

concerns that will result in: streamlined standards promulgation, better focused enforcement efforts, and extended and improved outreach and training initiatives.

In accordance with the provisions of the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Advisory Committee Act (FACA), and after consultation with the General Services Administration, the Secretary of Labor has determined that the establishment of a short-term advisory committee to address the complexities of the maritime—shipyard and longshoring—community is essential to the conduct of Agency business and in the public interest.

The committee will be composed of approximately 15 members who will be selected to represent the divergent interests of the maritime community. The makeup of the membership shall comply with Section 7(b) of the OSH Act which requires the following: at least one member who is a designee of the Secretary of Health and Human Services; at least one designee of a State safety and health agency; and equal numbers of representatives of employees and employers, respectively. Other members will be selected based on their knowledge and experience to include representatives from professional and other governmental organizations with specific maritime responsibilities. In accordance with Section 2(c) of FACA, the committee will be "balanced in membership and in terms of point of view and functions * * *". The Agency intends that this committee provide a comprehensive representation of the maritime community and have the opportunity to offer recommendations on safety and health initiatives that would be considered as part of a integrated U.S. maritime policy.

MACOSH will function solely as an advisory body and in compliance with the provisions of the FACA. In accordance with FACA, its charter will be filed with the appropriate committees of Congress.

Meetings of the committee will be announced in the **Federal Register** and are open to the public.

Interested persons are invited to submit comments regarding the establishment of the committee to Larry Liberatore, Director, Office of Maritime Standards, U.S. Department of Labor, Room N-2625, 200 Constitution Ave., NW, Washington, D.C. 20210; Telephone (202) 219-7234, fax (202) 219-7477.

With this notice I am establishing the Maritime Advisory Committee for Occupational Safety and Health under

Section 7(b) of the OSH Act and the FACA to address occupational safety and health issues unique to maritime employment.

Signed at Washington, D.C. this 8th day of February 1995.

Robert B. Reich,

Secretary of Labor.

[FR Doc. 95-3644 Filed 2-13-95; 8:45 am]

BILLING CODE 4510-26-M

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

Notice of Meeting

Pursuant to Section 10(a)(2) of the Federal Advisory Committee Act (Public Law 92-463), as amended, notice is hereby given that a meeting of the Public Partnership Advisory Panel (Local Arts Agencies Section) to the National Council on the Arts will be held on March 16-17, 1995. The panel will meet from 8:30 a.m. to 6:00 p.m. on March 16 and from 9:00 a.m. to 12:00 p.m. on March 17 in Room M-14, at the Nancy Hanks Center, 1100 Pennsylvania Avenue, NW., Washington, DC 20506.

The entire meeting will be open to the public on a space available basis for application review.

Any interested person may observe meetings or portions thereof, which are open to the public, and may be permitted to participate in the discussions at the discretion of the meeting chairman and with the approval of the full-time Federal employee in attendance.

If you need special accommodations due to a disability, please contact the Office of Special Constituencies, National Endowment for the Arts, 1100 Pennsylvania Avenue, NW, Washington, DC 20506, 202/682-5532, TYY 202/682-5496, at least (7) days prior to the meeting.

Further information with reference to this meeting can be obtained from Ms. Yvonne M. Sabine, Committee Management Officer, National Endowment for the Arts, Washington, DC 20506, or call 202/682-5433.

Dated: February 8, 1995.

Yvonne M. Sabine,

Office of Panel Operations, National Endowment for the Arts.

[FR Doc. 95-3564 Filed 2-13-95; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-35341; File Nos. SR-AMEX-94-59; SR-CBOE-94-49; SR-CHX-94-27; SR-MSRB-94-17; SR-NASD-94-72; SR-NYSE-94-43; SR-PSE-94-35; and SR-PHLX-94-52]

Self-Regulatory Organizations; Order Approving Proposed Rule Changes by the American Stock Exchange, Inc., Chicago Board Options Exchange, Inc., Chicago Stock Exchange, Inc., Municipal Securities Rulemaking Board, National Association of Securities Dealers, Inc., New York Stock Exchange, Inc., Pacific Stock Exchange, Inc., and Philadelphia Stock Exchange, Inc., Relating to a Continuing Education Requirement for Registered Persons

February 8, 1995.

