

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

1. Purpose

The Exchange recently amended its Equity Fee Schedule to revise the transaction charges that apply to trades in Standard & Poor's Depositary Receipts ("SPDRs") and Standard Poor's MidCap Depositary Receipts ("MidCap SPDRs")<sup>2</sup>. The transaction charges vary depending on for whom the trade is executed. Under the updated fee schedule, specialists are assessed a transaction charge of \$.006 per share (\$.60 per 100 shares), capped at \$300 per trade (50,000 shares). Registered Traders are assessed a transaction charge of \$.007 per share (\$.70 per 100 shares), capped at \$350 per trade (50,000 shares). Off-floor orders (both customer and broker-dealer) are assessed a transaction charge of \$.006 per share (\$.60 per 100 shares), capped at \$100 per trade (16,667 shares).

In addition, orders up to 5,099 shares in SPDRs and MidCap SPDRs routed to the Exchange floor electronically through the Exchange's Post Execution Reporting (PER) System are exempt from transaction charges. This provision is consistent with the waiver that also exempts from transaction charges those PER System orders for up to 1,099 shares in equity securities. However, neither of those exemptions may be applied to a PER System order that is for the account of a non-member competing market maker.<sup>3</sup> Lastly, all trades executed on the Exchange in SPDRs and MidCap SPDRs are exempt from the Exchange's Regulatory Fee (\$.00005 × Total Value).<sup>4</sup>

The Exchange seeks to impose on DIAMONDS the same transaction charge schedule that currently applies to trading in SPDRs and MidCap SPDRs. As a result, all transaction charges and exemptions therefrom now applicable to SPDRs and MidCap SPDRs will also apply to trades in DIAMONDS. The exchange also proposed to charge the specialist in DIAMONDS, in addition to the \$.006 per share transaction charge, a separate fee of \$90,000 per month payable at the beginning of each month.

These changes are intended to lower the costs incurred by users of the DIAMONDS product while making the cost of trading DIAMONDS on the Exchange comparable to the economics of trading this and functionally similar products in other markets. The revisions to the Equity Fee Schedule have been implemented by the Exchange concurrently with the start of trading in DIAMONDS. Accordingly, the Exchange notified member firms regarding the changes to the equity Fee Schedule, as well as the date of their effectiveness.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>6</sup> in particular, in that it is designed to assure the equitable allocation of reasonable dues, fees, and other charges among members, issuers, and other persons using the Exchange's facilities.

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

The Exchange does not believe the proposed rule change will impose any inappropriate burden on competition.

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

The Exchange did not solicit or receive written comments with respect to the proposed rule change.

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

The foregoing proposed rule change establishes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and subparagraph (e) of Rule 19b-4<sup>8</sup> thereunder. At any time within 60 days of the filing of the 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 submissions, 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 persons, 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-98-2 and should be submitted by February 19, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39575; File No. SR-CBOE-97-68]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Changes by the Chicago Board Options Exchange, Inc. Relating to Continuing Education of Registered Persons**

January 23, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,<sup>1</sup> notice is hereby given that on December 30, 1997, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons.<sup>2</sup>

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission is concurrently publishing notice of parallel proposed rule changes from other self-regulatory organizations relating to continuing education for registered persons. See Securities Exchange Act Releases Nos. 39574 (NASD); 39576 (MSRB); and 39577 (NYSE).

<sup>2</sup> See Securities Exchange Act Release No. 39333 (Nov. 17, 1997), 62 FR 62795 (Nov. 25, 1997).

<sup>3</sup> The Amex Equity Fee Schedule defines a "competing market maker" as a specialist or market maker registered as such on a registered stock exchange (other than Amex), or a market maker bidding and offering over-the-counter, in an Amex-traded security.

<sup>4</sup> Like the previously described exemptions, this provision does not apply to PER System orders that are for the accounts of non-member competing market makers.

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(4).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(e).

## **I. Self Regulatory Organization's Statement of the Term of Substance of the Proposed Rule Change**

The CBOE, in support of the recommendations of The Securities Industry/Regulatory Council on Continuing Education ("Council"),<sup>3</sup> proposes to amend CBOE 9.3A *Continuing Education of Registered Persons*, by strengthening the requirements applicable to registered persons and implementing a new program specifically designed for managers and supervisors.

The text of the proposed rule change may be examined at the places specified in Item IV below.

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

In its filing with the Commission, the CBOE included statements concerning the purpose of, and statutory basis for, the proposed rule changes 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 CBOE 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, Proposed Rule Change**

#### **1. Purpose**

The proposed rule change is to revise the CBOE's continuing education requirements contained in Rule 9.3A. The continuing education program consists of two parts—a Regulatory Element and a Firm Element. The Regulatory Element requires registered persons to participate in an interactive computer-based training at specified intervals and encompasses regulatory and compliance issues, sales practice concerns and business ethics. The current Regulatory Element contains content common to all registered representatives, supervisory persons, as well as other registration categories. This proposed rule change is intended to strengthen the continuing education requirements for Registered Representatives by implementing a new

program component specifically designed for managers and supervisors. In addition, it is contemplated that in the future, specific programs may be implemented for other registration categories.

The CBOE also proposes, as recommended by the Council, to require ongoing participation in the Regulatory Element for the duration of a registered person's career in the industry, specifically, on the second registration anniversary and every three years thereafter (i.e., the fifth, eighth, eleventh, etc. anniversaries), with no graduation from the program. Under the current Rule 9.3A, after ten years an individual does not have to participate in the computer-based training, unless they have been subject to certain disciplinary action as enumerated in the Rule. The CBOE also proposes to amend the rule to clarify that a person's initial registration date shall establish the cycle of anniversary dates for purposes of the Rule.

