

**Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds no 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 approved 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 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-95-12 and should be submitted by June 30, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. 95-14191 Filed 6-8-95; 8:45 am]

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[Release No. 34-35795; File No. SR-NASD-95-23]

#### Self-Regulatory Organizations; Notice of Filing and Partial Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc., Relating to Gross Assessments and Continuing Education Fees

June 1, 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 23, 1995, 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 NASD has designated the part of this proposal for continuing education fees as on establishing or changing a fee under § 19(b)(3)(A)(ii) of the Act, which renders the rule effective upon the Commission's receipt of this filing. The NASD is, however, requesting that the fee be implemented on July 1, 1995.<sup>1</sup> 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 a rule change to amend Sections 1 and 2 to Schedule A of the By-Laws to clarify gross income filing requirements and to assess a fee for continuing education requirements. Proposed new language is italicized; proposed deletions are in brackets.

##### Schedule A

Assessments and fees pursuant to the provisions of Article VI of the By-Laws of the Corporation, shall be determined on the following basis.

##### Assessments

###### Sec. 1.

Each member shall pay an annual assessment composed of:

(a) An amount equal to the greater of \$850.00 or the total of:

(i) 0.125% of the annual gross *revenue* [income] from state and municipal securities transactions,

(ii) 0.125% of annual gross *revenue* [income] from other over-the-counter securities transactions,

(iii) 0.125% of the annual gross *revenue* [income] from U.S. Government securities transactions, and

(iv) with respect to members whose books, records, and financial operations are examined by the NASD, 0.125% of annual gross *revenue* [income] from securities transactions executed on an exchange.

<sup>1</sup> The proposal was originally filed with the Commission on May 15, 1995. The NASD subsequently submitted Amendment No. 1 to the filing which amends the proposed rule to publish under Section 19(b)(2) of the Act that portion of the proposed rule change that amends Section 1 to Schedule A to the NASD By-Laws and to publish under Section 19(b)(3)(A)(ii) of the Act that portion of the proposed rule change that amends Section 2 to Schedule A of the NASD By-Laws. Letter from Suzanne E. Rothwell, Associate General Counsel, NASD, to Mark P. Barracca, Branch Chief, Over-the-Counter Regulation, Division of Market Regulation, SEC, dated May 22, 1995.

Each member is to report annual gross *revenue* [income] as defined in Section 5 of this Schedule, for [either] the preceding calendar year. [or the member's fiscal year ending in the preceding calendar year. The 12-month reporting period must be in accordance with the member's previously written election. New members will be given an opportunity to make this election after they become members. Members wishing to change their reporting year must advise the Association, in writing, of the change in dates and provide a reason for the change (i.e., merger or other organizational change and/or change in tax or fiscal year). If the change is from a fiscal year to the calendar year or to a new fiscal year ending at a later date, the member is to provide two reports of gross income covering the 12 consecutive months of both the new and old years. In such case, the assessment in the year of change will be the greater amount determined from the two reports. If the change is from a calendar year or a fiscal year to a new fiscal year ending at an earlier date, the member is to report gross income for the 12 consecutive months to the end of its new fiscal year.]

\* \* \* \* \*

##### Fees

###### Sec. 2.

\* \* \* \* \*

(k) *There shall be a session fee of \$75.00 assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to the provisions of Part XII of Schedule "C" of the By-Laws.*

\* \* \* \* \*

#### 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 IV 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*

Recently, the NASD amended Section 5 of Schedule A to the By-Laws to

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

define gross revenue for assessment purposes as income reported on the FOCUS report, with certain limited exclusions and deductions.<sup>2</sup> The FOCUS report reports income on a calendar year basis. However, Section 1 (a) of Schedule A was not amended when this change was enacted and still gives members the election to report on either a calendar year or fiscal year basis. The NASD is proposing to amend Section 1(a) of Schedule A to require all member firms to report annual gross revenue on a calendar year basis and to delete portions of the section that are no longer applicable. The NASD believes that the proposed amendment will simplify the data collection and reporting process for the NASD, provide a consistent basis for assessments among member firms and rectify the current inconsistency between Sections 1 and 5 of Schedule A.

Recently, the NASD also amended Schedule C to the By-Laws by adding new Part XII prescribing requirements for the continuing education of certain registered persons subsequent to their qualification and registration with the NASD.<sup>3</sup> The new rule established a formal two-part Securities Industry Continuing Education Program for securities industry professionals that would require uniform periodic training in regulatory matters (the "Regulatory Element") and ongoing programs by firms to keep employees informed of the products, services and investment strategies of their firms (the "Firm Elements"). Uniform rules in this area have also been adopted by other self-regulatory organizations, including the New York Stock Exchange, the American Stock Exchange, the Philadelphia Stock Exchange, the Chicago Board Options Exchange and the Municipal Securities Rulemaking Board ("SROs"). The participating SROs have established a permanent Securities Industry/Regulatory Council on Continuing Education ("Council") to make recommendations to SROs concerning the content of the Regulatory Element and requirements for satisfying the Firm Element.

