| OMB APPROVAL | |
|---|---|
| OMB Number: | 3235-0045 |
| Expires: | June 30, 2007 |
| Estimated average burden hours per response...........38 | |



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2005 - 110
Amendment No.

Proposed Rule Change by National Association of Securities Dealers

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

| Initial | Amendment | Withdrawal | Section 19(b)(2) | Section 19(b)(3)(A) | Section 19(b)(3)(B) |
|---|---|---|---|---|---|
| ☑ | ☐ | ☐ | ☐ | ☑ | ☐ |

Rule

| | |
|---|---|
| ☑ 19b-4(f)(1) | ☐ 19b-4(f)(4) |
| ☐ 19b-4(f)(2) | ☐ 19b-4(f)(5) |
| ☐ 19b-4(f)(3) | ☐ 19b-4(f)(6) |

Pilot ☐

Extension of Time Period for Commission Action ☐

Date Expires

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☑

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

Revisions to the Series 6 examination program.

**Contact Information**

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.


First Name: Afshin
Last Name: Atabaki
Title: Counsel
E-mail: afshin.atabaki@nasd.com
Telephone: (202) 728-8902
Fax: (202) 728-8264


**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date: 09/13/2005

By: Patrice Gliniecki (Name)

Senior Vice President and Deputy General Counsel (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

PATRICE GLINIECKI,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

| | |
|---|---|
| **Form 19b-4 Information**<br>Add Remove View | The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act. |
| **Exhibit 1 - Notice of Proposed Rule Change**<br>Add Remove View | The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3) |
| **Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**<br>Add Remove View<br>Exhibit Sent As Paper Document<br>☐ | Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. |
| **Exhibit 3 - Form, Report, or Questionnaire**<br>Add Remove View<br>Exhibit Sent As Paper Document<br>☑ | Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. |
| **Exhibit 4 - Marked Copies**<br>Add Remove View | The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working. |
| **Exhibit 5 - Proposed Rule Text**<br>Add Remove View | The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change. |
| **Partial Amendment**<br>Add Remove View | If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions. |

## 1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] the National Association of Securities Dealers, Inc. ("NASD") is filing with the Securities and Exchange Commission ("SEC" or "Commission") revisions to the study outline and selection specifications for the Limited Representative – Investment Company and Variable Contracts Products (Series 6) examination program.[2] The proposed revisions update the material to reflect changes to the laws, rules, and regulations covered by the examination, as well as modify the content of the examination program to track more closely the functional workflow of a Series 6 limited representative. NASD is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of NASD.

The revised study outline is attached. However, NASD has omitted the Series 6 selection specifications from this filing and has submitted the specifications under separate cover to the Commission with a request for confidential treatment pursuant to Rule 24b-2 under the Act.[3]

(b) Not applicable.

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1 15 U.S.C. 78s(b)(1).

2 NASD also is proposing corresponding revisions to the Series 6 question bank, but based upon instruction from the Commission staff, NASD is submitting SR-NASD-2005-110 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for Commission review.

3 17 CFR 240.24b-2.

(c) Not applicable.

**2. <u>Procedures of the Self-Regulatory Organization</u>**

At its meeting on January 24, 2001, the Board of Directors of NASD Regulation, Inc. authorized the staff to propose modifications to examination programs, including study outlines, examination specifications, and question banks, and to file the proposed modifications with the Commission, without obtaining further or specific authorization from the Board of Directors of NASD Regulation, Inc. The Board of Governors of NASD had an opportunity to review that action at its meeting on January 25, 2001. Further, counsel for The Nasdaq Stock Market, Inc. and NASD Dispute Resolution, Inc. were provided an opportunity to consult with respect to that action. No other action by NASD is necessary for the filing of the proposed rule change.

As further discussed below, NASD is filing the proposed rule change for immediate effectiveness. NASD proposes to implement the revised Series 6 examination program no later than November 30, 2005. NASD will announce the proposed rule change and the implementation date in a <u>Notice to Members</u> ("<u>NTM</u>") to be published no later than 60 days after SEC Notice of this filing.

**3. <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>**

(a) Purpose

Pursuant to Section 15A(g)(3) of the Act,[4] which requires NASD to prescribe standards of training, experience, and competence for persons associated with NASD

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[4] 15 U.S.C. 78o-3(g)(3).

members, NASD has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with NASD members have attained specified levels of competence and knowledge. NASD periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The Series 6 examination qualifies persons seeking registration with NASD as investment company and variable contracts products limited representatives. Registered representatives in this limited category are permitted solely to engage in transactions involving redeemable securities of companies registered under the Investment Company Act of 1940 ("Investment Company Act"), securities of closed-end companies registered under the Investment Company Act during the period of original distribution only, and variable contracts and insurance premium funding programs and other contracts issued by an insurance company except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act of 1933.[5]

A committee of industry representatives, together with NASD staff, recently undertook a review of the Series 6 examination program. As a result of this review, NASD is proposing to update the study outline to cover Regulation S-P,[6] anti-money laundering rules, municipal fund securities (e.g., 529 college savings plans), Regulation

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[5] 15 U.S.C. 77c(a)(8).

[6] 17 CFR 248.1-18; 17 CFR 248.30; and 17 CFR 248, Appendix A.