I. Introduction

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² on November 30 and December 1, 5, 7, 12, 13, and 14, 1994, the Chicago Stock Exchange, Incorporated ("CHX"), the Chicago Board Options Exchange, Incorporated ("CBOE"), the New York Stock Exchange, Inc. ("NYSE"), the National Association of Securities Dealers, Inc. ("NASD"), the Municipal Securities Rulemaking Board ("MSRB") and the Pacific Stock Exchange Incorporated ("PSE"), the American Stock Exchange, Inc. ("AMEX"), and the Philadelphia Stock Exchange, Inc. ("PHLX"), respectively ("Self-Regulatory Organizations" or "SROs"), submitted to the Securities and Exchange Commission ("Commission" or "SEC") proposed rule changes to establish a formal, two-part continuing education program for securities industry professionals. This program includes a Regulatory Element requiring uniform, periodic training in regulatory matters, and a Firm Element requiring members³ to maintain ongoing programs to keep their registered persons⁴ up-to-date on job and product related subjects.

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ As used herein, the term "members" refers to: members and member organizations when used with reference to the AMEX, CBOE, CHX, NYSE, and PSE; members, member organizations, participants, and participant organizations when used with reference to the PHLX; brokers, dealers, and municipal securities dealers when used with reference to the MSRB; and members when used with reference to the NASD.

⁴ For purposes of the proposed rules, the term "registered person" means any person required to be registered under the rules of the applicable SRO.

The SROs' proposals were published for comment in the **Federal Register** on December 20, 1994.⁵ Two comments were received, and are discussed below. On January 30, and 31 and February 1, and 2, 1995, the NASD, CHX, CBOE, MSRB, PSE, AMEX, NYSE, and PHLX each filed Amendment No. 1 to their respective proposals.⁶ These amendments made a variety of non-substantive, clarifying changes to the proposals and are incorporated into the discussion below.⁷ This order approves the SROs' proposals, including all amendments made thereto.

II. Description of Proposals

The proposed rule changes adopt uniform enabling rules for the implementation of a continuing education program for the securities industry.

A. Background

In May 1993, a self-regulatory organization task force ("Task Force") was formed by the AMEX, CBOE, MSRB, NASD, NYSE, and PHLX, which

including members and registered representatives, but does not include any person whose activities are limited solely to the transaction of business on the floor of a national securities exchange with members or registered broker-dealers. When used with reference to the MSRB, however, the term "registered person" means any person registered with the appropriate enforcement authority as a municipal securities representative, municipal securities principal, municipal securities sales principal, or financial and operations principal pursuant to MSRB rule G-3.

⁵ Securities Exchange Act Release No. 35102 (December 15, 1994), 59 FR 65563 (December 20, 1994).

⁶ See letters from Craig L. Landauer, Associate General Counsel, NASD, to Mark P. Barracca, Branch Chief, Division of Market Regulation ("Division"), SEC, dated January 19, 1995, and Francois Mazur, Attorney, Division, SEC, dated January 30, 1995 ("NASD Amendment No. 1"); letter from David T. Rusoff, Foley & Lardner, to Francois Mazur, Attorney, Division, SEC, dated January 30, 1995 ("CHX Amendment No. 1"); letter from Arthur B. Reinstein, Senior Attorney, CBOE, to Holly Smith, Associate Director, Division, SEC, dated January 31, 1995 ("CBOE Amendment No. 1"); letter from Ronald W. Smith, Legal Associate, MSRB, to Francois Mazur, Attorney, Division, SEC, dated February 1, 1995 ("MSRB Amendment No. 1"); letter from Michael D. Pierson, Senior Attorney, PSE, to Francois Mazur, Attorney, Division, SEC, dated February 1, 1995 ("PSE Amendment No. 1"); letter from Claire P. McGrath, Managing Director and Special Counsel, Derivative Securities, AMEX, to Glen Barrentine, Team Leader, Division, SEC, dated February 1, 1995 ("AMEX Amendment No. 1"); letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Francois Mazur, Attorney, Division, SEC, dated February 1, 1995 ("NYSE Amendment No. 1"); and letter from Gerald D. O'Connell, First Vice President, Market Regulation and Trading Operations, PHLX, to Glen Barrentine, Team Leader, Division, SEC, dated February 2, 1995 ("PHLX Amendment No. 1").

