

Regulatory Notice

08-02

PLEASE NOTE: The FINRA rulebook currently consists of both NASD Rules and certain NYSE Rules that FINRA has incorporated, including NYSE Rule 342. The incorporated NYSE Rules apply solely to members of FINRA that are also members of NYSE on or after July 30, 2007, referred to as “Dual Members.” Dual Members also must comply with NASD Rules. Until the adoption of a consolidated rulebook, FINRA’s *Regulatory Notices* will address both NASD and the incorporated NYSE Rules.

Qualification of Supervisors

Acceptability of Series 24 Examination under NYSE Rule 342.13

Executive Summary

FINRA amended NYSE Rule 342.13 to eliminate the requirement that the General Securities Principal Examination (Series 24) be passed after July 1, 2001, in order to be recognized as an acceptable alternative to the General Securities Sales Supervisor Qualification Examination (Series 9/10) for persons whose duties do not include supervision of options or municipal securities sales activities.¹

The text of the amendment is set forth in Attachment A and became effective on November 28, 2007.

Questions regarding this *Notice* should be directed to Erika Lazar, Senior Attorney, Office of General Counsel, at (212) 656-4591; or Michael J. Troha, Senior Staff Attorney, Sales Practice Policy, Member Regulation, at (212) 656-5639.

January 2008

Notice Type

- Rule Amendment

Suggested Routing

- Compliance
- Legal
- Registration
- Senior Management

Key Topic(s)

- Principal Registration
- Qualification of Supervisors
- Series 9/10 Examination
- Series 24 Examination
- Supervision

Referenced Rules & Notices

- NASD Rule 1022
- NASD Rule 1120
- NYSE Rule 342
- NYSE Rule 345A

Background and Discussion

NYSE Rule 342 (Offices – Approval, Supervision and Control) sets forth supervisory requirements for broker-dealers that are members of both FINRA and NYSE, including a requirement in NYSE Rule 342.13 that a supervisor pass the Series 9/10 Examination. In October 2002, the NYSE amended NYSE Rule 342.13 to recognize the Series 24 Examination, *if taken and passed after July 1, 2001*, as an acceptable alternative to the Series 9/10 Examination for persons whose duties do not include supervision of options or municipal securities sales activities.²

FINRA amended NYSE Rule 342.13 to eliminate the July 1, 2001 “cut-off” date and recognize the Series 24 Examination, irrespective of when passed, as an alternative to the Series 9/10 Examination for persons whose duties do not include supervision of options or municipal securities sales activities.³ The amendment reflects the view that individuals who took the Series 24 Examination prior to July 1, 2001, have been subject to more harmonized regulatory standards over the last several years. In addition, these individuals have been subject to regulatory and firm element continuing education requirements that provide ongoing practical training with respect to current regulatory requirements, including NYSE Rules, applicable to their duties and responsibilities.⁴

Endnotes

- 1 Exchange Act Release No. 56936 (December 10, 2007); 72 FR 71467 (December 17, 2007) (File No. SR-FINRA-2007-22).
- 2 The Series 24 Examination does not address these activities, and thus will not serve as an alternative to the Series 9/10 Examination for those functions.
- 3 The NYSE adopted an identical amendment to its version of NYSE Rule 342.13. *See* Exchange Act Release No. 56854 (November 28, 2007); 72 FR 68613 (December 5, 2007) (File No. SR-NYSE-2007-53).
- 4 *See* NASD Rule 1120 and NYSE Rule 345A.

Attachment A

Below is the text of the rule change. Deletions are in brackets.

Rule 342. Offices—Approval, Supervision and Control

(a) - (e) No Change.

• • • *Supplementary Material:* — — — — —

.10 - .12 No Change.

.13 Acceptability of supervisors.

(a) Generally.—Any member, allied member or employee who is a candidate for acceptability under (d)(1), (2), or (3) above must have a creditable three year record as a registered representative or equivalent experience, and must pass the General Securities Sales Supervisor Qualification Examination (Series 9/10) or another examination acceptable to the Exchange which demonstrates competency relevant to assigned responsibilities. The General Securities Principal Examination (Series 24)[, if taken and passed after July 1, 2001,] is an acceptable alternative for persons whose duties do not include the supervision of options or municipal securities sales activity. The examination requirement may be waived at the discretion of the Exchange.

(b) Compliance supervisors.—Each member not associated with a member organization and in the case of a member organization, the person (or persons) designated to direct day-to-day compliance activity (such as the Compliance Officer, Partner or Director) and each other person at the member organization directly supervising ten or more persons engaged in compliance activity should have overall knowledge of the securities laws and Exchange rules and must pass the Compliance Official Qualification Examination. Where good cause is shown, the Exchange, at its discretion, may waive the examination requirement. The Exchange may give consideration to the scope of the member or member organization's activity, to previous related employment, and to examination requirements of other self-regulatory organizations. In such cases, the Exchange must be satisfied that the person is qualified for the position.

.14 - .30 No Change.

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