D,[7] and exchange-traded funds. In addition, as part of an ongoing effort to align the examination more closely to the functions of a Series 6 limited representative, NASD is proposing to modify the content of the study outline to track the functional workflow of a Series 6 representative. NASD also is proposing to increase the number of sections covered by the Series 6 outline from four to six. Finally, NASD is proposing to modify the section headings and the number of questions on each section of the outline as follows: Section 1, Securities Markets, Investment Securities, and Economic Factors, 8 questions; Section 2, Securities and Tax Regulations, 23 questions; Section 3, Marketing, Prospecting, and Sales Presentations, 18 questions; Section 4, Evaluation of Customers, 13 questions; Section 5, Product Information: Investment Company Securities and Variable Contracts, 26 questions; and Section 6, Opening and Servicing Customer Accounts, 12 questions.

NASD is proposing these changes to the entire content of the Series 6 examination, including the selection specifications and question bank. The number of questions on the Series 6 examination will remain at 100, and candidates will continue to have 2 hours and 15 minutes to complete the exam. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions to receive a passing grade.

(b) Statutory Basis

NASD believes that the proposed revisions to the Series 6 examination program are consistent with the provisions of Sections 15A(b)(6)[8] and 15A(g)(3) of the Act,[9]

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7 17 CFR 230.501-230.508.
8 15 U.S.C. 78o-3(b)(6).

which authorize NASD to prescribe standards of training, experience, and competence for persons associated with NASD members.

**4. Self-Regulatory Organization's Statement on Burden on Competition**

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

**5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

Written comments were neither solicited nor received.

**6. Extension of Time Period for Commission Action**

Not applicable.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act[10] and Rule 19b-4(f)(1) thereunder,[11] in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of NASD. NASD proposes to implement the revised Series 6 examination program no later than November 30, 2005. NASD will announce the implementation date in a NTM to be published no later than 60 days after SEC Notice of this filing.

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[9] 15 U.S.C. 78o-3(g)(3).

[10] 15 U.S.C. 78s(b)(3)(A)(i).

[11] 17 CFR 240.19b-4(f)(1).

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**9. Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3a. Revised Study Outline for the Series 6 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 6 Examination. NASD has requested confidential treatment for the Series 6 revised selection specifications, and thus the specifications are omitted from this filing. The Series 6 revised selection specifications have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.[12]

Exhibit 3c. Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, Inc. from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000.

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12 17 CFR 240.24b-2.

EXHIBIT 1

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-            ; File No. SR-NASD-2005-110)
**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Revisions to the Series 6 Examination Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on                    , the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. NASD has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) of the Act[3] and Rule 19b-4(f)(1) thereunder,[4] which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

## I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(i).

4 17 CFR 240.19b-4(f)(1).

NASD is filing revisions to the study outline and selection specifications for the Limited Representative – Investment Company and Variable Contracts Products (Series 6) examination program.[5] The proposed revisions update the material to reflect changes to the laws, rules, and regulations covered by the examination, as well as modify the content of the examination program to track more closely the functional workflow of a Series 6 limited representative. NASD is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of NASD.

The revised study outline is attached. However, NASD has omitted the Series 6 selection specifications from this filing and has submitted the specifications under separate cover to the Commission with a request for confidential treatment pursuant to Rule 24b-2 under the Act.[6]

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

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[5] NASD also is proposing corresponding revisions to the Series 6 question bank, but based upon instruction from the Commission staff, NASD is submitting SR-NASD-2005-110 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for Commission review.

[6] 17 CFR 240.24b-2.

**A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

1. Purpose

Pursuant to Section 15A(g)(3) of the Act,[7] which requires NASD to prescribe standards of training, experience, and competence for persons associated with NASD members, NASD has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with NASD members have attained specified levels of competence and knowledge. NASD periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The Series 6 examination qualifies persons seeking registration with NASD as investment company and variable contracts products limited representatives. Registered representatives in this limited category are permitted solely to engage in transactions involving redeemable securities of companies registered under the Investment Company Act of 1940 ("Investment Company Act"), securities of closed-end companies registered under the Investment Company Act during the period of original distribution only, and variable contracts and insurance premium funding programs and other contracts issued by an insurance company except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act of 1933.[8]

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[7] 15 U.S.C. 78o-3(g)(3).

[8] 15 U.S.C. 77c(a)(8).

A committee of industry representatives, together with NASD staff, recently undertook a review of the Series 6 examination program. As a result of this review, NASD is proposing to update the study outline to cover Regulation S-P,[9] anti-money laundering rules, municipal fund securities (e.g., 529 college savings plans), Regulation D,[10] and exchange-traded funds. In addition, as part of an ongoing effort to align the examination more closely to the functions of a Series 6 limited representative, NASD is proposing to modify the content of the study outline to track the functional workflow of a Series 6 representative. NASD also is proposing to increase the number of sections covered by the Series 6 outline from four to six. Finally, NASD is proposing to modify the section headings and the number of questions on each section of the outline as follows: Section 1, Securities Markets, Investment Securities, and Economic Factors, 8 questions; Section 2, Securities and Tax Regulations, 23 questions; Section 3, Marketing, Prospecting, and Sales Presentations, 18 questions; Section 4, Evaluation of Customers, 13 questions; Section 5, Product Information: Investment Company Securities and Variable Contracts, 26 questions; and Section 6, Opening and Servicing Customer Accounts, 12 questions.