⁷ Among other things, the SROs' Amendments No. 1 made conforming changes to clarify the wording of the re-entry provisions of the rule proposals.

also included 12 representatives from a wide range of broker-dealer firms, to study the continuing education needs of the securities industry. In September 1993, the Task Force issued a report recommending a formal two-part continuing education program that would require uniform, industry-wide, periodic training for registered persons in regulatory matters and ongoing training programs conducted by firms to keep their employees updated on job and product-related subjects. The Task Force also recommended that a permanent Council on Continuing Education, composed of broker-dealer and SRO representatives, be formed to develop the content and provide ongoing maintenance of the continuing education program. Pursuant to this recommendation, the Securities Industry/Regulatory Council on Continuing Education ("Council") was formed in September 1993, with representatives from six SROs and thirteen broker-dealers.

After studying the recommendations of the Council, the SROs participating in the Council submitted proposed rule changes with the Commission to adopt continuing education requirements. The proposed rule changes could codify the Task Force's recommendations, allow uniform implementation of the continuing education program, and provide a means for the SROs to monitor and enforce the program's requirements.

B. The Regulatory Element

The Regulatory Element requires uniform, periodic training in a variety of regulatory subjects. It provides that registered persons, unless exempt, must complete a prescribed training program after their second, fifth, and tenth registration anniversary dates.⁸ The Regulatory Element will not apply to registered persons whose activities are limited solely to the transaction of business on the floor of a national securities exchange with members or registered broker-dealers.⁹ The

⁸ Any registered person who has terminated his or her association with a member and who, within two years of the date of termination, becomes reassociated in a registered capacity with a member, would be required to complete the training program at such intervals (two, five, and ten years) as would apply based upon the individuals' initial registration anniversary date rather than the date of reassociation in a registered capacity. In the event a non-associated person's second, fifth, or tenth anniversary date passes without such individual completing the appropriate phase of the training program on a timely basis, that person would be required to complete such phase prior to becoming reassociated in a registered capacity.

⁹ Amendments No. 1 as filed by the NYSE, AMEX, CBOE, CHX, PSE, and PHLX revised the language of the proposal to clarify that the foregoing

Regulatory Element also will not apply to persons registered for more than ten years as of the effective date of the rule, unless such persons become subject to the re-entry provisions described below. Persons registered for ten years or less as of the effective date of the rule will be required to satisfy the Regulatory Element and complete the computer-based training program after the occurrence of the next relevant registration anniversary date and on any applicable registration anniversary date(s) thereafter.¹⁰

The Regulatory Element will be administered using computer-based interactive training techniques and will consist of standardized subject matters covering compliance, ethics, and sales practice issues, among other subjects. Failure to complete the program within prescribed time-frames (*i.e.*, within 120 days after the occurrence of the applicable registration anniversary date, or as otherwise determined by the SROs) will result in a person's registration being deemed inactive and that person being prohibited from performing the functions of a registered person until such time as the person has completed the program. The applicable SRO will terminate administratively the registration of anyone who is inactive for two years, provided that upon application and a showing of good cause, the SRO may allow a registered person additional time to satisfy the program requirements.¹¹

Unless otherwise determined by a self-regulatory organization, a registered person, including anyone who has completed all or part of the Regulatory Element of the program or who meets the exemption for persons registered more than ten years, will be required to re-enter the Regulatory Element and satisfy all of its requirements in the event such person:

exemption covers non-member registered persons as well as registered persons who are members. See *supra* note 6.

