

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44249; File No. SR-NASD-2001-22]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers Regulation, Inc. Revising the Investment Company Products/ Variable Contracts Limited Principal (Series 26) Examination

May 3, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 27, 2001, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, NASD Regulation, Inc. ("NASD Regulation"), 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 NASD Regulation.<sup>3</sup> NASD Regulation has designated this proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization under section 19(b)(3)(A)(i) of the Act<sup>4</sup> and Rule 19b-4(f)(1),<sup>5</sup> which renders the rule effective upon filing with the Commission. 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

NASD Regulation is proposing revisions to the Investment Company

Products/Variable Contracts Limited Principal (Series 26) examination.<sup>6</sup> The proposed revisions consist of general revisions to update the examination to reflect changes in the rules, regulations, and practices covered by the examination. The text of the Study Outline for the Series 26 examination is available at NASD Regulation and at 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, NASD Regulation 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. NASD Regulation 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

Pursuant to section 15A(g)(3) of the Act,<sup>7</sup> which requires the NASD to prescribe standards of training, experience, and competence for persons associated with NASD members, the NASD has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with NASD members have attained specified levels of competence and knowledge. NASD Regulation periodically reviews the contents of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The NASD's Series 26 Limited Principal examination qualifies individuals to function as a principal in a member's securities business limited to investment company products and variable contracts. This examination tests a candidate's knowledge of securities industry rules and regulations pertinent to such products.

A committee of industry representatives, in conjunction with NASD Regulation staff, recently

undertook a review of the Series 26 examination. As a result of this review, NASD Regulation is proposing revisions to the Series 26 test selection specifications, study outline, and question bank to reflect changes in relevant laws, rules, and regulations and the development of new products, and to more accurately reflect the duties and responsibilities of a Series 26 principal. The examination also has been revised to focus more closely on the supervision of sales activities. In addition, the material has been reorganized into five substantive categories of critical functions that a Series 26 principal may be required to perform. These categories are: hiring and qualification; training of representatives; supervision; sales practices; and business processing and record-keeping. In order to adequately test the material on the revised Series 26 examination, the number of questions will be increased to 110 questions from 100 questions. The allowed testing time will change to 2½ hours from 2 hours. The passing score for the examination will continue to be 70 percent.<sup>8</sup>

###### 2. Statutory Basis

NASD Regulation believes that the proposed revisions are consistent with the provisions of sections 15A(b)(6)<sup>9</sup> and 15A(g)(3) of the Act,<sup>10</sup> which authorize the NASD to prescribe standards of training, experience, and competence for persons associated with NASD members.

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

NASD Regulation 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 purpose of the Act.

##### 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 proposed rule change has become effective pursuant to section 19(b)(3)(A)(i) of the Act<sup>11</sup> and subparagraph (f)(1) of Rule 19b-4

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

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

<sup>3</sup> See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. Revisions to the Series 26 Examination were originally filed with the Commission in SR-NASD-99-51. NASD Regulation has withdrawn SR-NASD-99-51 and refiled the revisions in the instant proposed rule change.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>5</sup> 17 CFR 240.19b-4(f)(1).

<sup>6</sup> The revised examination specifications were filed with the Commission under separate cover pursuant to a request by NASD Regulation for confidential treatment. See 17 CFR 240.24b-2.

<sup>7</sup> 15 U.S.C. 78o-3(g)(3).

<sup>8</sup> See telephone conversation between Rebekah Liu, Special Counsel, SEC, Cyndi Nguyen, Attorney, SEC and Eric Moss, Office of General Counsel, NASD Regulation on May 3, 2001.

<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>10</sup> 15 U.S.C. 78o-3(g)(3).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(i).

thereunder,<sup>12</sup> in that the foregoing proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. NASD Regulation proposes to implement the revised Series 26 examination program on July 2, 2001.

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, including whether the proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. 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-2001-22 and should be submitted by May 30, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44248; File No. SR-NASD-2001-23]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers Regulation, Inc. Revising the General Securities Principal (Series 24) and Corporate Securities Limited Representative (Series 62) Examinations

May 3, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 27, 2001, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, NASD Regulation, Inc. ("NASD Regulation"), 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 NASD Regulation.<sup>3</sup> NASD Regulation has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization under section 19(b)(3)(A)(i) of the Act<sup>4</sup> and Rule 19b-4(f)(1),<sup>5</sup> which renders the rule effective upon filing with the Commission. 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

NASD Regulation is proposing revisions to the General Securities Principal (Series 24) and Corporate Securities Limited Representative (Series 62) examinations.<sup>6</sup> The proposed revisions consists of general revisions to

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

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

<sup>3</sup> See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. Revisions to the Series 24 and Series 62 Examinations were originally filed with the Commission in SR-NASD-99-55. NASD Regulation has withdrawn SR-NASD-99-55 and refiled the revisions in the instant proposed rule change.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>5</sup> 17 CFR 240.19b-4(f)(1).

<sup>6</sup> The revised examination specifications were filed with the Commission under separate cover pursuant to a request by NASD Regulation for confidential treatment. See 17 CFR 240.24b-2.

update the examination programs to reflect changes in the rules, regulations, and practices covered by the examinations. The proposed revisions are reflected in the question bank for the Series 24 and 62 examinations and are available for Commission review. The text of the Study Outlines for the Series 24 and Series 62 examinations are available at NASD Regulation and at 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, NASD Regulation 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. NASD Regulation 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

Pursuant to section 15A(g)(3) of the Act,<sup>7</sup> which requires the NASD to prescribe standards of training, experience, and competence for persons associated with NASD members, the NASD has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with NASD members have attained specified levels of competence and knowledge. NASD Regulation periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The NASD's Series 24 General Securities Principal examination qualifies individuals to manage or supervise the member's investment banking or securities business for corporate securities, direct participation programs, and investment company products/variable contracts. The Series 62 Corporate Securities Limited Representative examination is an NASD examination that qualifies an individual as a representative for the sale of corporate stocks, corporate bonds, rights, warrants, real estate investment

<sup>7</sup> 15 U.S.C. 78o-3(g)(3).

<sup>12</sup> 17 CFR 240.19b-4(f)(1).

<sup>13</sup> 17 CFR 200.30-3(a)(12).