

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57073; File No. SR-FINRA-2007-028)

December 31, 2007

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Revisions to the Series 24 Examination Program

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 December 12, 2007, Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared substantially by FINRA. FINRA has designated this proposal 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 filing with 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

FINRA is filing revisions to the study outline and selection specifications for the General Securities Principal (Series 24) examination program.<sup>5</sup> The proposed revisions update the

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<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> FINRA also is proposing corresponding revisions to the Series 24 question bank, but based upon instruction from the Commission staff, FINRA is submitting SR-FINRA-2007-028 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.

material to reflect changes to the laws, rules and regulations covered by the examination and to better reflect the duties and responsibilities of a General Securities Principal. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of FINRA.

The text of the proposed rule change is available at [www.finra.org](http://www.finra.org), the principal offices of FINRA, and the Commission's Public Reference Room. The Series 24 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>6</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, FINRA 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. FINRA 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>7</sup> requires FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations, and administers examinations developed by

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See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000, attached as Exhibit 3c to the proposed rule change. The question bank is available for Commission review.

<sup>6</sup> 17 CFR 240.24b-2.

<sup>7</sup> 15 U.S.C. 78o-3(g)(3).

other self-regulatory organizations, that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge. FINRA 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(a), each associated person of a member who is included within the definition of principal in NASD Rule 1021(b), and each person designated as a Chief Compliance Officer on Schedule A of Form BD (Uniform Application for Broker-Dealer Registration), is required to register with FINRA as a General Securities Principal, or in such other limited principal registration categories as may be appropriate.<sup>8</sup> An associated person also may be required to register as a General Securities Principal due to other FINRA rule requirements.<sup>9</sup> The Series 24 examination is the FINRA examination that qualifies an individual to function as a General Securities Principal. An associated person seeking to register as a General Securities Principal also must register as either a General Securities Representative (Series 7) or, depending on the scope of his or her supervisory responsibilities, as a Limited Representative—Corporate Securities (Series 62).<sup>10</sup>

A committee of industry representatives, together with FINRA staff, recently undertook a

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<sup>8</sup> In addition, NYSE Rule 342.13 recognizes the Series 24 examination as an acceptable alternative to the General Securities Sales Supervisor (Series 9/10) examination for persons whose duties do not include supervision of options or municipal securities sales activities. FINRA has incorporated into its rulebook certain rules of NYSE, including NYSE Rule 342.13. FINRA's NYSE Rule 342.13 applies solely to those members of FINRA that also are members of NYSE on or after July 30, 2007.

<sup>9</sup> See, e.g., NASD Rules 3010(a)(2), 3010(a)(4) and 3012(a)(1).

<sup>10</sup> As a prerequisite to the Series 24 examination, FINRA also recognizes the Limited Registered Representative (Series 17), Canada Modules of the Series 7 (Series 37 and Series 38) and Limited Representative—Private Securities Offerings (Series 82) examinations.

review of the Series 24 examination program. As a result of this review, FINRA is proposing to make 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 a General Securities Principal.

Among other revisions, FINRA is proposing to revise the references to the FINRA and The NASDAQ Stock Market LLC (“NASDAQ”) rules in the study outline to reflect NASDAQ’s separation from FINRA (then known as NASD). In addition, FINRA is proposing to add sections on SEC Regulation M-A (Mergers and Acquisitions), SEC Regulation S-K, SEC Regulation S-X, SEC Regulation NMS, SEC Regulation SHO, the Sarbanes-Oxley Act, SEC Rule 3a4-1 (Associated Persons of an Issuer Deemed Not to Be Brokers), SEC Rule 405 (Definitions of Terms), the NASDAQ Initial Public Offering Process (NASDAQ Head Trader Alert 2005-096) and NYSE Rule 392 (Notification Requirements for Offerings of Listed Securities). FINRA also is proposing to add sections on NASD IM-2110-7 (Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes), IM-2440-2 (Additional Mark-Up Policy For Transactions in Debt Securities, Except Municipal Securities) and IM-2210-6 (Requirements for the Use of Investment Analysis Tools), as well as on NASD Rules 2111 (Trading Ahead of Customer Market Orders), 2290 (Fairness Opinions), 2370 (Borrowing From or Lending to Customers), 2441 (Net Transactions with Customers) and 5110 (Transactions Related to Initial Public Offerings).

FINRA is proposing to change the title of Section 1 of the study outline from “Supervision of Investment Banking Activities” to “Supervision of Investment Banking, Underwriting Activities and Research” and the title of Section 4 from “Sales Supervision; General Supervision of Employees; Regulatory Framework of NASD” to “Sales Supervision and

General Supervision of Employees.” Further, as a result of the revisions discussed above, the number of questions on each section of the study outline were modified as follows: Supervision of Investment Banking, Underwriting Activities and Research, increased from 23 to 33 questions; Supervision of Trading and Market Making Activities, decreased from 39 to 31 questions; Supervision of Brokerage Office Operations, decreased from 34 to 29 questions; Sales Supervision and General Supervision of Employees, increased from 38 to 43 questions; and Compliance with Financial Responsibility Rules, decreased from 16 to 14 questions.

FINRA is proposing similar changes to the Series 24 selection specifications and question bank. The number of questions on the Series 24 examination will remain at 150, and candidates will continue to have 3½ 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

FINRA believes that the proposed revisions to the Series 24 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 FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members.

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

FINRA 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.

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

<sup>12</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>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. FINRA proposes to implement the revised Series 24 examination program on February 12, 2008. FINRA will announce the implementation date in a Regulatory Notice to be published on December 12, 2007, the date FINRA filed SR-FINRA-2007-28 with the Commission.

At any time within 60 days of the filing of the 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

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

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

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2007-028 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-FINRA-2007-028. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. 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 publicly available. All submissions should refer to File Number SR-FINRA-2007-028 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

Nancy M. Morris  
Secretary

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