

**MEMO# 7430**

November 16, 1995

## **STATUS OF CONTINUING EDUCATION REQUIREMENTS**

November 16, 1995 TO: COMPLIANCE COMMITTEE No. 43-95 DIRECT MARKETING COMMITTEE No. 52-95 HUMAN RESOURCES FORUM No. 12-95 MEMBERS - ONE PER COMPLEX No. 101-95 MEMBERS INTERESTED IN CONTINUING EDUCATION/TRAINING No. 2-95 OPERATIONS MEMBERS No. 47-95 SALES FORCE MARKETING COMMITTEE No. 56-95 SMALL FUNDS COMMITTEE No. 21-95 RE: STATUS OF CONTINUING EDUCATION REQUIREMENTS

On November 9, the Institute held a meeting on the status of the implementation of the Securities Industry Continuing Education Program (the "Program"). At that meeting, John Linnehan, Director of Continuing Education at the National Association of Securities Dealers, Inc. ("NASD") and Gregg Tyler, Continuing Education Coordinator at The New York Stock Exchange, Inc. ("NYSE") provided an update on the implementation of the Program. Here are some of the highlights of the meeting. Regulatory Element (which, effective July 1, 1995, requires most NASD registrants to participate in a computer-based training session within 120 days of the second, fifth, and tenth anniversaries of their date of first registration) \* During the months of July, August, and September of this year, approximately 42,000 people were notified that they were due to participate in the required Regulatory Element computer-based training session. To date, only around 20,000 of those notified have participated in the required training. Persons who fail to take the required training may neither perform, nor be paid for, any activity that requires a securities registration. (In fact, the registrations of 234 persons have already been inactivated until they complete the required training.) With another 22,000 people who have yet to take the training, as well as more people being notified monthly that they are due to take the training, there are likely to be difficulties in scheduling training sessions at PROCTOR centers. To avoid scheduling problems, the NASD recommends that those notified schedule a training session as soon as possible after receiving the notice. For your information, attached is the NASDs Notice to Members 95-86, which contains a current list of PROCTOR centers. \* Members located in areas that are not convenient to one of the 55 PROCTOR centers may call (800)999-6647 (select option #1 at the voice prompt) to schedule an appointment with the mobile PROCTOR PRO facility. While the NASD is also considering allowing firms to deliver the Regulatory Element training session in-house, plans in this area have not yet been finalized. We will keep you informed of future developments. \* Those who would like to take the Regulatory Element training for informational purposes (and not to comply with the Programs requirements) may arrange to take the computer-based training session by filing a form "U-10" and indicating the code as "Series 101". This should be done prior to scheduling the training session at a PROCTOR center. The \$75 training session fee will apply to the session, but results cannot subsequently be used to satisfy the

Regulatory Element and will not be included in the firms performance report. \* The Securities Industry/Regulatory Council on Continuing Education ("the Council") has formed two committees that will meet regularly to recommend content material for the Regulatory Element computer-based training session. The committees are composed of representatives of the entire securities industry, including the mutual fund industry. Firm Element (which requires firms to begin delivering, no later than January 1, 1996, the training determined by the training plans they were required to prepare by July 1, 1995 under the Firm Element) \* Compliance examinations for the Firm Element of the Program will be conducted as part of each firms regular inspection. Examiners of the SEC, the self-regulatory organizations (e.g., NASD, NYSE), and the states follow a checklist of items to be addressed to determine a firms compliance. The checklist is based on the Firm Element Guidelines that were prepared by the Council to assist firms in complying with the requirements. \* Among the most common problem areas found by the examiners from inspections to date are training plans that: 1) do not include all of the training needs determined by the training needs analysis; 2) are vague about which training needs are of the highest priority and will be treated as such when the training is conducted; 3) do not show how firms will collect feedback on the training programs they conduct, and how that feedback will be used to evaluate and revise subsequent training sessions; and 4) do not include the name of the person(s) designated by the firm as being responsible for the Firm Element training (actual names are necessary, not merely job titles). \* The Council has been holding focus groups to determine whether the Firm Element Guidelines can be revised to be more helpful to firms in complying with the Firm Element. Comments on the Guidelines may be directed to Gregg Tyler at the NYSE, who can be reached at 212/656-2156. General After the presentations by Linnehan and Tyler, there was an update on and demonstration of some of the training and continuing education programs available from the Institute. For a free catalog of these items, please call Alesha Helm at 202/326-5866. The Institute is also interested in ideas of members for generic training programs that would assist firms in complying with the Firm Element. Persons with ideas should contact me at 202/326-5869. Several of those present at the meeting indicated that they would like to have a list of meeting attendees (attached) and that they would like the Institute to hold semi-annual meetings to keep members apprised of the continuing education requirements. In response to this request, the Institute will plan to schedule a meeting to be held in May 1996. We will notify you as soon as a date for this meeting has been arranged. Stephanie Brown Assistant Vice President Training and Marketing Attachments