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*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38969; File No. SR-NASD-97-23]

### Self-Regulatory Organizations; Order Approving Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Registration Category, Study Outline and Specification for Series 72 Examination, Government Securities Representative

August 25, 1997.

On April 11, 1997, the NASD Regulation, Inc. ("NASD Regulation") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> to create a new category of representative registration, the Government Securities Representative (Series 72), and to conform the registration requirements of the existing Registered Options Representative (Series 42) category to take into consideration this new category.<sup>2</sup> Notice of the proposed rule change, together with the substance of the proposal, was published in the **Federal Register**.<sup>3</sup> No comment letters were received. This order approves the proposed rule change.

#### I. Background

The Government Securities Act of 1986 ("1986 Act"), an amendment to the Act, required sole government securities broker-dealers to register with the SEC for the first time. The 1986 Act also granted the NASD authority to require associated persons of such firms to register with the NASD. However, the 1986 Act did not allow the NASD to apply its qualification examination standards to associated persons of government securities broker-dealers. Since January 1989, such associated persons have been required to register as Government Securities Representatives or Government Securities Principals, but have not been required to pass a

qualification examination. Under a 1993 amendment to the Act, the NASD was given authority to apply its qualification standards to Government Securities Representatives and Government Securities Principals.

The proposed rule change will establish an examination qualification requirement for government securities representatives. A person may qualify to sell government securities by passing the existing Series 7 examination or the new Series 72 examination. The proposed rule change replaces current Rule 1112, which was adopted in 1989.

NASD Regulation has determined to permit persons who have been registered with the NASD as a government securities representative for two years prior to the effective date of the rule will not have to take the examination unless they are subject to a statutory disqualification as defined in Section 3(a)(39) of the Act or in the last years have been subject to a suspension or fine of \$5,000 or more imposed by a securities or commodities regulator.

Currently, individuals who sell OTC options on government securities are not required to pass a qualification examination. The proposed rule change also will amend Rule 1032(d) for Registered Options Representatives to establish registration and qualification requirements for such individuals, and to add the Series 72 Examination to the list of the those examinations which prequalify an individual to take the Limited Representative—Options (Series 42) Examination. A person selling OTC options on government securities would be required to pass the new Series 72 examination and the existing Series 42 examination.

The Series 72 examination will consist of one hundred (100) questions. Candidates will have three hours to complete the examination. The passing score for the examination will be 70%. The NASD will not begin using the examination until September of 1997.

#### II. Discussion

The Commission believes that the proposed rule change is consistent with the provisions of Sections 15A(b)(6) and 15A(g)(3) of the Act in that the NASD is required to prescribe standards of training, experience and competence for persons associated with NASD members. Pursuant to this statutory obligation, the NASD develops and administers examinations to establish that persons associated with NASD members have attained specified levels of competence and knowledge.

Pursuant to this statutory obligation, NASD Regulation administers examinations developed by NASD

Regulation and other self-regulatory organizations Section 15A(g)(3) of the Act to prescribe standards of training, experience and competence for persons associated with NASD members.

The proposed rule change is consistent with the format of the other NASD limited registration categories. This proposed rule change will change the language of Rule 1032(d) Registered Option Representative so that it is similar to the language used in the other registration categories in Rule 1032.

This provision is consistent with previous practice in permitting persons who have achieved a certain level of experience in a segment of the securities industry to be "grandfathered" if a new qualification examination is adopted for that particular industry segment.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change, SR-NASD-97-23, be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38975; File No. SR-NASD-97-59]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Short Sale Rule

August 26, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on August 14, 1997, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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.

<sup>4</sup> 17 CFR 200.30-3(a)(12)(1997).

<sup>1</sup> 15 U.S.C. § 78s(b)(1)(1994).

<sup>2</sup> 17 CFR 240.19b-4(1997).

<sup>1</sup> 15 U.S.C. § 78s(b)(1) (1994).

<sup>2</sup> On July 1, the NASD submitted a technical amendment. Technical amendments do not need to be published in the Federal Register. Letter from Craig L. Landauer, Associate General Counsel, NASD, to Karl J. Varner, Esq., SEC, dated July 1, 1997.

<sup>3</sup> Securities Exchange Act Release No. 38566 (May 1, 1997), 62 FR 25683 (May 9, 1997).