

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74568; File No. SR-FINRA-2015-006)

March 24, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Section 4(c) of Schedule A to the FINRA By-Laws to Increase Qualification Examination Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 10, 2015, Financial Industry Regulatory Authority, Inc. (“FINRA”) 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 by FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ 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

FINRA is proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to increase qualification examination fees.

Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

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¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

SCHEDULE A TO THE BY-LAWS OF THE CORPORATION

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Section 4 – Fees

(a) through (b) No Change.

(c) The following fees shall be assessed to each individual who registers to take an examination as described below. These fees are in addition to the registration fee described in paragraph (b) and any other fees that the owner of an examination that FINRA administers may assess.

Series 4	Registered Options Principal	[\$100] <u>\$105</u>
Series 6	Investment Company Products/Variable Contracts Representative	[\$95] <u>\$100</u>
Series 7	General Securities Representative	[\$290] <u>\$305</u>
Series 9	General Securities Sales Supervisor – Options Module	[\$75] <u>\$80</u>
Series 10	General Securities Sales Supervisor – General Module	[\$120] <u>\$125</u>
Series 11	Assistant Representative – Order Processing	[\$75] <u>\$80</u>
Series 14	Compliance Official	[\$335] <u>\$350</u>
Series 16	Supervisory Analyst	[\$230] <u>\$240</u>
Series 17	Limited Registered Representative	[\$75] <u>\$80</u>
Series 22	Direct Participation Programs Representative	[\$95] <u>\$100</u>
Series 23	General Securities Principal Sales Supervisor Module	[\$95] <u>\$100</u>
Series 24	General Securities Principal	[\$115] <u>\$120</u>
Series 26	Investment Company Products/Variable Contracts Principal	[\$95] <u>\$100</u>
Series 27	Financial and Operations Principal	[\$115] <u>\$120</u>

Series 28	Introducing Broker-Dealer Financial and Operations Principal	[\$95] <u>\$100</u>
Series 37	Canada Module of S7 (Options Required)	[\$175] <u>\$185</u>
Series 38	Canada Module of S7 (No Options Required)	[\$175] <u>\$185</u>
Series 39	Direct Participation Programs Principal	[\$90] <u>\$95</u>
Series 42	Registered Options Representative	[\$70] <u>\$75</u>
Series 51	Municipal Fund Securities Limited Principal	[\$95] <u>\$105</u>
Series 52	Municipal Securities Representative	[\$120] <u>\$130</u>
Series 53	Municipal Securities Principal	[\$105] <u>\$115</u>
Series 55	Limited Representative – Equity Trader	[\$105] <u>\$110</u>
Series 62	Corporate Securities Limited Representative	[\$90] <u>\$95</u>
Series 72	Government Securities Representative	[\$105] <u>\$110</u>
Series 79	Investment Banking Qualification Examination	[\$290] <u>\$305</u>
Series 82	Limited Representative – Private Securities Offering	[\$90] <u>\$95</u>
Series 86	Research Analyst – Analysis	[\$175] <u>\$185</u>
Series 87	Research Analyst – Regulatory	[\$125] <u>\$130</u>
Series 99	Operations Professional	[\$125] <u>\$130</u>

(1) through (4) No Change.

(d) through (i) No Change.

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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

The proposed rule change amends Section 4(c) of Schedule A of the FINRA By-Laws to increase qualification examination fees. Persons engaged in the investment banking or securities business of a FINRA member who function as principals or representatives are required to register with FINRA in each category of registration appropriate to their functions.⁵ Such individuals must pass an appropriate qualification examination before their registration can become effective. These mandatory qualification examinations cover a broad range of subjects regarding financial markets and products, individual responsibilities, securities industry rules, and regulatory structure. FINRA develops, maintains, and delivers all qualification examinations for individuals who are registered or seeking registration with FINRA. FINRA also administers and delivers examinations sponsored (i.e., developed) by the Municipal Securities Rulemaking Board (“MSRB”) and other self-regulatory organizations, the North American Securities Administrators Association, the National Futures Association, and the Federal Deposit Insurance Corporation.

⁵ See NASD Rules 1021(a) and 1031(a), and NASD Rules 1022 and 1032. See also NASD Rules 1041 and 1050 and FINRA Rule 1230(b)(6) regarding the qualification and registration requirements for Order Processing Assistant Representatives, Research Analysts and Operations Professionals, respectively.

