's National Registration Center toll-free at 1-866-396-6273 or 952-681-3873 (toll number)) and Prometric Testing Centers (contact Prometric's National Call Center toll-free at 1-800-578-6273 or go to www.prometric.com/nasd for Web-based scheduling).

NASD's contract with Pearson in January 2004 added more than 200 test centers to the existing network. With this addition, candidates may choose from more than 400 test delivery centers located throughout the United States and overseas.
- 3 A substantial proportion of the cost increase is attributable to the need to redesign and rebuild the current PROCTOR® system, which is more than 10 years old. The new system, expected to be deployed in 2006, will incorporate up-to-date technology 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.
- 4 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.
- 5 NASD also administers and delivers examinations sponsored by NYSE, MSRB, NASAA, PHLX, and NFA that, while not required by NASD rules, are taken by persons associated with NASD members to obtain certain licenses. Fees for the following examinations developed by these sponsors will be adjusted as follows effective January 1, 2005: NYSE—Series 12 (Branch Manager), from \$75 to \$80. MSRB—Series 52 (Municipal Securities Representative), from \$60 to \$80; Series 53 (Municipal Securities Principal), from \$75 to \$80. NASAA—Series 63 (Uniform Securities Agent State Law), from \$70 to \$82; Series 65 (Uniform Investment Advisor Law), from \$110 to \$120. NFA—Series 3 (National Commodity Futures), from \$75 to \$90.

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ATTACHMENT A

New language is underlined; deletions are in brackets.

SCHEDULE A TO THE NASD BY-LAWS

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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 (l) 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 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.

(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 (l) of this Section.]

[(h) There shall be a service charge fee of \$15.00 in addition to those fees specified in (b), (c), (d), (e) and (f) 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) and (k) are renumbered (d) and (e).

[(l) Each individual who is granted a waiver(s) for any qualification examination specified in paragraphs (c), (e), or (g) of this section shall be assessed as an application fee the examination fee as set forth in paragraph (c), (e), (f), or (g) for each qualification examination so waived.]

(m) through (o) are renumbered (f) through (h).

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