

## REGULATORY CIRCULAR RG99-18

Date: January 20, 1999

To: Members and Member Firms

From: Department of Financial and Sales Practice Compliance

Subject: Status Update on the Securities Industry  
Continuing Education Program for Registered Persons

PLEASE ROUTE TO: COMPLIANCE DEPARTMENT  
REGISTRATION DEPARTMENT  
TRAINING DEPARTMENT

### KEY ISSUES

- A Continuing Education Program / Regulatory Element format designed specifically for supervisors is now in operation. All persons with a current supervisor / principal registration are now required to participate in the Supervisor's Program rather than the general program.
- Work is now underway to implement a second registration specific program designed especially for Series 6 registrants.
- Effective January 1, 1999, the fee for the Regulatory Element was lowered to \$65 (from \$75).
- Member organizations must ensure that all Regulatory Element candidates are aware of the importance of covering all of the exercises comprising their session and answering a sufficient number of questions correctly within the allotted time, in order to successfully complete the program.

In 1995, the Securities and Exchange Commission (SEC) approved uniform rules of the self-regulatory organizations ("SRO") that prescribe requirements for the Securities Industry Continuing Education Program. The Continuing Education Program applies to all securities industry registered persons and consists of two parts: the Regulatory Element and the Firm Element. The Regulatory Element is a computer-based training session that covers regulatory, compliance, ethical and supervisory subjects. The Firm Element is developed and administered by SRO member firms annually and is intended to keep employees current on job and product related subjects.

The Securities Industry/Regulatory Council on Continuing Education is responsible for the oversight of the Continuing Education Program as a whole. Council duties include recommending and helping to develop specific content and questions for the Regulatory Element, and minimum core curricula for the Firm Element. The Council is comprised of 13 representatives from broker/dealers representing a broad cross section of industry firms, and representatives from each of six SROs.<sup>1</sup>

### Supervisor's Program

The supervisor's Regulatory Element program was implemented on November 2, 1998, and is the first registration specific program. The Supervisor's Program is a 3½ hour multi-media program that presents real-life situations. Participants must choose among various courses of action after viewing the videos, which include documents, and listening to conversations. The scenarios presented focus on topics such as supervision, suitability, money laundering, insider trading, and interviewing and hiring Registered Representatives.

Registration / examination categories which require participation in the Supervisor's Program rather than the general program include, but are not limited to: Series 4 (Registered Options Principal); Series 8 (General Securities Sales Supervisor); Series 12 (NYSE Branch Manager); Series 14 (NYSE Compliance Official); Series 16 (NYSE Supervisory Analyst); Series 24 (General Securities Principal); and Series 27 (Financial and Operational Principal). Persons registered in a supervisory capacity for at least 10 consecutive years prior to July 1, 1998, are exempt and not required to enter the program.

### Series 6 Program

In furtherance of initiatives to tailor continuing education to specific registration categories, work has begun to develop a Regulatory Element for Series 6

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<sup>1</sup> The six SROs represented on the Council are the American Stock Exchange, Chicago Board Options Exchange, Municipal Securities Rulemaking Board, National Association of Securities Dealers, New York Stock Exchange and Philadelphia Stock Exchange.

registrants (Investment Company Products / Variable Contracts Limited Representative). A specialized program is deemed more effective in covering subjects relevant to the situations a Series 6 Registered Representative faces on a daily basis.

### Reduction in Regulatory Element Fee

The Securities Industry / Regulatory Council on Continuing Education proposed a reduction in the fee charged per participant for the Regulatory Element to \$65 (from \$75), which has been approved by the Securities and Exchange Commission. The lower fee became effective on January 1, 1999. In keeping with a mandate in the Council's Charter to remain revenue neutral, a lower fee was deemed appropriate given that, at this time, a majority of the developmental costs have already been incurred, and the Council believes a reduced fee should provide sufficient funds to cover ongoing administrative and development costs.

### Candidates Must Demonstrate an Acceptable Level of Performance to Successfully Complete the Regulatory Element

While the Regulatory Element of the Continuing Education Program is not a test and no grade is given, candidates must nonetheless correctly answer a certain percentage of questions to successfully complete the session. Frequently, candidates fail to cover all of the exercises that comprise a session in the time allotted (3½ hours), failing to answer the questions therein. Candidates who do not complete a session successfully must schedule another session.

Member organizations are asked to impress upon candidates that their performance on the Regulatory Element must meet minimum levels of acceptability or they will have to return for another session. Therefore, candidates should:

- bear in mind that correctness in answering questions is important;
- proceed through the program at a pace which will allow adequate time for all exercises; and
- plan the scheduling of their first session to allow for an additional session(s), if necessary, within the 120 day window.<sup>2</sup>

Questions regarding the Continuing Education Program should be directed to Jim Adams (312) 786-7718. Additional information can also be found on the following web sites: • [www.nasdr.com/2640.htm](http://www.nasdr.com/2640.htm)

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<sup>2</sup> Registered persons are subject to the Regulatory Element when they reach the second anniversary of their initial registration date, and every third anniversary date thereafter (i.e., 5<sup>th</sup>, 8<sup>th</sup>, 11<sup>th</sup> ...). Candidates must successfully complete the Regulatory Element within 120 days after the requisite anniversary dates.

- [www.nyse.com/public/invprot/5e/5eix.htm](http://www.nyse.com/public/invprot/5e/5eix.htm).