

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 IV 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 purpose of the proposed rule change is to seek permanent approval of the Exchange's Competing Specialist Initiative ("CSI") pilot program which is scheduled to expire on May 18, 1995. CSI permits competing specialists on the floor of the Exchange in the form of one regular specialist and one or more competing specialists. Orders are directed to either specialist based on each customer's independent decision, but all orders in a stock are executed in accordance with strict time priority. Once all limit orders at a price level are depleted, each specialist is responsible for the market orders directed to them.

The regular specialist is responsible for updating quotations and coordinating openings and reopenings to ensure they are unitary. All ITS activity must be cleared through the regular specialist. To all other markets in the National Market System, there is only one Boston market. Trading halts are coordinated through the regular specialist and apply to all competitors in a stock.

In addition, all competitors will be evaluated on competing stocks in the Exchange's Specialist Performance Evaluation Program.

2. Statutory Basis

The BSE believes that the statutory basis for this proposal is Section 6(b)(5) of the Act in that it furthers the objectives to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is 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*

Comments were neither solicited nor received.

**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 the 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 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 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 BSE. All submissions should refer to File No. SR-BSE-95-02 and should be submitted by March 21, 1995.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35403; File No. SR-CBOE-94-39]

**Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Obligations to Furnish Information**

February 22, 1995.

On November 7, 1994, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposal to amend CBOE Rule 15.9, "Regulatory Cooperation,"<sup>3</sup> to delineate the obligation of CBOE members and persons associated with CBOE members to furnish information in connection with inquiries arising from regulatory agreements that the Exchange has entered into with other regulatory and market institutions even in cases where the Exchange has not otherwise initiated an investigation.

In addition, the CBOE proposes to amend CBOE Rule 17.2, "Complaint and Investigation," to expand the set of circumstances under which members or persons associated with members are obligated, upon request by the Exchange, to appear and testify, respond in writing to interrogatories and furnish documentary materials and other information.

The proposal was published for comment in the **Federal Register** on December 8, 1994.<sup>4</sup> No comments were received on the proposed rule change.<sup>5</sup>

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>2</sup> 17 CFR 240.19b-4 (1994).

<sup>3</sup> CBOE Rule 15.9(a) allows the Exchange to "enter into agreements with domestic and foreign self-regulatory organizations, associations and contract markets and the regulators of such markets which provide for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes."

<sup>4</sup> See Securities Exchange Act Release No. 35035 (December 1, 1994), 59 FR 63397 (December 8, 1994).

<sup>5</sup> On February 15, 1995, the CBOE amended its proposal to clarify that when the Exchange requests information from a member pursuant to CBOE Rule 15.9(b), the member has the same rights and

The CBOE proposes to amend CBOE Rule 15.9 to provide that as long as a CBOE member or person associated with a CBOE member is subject to the CBOE's jurisdiction, the CBOE member or person associated with a CBOE member is obligated to furnish testimony, documentary evidence or other information to the full extent provided in CBOE Rule 17.2(b), "Conduct of Investigation," whether or not the Exchange has initiated the investigation, if the information is requested by the Exchange in connection with any inquiry resulting from an agreement entered into by the Exchange with a domestic or foreign self-regulatory organization or regulator pursuant to CBOE Rule 15.9. A CBOE member or person associated with a CBOE member from whom such information is requested possesses the same procedural protections which would apply to a request made pursuant to an investigation initiated by the CBOE.<sup>6</sup>

According to the Exchange, the amendments to CBOE Rule 15.9 are designed to clarify the CBOE's existing rules, which do not clearly delineate the obligation of CBOE members or persons associated with CBOE members to furnish information when the provision of information is required in connection with regulatory agreements where the CBOE has not itself initiated an investigation.