¹⁰ As a result, a person whose tenth year anniversary date falls on the implementation date of the continuing education requirement would have to participate in the Regulatory Element within 120 days of that date. Alternatively, a person registered more than ten years on the implementation date, and not subject to a disciplinary action within the last ten years, would not have to participate in the Regulatory Element.

¹¹ Anyone administratively terminated must requalify by taking the appropriate exam (*e.g.*, the General Securities Registered Representative Examination or "Series 7") before such person's registration could be reactivated. The Commission recently approved the use of a revised Series 7 examination. See Securities Exchange Act Release Nos. 35021 (November 29, 1994), 59 FR 62768 (December 6, 1994) (approving PHLX proposal), and 34853 (October 18, 1994), 59 FR 53694 (October 25, 1994) (approving NYSE proposal).

1. because subject to any statutory disqualification as defined in Section 3(a)(39) of the Act;¹²

2. 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 or 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

3. 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.¹³

Re-entry begins with initial participation within 120 days of the registered person become subject to the statutory disqualification, or the disciplinary action becoming final, and on three additional occasions thereafter, at intervals of two, five, and ten years after re-entry.¹⁴ Although the re-entry provision applies notwithstanding that a registered 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, it does not apply any registered person whose activities are limited solely to the transaction of business on the floor with the registered persons.¹⁵

C. The Firm Element

To satisfy the Firm Element of the program, SRO members are required to develop and administer training programs to enhance the knowledge, skills, and professionalism of their registered sales, trading, and investment banking personnel who have direct contact with customers, and for the immediate supervisors of such persons. Members must prepare training plans that take into consideration the organization's size, organizational structure, scope of business activities, and regulatory developments. In addition, training plans should take

advantage of the feedback that will be generated from the Regulatory Element regarding the performance of covered persons. At a minimum, programs used to implement a member's training plan must be appropriate for the business and associated risk factors, suitability and sales practice considerations, and applicable regulatory requirements, of the securities products offered by the member.

Members will be required to review and, if necessary, update their training plans annually. The SROs may require their members, either individually or as part of a group, to provide specific training in any areas the SROs deem necessary. Persons subject to the training plan will have an affirmative obligation to participate in the programs identified by the member. Accordingly, members will be required to maintain records documenting the content of their training programs and the completion of the program by registered persons covered under the plan.

The SROs will not pre-approve training materials and programs developed by members or providers. The SROs will, however, communicate regularly with members regarding their expectations for the content of training programs. As the program evolves, it is expected that educational standards will be defined by the SROs for products and services where heightened regulatory concerns exist.

D. Effective Date

The effective date for the Regulatory Element portion of the program is July 1, 1995. Any person registered ten years or less as of the effective date shall participate initially within 120 days after the occurrence of such person's second, fifth, or tenth registration anniversary date, whichever anniversary date first applies. The SROs intend that the requirements of the Firm Element be implemented in two steps under which members will be required to have completed their Firm Element plans by July 1995, with actual implementation of the plans no later than January, 1996.

III. Comments Received by the Commission

The Commission received two comment letters regarding the SROs' proposals, one from the Boston Stock Exchange ("BSE"),¹⁶ and the other from the Certified Financial Planner Board of Standards, Inc. ("CFPBS").¹⁷ The BSE

supports the SROs' proposals and believes that implementation of the continuing education program will elevate the quality of the securities markets and increase the level of service and protection afforded investors.

The CFPBS is concerned that certain requirements of the Firm Element could impose continuing education requirements beyond those currently imposed by the CFPBS upon its licensees. The CFPBS would like the continuing education requirements proposed by the SROs to be completely reciprocal with those of the CFPBS.

While the Commission is sympathetic to the concerns of the CFPBS, it believes that the specialized knowledge expected of individuals who are licensed to sell securities warrant the imposition by the SROs of educational requirements that exceed those required by the CFPBS of its licensees.

