

MEMO# 11076

June 24, 1999

NASDR SEEKS COMMENT ON WHETHER TO REQUIRE THE REGISTRATION OF CHIEF COMPLIANCE OFFICERS

* Notice to Members 99-51 (June 1999) [11076] June 24, 1999 TO: COMPLIANCE ADVISORY COMMITTEE No. 25-99 SEC RULES COMMITTEE No. 48-99 RE: NASDR SEEKS COMMENT ON WHETHER TO REQUIRE THE REGISTRATION OF CHIEF COMPLIANCE OFFICERS

NASD Regulation, Inc. ("NASDR") has published the attached Notice to Members* soliciting comment on whether to require the registration of chief compliance officers. According to the Notice, NASDR Rule 1021(a), which sets forth the requirements for principal registration, has been read by some members to mean that compliance personnel are not required to be registered. NASDR, however, believes that a person listed on Schedule A of Form BD as the chief compliance officer should be registered because such person is involved in providing advice to registered representatives and principals regarding compliance issues and in devising compliance systems and procedures for the member firm. The Notice states that any proposed rule would include a grandfather provision for any person serving as a chief compliance officer on the effective date of such rule. The Notice sets forth at least two ways that a registration requirement could be imposed. The first is by requiring all such officers to be registered as a General Securities Principal, unless the activities of the firm are limited, in which case the officer could be registered in a limited principal capacity. For example, as stated in the Notice, it might be appropriate for the chief compliance officer of a firm that only sells mutual funds to be registered as an Investment Company and Variable Contracts Products Principal rather than as a General Securities Principal. The second way in which the registration requirement could be imposed would be by NASDR creating a new examination and registration category for chief compliance officers. In addition to seeking comment on whether such registration should be required, NASDR seeks comment on: (1) whether the NYSE's Compliance Supervisor examination (Series 14) should be accepted for purposes of a chief compliance officer registering with NASDR and (2) whether a general counsel who directly supervises a registered chief compliance officer should also be required to be registered. Comments are due to NASDR by Friday, July 16, 1999. Persons with comments on the proposal should contact the undersigned by phone (202/326-5825); fax (202/326-5839) or e-mail (tamara@ici.org) no later than Wednesday, July 7, 1999. Tamara K. Reed Associate Counsel Attachment

should not be considered a substitute for, legal advice.