

## 2. Statutory Basis

NASD believes that the proposed revisions to the Series 39 examination program are consistent with the provisions of Sections 15A(b)(6)<sup>11</sup> and 15A(g)(3) of the Act,<sup>12</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>13</sup> and Rule 19b-4(f)(1) thereunder,<sup>14</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 39 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-2006-085 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-2006-085. 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-2006-085 and should be submitted on or before August 28, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**Nancy M. Morris**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54245; File No. SR-NASD-2006-086]

### **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 55 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 Representative—Equity Trader (Series 55) 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 equity trader representative. NASD is not proposing any textual changes to the

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

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

<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 55 question bank, but based upon instruction from the Commission staff, NASD is submitting SR-NASD-2006-086 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, 2000. The question bank is available for Commission review.

<sup>11</sup> 15 U.S.C. 78o-3(b)(6).

<sup>12</sup> 15 U.S.C. 78o-3(g)(3).

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>14</sup> 17 CFR 240.19b-4(f)(1).

<sup>15</sup> 17 CFR 200.30-3(a)(12).

By-Laws, Schedules to the By-Laws, or Rules of NASD.

The revised study outline is available on NASD's Web site ([www.nasd.com](http://www.nasd.com)), at NASD, and at the Commission.<sup>6</sup> The Series 55 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 1032(f), the Series 55 examination is required, with certain limited exceptions, for associated persons who are engaged in or directly supervise proprietary trading or the execution of transactions on an agency basis with respect to transactions in equity, preferred or convertible debt securities effected otherwise than on a securities exchange. There is an exception from the Series 55 examination requirement for any person associated with a member whose trading activities are conducted principally on

behalf of an investment company that is registered with the Commission pursuant to the Investment Company Act of 1940 and that controls, is controlled by, or is under common control with the member.

A committee of industry representatives, together with NASD staff, recently undertook a review of the Series 55 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 equity trader representative. NASD is proposing to add a section on Rules 600 (NMS Security Designation and Definitions),<sup>9</sup> 602 (Dissemination of Quotations in NMS Securities),<sup>10</sup> 604 (Display of Customer Limit Orders),<sup>11</sup> 605 (Disclosure of Order Execution Information),<sup>12</sup> 606 (Disclosure of Order Routing Information)<sup>13</sup> and 612 (Minimum Price Increments)<sup>14</sup> of SEC Regulation NMS. NASD also is proposing to add sections on NASD Rules 2111 (Trading Ahead of Customer Market Orders) and 3380 (Order Entry and Execution Practices). NASD further is proposing to modify the section on the NASDAQ Market Center—Execution Services to add specific references to NASD Rules 4701 (Definitions), 4704 (Opening Process for NASDAQ-Listed Securities), 4706 (Order Entry Parameters), 4707 (Entry and Display of Quotes/Orders), 4709 (NASDAQ Closing Cross), 4710 (Participant Obligations in the NASDAQ Market Center), 4714 (Routing NASDAQ-Listed Securities), 4715 (Adjustment of Open Quotes and/or Orders) and 4719 (Anonymity).

NASD is proposing to add a section on the NASDAQ Initial Public Offering Process (NASDAQ Head Trader Alert 2005-096) and to modify the section on SEC Regulation SHO to add specific references to Rules 200 (Definition of "Short Sale" and Marking Requirements)<sup>15</sup> and 203 (Borrowing and Delivery Requirements).<sup>16</sup> Further, NASD is proposing to add references to the specific types of NASDAQ securities covered by the Series 55 examination, add two additional modifiers (.ST (Pre-Open and Aftermarket Trades Not Reported Within 90 Seconds) and .W (Stop Orders)) to the list of Trade

Reporting Service modifiers and add a section on reporting cancelled trades.