In addition, the CBOE proposes to amend CBOE Rule 17.2 to state clearly that each CBOE member and person associated with a CBOE member is obligated, upon the Exchange's request, to testify, respond in writing to interrogatories, and furnish documentary materials and other information requested by the Exchange in connection with an investigation initiated pursuant to CBOE Rule 17.2(a), a hearing or appeal conducted pursuant to CBOE Chapter 17 or an inquiry resulting from an agreement entered

procedural protections in responding to the request as the member would have in the case of any other request for information initiated by the CBOE pursuant to CBOE Rule 17.2(b). In addition, the CBOE notes that the proposal authorizes the CBOE to request information and compel testimony from its members or associated persons whenever the CBOE deems such a request to be appropriate and consistent with its agreements to cooperate with other regulatory organizations. The CBOE notes, further, that when the CBOE requests any such information or testimony on behalf of another regulatory body, the CBOE continues to be the requesting regulatory body in relation to the CBOE member and all such requests are subject to the CBOE's rules. See Letter from James R. McDaniel, Schiff Hardin & Waite, to Michael Walinskas, Branch Chief, Options Regulation, Division of Market Regulation, Commission, dated February 15, 1995 ("Amendment No. 1").

<sup>6</sup> *Id.*

into by the Exchange pursuant to CBOE 15.9.

The CBOE also proposes to amend CBOE Rule 17.2, Interpretation and Policy .01 to provide that the failure to furnish testimony, documentary evidence, or other information requested by the CBOE in the course of an Exchange inquiry within the time period specified by the Exchange shall be deemed to be a violation of CBOE Rule 17.2.

The Exchange states that the amendments to CBOE Rule 17.2 delineate clearly the obligation of CBOE members and persons associated with CBOE members to furnish information in connection with an investigation initiated by the CBOE itself, including information requested in connection with a hearing or appeal or the Exchange's preparation for a hearing or appeal. The amendments to CBOE Rule 17.2 are designed to set forth the CBOE's longstanding interpretation of existing CBOE rules.

The Commission 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, the requirements of Section 6(b)(5)<sup>7</sup> in that it is designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest. Specifically, the Commission believes that the proposed amendment to CBOE Rule 15.9 will strengthen CBOE Rule 15.9 and enhance the CBOE's disciplinary system by indicating clearly that the Exchange may require CBOE members and persons associated with CBOE members to furnish testimony, documentary evidence or other information pursuant to regulatory agreements entered into pursuant to CBOE Rule 15.9(a). At the same time, the Commission believes that the proposal maintains procedural safeguards for CBOE members by providing that members from whom such information is requested possess the same procedural protections that would apply to a request made pursuant to an investigation initiated by the CBOE.<sup>8</sup>

By clarifying the obligation of CBOE members to furnish testimony and other information in connection with such investigations, the Commission believes that the proposal will facilitate investigations commenced pursuant to CBOE Rule 15.9, thereby furthering the protection of investors and the public interest by helping to ensure the prompt

investigation of possible trading violations and other regulatory improprieties. In addition, the Commission believes that the proposal will help the Exchange to coordinate with domestic and foreign self-regulatory organizations in implementing a surveillance system appropriate to today's increasingly linked and globalized markets.<sup>9</sup> In addition, the Commission believes that the proposed amendments to CBOE Rule 17.2(b) will clarify the obligation of members to appear and testify, respond in writing to interrogatories and furnish information requested by the Exchange in connection with an investigation initiated pursuant to CBOE Rule 17.2(a), a hearing or appeal conducted pursuant to CBOE Chapter 17, or an inquiry resulting from an agreement entered into by the Exchange pursuant to CBOE Rule 15.9. The Commission believes that the amendments to CBOE Rule 17.2(b) and Interpretation and Policy .01 should protect investors and the public interest by facilitating the prompt resolution of disciplinary matters.

Specifically, by clearly stating members' obligation to testify and to provide information requested by the Exchange, and by making noncompliance with such requests a violation of CBOE Rule 17.2, the Commission believes that the proposal will encourage CBOE members to comply fully with CBOE requests for information and will enhance the Exchange's ability to conduct investigations in a timely manner, without burdening the members being investigated. The Commission believes that the CBOE must have the ability to obtain such information so that the Exchange will have access to all relevant facts necessary for the Exchange to act on a fully informed basis when making decisions concerning the disciplining of members.

At the same time, the Commission believes that the proposal is consistent with the CBOE's maintenance of a fair disciplinary process for its members. In this regard, the Commission notes that all existing due process safeguards relating to CBOE disciplinary proceedings remain in place.

