

1070. Qualification Examinations and Waiver of Requirements

(a) through (b) No Change.

(c) Examination results shall be reported to member firms [on a pass/fail basis only] and may be accompanied by an analysis of the candidate's performance on the examination. Passing scores assigned to each examination series shall be determined by the Board of Governors, or its designee.

(d) [An applicant cannot receive assistance while taking the examination. Each applicant shall certify to the Board of Governors that no assistance was given to or received by him during the examination.]

[(e)] Pursuant to the rule 9600 Series, [the Association] NASD may, in exceptional cases and where good cause is shown, waive the applicable Qualification Examination and accept other standards as evidence of an applicant's qualifications for registration. Advanced age[,] or physical infirmity [or experience in fields ancillary to the investment banking or securities business] will not individually of themselves constitute sufficient grounds to waive a Qualification Examination. *Experience in fields ancillary to the investment banking or securities business may constitute sufficient grounds to waive a Qualification Examination.*

(f) Renumbered as (e)

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1080. Confidentiality of Examinations

[The Association] NASD considers all of its Qualification Examinations to be highly confidential. The removal from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such Qualification Examination, whether of a present or past series, or any other use which would compromise the effectiveness of the Examinations and the use in any manner and at any time of the questions or answers to the Examinations are prohibited and are deemed to be a violation of rule 2110. *An applicant cannot receive assistance while taking the examination. Each applicant shall certify to the Board that no assistance was given to or received by him during the examination.*

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1100. Foreign Associates

(a) No Change.

(b) Prior to the time the exemption provided for in paragraph (a) hereof may become effective, the member desiring to employ any such person must file

with [the Association] NASD a [form designated "Application for Classification as a Foreign Associate"] "Uniform Application for Securities Industry Registration or Transfer" for each such person and must certify that such person meets the criteria of paragraph (a), as well as that:

(1) through (2) no change.

(c) No change.

[1110. Registration of Government Securities Principals and Representatives]

[1111. Registration of Principals]

[All persons associated with a member not previously registered as a principal who are to function as government securities principals shall be registered as such with the Association.]

[(a) Definition of Government Securities Principal]

[Persons associated with a member who are:]

[(1) engaged in the management or supervision of the member's government securities business, including:]

[(A) underwriting, trading or sales of government securities;]

[(B) financial advisory or consultant services for issuers in connection with the issuance of government securities;]

[(C) research or investment advice, other than general economic information or advice, with respect to government securities in connection with the activities described in (A) and (B) above;]

[(D) activities other than those specifically mentioned that involve communication, directly or indirectly, with public investors in government securities in connection with the activities described in (A) and (B) above; or]

[(2) are responsible for supervision of:]

[(A) the processing and clearance activities with respect to government securities; or]

[(B) the maintenance of records involving any of the activities described in paragraph (a)(1) above;]

[are designated as principals.]

[(b) Notification of Principal Status]

[A member shall promptly notify the Association of the assumption by an individual not previously registered with the member as a principal on the form designated by the Board of Governors accompanied by the applicable fees.]

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[1113. Persons Exempt From Registration]

Persons associated with a member whose functions are exclusively clerical or ministerial are not required to register with the Association.]

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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, 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.

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

1. Purpose

As part of the NASD's rule modernization initiative, NASD has identified certain registration rules that are antiquated and need to be updated to reflect changes in the regulatory landscape. Many of these registration rules impose requirements that no longer serve a valid investor protection goal. The proposed changes, which primarily are technical in nature, are intended to clarify and clean-up existing rules to reduce burdens on the industry caused by outdated registration requirements.

Rules 1021 and 1031 (Principal and Representative Registration Requirements)

Rules 1021(a) and 1031(a) state that persons engaged in a member's investment banking or securities business who are functioning as principals or representatives must be registered with NASD in the appropriate registration category. These rules prohibit a member from registering a person as principal or representative where the member does not intend to employ the person in its investment banking or securities business. Rules 1021(a) and 1031(a) provide a narrow exception to this general prohibition by permitting a member to maintain the registration of a principal or representative who performs legal, compliance, internal audit, or similar responsibilities. NASD believes that principals or representatives who perform back-office operations,