

MEMO# 10295

September 17, 1998

UPDATE ON THE SECURITIES INDUSTRY CONTINUING EDUCATION PROGRAM

[10295] September 17, 1998 TO: COMPLIANCE ADVISORY COMMITTEE No. 27-98
CONTINUING EDUCATION AND TRAINING ADVISORY COMMITTEE No. 13-98 CONTINUING
EDUCATION/TRAINING MEMBERS No. 10-98 OPERATIONS COMMITTEE No. 37-98 RE: UPDATE
ON THE SECURITIES INDUSTRY CONTINUING EDUCATION PROGRAM

For your information, attached is NASD Notice to Members 98-68, which includes a Status Report on the Securities Industry Continuing Education Program and the activities of the Securities Industry/Regulatory Council on Continuing Education. The report summarizes the revisions to the continuing education rules of the industry's self-regulatory organizations. As we previously informed you, these revisions, summarized below, became effective July 1, 1998. Revisions to the Securities Industry Continuing Education Program 1. Registered persons are required to participate in the Regulatory Element of the Continuing Education Program within 120 days of the second anniversary of their initial securities registration and every three years thereafter, with no graduation from the Regulatory Element (the only exception to the "no graduation" policy is described below). Unchanged is the requirement that a registered person who receives a significant disciplinary action must complete the Regulatory Element within 120 days of the effective date of the disciplinary action. The cycle for participating in the Regulatory Element is then adjusted to reflect the effective date of the significant disciplinary action, rather than the initial securities registration date. 2. The only persons who are graduated from the Regulatory Element are those who have been registered for more than ten years as of July 1, 1998, and who have not been the subject of a significant disciplinary action. However, graduated persons registered in a principal/supervisor capacity for less than ten years as of July 1, 1998, and those graduates who acquire their first principal/supervisor registration after July 1, 1998, re- enter the Regulatory Element regardless of the number of years they have been registered. 3. Specialized Regulatory Element computer-based training for persons registered as principals/supervisors is planned to begin later this year. Until such training is introduced, such persons will continue to take the current "one-size-fits-all" Regulatory Element training. 4. The Firm Element of the Continuing Education Program requires firms to focus specifically on supervisory training needs when conducting their annual training needs analysis. Firms that determine they have a specific need for such training must address supervisory training in their Firm Element training plan. Questions and Answers About the Securities Industry Continuing Education Program Following the status report are frequently asked questions and answers about the Securities Industry Continuing Education Program. Question and answer #52 may be of special interest to Institute members; it has been a source of discussion at various Institute Committee meetings: Q. Are registered sales

assistants or registered investment company shareholder servicing agents, who handle service calls from customers, covered persons within the Firm Element? A. Yes, if their activities involve the conduct of a securities business in a sales context. The fact that the firm has decided to register such persons often suggests that there is likely to be customer contact of the type that requires registration. If you have any questions about the information contained in the enclosed materials, please contact John Linnehan, Director, Continuing Education at NASD Regulation, Inc. at 301/208-2932 or Daniel Sibears, Vice President, District Oversight, NASD Regulation, at 202/728-6911. Linda Brenner Director, Operations and Training Attachment

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