

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,⁴ 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,⁵ 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.⁶

Margaret H. McFarland,

Deputy Secretary.

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

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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"),¹ 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.²

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.

⁶ 17 CFR 200-30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 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).

⁴ 15 U.S.C. 78o-4.

⁵ 15 U.S.C. 78o-4.

1120. Continuing Education Requirements

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

(a) Regulatory Element

(1) *Requirements:* No member shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person unless such person has complied with the requirements of paragraph (a) hereof.

(A) Each registered person shall complete the Regulatory Element on [three occasions, after] the occurrence of their second[, fifth and tenth] registration anniversary [dates] *date and every three years thereafter*, or as otherwise prescribed by the Association. On each [of three occasions] occasion, the Regulatory Element must be completed within [one hundred twenty] 120 days after the person's registration anniversary date. *A person's initial registration date shall establish the cycle of anniversary dates for purposes of this Rule.* The content of the Regulatory Element shall be [prescribed by the Association] *determined by the Association and shall be appropriate to either the registered representative or principal status of person subject to the Rule.*

(B) *Persons Exempted from the Rule—*[Registered persons] *Persons* who have been continuously registered for more than 10 years [as of the effective date of this Rule] *on July 1, 1998*, shall be exempt from participation in the Regulatory Element programs for registered representatives, provided such persons have not been subject *within the last ten years* to any disciplinary action [within the last 10 years] as enumerated in paragraph (a)(3). *A person who has been continuously registered as a principal for more than 10 years on July 1, 1998, shall be exempt from participation in the Regulatory Element programs for registered principals, provided such person has not been subject within the last ten years to any disciplinary action as enumerated in paragraph (a)(3).* In the event [of such disciplinary action,] *that a [person] registered representative or principal who was exempt from participation in Regulatory Element programs subsequently becomes the subject of a disciplinary action as enumerated in paragraph (a)(3), such*

person shall [will] be required to satisfy the requirements of the Regulatory Element [by participation for the period from the effective date of this Rule to 10 years after the occurrence of the disciplinary action] as if the date of such disciplinary action is such person's initial registration date with the Association.

(C) Persons who have been currently registered for 10 years or less as of [the effective date of this Rule] *July 1, 1998*, shall [initially] participate in the Regulatory Element within 120 days after the occurrence of the second[, fifth or tenth] registration anniversary date, *or every third year thereafter*, whichever anniversary date first applies[, and on the applicable registration anniversary date(s) thereafter. Such persons will have satisfied the requirements of the Regulatory Element after participation on the tenth registration anniversary].

(D) All registered persons who have satisfied the requirements of the Regulatory Element shall be exempt from further participation in the Regulatory Element subject to re-entry into the program as set forth in paragraph (a)(3).]

(2) *Failure to Complete—*No change.

(3) *Re-entry into Program:* Unless otherwise determined by the Association, a registered person will be required to re-enter the Regulatory Element and satisfy all of its requirements in the event such person: (A)–(C) No change.

Re-entry shall commence with initial participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) and (C) above[, and on three additional occasions thereafter, at intervals of two, five and 10 years after re-entry, notwithstanding that such person has completed all or part of the program requirements based on length of time as a registered person or completion of ten years of participation in the program]. *The date of the disciplinary action shall be treated as such person's initial registration date with the Association.*

(4) *Reassociation in a Registered Capacity:* Any registered person who has terminated association with a member and who has, within two years of the date of termination, become reassociated in a registered capacity with a member shall participate in the Regulatory Element at such intervals [(two, five and 10 years)] that may apply *(second anniversary and every three years thereafter)* based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity.

(5) *Definition of Registered Person:* For purposes of this Rule, the term "registered person" means any person registered with the Association as a representative, principal, or assistant representative pursuant to the Rule 1020, 1030, 1040, and 1110 Series.

(b) Firm Element

(1) *Persons Subject to the Firm Element—*No change.

(2) *Standards for the Firm Element:*

(A) Each member must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. *If a member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's training plan.*

(B) *Minimum Standards for Training Programs—*Programs used to implement a member's training plan must be appropriate for the business of the member and, at a minimum must cover the following matters concerning securities products, services, and strategies offered by the member:

- (i) General investment features and associated risk factors;
- (ii) Suitability and sales practice considerations; *and*
- (iii) Applicable regulatory requirements.

(C) *Administration of Continuing Education Program—*A member must administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) *Participation in the Firm Element:* Covered registered persons included in a member's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the member.

(4) *Specific Training Requirements:* The Association may require a member, individually or as part of a larger group, to provide specific training to its covered registered persons in such areas as the Association deems appropriate. Such a requirement may stipulate the class of covered registered persons for

which it is applicable, the time period in which the requirement must be satisfied, and, where appropriate, the actual training content.

