

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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to the file number SR-CBOE-97-68 and should be submitted by February 19, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-2187 Filed 1-28-98; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39576; File No. SR-MSRB-98-2]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Rule G-3 on Professional Qualifications

January 23, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1935 ("Act"),<sup>1</sup> notice is hereby given that on January 21, 1998, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-98-2). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.<sup>2</sup>

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Board is filing herewith an amendment to rule G-3, on professional qualifications (hereinafter referred to as the "proposed rule change"). The proposed rule change consists of an amendment to rule G-3 regarding the Board's continuing education requirements. The text of the proposed rule change may be examined at the places specified in Item IV below.

#### 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 Board 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 texts of these statements may be examined at the places specified in Item IV below. The Board 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 proposed rule change is to revise the Board's continuing education requirements contained in rule G-3(h). Rule G-3(h) provides for a continuing education program for registered persons of brokers, dealers and municipal securities dealers. The program, which is uniform within the securities industry, consists of two parts—a Regulatory Element and a Firm Element. The Regulatory Element requires registered persons to participate in interactive computer-based training at specified intervals and encompasses regulatory and compliance issues, sales practice concerns and business ethics.

The Regulatory Element program applies generally to all registered persons and currently does not discern between registration types or categories. The existing program contains content common to registered representatives, supervisory persons as well as other registration categories. The Securities Industry/Regulatory Council on Continuing Education (a council of broker-dealer and self-regulatory organization ("SRO"))<sup>3</sup> representatives

that oversees and provides ongoing development and operation of the program) has recommended development of a new program component specifically for supervisors. In addition, it is contemplated that in the future, specific programs may be implemented for other registration categories. The proposed rule change will allow for the Board to require new programs as appropriate with customized training for various registration categories, with the supervisor's program being the first such initiative. For purposes of Board rules, the following registration categories shall be deemed to be included in the supervisory categories: Series 8 (Municipal Securities Sales Supervisor Examination); Series 27 (Financial and Operations Principal Examination); and Series 53 (Municipal Securities Principal Qualification Examination).

The proposed rule change also addresses the time-frames at which registered persons must participate in the Regulatory Element computer-based training. Rule G-3(h) currently requires all registered persons to complete the training on three occasions, *i.e.*, their second, fifth and tenth registration anniversaries, and also when they are the subject of significant disciplinary action(s). Once persons are registered for more than ten years, they are graduated from the program and are not required to participate further in the Regulatory Element unless they become subject to significant disciplinary action. The Council has recommended that this requirement be revised to require ongoing participation in the program by registered persons. In accordance with that recommendation, the proposed rule change will require participation in the Regulatory Element throughout a registered person's career, specifically on the second registration anniversary and every three years thereafter (*i.e.*, the fifth, eighth, eleventh, etc., anniversaries), with no graduation from the program.

The proposed rule change will allow a one-time exemption for persons currently graduated from the program by providing that those persons who have been registered for more than ten years as of the effective date of the rule amendments, and who have not been the subject of a disciplinary action during the past ten years, will continue to be excluded from required ongoing participation in the Regulatory Element. However, persons registered in a

Chicago Board Options Exchange, National Association of Securities Dealers, New York Stock Exchange and Philadelphia Stock Exchange.

<sup>6</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> The Commission is concurrently publishing notice of parallel proposed rule changes from other self-regulatory organizations relating to continuing education for registered persons. See Securities Exchange Act Releases Nos. 39574 (NASD); 39575 (CBOE); and 39577 (NYSE).

<sup>3</sup> In addition to the Board, SROs represented on the Council include the American Stock Exchange,

supervisory capacity will have to have been registered in a supervisory capacity for more than 10 years in order to be covered by this one-time provision for graduation from participation in the program. Therefore, those supervisors who have graduated from the program requirements based on their initial registration date who have not completed 10 years as a supervisor, will be required to re-enter the program.

The Firm Element requires that each broker, dealer and municipal securities dealer conduct annually an analysis of their training needs and administer such training, as is appropriate, to their registered persons who have direct contact with customers and the immediate supervisors of such registered persons, on an ongoing basis in topics specifically related to their business such as new products, sales practices, risk disclosure and new regulatory requirements and concerns. The proposed rule change will require brokers, dealers and municipal securities dealers to specifically focus on supervisory training needs in conducting their analysis of training needs and, if it is determined that there is a specific need for supervisory training, it must be addressed in the Firm Element training plan.

These amendments, which will be adopted uniformly with rule changes of the other SRO Council members, will significantly enhance the continuing education program by requiring all registered persons to participate in the Regulatory Element on an ongoing basis throughout their securities industry careers. In addition, the Board believes that rule amendments allowing for the implementation of a program specifically geared towards supervisors and the issues that may arise in that role will result in more effective regulatory training of supervisors as well as improved front-line supervision overall of brokers, dealers and municipal securities dealers.

## 2. Statutory Basis

The Board believes the proposed rule change is consistent with the Act and the rules and regulations thereunder. The Board believes that the proposed rule change is consistent with Section 15B(b)(2)(A) of the Act,<sup>4</sup> which states that the rules of the Board, as a minimum, shall provide such standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors. The proposed rule change is also consistent with Section

15B(b)(2)(C) of the Act,<sup>5</sup> which requires, in pertinent part, that the Board's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest. Pursuant to this statutory obligation, the Board has proposed this rule change in order to enhance the established continuing education program for registered persons.

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

The Board does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, since it would apply equally to all brokers, dealers and municipal securities dealers.

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

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 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 people are invited to submit written data, views, and arguments concerning the foregoing. People 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 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 the filing will also be available for inspection and copying at the Board's principal offices. All submissions should refer to File No. SR-MSRB-98-2 and should be submitted by February 19, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-2184 Filed 1-28-98; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39574; File No. SR-NASD-98-03]

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

January 23, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 22, 1998, 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, II, and III below, which Items have been prepared by NASD Regulation, Inc. ("NASD Regulation"). The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.<sup>2</sup>

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD Regulation is proposing to Amend Rule 1120 regarding the continuing education requirements for registered persons. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

<sup>6</sup> 17 CFR 200-30-3(a)(12).

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

<sup>2</sup> The Commission is concurrently publishing notice of parallel proposed rule changes from other self-regulatory organizations relating to continuing education for registered persons. See Securities Exchange Act Releases Nos. 39575 (CBOE); 39576 (MSRB); and 39577 (NYSE).

<sup>4</sup> 15 U.S.C. 78o-4.

<sup>5</sup> 15 U.S.C. 78o-4.