

change (File No. SR-MSRB-97-7) to revise the study outline for the Municipal Securities Principal Qualification Examination (Test Series 53). The Board requested that the Commission delay the effectiveness of the revised study outline until January 1, 1998, in order to provide time to modify the examination to reflect the changes and for information concerning the revised outline to be distributed to the industry. The Commission approved the proposed rule change on November 12, 1997.¹

It has come to the Board's attention that the revised Series 53 examination cannot be implemented by January 1, 1998. The Board has determined to delay implementation of the revised Series 53 examination until March 1, 1998, in order to provide adequate time for the network of Sylvan Technology Centers to prepare for administration of the examination.² This additional time will allow the Sylvan Technology Centers to ensure that procedures for the implementation of the revised Series 53 examination are in place, including an adequate supply of exhibit books for the examination in each testing location.

It is the Board's responsibility under Section 15B(b)(2)(A) of the Act to propose and adopt rules which:

Provide that no municipal securities broker or municipal securities dealer shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any municipal security unless * * * such municipal securities broker or municipal securities dealer and every natural person associated with such municipal securities broker or municipal securities dealer meets such standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors.

Section 15B(b)(2)(A) of the Act also provides that the Board may appropriately classify municipal securities brokers and municipal securities dealers and their associated personnel and require persons in any such class to pass tests prescribed by the Board.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Board does not believe that the proposed rule change will impose any burden on competition not necessary or

appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Board has designated this proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Board under Section 19(b)(3)(A) of the Act, which renders the proposed rule change effective upon receipt of this filing by the Commission. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. § 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the Board's principal offices. All submissions should refer to File No. SR-MSRB-97-13 and should be submitted by January 30, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,
Deputy Secretary.

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³ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39516; File No. SR-NASD-97-21]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Amendment No. 1 by the National Association of Securities Dealers, Inc. Relating to Registration Category, Study Outline and Specifications for Series 55 Examination, Equity Trader

January 2, 1998.

I. Introduction

On March 26, 1997, the National Association of Securities Dealers, Inc. ("NASD" or "Association") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt a new registration category, Equity Trader, and a new examination, Series 55.

The proposed rule change and Amendment No. 1³ were published for comment in the **Federal Register** on April 28, 1997.⁴ One comment was received on the proposal.⁵ This order approves the proposal, as amended.

II. Description of the Proposal

The NASD proposes to adopt NASD Rule 1032(f)(1), which will require each registered representative who engages in proprietary or agency trades of equities, preferred securities or convertible debt securities, or who directly supervises such activities, to register as a limited representative-equity trader. In order to register as a limited representative-equity trader, the representative must be registered as a general securities representative or as a limited

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Craig L. Landauer, Associate General Counsel, NASD Regulation, to Yvonne Fraticelli, Esq., Division of Market Regulation, Commission, dated April 11, 1997 ("Amendment No. 1"). In Amendment No. 1, the Association clarified that registered representatives who have been "grandfathered" from taking the General Securities Representative (Series 7) or Limited Representative-Corporate Securities Examination (Series 62) will not be required to take either examination in order to qualify to take the Limited Representative-Equity Trader Examination (Series 55).

⁴ See Securities Exchange Act Release No. 38534 (April 21, 1997), 62 FR 22984.

⁵ See Letter from Dennis Marino, Chairman, and John N. Tognino, President, Security Traders Association ("STA"), to Jonathan G. Katz, Secretary, Commission, dated June 2, 1997. In its letter, the STA supported the proposed Series 55 examination, noting that "[e]ntry qualifications and testing are the foundation for building investor confidence in the securities market."

¹ Securities Exchange Act Release No. 39320 (Nov. 12, 1997), 62 FR 61857 (Nov. 19, 1997).

² The Board has agreements with the National Association of Securities Dealers, Inc. to administer the Board's examinations. In 1996, NASD Regulation, Inc. contracted with Sylvan Learning Systems, Inc. to administer testing and continuing education to the securities industry.

representative-corporate securities, and must pass the Series 55 examination.⁶ The proposed rule contains an exemption for representatives whose principal trading activities involve executing orders on behalf of an affiliated investment company which is registered with the Commission under the Investment Company Act of 1940. The Association believes the exemption is appropriate because such traders generally are in the same position as buy-side professionals employed by investment companies, who would not be subject to the examination requirement.

