

Finally, the Commission believes that the rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. As noted above, Herzog asserted that the rule change will have a disparate impact upon wholesale firms, because such firms allegedly lack the ability of vertically integrated firms to directly charge customers higher commissions, markups or other fees to compensate for the loss of spread income. The Commission recognizes that as a consequence of the rule change, some wholesale firms may seek to establish alternative sources of revenue, including charging commissions. The Commission believes that any burden imposed by shifts in fee structures is outweighed by the improved price discovery, execution and pricing advantages that customers will realize as a result of the rule change. In addition more customers will be accorded treatment that satisfies reasonable expectations of fairness and investor protection.

V. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the NASD and, in particular, Sections 15A(b)(6), and 15A(b)(9) and 11A(a)(1)(C) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NASD-94-62 be, and hereby is, approved, effective June 21, 1994.

By the Commission.

Jonathan G. Katz,

Secretary.

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purchase security XYZ and requests that its total costs not exceed \$10 per share, and the customer is informed that the market maker charges a markup of 1/4, then a market maker may continue to purchase for its own account at \$10 without also executing the customer order. The customer order would be deemed a limit order at \$9 3/4. The Commission emphasizes that "the price at which the limit order is to be protected must be clearly explained to the customer." See *id.*

[Release No. 34-35745; File No. SR-CBOE-95-26]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Content Outline for the General Securities Sales Supervisor (Series 8) Examination

May 19, 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 May 12, 1995, the Chicago Board Options Exchange, Incorporated ("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 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 CBOE proposes to use a revised Content Outline for the General Securities Sales Supervisor (Series 8) Examination ("Series 8").

The text of the proposed rule change is available at the CBOE and 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 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 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 Content Outline details the subject coverage and question allocation of the examination.

Revision of the Series 8 examination and Content Outline 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 Content Outline reflects the revised content of the examination. 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 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-95-26 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.

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[Release No. 34-35743; File No. SR-CBOE-95-24]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Content Outline for the General Securities Registered Representative (Series 7) Examination

May 19, 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 May 12, 1995, the Chicago Board Options Exchange, Incorporated ("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 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 CBOE proposes to use a revised Content Outline for the General Securities Registered Representative (Series 7) Examination ("Series 7").

The text of the proposed rule change is available at the CBOE and 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 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 revise and update the Content Outline for the Series 7 examination. 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 generally required under rules of the self-regulatory organizations ("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 Content Outline details the subject coverage and questions allocation of the Series 7 examination.

Revision of the Series 7 examination and Content Outline was initiated in April 1993 by an industry committee of SROs and broker-dealers representatives¹ 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 registered representatives as firms offer an increasingly wide range of financial services. The Content Outline for the Series 7 examination has 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 Series 7 examination. Under the proposed rule change, the total number

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).

¹ SROs on the committee include the New York Stock Exchange, American Stock Exchange, Chicago Board Options Exchange, Municipal Securities Rulemaking Board, National Association of Securities Dealers, and Philadelphia Stock Exchange. Broker-dealer representatives include branch office managers, compliance officers, training personnel, and registered representatives.