

(i) *The processing and clearance activities with respect to government securities; or*

(ii) *The maintenance of records involving any of the activities described in paragraph (2)(A) above.*

(3) *Notification of Principal Status*

A member shall promptly notify NASD when an individual not previously registered with the member as a principal assumes the duties of a principal on the form designated by the Board accompanied by the applicable fees.

IM-1022-1. *Limited Principal—Registered Options and Security Futures [Principals]*

No change to rule language.

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1030. Registration of Representatives

1031. Registration Requirements

(a) All Representatives Must Be Registered

All persons engaged or to be engaged in the investment banking or securities business of a member who are to function as representatives shall be registered as such with [the Association] NASD in the category of registration appropriate to the function to be performed as specified in rule 1032. Before their registration can become effective, they shall pass a Qualification Examination for Representatives appropriate to the category of registration as specified by the Board of Governors. A member shall not maintain a representative registration with [the Association] NASD for any person (1) who is no longer active in the member's investment banking or securities business, (2) who is no longer functioning as a representative, or (3) where the sole purpose is to avoid the examination requirement prescribed in paragraph (c). A member shall not make application for the registration of any person as representative where there is no intent to employ such person in the member's investment banking or securities business. A member may, however, maintain or make application for the registration as a representative of a person who performs legal, compliance, internal audit, *back-office operations*, or similar responsibilities for the member, or a person who performs administrative support functions for registered personnel, or a person engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the member.

(b) through (c) no change.

1032. Categories of Representative Registration

(a) General Securities Representative

(1) No change.

(2) Except as provided in rule 1031(c):

[(A) Any person who was registered with the Association as a Representative prior to September 1, 1974, shall be qualified to be registered with the Association as a General Securities Representative.]

[(B) A person who applied for registration as a Representative prior to September 1, 1974, and who became registered as a Representative prior to April 1, 1975, by virtue of having passed the Qualification Examination for Representatives (Test Series 1) shall be qualified to be registered as a General Securities Representative.]

[(C) A person who applied for registration as a Representative on or after September 1, 1974, or who registered as a Representative on or after April 1, 1975, by virtue of having passed the Qualification Examination for Registered Representatives (Test Series 1) shall be qualified to be registered only as a Limited Representative—Investment Company and Variable Contracts Products and as a Limited Representative—Direct Participation Programs as defined in paragraph (b) and (c) hereof.]

[(D) A person who was registered as a Registered Representative after September 1, 1974, by virtue of having passed the General Securities Representative Examination (Test Series 7) shall be qualified to be registered as a General Securities Representative.]

(E) Renumbered as (A)

[(F) A person who was registered as a Registered Representative for Sale of Variable Contracts Only shall be qualified to be registered as a Limited Representative—Investment Company and Variable Contracts Products.]

[(G)](B) A person [registered and in good standing with] *who is authorized or approved to conduct business in accordance with the requirements of The [Securities and Futures] Financial Services Authority and having passed the Modified General Securities Representative Qualification Examination [for United Kingdom Representatives] shall be qualified to be registered as a General Securities Representative except that such person's activities in the investment banking or securities business may not involve the solicitation, purchase and/or sale of municipal securities as defined in section 3(a)(29) of the Act.*

(H) through (I) renumbered as (C) through (D).

(3) No change.

(b) through (e) no change.

(f) Limited Representative—Equity Trader

(1) No change.

(2) Before registration as a Limited Representative—Equity Trader as defined in subparagraph (1) hereof may become effective, an applicant must:

(A) No change.

(B) pass an appropriate Qualification Examination for Limited Representative—Equity Trader. [Any person who was performing any of the activities described in paragraph (f)(1) above on or prior to May 1, 1998, and who has filed an application to take this examination by August 31, 1998, must pass the examination by May 1, 2000. Any person who is eligible for this extended qualification period and who fails this examination during the 24 month time period commencing on May 1, 1998, and ending on May 1, 2000, must wait 30 days from the date of failure to take the examination again. Any person, other than a person who is eligible for the extended qualification period, who files an application to take this qualification examination after May 1, 1998, must pass this examination before conducting such activities as described in paragraph (f)(1) above. In no event may a person who is eligible for the extended qualification period function as an Equity Trader beyond the 24-month period without having successfully passed the appropriate qualification examination.]

(g) Limited Representative—Government Securities

(1) through (2) no change.

[(3) A person who has been performing the functions of a Limited Representative—Government Securities on or before April 1, 1996, may register as such without first meeting the requirement of subparagraph (1)(B) above unless:

(A) Such person is currently subject to a statutory disqualification as defined in section 3(a)(39) of the Act or

(B) During the past 10 years before the effective date of that requirement was the subject of a suspension or fine of \$5,000 or more by the Association, the Securities and Exchange Commission, the Commodity Futures Trading Commission, state securities commission, foreign financial regulatory authority, or any other regulatory organization responsible for the investment banking or securities business.]

(h) No change.

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