

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

1. Purpose

The Series 8 examination is an industry-wide qualification examination for securities sales supervisors. The Series 8 examination is generally required under rules of the self-regulatory organizations ("SROs") for persons who are engaged in the supervision of general securities branch offices (*i.e.*, branch office managers) and of general securities registered representatives. The Series 8 examination tests a candidate's knowledge of securities industry rules and regulations and certain statutory provisions applicable to general securities sales supervision. The Series 8 examination specifications detail the areas covered by the examination and break down the number of examination questions culled from each area.

Revision of the Series 8 examination and specifications was recently undertaken by an industry committee composed of representatives from SROs (the New York Stock Exchange, the American Stock Exchange, the Chicago Board Options Exchange, the Municipal Securities Rulemaking Board, the National Association of Securities Dealers, and the Philadelphia Stock Exchange) and representatives from broker-dealers, including branch office managers, compliance personnel, and corporate executives, in order to update the examination in view of changes in relevant laws, rules, and regulations, the development of new products, and to reflect various changes in industry practices. The committee reviewed the examination specifications, content areas, and item bank and developed some new questions in new areas.

The revised examination continues to cover the areas of knowledge required to supervise sales activities in securities. However, the focus of the content of the examination has been shifted to concentrate more closely on supervisory duties. Accordingly, certain questions have been deleted from the examination that deal with routine calculations and basic product knowledge, and questions on new federal and SRO rules and regulations have been incorporated into the examination, as well as questions on new products, supervision, and changes in industry practices. The revised examination and specifications include coverage of these new areas. The examination will remain a six-hour, two-part, 200 question examination.

2. Statutory Basis

The statutory basis for the Series 8 examination lies in Section 6(c)(3)(B) of the Act. Under that Section, it is the Exchange'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 Exchange has developed examinations that are administered to establish that persons associated with Exchange members and member organizations have attained specific levels of competence and knowledge.

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.

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 change.

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

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from May 12, 1995, the date on which it was filed, and the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder.¹

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

¹ The proposed rule change is identical to the rule change previously approved by the Commission for the New York Stock Exchange, Inc. and the National Association of Securities Dealers. See Securities Exchange Act Release No. 34967 (Nov. 10, 1994), 59 FR 59803 (Nov. 18, 1994) (File Nos. SR-NYSE-94-23; SR-NYSE-94-24); Securities Exchange Act Release No. 35208 (Jan. 10, 1995), 60 FR 3688 (Jan. 18, 1995) (File No. SR-NASD-94-66).

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 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, NW., Washington, DC 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-CBOE-95-27 and should be submitted by June 16, 1995.

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

Jonathan G. Katz,
Secretary.

[Release No. 34-35753; File No. SR-CHX-95-08]

Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 Relating to Order Execution Guarantees

May 22, 1995.

I. Introduction

On March 2, 1995, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") 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 new Rule 37(d), Article XX to allow specialists on the Exchange to provide order execution guarantees that are more favorable than those currently required under CHX Rule 37(a), Article XX ("BEST Rule")³ through the Exchange's automated execution system ("MAX").

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ See CHX 37(a), Article XX.

The proposed rule change was published for comment in Securities Exchange Act Release No. 35547 (Mar. 29, 1995), 60 FR 17375 (Apr. 5, 1995). No comments were received on the proposal. On April 13, 1995, the Exchange submitted Amendment No. 1 to the proposed rule change.⁴ This order approves the proposed rule change, including Amendment No. 1 on an accelerated basis.

II. Description of Proposal

At the present time, under the BEST Rule, Exchange specialists are required to guarantee executions of market and limit orders under certain circumstances. Under the rule, specialists must accept and guarantee execution of all agency orders, other than limit orders in Nasdaq/NMS Securities, from 100 up to and including 2099 shares. For all agency market orders, the specialist must fill the orders at the best bid or best offer disseminated pursuant to Rule 11Ac1-1 under the Act.⁵ For all agency limit orders in Dual Trading System issues,⁶ the specialist must fill the order if the bid or offer at the limit price has been exhausted in the primary market, there has been a price penetration of the limit in the primary market (trade through of a CHX limit order), or the issue is trading at the limit price on the primary market unless it can be demonstrated that such order would not have been executed if it had been transmitted to the primary market or the broker and specialist agree to a specific volume related or other criteria for requiring a fill.

Moreover, pursuant to current Rule 37(b), Article XX, the Exchange's MAX system provides for the automatic execution of orders that are eligible for execution under the Exchange's BEST Rule as discussed above and certain other orders as long as such orders are less than or equal to the auto-execution threshold. The specialist must set the auto-execution threshold at 1099 shares or greater on a stock-by-stock basis.

The Exchange proposes to amend Rule 37, Article XX by adding new subsection (d) to allow specialists to provide guarantees that are more favorable than those required under the BEST Rule. Moreover, under Rule 37(d), the Exchange, at the request of a

specialist, may provide for automatic execution of orders through MAX in accordance with the additional guarantees that the specialists decide to provide. The Exchange expects to file with the Commission at a later time the specific modifications to the parameters of the automated execution system that are required to implement the additional guarantees.⁷

III. Discussion

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 exchange, and, in particular, with the requirements of Section 6(b).⁸ The Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest.

The Commission believes that the proposed rule change to allow specialists to provide more favorable guarantees than those currently required under CHX's Best Rule will benefit investors. For example, public customers may benefit by receiving executions at a better price or for a greater size than the minimum requirements under the Best Rule. The Commission believes that the proposal also would enhance competition on the Exchange by providing specialists with the opportunity to compete based upon the additional guarantees they offer.

The Commission notes, however, that the Exchange has indicated that this proposal is intended to be an "enabling rule." Accordingly, the Commission expects that the future filings proposing further modifications to MAX will describe in detail the more favorable guarantees being offered. Moreover, the Commission will review such proposals to ensure that they do not detract from order exposure.

The Commission finds good cause for approving amendment No. 1 to the proposed rule change prior to the thirteenth day after the date of publication of notice of filing thereof. The Exchange's original proposal was published in the **Federal Register** for the full statutory period and no

comments were received.⁹ Amendment No. 1 amends the text of the rule to delete extraneous language and to make clear that the guarantee is not "promised" to a particular individual, but provided for issues chosen by the specialist. Moreover, Amendment No. 1 clarifies the intent and scope of the proposed rule change and the options that the Exchange anticipates for the automated system.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., 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 NW., 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-CHX-95-08 and should be submitted by June 16, 1995.

V. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-CHX-95-08) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

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⁴ See letter from David Rusoff, Foley & Lardner, to Glen Barrentine, Senior Counsel, SEC, dated April 12, 1995. Amendment No. 1 amends the text of the proposed rule change and clarifies its intent and scope.

⁵ 17 CFR 240.11Ac1-1 (1994).

⁶ The Dual Trading System of the Exchange allows the execution of both round-lot and add-lot orders in certain issues assigned to specialists on the Exchange and listed on either the New York Stock Exchange or the American Stock Exchange.

⁷ Some examples provided by the Exchange of the different options that may be available to specialists include SuperMAX and, if reactivated, Enhanced MAX. See letter from David Rusoff, Foley & Lardner, to Glen Barrentine, Senior Counsel, SEC, dated April 12, 1995.

⁸ 15 U.S.C. 78f(b) (1988 & Supp. v 1993).

⁹ See Securities Exchange Act Release No. 35547 (Mar. 29, 1995), 60 FR 17375 (Apr. 5, 1995).

¹⁰ 15 U.S.C. 78s(b)(2) (1988).

¹¹ 17 CFR 200.30-34(a)(12) (1004).