An important feature of the continuing education program is that it would be operated on a cost recovery basis and generate modest reserves for unanticipated future expenditures. The participating SROs will begin administration of the Regulatory Element on July 1, 1995. This will

include tracking and follow-up by the NASD's Central Registration Depository of persons subject to the program's requirements and administering the computer-based training program through the NASD PROCTOR system at PROCTOR centers or at newly-created mobile centers or special sessions for on-site delivery of the program. The Firm Element will be administered in two stages, with members required to complete written training plans by July 1, 1995 and implement such plans no later than January 1, 1996. The administration of this element will involve on-site review by the SROs of compliance of the plans with the Firm Element will be borne largely by the members, the NASD will function as Program Administrator for the Regulatory Element and will incur significant initial start-up and ongoing operational costs.

In order to cover the costs associated with the administration of the program, the NASD is proposing to amend Section 2 to Schedule A by adding a new provision to assess a \$75.00 session fee against each individual required to complete the Regulatory Element of the continuing education program. The fee would apply to recoup the expenses of the Council and to cover the development, start-up and on-going operational costs of administering the Regulatory Element.

The NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act<sup>4</sup> which require that the rules of the Association provide for the equitable allocation of reasonable dues, fees, and other charges in that the proposed rule provides a consistent basis for assessments among member firms and rectifies the current inconsistency between Sections 1 and 5 of Schedule A, and fairly assesses a charge to cover the start-up and ongoing costs incurred by the Association in the administration of the Regulatory Element of the continuing education requirements.

*(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 on the Proposed Rule Change Received From Members, Participants, or Others*

Written 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 date of publication of this notice of the proposed rule change to Section 1 to Schedule A to the NASD By-Laws 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.

The proposed rule change to Section 2 to Schedule A to the NASD By-Laws has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e) of Rule 19b-4 thereunder because the NASD has designated the part of the proposal for continuing education fees as one establishing or changing a fee under § 19(b)(3)(A)(ii), which renders the rule effective upon the Commission's receipt of this filing. At any time within 60 days of the filing of such 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, 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-95-23 and should be submitted by June 30, 1995.

<sup>2</sup> See Securities Exchange Act Release No. 35074 (December 9, 1994); 59 FR 64827 (December 15, 1994).

<sup>3</sup> See Securities Exchange Act Release No. 35341 (February 8, 1995); 60 FR 8426 (February 14, 1995).

<sup>4</sup> 15 U.S.C. 78o3.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

**Jonathan G. Katz,**

Secretary.

[FR Doc. 95-14121 Filed 6-8-95; 8:45 am]

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[Release No. 34-35820; File No. SR-NASD-95-22]

**Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of a Proposed Rule Change Relating to Extending the Continuing Education Requirement for Registered Persons to Government Securities Principals and Representatives**

June 7, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on May 11, 1995, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II 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 to amend Schedule C of the NASD By-Laws to include government securities principals and representatives in the continuing education requirement for registered persons. Below is the text of the proposed rule change. Proposed new language is italicized, deleted language is in brackets:

**Part XII**

**Continuing Education Requirements**

This Part prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with the NASD. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

**(1) Regulatory Element**

\* \* \* \* \*

(e) Definition of registered person— For purposes of this Part, the term "registered person" means any person registered with the NASD as a representative, principal or assistant

representative pursuant to Parts II, III [or], IV or XI respectively of Schedule C to the By-Laws.

\* \* \* \* \*

**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 IV 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 purpose of the proposed rule change is to make a technical amendment to the rule language in Section (1)(e) of Part XII of Schedule C of the NASD By-Laws, Continuing Education Requirements. The proposed change will require Government Securities Principals and Representatives to participate in the continuing education program. Such persons who are designated in Part XI of Schedule C of the By-Laws were inadvertently excluded from the definition of registered person in Section (1)(e) of Part XII of Schedule C when the NASD filed SR-NASD-94-72 with the Commission on December 7, 1994.<sup>2</sup>

The NASD believes the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act in that the proposed changes to Schedule C of the By-Laws will improve the standards of training, experience, and competence for persons associated with NASD members. Pursuant to this statutory obligation, the NASD has proposed this rule change to operate its two-part continuing education program for industry professionals.

*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 on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

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

The NASD has requested that the Commission find good cause pursuant to Section 19(b)(2) for approving the proposed rule change prior to the thirtieth day after publication in the **Federal Register**. In support of its request, the NASD states that it desires to ensure that all NASD registered persons will be required to participate in the continuing education program which will commence on July 1, 1995.

Within 35 days of the date of 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 Commission, 450 Fifth Street, NW., Washington, DC 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 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by June 26, 1995.

<sup>2</sup>The Commission approved SR-NASD-94-72 on February 8, 1995. Securities Exchange Act Release No. 35341 (February 8, 1995), 60 FR 8426.

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