

MEMO# 9652

February 9, 1998

PROPOSED CHANGES TO THE SECURITIES INDUSTRY CONTINUING EDUCATION PROGRAM

[9652] February 9, 1998 TO: CONTINUING EDUCATION AND TRAINING ADVISORY COMMITTEE No. 1-98 CONTINUING EDUCATION/TRAINING MEMBERS No. 1-98 OPERATIONS COMMITTEE No. 6-98 RE: PROPOSED CHANGES TO THE SECURITIES INDUSTRY CONTINUING EDUCATION PROGRAM

Based upon a recommendation by the Securities Industry/Regulatory Council on Continuing Education (the "Council"), the National Association of Securities Dealers, Inc. and the New York Stock Exchange have proposed amendments to the Securities Industry Continuing Education Program. These amendments, which have been proposed by the Securities and Exchange Commission (the "SEC") for comments, will primarily impact persons acting in a supervisory or principal capacity and persons that may have been grandfathered under the existing rules. A copy of the pending proposal, which is summarized below, is attached. Comments on the proposal are due to the SEC no later than February 19, 1998. Background Since 1993, members of the National Association of Securities Dealers, Inc. (and members of five other securities industry self-regulatory organizations) have been required to participate in the Securities Industry Continuing Education Program. The program includes a Regulatory Element (which requires certain registrants to complete a computer-based training program at various intervals after their registration anniversaries) and a Firm Element (which requires member firms annually to assess the training needs of their covered persons; develop a written training plan; deliver the training described in the plan; and document the delivery of the training). The program is administered by the Council. Proposed Revisions to the Continuing Education Program The proposed changes include the following: Grandfathering Provisions ` Those who have been registered for ten years or less as of July 1, 1998, will be required to complete their Regulatory Element training within 120 days of the second anniversary of their date of first registration, and every three years thereafter. There will be no graduation from the program. ` Those who have already graduated from the Regulatory Element of the program as of the date the rule becomes effective will continue to be grandfathered. However, registered principals and sales supervisors will not be grandfathered unless they have been registered in a principal or supervisory capacity for more than ten years. Treatment of Supervisors and Principals ` A new Regulatory Element computer-based training session will be developed for registered principals. As you know, the current session is "one-size fits-all," meaning that assistant representatives, registered representatives, and registered principals all receive the same Regulatory Element training. Under the proposal, the Council would develop a new computer-based training module specifically for principals. ` If a member firm's Firm

Element training needs analysis determines that there is a need for supervisory training for individuals with supervisory responsibilities, such training must be included in the member's Firm Element training plan. Persons with questions regarding the proposed rule changes should direct them to John Linnehan, Director of Continuing Education, at the National Association of Securities Dealers Regulation, Inc. at 301/208-2932. Persons wishing to comment on the proposed rule changes should follow the procedures set forth in Section IV of the proposal (page 4513). Stephanie Brown Assistant Vice President, Training and Marketing Attachment

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