

Notice to Members

MARCH 2005

SUGGESTED ROUTING

Legal & Compliance
Operations
Registration
Training

KEY TOPICS

Assistant Representative –
Order Processing (Series 11)
Limited Representative –
Equity Trader (Series 55)
Rule 1032(f)
Rule 1041

INFORMATIONAL

Qualification Examinations

Revisions to the Series 11 and 55 Examination
Programs; **Implementation Date: April 29, 2005**

Executive Summary

NASD has revised the examination programs for the Assistant Representative – Order Processing (Series 11) and Limited Representative – Equity Trader (Series 55).¹ The changes are reflected in study outlines that will soon be available on the NASD Web site (www.nasd.com). The changes will appear in examinations administered starting on April 29, 2005.

Questions/Further Information

Questions concerning this *Notice* may be directed to Joe McDonald, Associate Director, NASD Testing and Continuing Education Department (TCE), at (240) 386-5065; or Carole Hartzog, Senior Analyst, TCE, at (240) 386-4678.

Background and Discussion

The NASD staff and committees of industry representatives recently reviewed the Series 11 and 55 examination programs. As a result of these reviews and as discussed in greater detail below, NASD has revised these examinations to reflect changes in relevant laws, rules, and regulations covered by the examinations, and, in some cases, to reflect more accurately the duties and responsibilities of the individuals who are taking these examinations. The examinations also have been modified to reflect the new Securities and Exchange Commission (SEC) short sale requirements.²

Series 11

The Series 11 examination qualifies an individual to function as an assistant representative to accept unsolicited securities orders from existing customers of a member firm. A Series 11 assistant representative may not solicit transactions or new accounts on behalf of the member, render investment advice, make recommendations to customers regarding the appropriateness of securities transactions, or effect transactions in securities markets on behalf of the member. Further, a Series 11 assistant representative may not be registered concurrently in any other capacity.

NASD has revised the examination program to reflect changes to the laws, rules, and regulations covered by the examination, to include new securities products, such as exchange-traded funds, and to focus the examination more on the handling of customer accounts and orders. Based on these revisions, the title of Section 2 was changed from "Processing Customer Orders; Providing Price Information; and Order Processing" to "Customer Accounts and Orders." NASD further revised the study outline to reflect the new SEC short sale requirements. In addition, the number of questions on each section of the study outline were modified as follows: *Types of Securities* decreased from 11 to 10 questions; *Customer Accounts and Orders* increased from 19 to 24 questions; *Securities Markets* decreased from 8 to 5 questions; and *Securities Industry Regulations* decreased from 12 to 11 questions.

NASD made similar changes to the corresponding sections of the Series 11 selection specifications and question bank. The number of questions on the Series 11 examination will remain at 50, and candidates will continue to have one hour to complete the exam. Also, each question will continue to count as one point, and each candidate will still be required to correctly answer 70 percent of the questions to receive a passing grade.

Series 55

The Series 55 examination is required, with certain limited exceptions, for registered representatives who are engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities, with respect to transactions in equity, preferred, or convertible debt securities effected otherwise than on a securities exchange. There is an exception from the requirement for the Series 55 examination for any person associated with a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act of 1940 and that controls, is controlled by, or is under common control with the member.

NASD revised the section on NASDAQ Automated Execution and Trading Systems in the study outline to reflect the re-naming of the “SuperMontage System” to the “NASDAQ Market Center Execution Service.” NASD also revised the study outline to delete certain portions (such as SEC Rules 11Ac1-7 and 17a-4, Overallotments (Greenshoe), Tender Offers, and NASD Rule 11810 (Buying-In)) that relate more to a firm’s sales practice or operations department than to the firm’s NASDAQ trading desk. As a result of the revisions, the title of Section 2 was changed from “NASDAQ Automated Execution and Trading Systems” to “NASDAQ Display, Execution, and Trading Systems.” NASD further revised the study outline to reflect the new SEC short sale requirements. In addition, NASD modified the number of questions on each section of the study outline as follows: *NASDAQ and Over-The-Counter Markets* decreased from 45 to 42 questions; *NASDAQ Display, Execution, and Trading Systems* increased from 9 to 15 questions; *Trade Reporting Requirements* decreased from 18 to 16 questions; and *General Industry Standards* decreased from 28 to 27 questions.

NASD made similar changes to the corresponding sections of the Series 55 selection specifications and question bank. The number of questions on the Series 55 examination will remain at 100, and candidates will continue to have 3 hours to complete the exam. Also, each question will continue to count as one point, and each candidate will still be required to answer 70 percent of the questions correctly to receive a passing grade.

Availability Of Study Outlines

The study outlines for the revised examination programs will be available shortly on the NASD Qualifications Web page at www.nasd.com.

Endnotes

- 1 See Securities Exchange Act Release No. 51214 (February 16, 2005) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Revisions to the Series 11 Examination Program; File No. SR-NASD-2005-014); Securities Exchange Act Release No. 51215 (February 16, 2005) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Revisions to the Series 55 Examination Program; File No. SR-NASD-2005-015).
- 2 NASD has repealed Rules 3110(b)(1), 3210, 3370(b), and 11830 in light of the requirements of SEC Regulation SHO. See *Notice to Members 04-93* (December 2004) (Issues Relating to the SEC’s Adoption of Regulation SHO). Accordingly, NASD has deleted references to these rules from the Series 11 and 55 examination programs.

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