NASD is proposing these changes to the entire content of the Series 6 examination, including the selection specifications and question bank. The number of questions on the Series 6 examination will remain at 100, and candidates will continue to have 2 hours and 15 minutes to complete the exam. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions to

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9 17 CFR 248.1-18; 17 CFR 248.30; and 17 CFR 248, Appendix A.

10 17 CFR 230.501-230.508.

receive a passing grade.

2. Statutory Basis

NASD believes that the proposed revisions to the Series 6 examination program are consistent with the provisions of Sections 15A(b)(6)[11] and 15A(g)(3) of the Act,[12] which authorize NASD to prescribe standards of training, experience, and competence for persons associated with NASD members.

**B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>**

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

**C. <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>**

Written comments were neither solicited nor received.

**III. <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>**

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act[13] and Rule 19b-4(f)(1) thereunder,[14] in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization.

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[11] 15 U.S.C. 78o-3(b)(6).

[12] 15 U.S.C. 78o-3(g)(3).

[13] 15 U.S.C. 78s(b)(3)(A)(i).

[14] 17 CFR 240.19b-4(f)(1).

NASD proposes to implement the revised Series 6 examination program no later than November 30, 2005. NASD will announce the implementation date in a Notice to Members to be published no later than 60 days after SEC Notice of this filing.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2005-110 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-0303.

All submissions should refer to File Number SR-NASD-2005-110. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The

Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of NASD.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to the File Number SR-NASD-2005-110 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[15]

Secretary

[15] 17 CFR 200.30-3(a)(12).

Exhibit 3a
SR-NASD-2005-110

**NASD**

# Investment Company Products/Variable Contracts Limited Representative Qualifications Examination (Test Series 6)

## STUDY OUTLINE

## INTRODUCTION

The Investment Company/Variable Contracts Products Limited Representative Qualification Examination (Series 6) is used to qualify persons seeking registration with the NASD under Article II, Section 2 of the ANSD By-Laws and applicable NASD Membership, Registration and Qualification Rules. Registered Representatives (RRs) in this limited category of registration are permitted to transact a member's business in redeemable securities of companies registered pursuant to the Investment Company Act of 1940, securities of closed-end companies registered pursuant to the Investment Company Act of 1940 during the period of original distribution only, and variable contracts and insurance premium funding programs and other contracts issued by an insurance company except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act of 1933. This category of registration, by itself does not allow a registered rep to transact a member's business in corporate securities, direct participation programs, municipal securities, or options products. Candidates seeking to transact these latter products must also register in one or more of the NASD's other limited representative categories, or as a General Securities Registered Representative.

The study outline has been prepared to assist member firms in preparing candidates to sit for the Series 6 examination. It may be used to structure or prepare training material, develop lecture notes and seminar programs, and as a training aid for candidates themselves. The outline and the examination are divided into six topical sections listed below, along with the percentage of each section's representation in the overall examination.

The Series 6 is comprised of 100 multiple-choice questions and 135 minutes of testing time is allowed to complete the examination. A candidate must correctly answer 70 percent of the questions to receive a passing grade.

This is a closed-book examination. Scratch paper will be provided by the proctor. Candidates will not be allowed to use their personal calculators. Certification testing center staff will provide calculators to candidates upon request.

At the end of the outline are five sample questions written in the various formats used in the actual Series 6 examination. The samples do not mirror the difficulty level of actual test questions or the subject matter distribution of the test itself. Their use is merely to familiarize the candidate with the style of multiple-choice questions used in the Series 6 examination.

A copy if this outline may be obtained via the NASD web site, www.nasd.com.

| Section | Topic | Number of Questions |
|---|---|---|
| 1.0 | Securities Markets, Investment Securities, and Economic Factors | 8 |
| 2.0 | Securities and Tax Regulations | 23 |
| 3.0 | Marketing, Prospecting, and Sales Presentations | 18 |
| 4.0 | Evaluation of Customers | 13 |
| 5.0 | Product Information: Investment Company Securities and Variable Contracts | 26 |
| 6.0 | Opening and Servicing Customer Accounts | 12 |
| | **TOTAL** | **100** |

REFERENCE MATERIALS*

**Code of Federal Regulations**
Title 17-Commodity and Securities Exchanges
Superintendent of Documents
U.S. Government Printing Office
Mail Stop SSOP
Washington, DC 20402

**An Explanation of the Securities Investor Protection Act of 1970**
Securities Investor Protection Corp.
900 Seventh Street, NW
Washington, DC 20006

**Federal Securities Law Reporter**
Volume 1 – Securities Act
Volume 2 – Exchange Act
Volume 3 – Investment Company Act
Commerce Clearing House, Inc.
4025 W. Peterson Avenue
Chicago, IL 60646-6085

**Fundamentals of Private Pensions**
Dan M. McGill and Richard D. Irwin
Dow Jones-Irwin
Homewood, IL 60430

**Individual Retirement Accounts**
L.L. Unthank and Harry M. Behrendt
Dow Jones-Irwin
Homewood, Il 60430

**NASD Manual** @
www.nasd.com or
MediaSource
P.O. Box 9403
Gaithersburg, MD 20898-9403

**Pension and Profit Sharing Plans**
Jeffry D. Mamorsky
Executive Enterprise Publications Co., Inc.
33 West 60th Street
New York, NY 10023

**Regulation of Brokers, Dealers and Securities Markets**
N. Wolfson, R.M. Phillips, and T.A. Russon
Warren, Gorham & Lamont, Inc.
210 South Street
Boston, MA  02111

*There may be considerable overlap in the materials listed above.  It may not be necessary to obtain each of the publications listed.

