

Analysts Examination. [Examinations are requested and given under the procedures described in Para. of 2345.15 for registered representative examinations.]

Continuing Education for Registered Persons

Rule 345A.(a) Regulatory Element—No change.

(b) Firm Element

(1) Persons Subject to the Firm Element—The requirements of Section (b) of this Rule shall apply to any registered person who has direct contact with customers in the conduct of the member's or member organization's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons, *and to registered persons who function as supervisory analysts, and securities analysts as defined in Rule 344* (collectively, "covered registered persons").

(2) Standards—No Change.

(3) Participation in the Firm Element—No Change.

(4) Specific Training Requirements—The Exchange may require a member or member organization, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

.10 For purposes of this Rule, the term "registered person" means any member, allied member, registered representative or other person registered or required to be registered under Exchange rules, but does not include any such person whose activities are limited solely to the transaction of business on the Floor with members or registered broker-dealers. *For purposes of the Regulatory Element required under Rule 345A(a), the term does not include persons registered as securities analysts or supervisory analysts pursuant to Rule 344.*

.20–.40 No Change.

.50 Pursuant to Rule 345A(b)(1), all persons registered as securities analysts and supervisory analysts pursuant to Rule 344 must participate in a Firm Element Continuing Education program that includes training in applicable rules and regulations, ethics and professional responsibility.

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The Exchange is requesting the following implementation schedule for

the proposed amendments (all time periods are from the date that the Commission approves the filing) in order to provide reasonable time periods for members and member organizations to develop and implement policies, procedures and systems to comply with the new requirements:

- NYSE Rule 345A(b) and .50—Implementation of a Firm Element Continuing Education Program for Research Analysts—90 calendar days.
- All other provisions—60 calendar days.

In addition, the Exchange is proposing an effective date of 180 days after approval of the amendments to NYSE Rule 344.10 to provide sufficient time for the Exchange to develop and implement a qualification examination for research analysts.

B. NASD's Proposed Rule Text

Rule 1050. Registration of Research Analysts

All persons associated with a member who are to function as research analysts shall be registered with NASD. Before their registrations can become effective, they shall pass a Qualification Examination for Research Analysts as specified by the Board of Governors. For the purposes of this Rule 1050, "research analyst" shall mean an associated person who is directly responsible for the preparation of research reports.

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Rule 1120. Continuing Education Requirements

This Rule prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with the Association. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(a) Regulatory Element

(1)–(4) (No change.)

(5) Definition of Registered Person

For purposes of this Rule, the term "registered person" means any person registered with [the Association] NASD as a representative, principal, [or] assistant representative or research analyst pursuant to Rule 1020, 1030, 1040, 1050 and 1110 Series.

(6) (No change.)

(b) Firm Element

(1) Persons Subject to the Firm Element

The requirements of this subparagraph shall apply to any person registered with the member who has

direct contact with customers in the conduct of the member's securities sales, trading and investment banking activities, and to the immediate supervisors of such persons, *and to any person registered as a research analyst pursuant to Rule 1050* (collectively, "covered registered persons"). "Customer" shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through or receiving investment banking services from a member.

(2) Standards for the Firm Element

(A) (No change.)

(B) Minimum Standards for Training Programs—Programs used to implement a member's training plan must be appropriate for the business of the member and, at a minimum must cover the following matters concerning securities products, services, and strategies offered by the member:

(i) General investment features and associated risk factors;

(ii) Suitability and sales practice considerations; [and]

(iii) Applicable regulatory requirements[.]; and

(iv) *With respect to registered research analysts, training in ethics, professional responsibility and the requirements of Rule 2711.*

(3)–(4) (No change.)

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Rule 2711. Research Analysts and Research Reports

(a) Definitions

For purposes of this rule, the following terms shall be defined as provided.

(1)–(3) (No change.)

(4) "Public appearance" means any participation in a seminar, forum (including an interactive electronic forum), radio, [or] television or print media interview, or other public speaking activity, *or the writing of a print media article*, in which a research analyst makes a recommendation or offers an opinion concerning an equity security.

(5) "Research analyst" means the associated person who is principally responsible for, and any associated person who reports directly or indirectly to such a research analyst in connection with, preparation of the substance of a research report, whether or not any such person has the job title of "research analyst." *Solely for purposes of paragraph (g), the term "research analyst" also includes such other persons as the director of research, supervisory analyst, or*