IV. Comments Solicited By the SROs

On August 15, 1994, the NASD published Special Notice to Members ("NTM") 94-59 to request comment regarding the NASD's draft rules to create a mandated continuing education program for the securities industry. thirty-three comment letters were received in response, of which five opposed the proposal, and the remaining commenters either expressed support for, or were not opposed to, the proposal. In addition, on August 15, 1994, the MSRB published its proposed Continuing Education Requirement, Rule G-3, and subsequently received five comment letters.¹⁸ The NYSE received one comment letter.

A. Comments Regarding the Regulatory Element

Several commenters expressed concern about certain provisions of the draft rules. These concerns include a perceived ambiguity regarding when registered persons must participate in the Regulatory Element; the effects of inactive status and how to reactivate registration; and the apparent ability of the SEC and the SROs arbitrarily to mandate re-entry into the Regulatory Element. The SROs subsequently addressed these concerns in the

4, 1995. The CFPBS establishes qualifications for initial professional certification that include education, examination, experience, and ethics requirements. In addition, it develops and administers continuing post-certification requirements and disciplinary procedures for its licensees. The CFPBS licenses nearly 30,000 persons in the United States, of whom approximately 18,000 are licensed to sell securities.

¹⁸ MSRB Reports, Vol. 14, No. 4 (August 15, 1994).

¹² 15 U.S.C. § 78c(a)(39) (1988 & Supp. 1993).

¹³ Amendment No. 1 as filed by the SROs revised the language of the proposal to provide that an order to re-enter the continuing education program may be made by any securities governmental agency or securities self-regulatory organization. Previously, the proposal provided that such an order was to be made only by the "Commission, any securities self-regulatory organization or any state securities agency." See *supra* note 6.

¹⁴ Amendment No. 1 as filed by the SROs revised the language of the proposal to clarify that the 120 day period would start to run upon a registered person becoming subject to a statutory disqualification as well as within 120 days of a disciplinary action being final. *Id.*

¹⁵ *Id.*

¹⁶ See letter from John I. Fitzgerald, Executive Vice President, Legal Affairs and Trading Services, BSE, to Jonathan G. Katz, Secretary, SEC, dated January 25, 1995.

¹⁷ See letter from Robert P. Goss, CFP, Executive Director, CFPBS, to Secretary, SEC, dated January

proposals they filed with the Commission.¹⁹

Other concerns were raised with respect to the Regulatory Element, including its cost and focus (some found its scope too broad, others too narrow). Concern also was expressed that the re-entry provision's disciplinary fine threshold was ambiguous as written and could be unfair in application. Other commenters focused on the statistics to be generated by the Regulatory Element. Specifically, they were concerned about the types of statistics that would be available, and the intended and acceptable uses of such statistics.

Several commenters were concerned that the Regulatory Element would only be administered at NASD operated testing centers. Suggested alternatives included administering the Regulatory Element at firms, subject to appropriate controls, and reliance on third party interactive programs similar to those provided to the futures industry.

One commenter suggested that the securities industry model the Regulatory Element after state insurance continuing education programs, in which the licensing authority imposes the regulatory requirement directly on the individual, rather than on the firm. Another suggestion was that the Central Registration Depository ("CRD")²⁰ help firms comply with the Regulatory Element. Specifically, CRD could be used by firms to determine the length of service of their registered persons and to identify those that would be subject to the Regulatory Element in each of the next few years.

B. Comments Regarding the Firm Element

A concern expressed by several commenters regarding the Firm Element was the cost it will impose on smaller firms. To mitigate this effect, it was suggested that the SROs prepare and administer training programs; provide subsidies to smaller firms to help them comply with the Firm Element; or that a video satellite program be created that would enable firms to secure qualified speakers, and include material that would comply with the Firm Element.

Several commenters stated that the standards for the Firm Element are too vague to allow firms to ensure proper compliance. Some commenters suggested that the Firm Element focus on suitability, and that some form of

pre-approval be provided regarding the contents of a firm's program. Another commenter questioned the usefulness of feedback from the Regulatory Element in developing an appropriate Firm Element. Concern also was expressed regarding the apparent authority of an SRO arbitrarily to prescribe specific training for a member firm. Finally, there was uncertainty regarding those who would be deemed "covered persons."