# 1.0
# Securities Markets, Investment Securities, and Economic Factors

## 1.1 Securities Markets

### 1.1.1 Exchange Markets
Nature of auction markets

### 1.1.2 Over-The-Counter (OTC)/Negotiated Market
Nature of a negotiated market

### 1.1.3 New Issue Market
Primary Offering
Role of investment banker

### 1.1.4 Market Terms
Trade date
Settlement date
Declaration date
Record date
Ex-dividend date
Payment date

### 1.1.5 Price and Yield Terms
Market value
Bid
Asked or Offering
Net Asset Value (NAV) or bid
Premium, par and discount
Current yield
Nominal yield
Yield to maturity
Duration

## 1.2 Investment Securities

### 1.2.1 Corporate Securities
1.2.1.1 Equity Securities – definitions and features
- Common Stock
- Preferred Stock
- Right to earnings
- Right to dividends
- Voting rights
- Preferred Stock
- Liquidation preference
- Dividend preferred
- Convertible
- American Depositary Receipts (ADRs)

Rights
Warrants
Options

1.2.1.2 Debt Securities – definitions and features (redemption, call provisions)
Secured bond
Unsecured bond
Zero coupon bond
Convertible bond
Mortgage-backed securities (pass-through)
Collateralized Mortgage Obligations (CMOs)

**1.2.2 U.S. Government Securities**
1.2.2.1 Marketable issues
Treasury bills
Treasury notes
Treasury bonds
Agency bonds (Government Sponsored Enterprise)

**1.2.3 Municipal Bonds**
1.2.3.1 Tax implications
1.2.3.2 Types of bonds
General obligation bonds
Revenue bonds
Industrial revenue bonds

**1.2.4 Money Market Instruments**
1.2.4.1 Treasury bills
1.2.4.2 Certificate of Deposit (negotiable)
Commercial Paper
Bankers Acceptances

**1.2.5 Special Securities**
1.2.5.1 Exchange Traded Funds (ETFs)
1.2.5.2 Hedge funds

**1.3 Economic Factors**

**1.3.1 Price Changes in the Economy**
Inflation and deflation

**1.3.2 Monetary Policy**
Role of the Federal Reserve
Changing interest rates and the money supply
Relation to the level of economic activity
Relation to prices and the return on securities investments

**1.3.3 Fiscal Policy**
Federal taxation
Federal spending

**1.3.4 International Economic Factors**

Currency exchange rates

# 2.0
# Securities and Tax Regulations

## 2.1 General Industry Regulations

**2.1.1 Securities Act of 1933, Registration of Securities and SEC Rules Thereunder**

2.1.1.1 Section 2-Definitions
- Issuer
- Underwriter

2.1.1.2 Regulation D-Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933 (Private placements of variable life exempt from registration)

- Rule 501-Definitions and terms used in Regulation D
  - Accredited investor
  - Number of purchasers
  - Issuer

**2.1.2 Securities Exchange Act of 1934 (Regulation of exchanges, brokers and dealers) and SEC Rules Thereunder**

2.1.2.1 Section 3(a)-Definitions under the Act
- Broker
- Dealer
- Security
- Investment contract (Howie case)
- Statutory disqualification

2.1.2.2 Section 4-Securities and Exchange Commission

2.1.2.3 Section 15A-Registered Securities Associations

Rule 17f-2-Fingerprinting of Security Industry Personnel

**2.1.3 Investment Advisers Act of 1940**

Section 201-Purpose

Section 202(a)-Definitions
- Investment Adviser
- Persons associated an investment adviser

Section 203-Registration of Investment Advisers

(SEC Release IA-1092-Staff interpretation)
- Requirements
- Exemptions

**2.1.4 Investment Company Act of 1940**

2.1.4.1 Section 2-General Definitions

2.1.4.2 Section 3-Definition of Investment Company

Section 4-Classification of Investment Companies

Section 5-Subclassification of Management Companies

Section 6-Exemptions

Section 8-Registration of Investment Companies

**2.1.5 Insider Trading and Securities Fraud Enforcement Act of 1988**

Prohibition of misuse of material, nonpublic information

- Section 3-Civil penalties
- Section 4-Criminal penalties
- Section 5-Liability to contemporaneous traders for insider trading
- Policies and procedures to be developed by broker/dealers

**2.1.6 Rules and By-Laws of NASD**

2.1.6.1 Certificate of Incorporation

By-Laws

- Article V – Registered representatives and associated persons
  - Sec.1 – Qualification requirements
  - Sec.2 – Application for registration
  - Sec.3 – Notification of termination
  - Sec.4 – Retention of jurisdiction

2.1.6.2 Membership and Registration Rules

- Rule 1000–Membership, Registration and Qualification Requirements
- Rule 1030–Registration of Representatives
  - Definitions of representatives
  - Categories of representative registration
- Rule 1060—Persons Exempt from registration
- Rule 1080—Confidentiality of Examinations

