



SPECIAL REPORT

November, 1971

NASD—Industry Task Force on Standards

The NASD has embarked on a program to implement certain recommendations of its Board of Governors with respect to the qualifications of securities industry personnel. This program, which includes participants from other regulatory bodies and member firms of the Association, is intended to result in a significantly improved qualification system for the NASD, one that will rest on two major innovations. The first of these will allow for the creation of different classes of registration in line with job functions that exist in the securities business. Initially, the Association will concentrate on establishing standards for operations principals, OTC traders, general securities salesmen and mutual fund-variable annuity salesmen. The second innovation will be the development of an enforceable system of standards for member training programs. In this connection, the Association will not only assume the right to review and evaluate the training programs and procedures of members, but will also assume the responsibility of providing member firms a set of objective standards for use in creating their programs. In its final form this new qualifications and training standards program will mean that an individual will no longer automatically become a registered representative by merely passing the traditional qualification examination, but he will be required in addition to have successfully completed an approved training program within his firm.

The NASD has sought the help of its member firms and other securities industry organizations in providing experienced and qualified personnel to work on various aspects of the problem. Discussions have been held with representatives of the New York and American Stock Exchanges, Investment Bankers Association, National Security Traders Association, Wall Street Training Directors Association, Association of Stock Exchange Firms, as well as numerous member firms. Listed below are the names of the people and firms that are represented in the task force which will establish the required standards. These volunteers will devote six weeks of their time to the project, beginning with a three day workshop on November 29th to be held at the New York Institute of Finance in New York City.

In the first part of this project the task force will have as its goals the development of exhaustive job descriptions for each class of registration, the establishment of training performance objectives which training programs must meet in order to produce individuals capable of performing their jobs and the ordering of these training performance objectives in an hierarchical sequence describing a learning process that proceeds from simple to complex knowledges and skills.

At the operational level, there will be separate groups developing standards for each class of registration working under the supervision of Dr. Peter Esseff of Educational Systems for the Future, consultants in educational technology. The methodology to be employed will be the "systems approach" to education and training, a scientific method for defining both the structure and outcomes of training courses. This is the first time that the systems approach to training will be used in the securities business, although it has been used extensively in the military, in industry and in academic education. While this approach in its entirety will consume approximately six months, the Association has for reasons of cost control, divided it into four distinct phases, thus allowing all concerned to periodically judge the effectiveness of this approach and the advisability of continuing into subsequent phases.

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Inasmuch as the results of this project will affect not only the NASD and the training programs of its members, but the qualification programs of the New York and American Stock Exchanges as well, it has become an industry wide effort to upgrade the level of training for personnel in the securities business. In this sense, it is a truly self-regulatory action by the industry.

PROJECT TASK FORCE MEMBERS

<i>Name</i>	<i>Firm</i>
A. Raymond Brummett	NASD, Inc.
John Buehler	Eastman Dillon, Union Securities & Co., Inc.
Ron Buesinger	A. G. Edwards & Sons, Inc.
Donald Carfagno	Keefe, Bruyette & Woods, Inc.
Jerome C. Cuppia	Merrill Lynch, Pierce, Fenner & Smith, Inc.
Glenn Givens	Reynolds Securities Inc.
Richard A. Greves	New York Stock Exchange
Dave Hall	NASD, Inc.
Dave Huntoon	New York Stock Exchange
Ray Jacobs	Phoenix Equity Planning Corporation
Charles D. Lowenstein	ADL Investment Company, Inc.
James McCormack	Metropolitan Life Ins. Co.
Vincent Monterosso	Metropolitan Life Ins. Co.
James G. Mundy	Suplee-Mosley Inc.
Robert L. Pagel	Loewi & Company
Junius W. Peake	Shields & Company
Jerry Pilpel	NASD, Inc.
Wayne Randall	New York Stock Exchange
Edward Ross	First Investors Corporation
John W. Ross	MONY Sales, Inc.
Warren Shore	CBWL-Hayden, Stone Inc.
John E. Skillman, III	Reynolds Securities Inc.
Dale E. Smith	Singer, Deane & Scribner
John Wall	NASD, Inc.
Theodore T. Wdowiak	Merrill Lynch, Pierce, Fenner & Smith, Inc.
Bernard Weissman	Gold, Weissman & Frankel, Inc.
Robert Wickersham	National Clearing Corp.
Robert A. Woeber	Arthurs, Lestrangle & Short
James Yore	NASD, Inc.