FINRA currently administers examinations electronically through the PROCTOR[®] system⁶ at testing centers operated by vendors under contract with FINRA. FINRA charges an examination fee to candidates for FINRA-sponsored and co-sponsored examinations to cover the development, maintenance and delivery of these examinations. For qualification examinations sponsored by a FINRA client and administered by FINRA, FINRA charges a delivery fee that represents either a portion of or the entire examination fee for the examination.⁷

FINRA regularly conducts a comprehensive review of the examination fee structure, including an analysis of the costs associated with developing, administering, and delivering each examination, so that FINRA may better understand whether pricing changes are warranted and evaluate the financial condition of each qualification examination program. Based on the results of the review, FINRA may propose changes to better align the examination fee structure with the costs associated with the programs. When changes are warranted, fees are set at levels that are expected to meet cost and revenue objectives over a two-to-three year period to provide firms and examination candidates with a predictable cost environment.

In this regard, the most recent review revealed that certain operational costs have increased and, based on current information, will continue to increase over the next few years. In particular, these increased costs consist of: (1) fees that vendors charge FINRA for delivering qualification examinations through their networks of test delivery centers; (2) staff labor

⁶ PROCTOR is a computer system that is specifically designed for the administration and delivery of computer-based testing and training.

⁷ The delivery fee represents a portion of the entire examination fee when a FINRA client has established an additional fee for an examination that it sponsors. For example, the fee to take the Series 51 (Municipal Fund Securities Limited Principal) examination is currently \$155. Of this amount, \$95 is the FINRA administration and delivery fee, and \$60 is the development fee determined by the FINRA client, the MSRB. See MSRB Rule A-16.

associated with the development and maintenance of the qualification examinations; and (3) PROCTOR system maintenance and enhancement expenses.⁸ FINRA believes that the proposed rule change will help to better align the examination program fees with these increased costs. Therefore, FINRA is proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to increase the fees for the qualification examinations set forth in Section 4(c).

FINRA has filed the proposed rule change for immediate effectiveness. FINRA is proposing that the implementation date of the proposed rule change will be April 1, 2015. Specifically, the proposed qualification examination fees would become effective for examination requests made in the CRD system on or after April 1, 2015.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,⁹ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

FINRA believes that the proposed rule change constitutes an equitable allocation of fees as the qualification examination fees will be assessed only on those individuals who take qualification examinations. In addition, all candidates who register for a particular qualification examination will be charged the same amount.

⁸ While delivery costs for examinations have increased over the last three years, delivery costs for qualification examinations are scheduled to stabilize in 2015 and 2016 based on FINRA's recently negotiated agreements with vendors that deliver the qualification examinations through their networks of test delivery centers.

⁹ 15 U.S.C. 78o-3(b)(5).

FINRA further believes that the proposed qualification examination changes are reasonable because they will more closely align the overall examination program fees with the overall costs associated with the programs. In this regard, FINRA notes that the last time that it increased fees for any of the qualification examinations set forth in Schedule A to the FINRA By-Laws was April 2012.¹⁰ Since that time, FINRA's examination program expenses have increased and, based on current information, will continue to increase over the next few years. Specifically, FINRA has experienced cost increases relating to: (1) fees that vendors charge FINRA for delivering qualification examinations through their networks of test delivery centers; (2) staff labor associated with the development and maintenance of the qualification examinations; and (3) PROCTOR system maintenance and enhancement expenses.¹¹

To better align the fees and costs associated with the examination programs, FINRA is proposing modest fee increases. In this regard, FINRA notes that no qualification examination fee will increase by more than \$15 and the majority of examination fees will increase by only \$5. Accordingly, FINRA believes that the proposed qualification examination fee changes are equitably allocated and reasonable.

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. FINRA believes that the proposed qualification examination fee changes have limited economic impacts on the industry.

¹⁰ See Securities Exchange Act Release No. 66465 (February 24, 2012), 77 FR 12635 (March 1, 2012) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2012-009).

¹¹ See supra note 8.