2.1.6.3 NASD Conduct Rules

- Rule 2820—Variable contracts of Insurance Company
  - Application
  - Definitions
  - Receipt of Payment
  - Transmittal
  - Selling Agreements
  - Redemption
  - Member compensation
- Rule 2830–Investment Company Securities
  - Application
  - Definitions
  - Sales charges
  - Selling dividends
  - Withhold orders
  - Refund of sales charges
  - Dealer concessions
  - Member compensation
  - Execution of portfolio transactions

## 2.2 Federal Income Tax Regulations

### 2.2.1 Tax Consequences of the Investment Company's Activities

- "Regulated Investment Company" - defined by Internal Revenue Code
  - "Conduit " or "pipeline" theory
  - Required distribution of income and realized capital gains
- Tax treatment of capital gains distributions and income distributions
  - Net qualifying dividends

### 2.2.2 Tax Consequences of an Individual Investor's Activities

2.2.2.1 Mutual Fund Investor Activities

- Shareholder responsibility to report dividend and capital gains distributions to IRS and state tax agency
- Tax treatment of securities transactions
  - Definition of net capital gains/loss
  - Computation
- Tax treatment of realized/unrealized net capital gains/capital losses
- Exchanges as taxable event
- Shareholder’s tax basis
  - Offering price
  - Exchange of securities
  - Gift of securities
  - Inheritance of securities
  - Reinvested dividends and capital gains distributions
- Holding period of securities
  - Determined by trade date
  - Acquisition
  - Redemption
- Wash sale rule

2.2.2.2 Tax treatment of variable annuity contracts

- Accumulation period
- Annuitization period
- 72(t) Taxation of annuity payments
- Withdrawals and surrenders
- Death benefits
- 1035 exchanges

2.2.2.3 Tax treatment of variable life insurance to the policyholder

- During the life of the policy
- Upon the death of the insured
- Upon full or partial surrender of the policy
  - 1035 exchanges

**2.3 Retirement and Tax Advantaged Plans**

**2.3.1 Individual Retirement Plans**

2.3.1.1 Traditional IRA
2.3.1.2 Rollover
2.3.1.3 Roth IRA
- Contributory
- Conversion

2.3.1.4 Establishment and maintenance issue
- Eligibility requirements
- Contribution limits
- Catch-up provisions

2.3.1.5 Transfer/Rollover rules
2.3.1.6 Distribution/Withdrawal Rules
- Early
- Mandatory
- Death
- Beneficiary

**2.3.2 Employer-Sponsored Retirement Plans**

2.3.2.1 Keogh: Self employed only
Simplified Employee Pension Plans (SEP)
Savings Incentive Match Plans for Employees (SIMPLE)
IRA and 401(k)
Money Purchase
Profit Sharing
401(k)
403(b) and 403(b)(7): 501(c)(3) only
457: governmental entities and certain tax exempt only

2.3.2.2 Defined Contribution versus Defined Benefit

2.3.2.3 ERISA Considerations
- Eligibility
- Retirement age: normal and early
- Vesting provisions
- Contribution limits
- Funding requirements
- Fiduciary responsibilities

2.3.2.4 Rollover and Transfer Rules

2.3.2.5 Distribution/Withdrawal Rules
- Early
- Mandatory
- Death
- Beneficiary

**2.3.3 Non-Qualified Deferred Compensation**

**2.3.4 Other Tax Advantaged Plans**

2.3.4.1 Section 529 College Savings Plans
- Tax treatment
  - Contributions
  - Accumulation
  - Withdrawals
  - Benefits

2.3.4.2 Coverdell Education Savings Plan
- Tax treatment
  - Contributions
  - Accumulation
  - Withdrawals
  - Benefits

## 3.0
## Marketing, Prospecting, and Sales Presentations

### 3.1 Regulations Related to Marketing/Prospecting

**3.1.1 Securities Act of 1933**

3.1.1.1 Prospectus and Statement of Additional Information (SAI)

- Section 2—Definitions
  - Offer to sell
  - Prospectus
- Registration requirement
  - Statement of Additional Information
    - Availability requirement
  - Contents
  - Investment objectives, policies and restrictions
  - Sales loads and fees
    - Share classes
  - Breakpoint, rights of accumulation, combination of accounts and letter of intent
  - Methods of sale
  - Methods of redemption
  - Financial statements

  - Section 5—Prohibitions relating to interstate commerce and the mails
    - Prospectus
    - Delivery requirement

  - Section 10—Information required in prospectus

  - Section 12—Civil Liabilities Arising in Connection with Prospectuses and Communications
    - Inclusion of untrue statements of material fact
    - Exclusion of material facts required to be stated

  - Section 17-Fraudulent Interstate Transactions

  - Section 23-Unlawful Representation
    - SEC "No Approval" clause

### 3.2 Rules Related to Sales Presentations/Materials:

**3.2.1 NASD Conduct Rules**

3.2.1.1 Rule 2210–Communications with the public

- Definitions
  - Advertisements
  - Sales Literature

Correspondence
Institutional Sales Material
Public Appearance
Independently Prepared Reprints
Approval and recordkeeping
Filing requirements and review procedures
Standards applicable to communications with the public
General Standards
Interpretive Material