The proposal provides that presently registered representatives who file an application to take the Series 55 within 30 days of the effective date of the rule must pass the Series 55 examination within two years of the effective date of the rule. A currently registered representative who fails to file an application to take the Series 55 within 30 days of the effective date of the rule must pass the Series 55 examination before conducting the activities described in NASD Rule 1032(f)(1). The Association believes that the two-year time period will provide representatives with sufficient time to study and to pass the Series 55 examination. The Series 55 examination will consist of 90 questions, and candidates will have three hours to complete the examination. The passing score for the examination will be 70%.

III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.⁷ Specifically, the Commission believes the proposal is consistent with the requirements of Sections 15(b)(7),⁸ 15A(b)(6),⁹ and 15A(g)(3),¹⁰ of the Act. Section 15(b)(7)¹¹ states that a registered broker or dealer may not effect any transaction, or induce the purchase or sale of, any security unless such broker or dealer meets such standards of operational capability and all those associated with such broker or dealer meet certain

standards of training, experience, competence, and such other qualifications as the Commission finds appropriate in the public interest or for the protection of investors. Section 15A(b)(6)¹² requires, in relevant part, that the rules of a registered national securities association be designed to prevent fraudulent and manipulative acts as practices, to promote just and equitable principles of trade, and to protect investors and the public interests. Section 15A(g)(3)¹³ provide that a registered national securities association may deny membership to, or condition the membership of, a registered broker or dealer if such broker or dealer does not meet the requisite standards of knowledge and competence.

The Commission believes that the Series 55 examination will help to ensure that registered representatives required to take the examination have adequate knowledge of current NASD rules and of the Act. The Commission recognizes the importance to investors of the NASD's efforts to ensure that registered persons have an appropriate level of knowledge and expertise regarding applicable laws and regulations. By helping to establish this level of knowledge, the Commission believes that the Series 55 examination will help registered representatives carry out their responsibilities under the federal securities laws.

The Commission believes that the proposed examination focuses on relevant subject matter in view of changes in applicable laws, rules, regulations and industry practices. The Commission further believes that the topics covered by the Series 55 examination are appropriate and include a reasonably broad range of subject matter. Finally, the Commission believes that the two-year time period provided for currently registered representatives to pass the examination is reasonable and should provide currently registered representatives with sufficient time to prepare for the examination.¹⁴

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR-NASD-97-

21), including Amendment No. 1, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39503; File No. SR-OCC-97-19]

Self-Regulatory Organizations; the Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to the Establishment of a Service Providing Theoretical Profit and Loss Values for Use in Calculating Net Capital Requirements for Listed Options and Related Positions and Relating to Fees and Charges Associated With the New Service

December 31, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 29, 1997, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-OCC-97-19) as described in Items I and II below, which items have been primarily prepared by OCC. The commission is publishing this notice and order to solicit comments from interested parties and to grant accelerated approval of the proposal.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will allow OCC to provide to its clearing members and to broker-dealers that are not OCC clearing members a new service which will provide theoretical profit and loss values for broker-dealers' use in calculating their net capital requirements under the Commission's uniform net capital rule² for listed options and related positions. OCC also is proposing to amend its schedule of fees to include fees for the new service.³

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s (b)(1).

² Rule 15c3-1, 17 CFR 240.15c3-1.

³ OCC's proposed schedule of fees for the new service is attached to this release as Exhibit 1.

⁶ Representatives who have been "grandfathered" from taking the Series 7 or the Series 62 will not be required to take either examination in order to take the Series 55. See Amendment No. 1, *supra* note 3.

⁷ In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78o(b)(7).

⁹ 15 U.S.C. 78o-3(b)(6).

¹⁰ 15 U.S.C. 78o-3(g)(3).

¹¹ 15 U.S.C. 78o(b)(7).

¹² 15 U.S.C. 78o-3(b)(6).

¹³ 15 U.S.C. 78o-3(g)(3).

¹⁴ As noted above, registered persons who file an application to take the Series 55 examination within thirty days after the effective date of the rule must pass the Series 55 within two years of the effective date of the rule.

¹⁵ 15 U.S.C. 78s(b)(2).