

use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of NASD. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASD-2006-083 and should be submitted on or before August 28, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>18</sup>

Nancy M. Morris,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54243; File No. SR-NASD-2006-084]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Revisions to the Series 28 Examination Program

July 31, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 14, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by NASD. NASD has designated the proposed rule change as constituting a stated policy, practice,

or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) of the Act<sup>3</sup> and Rule 19b-4(f)(1) thereunder,<sup>4</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD is filing revisions to the study outline and selection specifications for the Limited Principal—Introducing Broker-Dealer Financial and Operations (Series 28) examination program.<sup>5</sup> The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to better reflect the duties and responsibilities of an introducing broker-dealer financial and operations principal. NASD is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of NASD.

The revised study outline is available on NASD's Web site (<http://www.nasd.com>), at NASD, and at the Commission.<sup>6</sup> The Series 28 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to Rule 24b-2 under the Act.<sup>7</sup>

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared

summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

Section 15A(g)(3) of the Act<sup>8</sup> requires NASD to prescribe standards of training, experience, and competence for persons associated with NASD members. In accordance with that provision, NASD has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with NASD members have attained specified levels of competence and knowledge. NASD periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

Pursuant to NASD Rule 1022(c), members that are subject to the net capital requirements of SEC Rule 15c3-1,<sup>9</sup> other than those members that are subject to the net capital requirements of SEC Rules 15c3-1(a)(1)(ii),<sup>10</sup> (a)(2)(i)<sup>11</sup> or (a)(8),<sup>12</sup> are required to designate as a Limited Principal—Introducing Broker-Dealer Financial and Operations those individuals associated with them who are responsible for the members' financial and operational management, including, but not limited to, final approval and responsibility for the accuracy of financial reports submitted to regulators. In addition, Rule 1022(c) provides that the chief financial officer of such members must be a Limited Principal—Introducing Broker-Dealer Financial and Operations. The Series 28 examination is an NASD examination that qualifies an individual to function as a Limited Principal—Introducing Broker-Dealer Financial and Operations.

A committee of industry representatives, together with NASD staff, recently undertook a review of the Series 28 examination program. As a result of this review, NASD is proposing to make the following revisions to the study outline to reflect changes to the laws, rules and regulations covered by the examination and to better reflect the duties and responsibilities of an introducing broker-dealer financial and operations principal. NASD is

<sup>8</sup> 15 U.S.C. 78o-3(g)(3).

<sup>9</sup> 17 CFR 240.15c3-1.

<sup>10</sup> 17 CFR 240.15c3-1(a)(1)(ii).

<sup>11</sup> 17 CFR 240.15c3-1(a)(2)(i).

<sup>12</sup> 17 CFR 240.15c3-1(a)(8).

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

<sup>5</sup> NASD also is proposing corresponding revisions to the Series 28 question bank, but based upon instruction from the Commission staff, NASD is submitting SR-NASD-2006-084 for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. See letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation ("Division"), Commission, dated July 24, 2006. The question bank is available for Commission review.

<sup>6</sup> Telephone conversation between Mia Zur, Special Counsel, Division, Commission, and Afshin Atabaki, Counsel, NASD, dated July 19, 2006.

<sup>7</sup> 17 CFR 240.24b-2.

<sup>18</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

proposing to add a section on Municipal Securities Rulemaking Board Rule G-37 (Political Contributions and Prohibitions on Municipal Securities Business). NASD also is proposing to add a section on SEC Regulation SHO, including Rules 200 (Definition of "Short Sale" and Marking Requirements)<sup>13</sup> and 203 (Borrowing and Delivery Requirements).<sup>14</sup>

NASD is proposing to add sections on NASD Rules 1150 (Executive Representatives), 2350 (Broker-Dealer Conduct on the Premises of Financial Institutions), 2370 (Borrowing from or Lending to Customers), 3012 (Supervisory Control System), 3013 (Annual Certification of Compliance and Supervisory Processes), 3510 (Business Continuity Plan) and 9800 (Temporary Cease and Desist Orders).

In addition, NASD is proposing to revise the study outline to remove the sections on NASD Rules 1100 (Foreign Associates), 1110 (formerly Registration of Government Securities Principals and Representatives) and 2320 (Best Execution and Interpositioning). NASD also is proposing to remove the sections on Form X17F-1A (Report for Missing, Lost, Stolen, or Counterfeit Securities), NASD Certificate of Incorporation and certain articles (Articles VII, XII, XIII and XV) of the NASD By-Laws.

Further, NASD is proposing to add a new section covering certain rules of the NASD Uniform Practice Code ("Uniform Practice Rules"). NASD is proposing to add the Uniform Practice Rules under Section 4 and to move the section on Other Relevant Regulations and Interpretations (formerly under Section 4) to Section 5, a new section.

As a result of the revisions discussed above, the number of questions on several sections of the study outline were modified as follows: Keeping and Preservation of Records and Broker-Dealer Financial Reporting Requirements, increased from 15 to 16 questions; Uniform Practice Rules (new section), 5 questions; and Other Relevant Regulations and Interpretations, increased from 24 to 28 questions.

NASD is proposing these changes to the entire content of the Series 28 examination, including the selection specifications and question bank. The number of questions on the Series 28 examination will increase from 85 to 95 questions. Candidates will continue to have 2 hours to complete the exam. Also, each question will continue to count one point, and each candidate

must correctly answer 70 percent of the questions to receive a passing grade.

## 2. Statutory Basis

NASD believes that the proposed revisions to the Series 28 examination program are consistent with the provisions of Sections 15A(b)(6)<sup>15</sup> and 15A(g)(3) of the Act,<sup>16</sup> which authorize NASD to prescribe standards of training, experience, and competence for persons associated with NASD members.

### B. Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments were neither solicited nor received.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act<sup>17</sup> and Rule 19b-4(f)(1) thereunder,<sup>18</sup> in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. NASD proposes to implement the revised Series 28 examination program on August 15, 2006. NASD will announce the implementation date in a *Notice to Members* to be published on the same date as this filing.

At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-NASD-2006-084 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASD-2006-084. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of NASD. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASD-2006-084 and should be submitted on or before August 28, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>19</sup>

**Nancy M. Morris**

*Secretary.*

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<sup>15</sup> 15 U.S.C. 78o-3(b)(6).

<sup>16</sup> 15 U.S.C. 78o-3(g)(3).

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>18</sup> 17 CFR 240.19b-4(f)(1).

<sup>19</sup> 17 CFR 200.30-3(a)(12).

<sup>13</sup> 17 CFR 242.200.

<sup>14</sup> 17 CFR 242.203.