Rule 2211—Institutional Sales Marketing Material

Rule 2212—Telemarketing

**3.2.2 Rules and Regulations under the Securities Act of 1933**

3.2.2.1 Rule135A— Generic advertising
Rule 156—Investment company sales literature
Rule 482 – Advertising by an Investment Company as Satisfying Requirements of Section 10 of Securities Act of 1933

**3.2.3 Securities Exchange Act of 1934**

Section 10—Regulation of the Use of Manipulative and Deceptive Devices
Rule 10b-3—Employment of manipulative and deceptive devices by any broker or dealer

**3.2.4 Investment Company Act of 1940 and Rules Thereunder**

Section 30(b)—Periodic and Other Reports
Rule 34b-1 Sales Literature Deemed to be Misleading
Section 35(d)—Deceptive or Misleading Names
Rule 35d-1—Investment Company Names

**3.3 NASD Conduct Rules – Sales Practices**

3.3.1 Rule 2100—General Standards of Business Conduct

3.3.2 Rule 2110—Standards of Commercial Honor and Principles of Trade

3.3.3 Rule 2120—Use of Manipulative, Deceptive or Other Fraudulent Devices

Rule 3010—Supervision
Supervisory system
Written procedures
Internal inspections
Written approval
Qualifications investigated
Definitions
Office of Supervisory Jurisdiction (OSJ)
Branch office

Rule 3110–Customer complaints

Rule 3030—Outside Business Activities of an Associated Person

Rule 3040—Private Securities Transactions of an Associated Person
- Applicability
- Written notice
- Transactions for compensation
- Definitions
  - Private securities transactions
  - Selling compensation

# 4.0
# Evaluation of Customers

## 4.1 Investment Risk Factors

### 4.1.1 Types of Investment Risk

- Business
- Credit
- Interest rate
- Purchasing power
- Liquidity
- Reinvestment
- Taxability
- Market
- Social and political
- Currency exchange

### 4.1.2 Concept of Risk/Reward

- Degree of risks relative to returns on investment
- Importance of diversification
- Defensive and aggressive investment strategies

## 4.2 Suitability Factors

### 4.2.1 Financial Status of Clients

- Personal financial information
  - Age
  - Marital status
  - Dependents
  - Income
  - Expenses
  - Disposable income
  - Discretionary income
  - Assets and liabilities
  - Liquid assets
  - Insurance needs
  - Participation in retirement programs
  - Participation in benefit plans
  - Tax status

### 4.2.2 Investment Objectives

- Preservation of capital
- Current income
- Capital appreciation
- Growth and income
- Aggressive growth
- Tax exempt income

**4.2.3 Risk Tolerance of Clients**

- Short and long-term liquidity needs
- Volatility
  - Income level changes
  - Inflation or deflation
  - Attitudes toward risk

**4.2.4 NASD Rule–2310 Recommendations to Customers**

- Fair dealing with customers
- Recommending speculative securities
- Excessive trading activity
- Trading in mutual fund shares
- Fraudulent activity
  - Fictitious accounts
  - Unauthorized transactions
  - Misuse of customers' funds or securities
- Recommending purchases beyond customer capability
- New financial products
- Share class recommendation

# 5.0
# Product Information:
# Investment Company Securities and Variable Contracts

## 5.1 Investment Companies

### 5.1.1 General Concepts

- Investment portfolio
  - Undivided interest
  - Diversified by:
    - Industries
    - Types of investment instruments
    - Variety of securities issuers
    - Geographic areas
  - Nondiversified
- Professional Management
- Investment objective of the fund
- Timing of Investment Decisions
- Financial/economic research and analysis

### 5.1.2 Types of Funds

5.1.2.1 Equity Funds
- Income
- Growth
- Growth/Income
- Aggressive Growth
- Value
- Blend/Core
- Balanced

5.1.2.2 Fixed Income
- Taxable
- Tax exempt
- High yield

5.1.2.3 Money Market
- Taxable
- Tax exempt

5.1.2.4 Specialized
- Industry (sector) concentration
- Geographic concentration
- Asset allocation
- International
- Mortgage backed securities
- Index
- Precious metals funds
- Fund of funds
- Principal protected funds

**5.2 Open-End Investment Companies**

**5.2.1 Fund shares**

Full and fractional shares
Continual offering and redemption of shares
Voting rights

**5.2.2 Structure and Operation**

5.2.2.1 Functions of board of directors
- Investment policy
- Oversee investment advisor, transfer agent, custodian
- Dividend and capital gains policy
- Approve 12b-1 plans

5.2.2.2 Functions of investment advisor
- Investment portfolio
- Investment advice
- Conform to investment objectives and policy decisions of the Board

5.2.2.3 Functions of underwriter (distributor)
- Wholesale marketing of fund shares to securities dealers
- Direct sales to public
- Preparation of sales literature
- Compensation to dealers

5.2.2.4 Functions of custodian
- Safeguard physical assets of fund
- Payable/receivable functions

5.2.2.5 Functions of transfer agent
- Issuance of physical shares or book entry
- Cancellation of redeemed shares
- Disbursement of dividend and capital gains distributions to shareholders

**5.2.3 Rights of shareholders**

Voting rights/proxies
Approve changes in investment objectives and policies
Approve investment advisory agreement
Approve changes in fees
Elect directors
Ratify selection of independent auditors