C. Response to Comments

In their filings with the Commission, the SROs addressed certain of the commenters' concerns by making three technical changes to the Regulatory Element portion of the rules as originally drafted. First, the SROs revised the rules to state clearly that registered persons must participate in the Regulatory Element on three occasions: after the occurrence of their second, fifth, and tenth registration anniversary dates. Second, the SROs expanded the provision concerning failure to complete the Regulatory Element to state that a registration that is inactive for a period of two calendar years would be terminated administratively, and that a person whose registration is so terminated must requalify by taking the appropriate examination, before such person's registration could be reactivated. Third, the SROs revised the re-entry provision of the Regulatory Element to clarify that a securities governmental agency or securities SRO could only require re-entry into the program in connection with a sanction in a disciplinary action. This change is meant to address the concerns of those commenting on the due process issues that could arise if regulatory authorities were able to mandate re-entry arbitrarily.

In response to comments received, the Council has stated that the CRD system will be used to track and communicate anniversary dates and evidence of completion of the Regulatory Element. The Regulatory Element's computer based systems will also capture, store, and analyze data that will indicate who took the training, when, and where, as well as other information.

V. Discussion

The Commission believes that the SROs' proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to national securities exchanges, national securities associations, and the MSRB and, in particular, the respective requirements of Sections 6(b)(5), 15A(b)(6), and

15B(b)(2)(C) of the Act.²¹ Sections 6(b)(5), 15A(b)(6), and 15B(b)(2)(C) require, among other things, that the rules of an exchange, an association, or the MSRB, respectively, be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Commission further believes that the proposed rule changes also are consistent with the respective provisions of Sections 6(c)(3)(B), 15A(g)(3)(A), and 15B(b)(2)(A) of the Act,²² each of which makes it the responsibility of an exchange, an association, or the MSRB to prescribe standards of training, experience and competence for persons associated with SRO members.

The Commission also believes that the proposed rule change is consistent with the purposes underlying Section 15(b)(7) of the Act,²³ which generally prohibits a registered broker-dealer from effecting any transaction in, or inducing the purchase or sale of, any security unless such broker-dealer meets the standards of training, experience, competence, and other qualifications as the Commission finds necessary or appropriate in the public interest or for the protection of investors.²⁴ The Commission believes that the SROs' proposals to impose affirmative obligations on registered persons on a continuing basis are an appropriate means of maintaining and reinforcing the qualification standards applicable when a person first is registered. Moreover, it is Commission policy to rely principally on the SROs for the formulation and administration of qualification standards, subject to Commission review and oversight.²⁵

The SROs' proposals convey broadly applicable information relating to compliance, regulatory, ethical, and general sales practice standards, as well as job related material for specific professional areas and products. The SROs have divided the continuing

²¹ 15 U.S.C. §§ 78f(b)(5), 78o-3(b)(6), and 78o-4(b)(2)(C) (1988).

²² 15 U.S.C. §§ 78f(c)(3)(B), 78o-3(g)(3)(A), and 78o-4(b)(2)(A) (1988).

²³ 15 U.S.C. § 78o(b)(7) (1988).

²⁴ *Id.*

²⁵ See Rule 15b7-1 under the Act, 17 CFR 240.15b7-1 (1994), and Securities Exchange Act Release No. 32261 (May 4, 1993), 58 FR 27656 (May 11, 1993) (in adopting Rule 15b7-1 to require broker-dealers to comply with SRO qualification standards, the Commission stated that it has been longstanding Commission policy to rely principally on the SROs in the formulation and administration of qualification standards, subject to Commission review and oversight).

¹⁹ See *infra*, Part IV, Section C.