In addition, NASD is proposing to revise the study outline to remove the following sections: SEC Rules 11Ac1-1 (formerly Dissemination of Quotations),<sup>17</sup> 11Ac1-4 (formerly Display of Customer Limit Orders),<sup>18</sup> 11Ac1-5 (formerly Disclosure of Order Execution Information)<sup>19</sup> and 11Ac1-6 (formerly Disclosure of Order Routing Information);<sup>20</sup> NASDAQ Levels 1, 2 and 3 Service; SEC Rule 10b-10 (Confirmation of Transactions);<sup>21</sup> and NASD Rules 3360 (Short Interest Reporting), 3370 (Purchases) and 4643 (Customer Confirmations).

As a result of the revisions discussed above, the number of questions on each section of the study outline were modified as follows: NASDAQ and Over-The-Counter Markets, decreased from 42 to 41 questions; NASDAQ Display, Execution and Trading Systems, increased from 15 to 17 questions; Trade Reporting Requirements, increased from 16 to 19 questions; and General Industry Standards, decreased from 27 to 23 questions.

NASD is proposing these changes to the entire content of the Series 55 examination, including the selection specifications and question bank. The number of questions on the Series 55 examination will remain at 100, and candidates will continue to have 3 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 55 examination program are consistent with the provisions of Sections 15A(b)(6)<sup>22</sup> and 15A(g)(3) of the Act,<sup>23</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.

<sup>9</sup> 17 CFR 242.600.

<sup>10</sup> 17 CFR 242.602.

<sup>11</sup> 17 CFR 242.604.

<sup>12</sup> 17 CFR 242.605.

<sup>13</sup> 17 CFR 242.606.

<sup>14</sup> 17 CFR 242.612.

<sup>15</sup> 17 CFR 242.200.

<sup>16</sup> 17 CFR 242.203.

<sup>17</sup> 17 CFR 240.11Ac1-1.

<sup>18</sup> 17 CFR 240.11Ac1-4.

<sup>19</sup> 17 CFR 240.11Ac1-5.

<sup>20</sup> 17 CFR 240.11Ac1-6.

<sup>21</sup> 17 CFR 240.10b-10.

<sup>22</sup> 15 U.S.C. 78o-3(b)(6).

<sup>23</sup> 15 U.S.C. 78o-3(g)(3).

<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 240.2-b-2.

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

*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>24</sup> and Rule 19b-4(f)(1) thereunder,<sup>25</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 55 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-2006-086 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-2006-086. 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-2006-086 and should be submitted on or before August 28, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>26</sup>

**Nancy M. Morris,**  
*Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54256; File No. SR-NASD-2006-087]

**Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to NASD Rule 5110 and Certain Other NASD Rules Amended Pursuant to SR-NASD-2005-087**

August 1, 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 20, 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 the NASD. The

NASD filed the proposed rules change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. NASD proposes to make the proposed rule change operative on the date on which the Nasdaq Stock Market LLC ("Nasdaq Exchange") commences operation as a national securities exchange for Nasdaq-listed securities.<sup>5</sup> 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**

The NASD proposes to (1) amend NASD Rule 5110 to clarify that the rule is applicable to both Nasdaq and non-Nasdaq exchange-listed securities; and (2) make technical, non-substantive changes to certain other NASD rules that were amended by proposed rule change SR-NASD-2005-087.<sup>6</sup> Rule 5110 and the other amendments to NASD rules proposed by SR-NASD-2005-087 will become effective on the date upon which the Nasdaq Exchange operates as a national securities exchange for Nasdaq-listed securities. Currently, that date is projected to be August 1, 2006. The text of the proposed rule change is available on the NASD's Web site (<http://www.nasd.com>), at NASD's principal office, at the Commission's Public Reference Room.

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

In its filing with the Commission, the 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. The NASD has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> These securities will not include approximately 40 securities that are dually-listed on the New York Stock Exchange.

<sup>6</sup> The NASD filed SR-NASD-2005-087 on July 11, 2005 and Amendment No. 1 on June 15, 2006. The Commission approved SR-NASD-2005-087, as amended, on June 30, 2006. See Securities Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006) ("June 30 Approval Order").

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>25</sup> 17 CFR 240.19b-4(f)(1).

<sup>26</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.