

**RAN-00-22**  
**August 22, 2000**

**TO: PCX Members and Member Organizations**

**FROM: Department of Regulatory Policy**

**SUBJECT: Continuing Education Requirements**  
**File No. SR-PCX-00-22**

On August 14, 2000, the SEC approved a PCX proposal to modify its rule pertaining to continuing education requirements to conform to recommendations made by the Securities Industry/Regulatory Counsel on Continuing Education and rules adopted by other exchanges. The rule now provides for completion of the Regulatory Element on the second registration anniversary and every three years thereafter. Only persons registered in a supervisory capacity for more than 10 years as of 9/14/00 are exempt from this rule.

Following is the text of the rule change. Questions regarding this Bulletin may be directed to Cindy Sink at (415) 393-7926.

## EXHIBIT A

### Text of the Proposed Rule Change.<sup>1</sup> (As of 8/14/00)

¶5959

#### Regulatory Element

RULE 9.27(c). No member or member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this Rule 9.27(c).

Each registered person shall complete the Regulatory Element of the continuing education program [on three occasions, after] beginning with the occurrence of their second, [fifth and tenth] registration anniversary dates, and every three years thereafter, or as otherwise prescribed by the Exchange. On each [of these three] occasion[s], the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be [prescribed] determined by the Exchange for each registration category of persons subject to the Rule.

(1) [Registered] [p] Persons who have been continuously registered for more than ten years as of the effective date of this Rule [shall be] are exempt from the requirements of this rule relative to participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten years as enumerated in subsection (c)(3)(i)-(ii) of this Rule. However, persons delegated supervisory responsibility or authority pursuant to Rule 9.8 and registered in such supervisory capacity are exempt from participation in the Regulatory Element under this provision only if they have been continuously registered in a supervisory capacity for more than 10 years as of the effective date of this Rule and provided that such supervisory person has not been subject to any disciplinary action under subsection (c)(3)(i)-(ii) of this Rule.

In the Event that a registered person who is exempt from participation in the Regulatory Element subsequently becomes the subject of a disciplinary action as enumerated in subsection (c)(3)(i)-(ii), such person shall be required to satisfy the requirements of the Regulatory Element as if the date the disciplinary action becomes final is the person's initial registration anniversary date.

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<sup>1</sup> New text is underscored, brackets indicate deleted text.

[Persons who have been currently registered for ten years or less as of the effective date of this Rule shall initially participate in the Regulatory Element of the continuing education program within one hundred twenty days after the occurrence of the second, fifth or tenth registration anniversary date, whichever anniversary date first applies, and on the applicable registered anniversary date(s) thereafter. Such persons will have satisfied the requirements of the Regulatory Element of the program after participation on the tenth registration anniversary.]

[All registered persons who have satisfied the requirements of the Regulatory Element shall be exempt from further participation in the Regulatory subsection (c)(3) of this Rule.]

(2) *Failure to Complete*—Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration.

The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(3) *Re-entry into Program*—Unless otherwise determined by the SRO, a registered person will be required to re-enter the Regulatory Element and satisfy all of its requirements in the event such person:

(i) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule of standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary action to re-enter the continuing education program by any securities governmental agency or securities self-regulatory organization.

Re-entry into the program shall commence with the initial participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above, and on three additional occasions thereafter, at intervals of two, five and ten

years after re-entry, notwithstanding that such person has completed all or part of the program requirements based on length of time as a registered person or completion of ten years of participation in the program.]

(d) *Firm Element*

(1) – No Change.

(2) *Standards*

(i) Each member and member organization must maintain a continuing and current education program for its covered registered person to enhance their securities knowledge, skills and professionalism. At a minimum, each member and member organization shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member’s or member organization’s size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a member or member organization’s analysis determines a need for supervisory training for persons with supervisory responsibilities such training must be included in the member or member organization’s training plan.

(ii) – (iii) – No Change.

(3) – (4) – No Change.

*Commentary:*

.01 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.

.02 For purposes of this Rule, the term “customer” means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a member or member organization.

[. 03 A registered person who has been continuously registered for more than ten years as of the date of implementation of this Rule who has been subject to a disciplinary action as enumerated in subsections (c)(3)(i)-(ii) of the Rule within the last ten years, will be required to satisfy the requirements of the Regulatory Element of the continuing

education program by participation for the period from the date of implementation of this Rule to ten years after the occurrence of the disciplinary action.]

[.04].03 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program [on three occasions, after the occurrence of their second, fifth and tenth] at such intervals that apply (second registration anniversary and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety [on three occasions,] based on the most recent registration date.

[.05].04 – No Change.

.05 The effective date of this Rule, for the purposes of determining whether a registered person is exempt from participation in the Regulatory Element is **September 14, 2000.**