**5.2.4 Common characteristics**

Professional portfolio manager
Ease of diversification
Safekeeping of portfolio securities
Exchange privileges within families of funds

Automatic reinvestment of dividend income and capital gains distributions
Systematic purchase and withdrawal plans
Tax and recordkeeping information

**5.2.5 Important Factors in Comparison of Funds**

5.2.5.1 Basis of comparison
- Investment objective
- Investment style
  - Valuation
  - Capitalization
- Investment policies
- Management experience
- Fees and expenses

5.2.5.2 Performance
- Total return
- Standardized yield
- Expense ratio
- After tax return
- Quantitative risk management

**5.2.6 Mutual Fund Sales Charges and Expenses**

5.2.6.1 Net Asset Value (NAV) per share
- When determined
- How determined
- Ex-dividend

5.2.6.2 Offering Price
- Prospectus
  - Table of fees and expenses

5.2.6.3 Share Class

5.2.6.4 Sales charges and expenses

5.2.6.5 Distribution plans/SEC Rule 12b-1
- Use of fund assets to finance the distribution of shares

5.2.6.6 Reduced Sales Charges/Quantity Discounts
- Qualifying for reduced sales charges
  - Breakpoint
  - Letter of Intent
    - Backdating 90 days
    - Effect of incomplete investment
    - Contribution vs. appreciation
- Rights of accumulation
  - Valuation of methods
  - Combining accounts
  - Reduction for qualifying groups

**5.2.7 Redemption of Mutual Fund Shares**

5.2.7.1 Methods

- Considerations
  - Signature guarantee
  - Outstanding certificate
- Redemption value
  - NAV next computed after receipt of proper redemption request
  - Sales charges and redemption fee
- Timely payment by fund

## 5.3 Variable Contracts

**5.3.1 Insurance Company Separate Accounts/General Accounts**

*Exempt under 3a-8 of the Securities Act of 1933*

- Investment Company Act of 1940 Section 2(a)(37)-
- Definition
- Characteristics
- Underlying Investments

**5.3.2 Variable Annuity Contracts**

- Compare and contrast between variable and fixed annuities
  - Payment to the annuitant
  - Guarantees
  - Risk
  - Contract holder objective
- Types of variable annuities
  - Immediate
  - Deferred
  - Single payment
  - Periodic payment
- Features
  - Tax deferred accumulation
  - Ownership interests
  - Voting rights
  - Pay out options
- Other contractual provisions
- Mortality guarantee
- Expense guarantee
- Death benefit
- Surrender value
- Exchange privilege
- Bonus/enhancements
- Dollar cost averaging
- Sales charges and expenses
  - Level sales charge
  - Contingent deferred sales charge
- Other charges and expenses
  - Investment management fee
  - Mortality and expense risk
- Premium taxes

Administrative expenses
Valuation of variable annuity contracts
Accumulation units
Annuitization units
Assumed Interest Rate

**5.3.3 Variable Life Insurance (Fixed and Flexible Premium Types)**

Compare and contrast- variable, universal and whole life insurance
Death benefits
Cash value
Risk
Premium payments
Policyholder objective of purchasing variable life insurance
Features
Loans
Voting rights of policy holders
Other contractual provisions
Expense limitation
Termination
Surrender value
Conversion privilege
Dollar Cost Averaging (DCA)
Sales charge and expenses
Sales charge structure
Other charges and expenses
Mortality costs
Investment management fee
Administrative expenses
Cost of insurance
Settlement options
Valuation of a variable life insurance policy
Cash value
Death benefit

**5.4 Unit Investment Trust (UIT)**

Capitalization
Pricing
Secondary market trading
Redeemability

**5.5 Closed-End Fund**

Capitalization
Pricing
Secondary market trading
Redeemability

# 6.0
# Opening and Servicing Customer Accounts

## 6.1 Customer Accounts

### 6.1.1 Requirements for opening new accounts
**NASD Rule 3110—Books and Records**

- Distribution elections
  - Cash
  - Reinvestment
- Account Documentation
  - Customer name and residence
  - Legal age
  - Tax identification or Social Security number
  - Occupation of customer
    - Name and address of employer and whether associated person of another NASD member
- Discretionary account authorization document
  - Name and signature of person(s) with authority to create activity in account
  - Documentation of trading authority for
    - Corporate accounts
    - Partnership accounts
    - Trust accounts
    - Fiduciaries/administrators
    - Investment advisor

### 6.1.2 Bank Secrecy Act

- *Wires in excess of $3,000*
- *Cash transactions over $10,000*
  - *Required information on transmitter of funds and the recipient of the funds*

### 6.1.3 Anti-Money Laundering Compliance Program

- Customer Identification Program
- Suspicious Activity Report (SAR)

### 6.1.4 Regulation S-P Privacy of Consumer Financial Information

- Definitions
- Privacy and Opt-out notices
- Disclosure limitations
- Exceptions

### 6.1.5 Forms of Ownership of Mutual Fund Shares

- Individual registration
  - Transfer on death
- Joint tenants with right of survivorship
- Tenants in common
- Trust accounts
- Custodial accounts under the

Uniform Transfers/Gifts to Minors Act
Irrevocability of gift
Custodian
Shares registered to beneficiary upon attaining majority