The Commission finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register** because Amendment No. 1 clarifies the proposal and helps to safeguard the procedural

<sup>9</sup> See Securities Exchange Act Release No. 28498 (October 1, 1990), 55 FR 41286 (October 10, 1990) (order approving File No. SR-CBOE-90-23).

<sup>7</sup> 15 U.S.C. 78f(b)(5) (1988).

<sup>8</sup> See Amendment No. 1, *supra* note 5.

rights of members from whom the Exchange requests information pursuant to CBOE Rule 15.9(b). Accordingly, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 1 to the proposed rule change on an accelerated basis.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-CBOE-94-39) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35401; File No. SR-NASD-95-04]

**Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Amendments to the Examination Specifications and Content Outline for the General Securities Registered Representative (Series 7) Examination**

February 22, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 13, 1995,<sup>2</sup> the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. 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 NASD is proposing amendments to the examination specifications and study outline for the General Securities Registered Representative ("Series 7") qualification examination. The amendments revise materials pertaining to recently enacted federal and self-

regulatory organization ("SRO") rules and regulations, new products and changes in industry practices. The number of questions per examination and the examination time are unaffected by the amendments.

The amendments described above do not result in any textual changes to the NASD By-Laws, Schedules to the By-Laws, Rules, practices or procedures.

**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 NASD 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 NASD 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*

The Series 7 examination was created in 1974 as an industry-wide qualification examination for persons seeking registration as general securities representatives. The Series 7 examination is required under rules of the SROs for persons who are engaged in the solicitation, purchase and/or sale of securities for the accounts of customers. The purpose of the Series 7 examination is to ensure that registered representatives have the basic knowledge necessary to perform their functions and responsibilities. The Series 7 exam specifications detail the areas covered by the examination and break down the number of examination questions drawn from each area. The Series 7 content outline details the subject coverage and question allocation of the examination.

Revision of the Series 7 examination, specifications and content outline was initiated in April 1993 by an industry committee of self-regulatory organizations and broker-dealer representatives in order to update the examination in view of changes in the securities industry including changes in relevant rules and regulations, the development of new securities products and changes in the job of the registered representative as firms offer an increasingly wide range of financial services. The specifications and content outline for the Series 7 examination have not been revised since 1986.

The industry committee updated the existing statements of the critical functions of registered representatives to ensure current relevance and appropriateness, drafted statements of tasks expected to be performed by entry-level registered representatives, and conformed the existing content outline to the task statements. The content outline reflects the revised content of the examination. The total number of questions in the Series 7 examination will remain 250. The revised examination will cover all financial product areas covered on the present Series 7 examination as well as several new products, including collateralized mortgage obligations ("CMOs"), long term equity participation securities ("LEAPS") and CAPS,<sup>3</sup> with reduced emphasis on direct participation programs.

The Commission recently approved two parallel filings of the New York Stock Exchange ("NYSE").<sup>4</sup> No comments were received on either filing.

The NASD believes that the proposed rule change is consistent with the provisions of Section 15A(g)(3) of the Act in that the proposed changes to the examination are to ensure persons seeking registration in the securities industry have attained the requisite levels of knowledge and competence.

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

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

**III. 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, NW., Washington, DC 20549. Copies of the

<sup>3</sup> OEX CAPS and SPX CAPS are new securities based on the S&P 100 (OEX) and the S&P 500 (SPX) that give investors the right to participate to a predetermined level in upward or downward movements in either index.

<sup>4</sup> See Securities Exchange Act Release No. 34853 (October 18, 1994), 59 FR 53694 (October 25, 1994) (File Nos. SR-NYSE-94-26 (revised exam and exam specifications for Series 7 exam), and SR-NYSE-94-27 (revised content outline for Series 7 exam)).

<sup>10</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>11</sup> 17 CFR 200.30-3(a)(12) (1994).

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

<sup>2</sup> The proposed rule change was originally filed on January 26, 1995. In the amendment, filed on February 13, 1995, the NASD provided both the amended examination specifications and content outline for the Series 7 exam. The examination specifications were filed pursuant to a request by the NASD for confidential treatment.