

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 December 26, 1995.

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

Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-36514; International Series Release No. 890; File No. SR-NYSE-95-36]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to the Specifications and Content Outline for the Japan Module of the General Securities Registered Representative Examination (Series 47)**

November 27, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on October 25, 1995, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") 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 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 Exchange has filed with the Commission specifications and a content outline for the Japan module (Series 47) of the General Securities Registered Representative Examination (Series 7).

**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**

Presently, registered representatives in Japan who wish to sell securities in the United States must qualify as registered representatives in the U.S. by successfully completing the Series 7. In Japan, U.S. and other foreign securities professionals may qualify as securities sales representatives by passing a qualification exam<sup>2</sup> or by meeting experiential requirements. In order to reduce duplication of qualification requirements, the Exchange has developed the Series 47 as a subset of the Series 7 to test the Japanese registered representatives' knowledge of U.S. securities laws, markets, investment products, and sales practices. Qualified Japanese securities professionals can satisfy the Exchange's examination requirements by obtaining a passing score on the Series 47 module.

Since 1991, the Exchange has provided a similar, 90-question qualification vehicle for United Kingdom approved registered representatives wishing to sell securities in the U.S., the Limited Registered Representative Examination (Series 17).<sup>3</sup> The Exchange also has filed for Commission approval examination specifications and a content outline for a Canadian module of the General Securities Registered Representatives Examination (Series 37 & Series 38).<sup>4</sup> The Series 47 module has been developed following procedures like those used for the Series 17 and 37 modules.

To determine the applicable Series 7 content areas not covered in the qualification examinations for Japanese registered representatives, the Exchange's staff conducted a thorough

review of the content covered by the Securities Sales Representative Qualification Examination and supporting materials, including translations of Japan's securities laws and regulations. In addition, the Exchange's staff exchanged detailed correspondence and had discussions with the staff of the Japan Securities Dealers Association.<sup>5</sup> Through this review, the Exchange's staff identified for inclusion in the Series 47 those topics that are included in the Series 7 but are not covered, or covered in sufficient detail, in the Japanese qualification materials. As a result, the Series 47 consists of 160 questions covering subject matter that is unique to the U.S. The topics are weighted in the module to correspond to the relative emphasis given these topics in the Series 7.

The Exchange understands that the National Association of Securities Dealers, Inc. ("NASD") will submit a proposal to the Commission that would amend the NASD's rules such that the Series 47 would satisfy the NASD's qualification requirements. The Series 47, however, will not qualify Japanese securities professionals to transact business in municipal securities. Any individuals wishing to do so will be required to pass the Series 52 (Municipal Securities Representative Examination).

**2. Statutory Basis**

The statutory basis for the Series 47 is in Section 6(c)(3)(B)<sup>6</sup> of the Act. Under this 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 specified levels of competence and knowledge.

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

The Exchange believes the proposed rule change will impose no burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

<sup>5</sup> The Japan Securities Dealers Association is the regulatory authority responsible for developing course materials, test materials, and qualification examinations for people wishing to become a registered representative in Japan. Telephone conversation between Mary Anne Furlong, Director, Rule & Interpretive Standards, NYSE, and Anthony Pecora, Attorney, SEC (Nov. 6, 1995).

<sup>2</sup> All of the applicants, both foreign and domestic, who do not meet the experiential requirements must pass the Securities Sales Representative Qualification Examination. This test is composed of the Class 1 examination, the Class 2 examination, and the Investment, Trust, and Bond examination. An applicant's experience and area of interest determines which parts of the examination are applicable. Telephone conversation between Mary Anne Furlong, Director, Rule & Interpretive Standards, NYSE, and Anthony Pecora, Attorney, SEC (Nov. 6, 1995).

<sup>3</sup> Securities Exchange Act Release No. 27967 (May 1, 1990), 55 FR 19131 (approving File No. SR-NYSE-89-22).

<sup>4</sup> Securities Exchange Act Release No. 36378 (Oct. 16, 1995), 60 FR 54401 (noticing File No. SR-NYSE-95-29).