²⁰ CRD is a computerized filing and data processing system operated by the NASD that maintains registration information regarding registered broker-dealers and their registered personnel for access by state regulators, SROs, and the Commission.

education program into two parts: The Regulatory Element, which emphasizes subjects regarding legal and ethical standards, and the Firm Element, which contemplates the timely transmission of product related information to maintain and expand individuals' professional knowledge. Taken together, the Elements form the basis for an educational program that should ensure that registered persons have the training and knowledge necessary to conduct themselves in an appropriate professional manner, over the course of their careers. The Commission also notes that the re-entry provision of the Regulatory Element, which is triggered by disciplinary action, will ensure that those individuals who have not complied with all applicable regulatory requirements, receive further training as a condition to their re-entry into business.

The Commission believes that a continuing education requirement for persons in the securities industry, administered pursuant to industry developed standards, will benefit public investors as a result of the increased knowledge and enhanced understanding of regulatory and ethical standards by industry members. SRO qualification of registered persons of broker-dealers is of critical importance in promoting compliance with the requirements of the federal securities laws. Increasing the sensitivity of registered persons to regulatory and ethical matters also should enhance investor confidence in the securities industry. Moreover, the recent attention that has been devoted to derivatives underscores the need for securities industry personnel to receive thorough training in the products in which they deal.

The SROs have noted that the Regulatory Element of the program initially will be administered only in the NASD's testing centers, stating that this is necessary to allow the NASD to manage the introduction of the program in a reasonable manner. Nevertheless, interest has been expressed in permitting member firms either to administer the Regulatory Element in-house, or to solicit the services of outside vendors. While recognizing the concerns of the Council and the SROs regarding the technological and administrative issues that arise in connection with the in-house administration of the Regulatory Element, the Commission encourages the Council and the SROs to continue to study whether practical and reasonable

alternatives to the NASD's testing centers can be developed.²⁶

The Commission notes with approval that the Firm Element Committee of the Council is developing guidelines for dealers' use in devising and carrying out training programs to meet the requirements of the Firm Element, including providing guidance as to how different firms might approach the requirements (e.g., firms that deal with one product, small firms, and firms with large numbers of very small offices or solo representatives).

These guidelines will offer suggestions intended to help firms devise appropriate and reasonable programs consistent with their own unique characteristics and businesses. The Commission believes that such guidance will particularly benefit smaller firms and should lessen their costs of compliance with the Firm Element. The Commission encourages the SROs, as they gain experience with the continuing education program, to continue such efforts.

VI. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,²⁷ that the proposed rule changes (File Nos. SR-AMEX-94-59, SR-CBOE-94-49, SR-CHX-94-27, SR-MSRB-94-17, SR-NASD-94-72, SR-NYSE-94-43, SR-PSE-94-35, and SR-PHLX-94-52) are approved.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-3569 Filed 2-13-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35344; File No. SR-Amex-95-03]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Change by American Stock Exchange, Inc. Relating to a Pilot Program for Execution of Odd-lot Market Orders

February 8, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on February 2, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the

²⁶ Specifically, delivery of the Regulatory Element other than through the NASD's testing centers would require that appropriate safeguards be developed to ensure the integrity of the program and the ability to capture the necessary information for feedback.

²⁷ 15 U.S.C. § 78s(b)(2) (1988).

Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Amex proposes that the Commission extend for twelve months the Exchange's existing pilot program under Rule 205 requiring execution of odd-lot market orders at the prevailing Amex quote with no differential charged.¹ The text of the proposed rule change is available at the Office of the Secretary, Amex, and at the Commission.

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 self-regulatory organization 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 text of these statements may be examined at the places specified in Item III below. The self-regulatory organization 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 Commission has approved, on a pilot basis extending to February 8, 1995, amendments to Exchange Rule 205 to require the execution of odd-lot market orders at the prevailing Amex quote with no odd-lot differential.² These procedures initially were approved by the commission on a pilot

¹ The Exchange seeks accelerated approval of the proposed rule change in order to allow the pilot program, which expires on February 8, 1995, to continue without interruption. The Commission notes that, under current Rule 205, no differential may be charged on odd-lot order transactions, except for non-regular way trades. See *infra*, note 5.

² See Securities Exchange Act Release No. 34949 (November 8, 1994), 59 FR 58863 (November 15, 1994) (approving File No. SR-AMEX-94-47).