The proposed rule change will allow a one-time graduation from the Regulatory Element for persons who, as of the effective date of the rule amendments, have been registered for more than ten years and who have not been the subject of a disciplinary action. However, persons delegated supervisory responsibility or authority pursuant to Rule 9.8 will have to have been registered for more than ten years and not been subject to any disciplinary action as enumerated in the Rule in order to be covered by this one-time provision for graduation. Therefore, those supervisors who have graduated from the program requirements based on their initial registration date but who have not completed ten years as a supervisor, will be required to re-enter the program.

Finally, the CBOE is proposing an amendment to the Firm Element component of Rule 9.3A. The proposed rule change will require each member organization's required analysis of training needs to specifically focus on supervisory training needs. If it is determined that there is a specific need for supervisory training, it must then be addressed in the Firm Element training plan.

These amendments, which will be adopted uniformly with rule changes of the other SRO Council members, will significantly enhance the continuing education program by requiring all registered persons to participate in the Regulatory Element on an ongoing basis.

#### **2. Statutory Basis**

The CBOE believes that the proposed rule change is consistent with the

requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, with Section 6(c)(3) of the Act.<sup>4</sup> Under that Section, it is the CBOE's responsibility to prescribe standards of training, experience and competence for persons associated with Exchange members and member organizations. Pursuant to this statutory obligation, the CBOE has proposed this rule change in order to enhance the established continuing education program for registered persons.

The proposed rule change is also consistent with the requirements of Section 6(b)(5) of the Act.<sup>5</sup> Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The CBOE does not believe that the proposed rule changes will impose any burden on competition.

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

No written comments were solicited or received with respect to the proposed rule changes.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve such proposed rule change, or

B. Institute proceedings to determine whether the proposed rule change should be disapproved.

## **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

<sup>3</sup>The Council is comprised of 6 self-regulatory organizations ("SROs") and 13 broker-dealer representatives to represent the interests and needs of wide cross-section of the industry. The SROs, in addition to the CBOE, are the American Stock Exchange; the Municipal Securities Rulemaking Board; the National Association of Securities Dealers; the New York Stock Exchange, and the Philadelphia Stock Exchange.

<sup>4</sup> 15 U.S.C. 78f(c)(3).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to the file number SR-CBOE-97-68 and should be submitted by February 19, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39576; File No. SR-MSRB-98-2]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Rule G-3 on Professional Qualifications

January 23, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1935 ("Act"),<sup>1</sup> notice is hereby given that on January 21, 1998, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-98-2). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.<sup>2</sup>

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

The Board is filing herewith an amendment to rule G-3, on professional qualifications (hereinafter referred to as the "proposed rule change"). The proposed rule change consists of an amendment to rule G-3 regarding the Board's continuing education requirements. The text of the proposed rule change may be examined at the places specified in Item IV below.

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

In its filing with the Commission, the Board 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 texts of these statements may be examined at the places specified in Item IV below. The Board 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

The proposed rule change is to revise the Board's continuing education requirements contained in rule G-3(h). Rule G-3(h) provides for a continuing education program for registered persons of brokers, dealers and municipal securities dealers. The program, which is uniform within the securities industry, consists of two parts—a Regulatory Element and a Firm Element. The Regulatory Element requires registered persons to participate in interactive computer-based training at specified intervals and encompasses regulatory and compliance issues, sales practice concerns and business ethics.

The Regulatory Element program applies generally to all registered persons and currently does not discern between registration types or categories. The existing program contains content common to registered representatives, supervisory persons as well as other registration categories. The Securities Industry/Regulatory Council on Continuing Education (a council of broker-dealer and self-regulatory organization ("SRO"))<sup>3</sup> representatives

that oversees and provides ongoing development and operation of the program) has recommended development of a new program component specifically for supervisors. In addition, it is contemplated that in the future, specific programs may be implemented for other registration categories. The proposed rule change will allow for the Board to require new programs as appropriate with customized training for various registration categories, with the supervisor's program being the first such initiative. For purposes of Board rules, the following registration categories shall be deemed to be included in the supervisory categories: Series 8 (Municipal Securities Sales Supervisor Examination); Series 27 (Financial and Operations Principal Examination); and Series 53 (Municipal Securities Principal Qualification Examination).

The proposed rule change also addresses the time-frames at which registered persons must participate in the Regulatory Element computer-based training. Rule G-3(h) currently requires all registered persons to complete the training on three occasions, *i.e.*, their second, fifth and tenth registration anniversaries, and also when they are the subject of significant disciplinary action(s). Once persons are registered for more than ten years, they are graduated from the program and are not required to participate further in the Regulatory Element unless they become subject to significant disciplinary action. The Council has recommended that this requirement be revised to require ongoing participation in the program by registered persons. In accordance with that recommendation, the proposed rule change will require participation in the Regulatory Element throughout a registered person's career, specifically on the second registration anniversary and every three years thereafter (*i.e.*, the fifth, eighth, eleventh, etc., anniversaries), with no graduation from the program.

The proposed rule change will allow a one-time exemption for persons currently graduated from the program by providing that those persons who have been registered for more than ten years as of the effective date of the rule amendments, and who have not been the subject of a disciplinary action during the past ten years, will continue to be excluded from required ongoing participation in the Regulatory Element. However, persons registered in a

Chicago Board Options Exchange, National Association of Securities Dealers, New York Stock Exchange and Philadelphia Stock Exchange.

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission is concurrently publishing notice of parallel proposed rule changes from other self-regulatory organizations relating to continuing education for registered persons. See Securities Exchange Act Releases Nos. 39574 (NASD); 39575 (CBOE); and 39577 (NYSE).

<sup>3</sup> In addition to the Board, SROs represented on the Council include the American Stock Exchange,