Economic Impact Assessment

(a) Need for the Rule

FINRA seeks to set the qualification examination fees in such a manner as to meet expected program costs and revenues over a two-to-three year period in order to provide firms and examination candidates with a predictable cost environment. FINRA has determined that operational costs for the program have increased since FINRA last adjusted the fees in April 2012. FINRA also projects that these operational costs will continue to increase. As a result, FINRA has determined that a fee increase is needed to better align the examination program fees to meet these increased costs.

(b) Economic Baseline

The current examination fee structure and expected costs associated with the examination programs serve as an economic baseline for the proposed rule change. Qualification examination fees are charged directly to members that act as sponsors for individuals seeking to obtain qualifications through the examination programs. While some members may choose to absorb these costs directly, other members directly pass on the costs of taking qualification examinations to the sponsored individual. FINRA's qualification examination program expenses have increased over the past three years and are expected to continue to rise in the next few years. Specifically, the following expenses have increased and are expected to further increase in the next few years: (1) fees that vendors charge FINRA for delivering qualification examinations through their networks of test delivery centers; (2) FINRA staff labor expenses associated with the development and maintenance of the qualification examinations; and (3) technology maintenance and enhancement expenses.¹²

¹² See supra note 8.

In 2014, the total volume of qualification examinations was 130,830, sponsored by 2,813 member firms. The average volume per member firm was 47 qualification examinations. The median volume per member firm was four qualification examinations, as large member firms that employed more representatives contributed to the majority of the qualification examination enrollments. For example, the top 25 member firms with the highest qualification examination enrollments accounted for 52% of the total volume with an average of 2,704 enrollments per firm. In contrast, 70% of the overall member firms had less than 10 qualification examination enrollments. Equivalently in 2014, the number of persons enrolling for qualification examinations was 95,306, and the average number of enrollments per person was 1.4.

Historically, the fees collected by the qualification examination programs have provided a limited but stable contribution to FINRA's overall revenue. In the absence of the proposed rule change, the qualification examination programs would not be able to meet the target contribution margin, in addition to, covering increased costs in the coming years.

(c) Economic Impacts

Assuming stable qualification examination delivery volumes (defined by the number and type of qualification examinations provided), the contribution margin of the qualification examination programs is estimated to reach the target level in 2015 and 2016 if the proposed fee increases become effective in April 2015. Compared to 2014, the total increase in qualification examination fees is estimated to be \$0.94 million in 2015 and \$1.25 million in 2016. At the individual examination level, no qualification examination fee will increase by more than \$15 and the majority of qualification examination fees will increase by \$5.

The increases in the qualification examination fees would impose a burden on members or individuals that pay for these examinations. Compared to the current fee structure, the

average increase in qualification examination fees per member firm is estimated to be \$334 in 2015 and \$446 in 2016. The median fee increase per member firm is estimated to be \$34 in 2015 and \$45 in 2016, as large member firms are expected to account for the majority of the examination enrollments. For example, the top 25 member firms with the highest enrollments are estimated to have an average increase of \$18,459 in 2015 and \$24,612 in 2016. For the member firms with less than 10 enrollments (which accounted for 70% of the overall member firms), the average increase per firm is estimated to be \$26 in 2015 and \$35 in 2016. In contrast with the dollar amount increases, assuming stable qualification examination delivery volumes, the percentage increases in qualification examination fees for member firms vary in a narrow range of 3% to 5% with an average of 4% in 2015 and 4% to 7% with an average of 5% in 2016. At the individual level, compared to 2014, the average qualification examination fee increase per person is estimated to be \$10 in 2015 and \$13 in 2016.

FINRA does not believe that the proposed rule change would impact the competition among member firms, those who seek qualifications, or to the provision of member services. Based on the economic impact assessment, the proposed increases in qualification examination fees are limited. Moreover, they do not impose significantly different impacts on member firms with different sizes or business models. Furthermore, FINRA does not believe that the proposed rule change will create any competitive advantage for any individuals as all candidates who register for a particular qualification examination will be charged the same amount.

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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and paragraph (f)(2) of Rule 19b-4 thereunder.¹⁴ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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. Please include File Number SR-FINRA-2015-006 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2015-006. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(2).

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<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 website viewing and printing 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 available publicly. All submissions should refer to File Number SR-FINRA-2015-006 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.¹⁵

Brent J. Fields
Secretary

¹⁵ 17 CFR 200.30-3(a)(12).