**6.2 NASD Rules**

**6.2.1 Rule 2330 – Customer's Securities or Funds**
Prohibition against guarantees
Sharing in accounts; extent permissible

**6.2.2 Rule 2370 – Borrowing from or Lending to Customers**
Conditions when permissible
Definition of immediate family

**6.2.2 Rule 2420 – Dealing with Non-Members**
Sharing commissions with non-members

**6.2.3 Rule 3050 – Transactions for or by Associated Persons**
Obligations of Associated Persons Concerning an Account with an Investment Adviser, Bank or Other Financial Institution
Exemption for Transactions in Investment Company Shares and Unit Investment Trust

**6.2.4 Rule 3370 – Prompt Receipt and Delivery of Securities**

**6.3 Complaints, Investigations and Sanctions**

**6.3.1 Rule 8210 – Provision of Information and Testimony and Inspection and Copying**

**6.4 NASD Procedural Rules—Code of Arbitration Procedure**

**6.4.1 Rule 10100—Administrative Provisions**
Matters Eligible for Submission
National Arbitration Committee
Composition and Appointment of Panels

**6.4.2 Rule 10300—Uniform code of arbitration**
Required submission
Simplified arbitration
Limit on dollar amount disputed or claimed
Relatively prompt resolution

**6.4.3 Rule 10330—Awards**

## 6.5 Securities Exchange Act of 1934

### 6.5.1 Section 10-Manipulative and Deceptive Devices

(Rule 10b-10)Confirmation of transactions

### 6.5.2 Section 17-Accounts and records, reports, examination of exchange members and others

(Rule 17a-8) Financial recordkeeping and reporting of currency and foreign transactions

## 6.6 Federal Reserve Board/Regulation T-Credit by Brokers and Dealers

Cash Accounts

- Prompt payment for securities purchased
- Extension of time
- Frozen accounts
- Arranging for loans by others prohibited

SAMPLE QUESTIONS

The questions that follow are similar in format and content to questions on the actual examination. They are not intended, however, to parallel either the level of difficulty or the subject matter distribution of the test itself. The purpose here is to assist candidates and training personnel in preparing for the types of multiple-choice questions that will appear in the examination.

1. In the investment company act of 1940, the term "management company" applies to all of the following EXCEPT:

   (A) Unit investment trusts
   (B) Non-diversified companies
   (C) Open-end companies
   (D) Closed-end companies

2. Which of the following mutual fund services must be offered continually to its shareholders?

   (A) Issuing shares
   (B) Redeeming shares
   (C) Exchanging shares
   (D) Transferring ownership of shares

3. Reductions in the maximum sakes charge for investment company shares may be following circumstances?

   I. An investor purchases a substantial dollar amount of investment company shares.
   II. An investor elects to reinvest income dividends.
   III. Shares are purchased by the trustee of a company pension plan.
   IV. Shares are purchased by a unit investment trust as the sole investment underlying a contractual plan.

   (A) I only
   (B) I and II
   (C) II and III
   (D) I, II, III and IV

4. An open end investment company may do each of the following EXCEPT:

   (A) Issue senior securities
   (B) Borrow money
   (C) Lend money
   (D) Purchase call option contracts

**ANSWERS**

1. (A)
2. (D)
3. (D)
4. (A)

Exhibit 3c
SR-NASD-2005-110

DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

July 24, 2000

Mr. Alden S. Adkins
Senior Vice President & General Counsel
NASD Regulation, Inc.
1735 K Street, N. W.
Washington, D.C. 20006-1500

Re: Procedure for Filings Relating to Qualification Examinations

Dear ~~Mr. Adkins~~ Alden:

I am writing to inform you of a change in the filing requirements for proposed rule changes involving qualification examinations for associated persons. In the past, the Division required the SROs to file question banks for new examinations for Commission approval pursuant to Section 19(b)(2) of the Exchange Act. The Division also required SROs to file questions being added to the question bank for Commission approval.

The Division has decided that it is no longer necessary for SROs to file new exam question banks for Commission approval under Section 19(b)(2). In the future, any new examinations should be filed as non-controversial rule changes for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder. As you know, Rule 19b-4(f)(6) requires the SRO to give notice to the Commission of its intent to file a proposed rule change five days before doing so. During the five days prior to filing, the Division will determine if the proposed rule change is appropriately filed as non-controversial. To assist us in our analysis, please include a complete description of the examination in your rule filing. For example, the proposed rule change should address who will be required to take the exam, what information the exam will cover, the time allotted for each section, the weight assigned to each topic, the effective date of the exam requirement, and any other information that would be helpful to us in determining whether the proposal should become effective on filing. Also, pursuant to Rule 19b-4(f)(6), the rule change should be designated as effecting a change that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition and, by its terms, does not become operative for 30 days after the date of the filing.

Filings to modify an existing examination should be submitted as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration or enforcement of an existing rule..." pursuant to Section 19(b)(3)(A) of the Exchange Act.

Our goal in changing these procedures is to expedite the effectiveness of proposed rule changes involving examination requirements for persons associated with SRO members. Please contact Kathy England, Assistant Director, at 202-942-0154, or Karl Varner, Special Counsel, at 202-942-7125, if you have any questions.

Sincerely,

Belinda Blaine
Associate Director