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

<sup>6</sup> 14 U.S.C. 78f(c)(3)(B).

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

The Exchange has neither solicited nor received written comments.

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 other 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 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 also will be available for inspection and copying at the principal office of the New York Stock Exchange. All submissions should refer to File No. SR-NYSE-95-36 and should be submitted by December 26, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>1</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-36515; File No. SR-Phlx-95-58]

**Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Trader Registration and the Use of the Series 7A Examination**

November 27, 1995.

On September 22, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder, a proposed rule change to require registration of persons who solicit or handle business in securities and are compensated by a member or participant organization for which the Phlx is the Designated Examining Authority ("DEA"). On October 6, 1995, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change amending paragraph (c)(ii) of Rule 604, which names the Series 7A as the appropriate examination for Limited Registration/Floor Members,<sup>1</sup> to clarify that this is the appropriate examination for such members only, not all members who conduct a public business from the equity trading floor.<sup>2</sup>

The proposed rule change and Amendment No. 1 were published for comment in Securities Exchange Act Release No. 36395 (October 20, 1995), 60 FR 54904 (October 26, 1995). No comments were received on the proposal.

Currently, the Exchange requires Series 7 Registered Representatives to register with the Exchange on Form U-4 pursuant to Rule 604(a) and Limited Registration/Floor Members to register pursuant to Rule 604(c). However, there is no requirement for proprietary "upstairs" traders (*i.e.*, those who trade for the firm's own account) to register with the Exchange. This proposal adopts such a requirement as Rule

<sup>1</sup> A Limited Registration/Floor Member is a member who conducts a public business that is limited to accepting orders from professional customers for execution on the trading floor. The Series 7A examination is a module of the Series 7 (the General Securities Registered Representative Examination) developed to test the knowledge of relevant securities laws and Exchange rules required of such members. See Securities Exchange Act Release No. 32698 (July 29, 1993), 58 FR 41539 (August 4, 1993) (File No. SR-NYSE-93-10).

<sup>2</sup> See letter from Gerald O'Connell, First Vice President Market Regulation and Trading Operations, Phlx, to Glen Barrentine, Senior Counsel, SEC, dated October 3, 1995. In Amendment No. 1 the Exchange explained the purpose of its proposed amendment to Rule 604(c)(ii).

604(d). Similar to Rules 604 (a) and (c), the proposal would require registration on Form U-4. This form is currently used in the Exchange's membership application process for prospective members or participants, as well as the officers, shareholders and directors of such organizations. In order to prevent duplicative registration, the proposal would not apply to persons who are otherwise registered with the Exchange.

The proposed rule change also seeks to amend paragraph (c)(ii) of Rule 604. Although the organization of Rule 604, as well as the intent behind its adoption, indicates that paragraph (c) and subparagraph (ii) thereunder apply only to Limited Registration/Floor Members,<sup>3</sup> on its face the text of 604(c)(ii) can be construed to apply to all members conducting a public business. The amendment adds limiting language to Rule 604(c)(ii) to clarify that the Series 7A is the appropriate examination for Limited Registration/Floor Members, not all members conducting a public business from the equity trading floor.

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).<sup>4</sup> In particular, 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.

The Commission believes that requiring a firm's proprietary traders to register with the Exchange will aid in the prevention of fraudulent and manipulative acts by allowing the Exchange to maintain a complete record of those trading for a member or participant organization, not just persons handling customer accounts. The Form U-4 will provide background information on such traders, as well as a basis for further Exchange research if needed, thereby enhancing the Exchange's examination program.

The Commission also believes that the amendment to Rule 604(c)(ii) will enhance member compliance with this rule. By specifically naming floor members as the parties for whom the

<sup>3</sup> See Securities Exchange Act Release No. 35258 (January 20, 1995), 60 FR 5449 (January 27, 1995) (File No. SR-Phlx-94-15) (order approving the Phlx's adoption of the Limited Registration/Floor Member status and its use of the Series 7A for such members).

<sup>4</sup> 15 U.S.C. 78f(b).

<sup>1</sup> 17 C.F.R. 200.30-3(a)(12).