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

The purpose of the proposed rule change is to revise Rule 1120. Rule 1120 provides for a continuing education program for certain persons registered with the NASD. The program, which is uniform within the 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 distinguish among registration types or categories. The existing program contains content common to registered representatives, supervisors, and other registration categories. The Securities Industry/Regulatory Council on Continuing Education³ 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

³The Securities Industry/Regulatory Council on Continuing Education was created in November 1993 and comprises six self-regulatory organizations ("SROs") and 13 broker-dealers to represent the interests and needs of a wide cross-section of the industry. The SROs include the American Stock Exchange; the Chicago Board Options Exchange, Incorporated; the Municipal Securities Rulemaking Board; the National Association of Securities Dealers Inc.; the New York Stock Exchange, Inc.; and the Philadelphia Stock Exchange. In addition, the Commission and the North American Securities Administrators Association have each assigned liaisons to the Council.

registration categories. The proposed amendments to Rule 1120 would allow for NASD Regulation to require new programs as appropriate with customized training for various registration categories, with the supervisor's program being the first initiative. For purposes of the proposed rule, all the principal registration categories under Rule 1022 would be included in the supervisory program.

The proposed amendments also address the time frames at which registered persons must participate in the Regulatory Element computer-based training. Rule 1120 currently requires all registered persons to complete the training on three occasions, *i.e.*, their second, fifth and tenth registration anniversaries. After a person is registered for more than ten years, he or she is graduated from the program and not required to participate further in the Regulatory Element. However, if at any time a registered person is subject to certain disciplinary actions enumerated in the Rule, then the registered person is required to re-enter the Regulatory Element program. The Council has recommended that these requirements be revised to require ongoing participation in the program by registered persons. In accordance with that recommendation, the proposed amendments to Rule 1120 would require participation in the Regulatory Element throughout a registered person's career, specifically, on the second registration anniversary and every three years thereafter, with no graduation from the program.

Proposed Rule 1120 would 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 proposed rule, and who have not been the subject of a disciplinary action enumerated in the Rule during the past ten years, would continue to be excluded from required ongoing participation in the Regulatory Element. Persons registered in a supervisory capacity would 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 but who have not completed 10 years as a supervisor would be required to re-enter the program.

The Firm Element requires that each member 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. Topics must be specifically related to their business, such as new products, sales practices, risk disclosure, and new regulatory requirements and concerns. The proposed amendments to Rule 1120 would require members to focus specifically 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 would be adopted uniformly with rule changes of the other SRO Council members, would 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, NASD Regulation believes that the proposed rule allowing for the implementation of a program specifically geared towards supervisory and the issues that may arise in that role would result in more effective regulatory training of supervisors as well as improved overall supervision of members.

NASD Regulation proposes to make the rule change effective on July 1, 1998.

2. Statutory Basis

NASD Regulation believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the NASD, and in particular, Section 15A(g)(3).⁴ Under that Section, it is the NASD's responsibility to prescribe standards of training, experience, and competence for persons associated with NASD members. Pursuant to this statutory obligation, NASD Regulation has proposed this rule change in order to enhance the established continuing education program for registered persons.

The proposed rule change also is consistent with Section 15A(b)(6) of the Act,⁵ which requires, among other things, that the rules of a registered securities association be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

⁴ 15 U.S.C. 78o-3(g)(3).

⁵ 15 U.S.C. 78o-3(b)(6).

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

NASD Regulation does not believe the proposed rule change would 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 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 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 NASD Regulation. All submissions should refer to the file number in the caption above and should be submitted by February 19, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

⁶ 17 CFR 300.30(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-2186 Filed 1-28-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39577; File No. SR-NYSE-97-33]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Continuing Education for Registered Persons

January 23, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 8, 1997, 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.²

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

The Exchange is proposing to amend Rule 345A ("Continuing Education for Registered Persons"). Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

Continuing Education for Registered Persons

Rule 345A

(a) *Regulatory Element*—No member or member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program on [three occasions, after] the occurrence of their second[, fifth and tenth] registration anniversary date[s] and every three years thereafter or as otherwise prescribed by the Exchange. On each [of

¹ 15 U.S.C. 78s(b)(1).

² 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 39576 (MSRB).

the three] occasion[s], the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be [prescribed] determined by the Exchange for each registration category of persons subject to the rule.

(1) [Registered] Persons who have been continuously registered for more than ten years as of the effective date of this rule [shall be] are exempt from the requirements of this rule relative to participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten years as enumerated in subsection (a)(3)(i)-(ii) of this Rule. However, persons delegated supervisory responsibility or authority pursuant to Rule 342 and registered in such supervisory capacity are exempt from participation in the Regulatory Element under this provision only if they have been continuously registered in a supervisory capacity for more than ten years as of the effective date of this rule and provided that such supervisory person has not been subject to any disciplinary action under subsection (a)(3)(i)-(ii) of this Rule.

In the event that a registered person who is exempt from participation in the Regulatory Element subsequently becomes the subject of a disciplinary action as enumerated in subsection (a)(3)(i)-(ii), such person shall be required to satisfy the requirements of the Regulatory Element as if the date the disciplinary action becomes final is the person's initial registration anniversary date. [Persons who have been currently registered for ten years or less as of the effective date of this Rule shall initially participate in the Regulatory Element of the continuing education program within one hundred twenty days after the occurrence of the second, fifth or tenth registration anniversary date, whichever anniversary date first applies, and on the applicable registration anniversary dates thereafter. Such persons will have satisfied the requirements of the Regulatory Element of the program after participation on the tenth registration anniversary.]

[All registered persons who have satisfied the requirements of the Regulatory Element shall be exempt from further participation in the Regulatory Element of the program, subject to re-entry into the program as set forth in subsection (a)(3) of this Rule.]

(2) No change.