

trusts, collateralized mortgage obligations, and securities of closed-end companies registered pursuant to the Investment Company Act of 1940. These exams test candidates' knowledge of securities industry rules and regulations pertinent to the respective products listed above.

The staff of the Qualifications Department of NASD Regulation, in conjunction with an industry committee, recently undertook a review of the General Securities Principal and Corporate Securities Limited Representative examination programs. As a result of this review, NASD Regulation is proposing revisions to the examination specifications, study outlines, and question banks for the Series 24 and Series 62 examination programs to reflect changes to the rules and regulations covered by the examinations, including Commission rules relating to Regulation M, the Investment Advisers Act of 1940, and section 11A of the Act⁸ and the rules thereunder. The proposed revisions also reflect changes to NASD rules and regulations, as well as to the Municipal Securities Rulemaking Board Rules G-37 and G-38.

To adequately test the material covered in the revised programs, the number of questions on the Series 24 examination has increased from 125 to 150 questions, and the number of questions on the Series 62 examination has increased from 100 to 115 questions. The allowed testing time will change to 3½ hours for the Series 24 examination and 2½ hours for the Series 62 examination. The passing score for the examinations will continue to be 70 percent.⁹

2. Statutory Basis

NASD Regulation believes that the proposed revisions are consistent with the provisions of sections 15A(b)(6)¹⁰ and 15A(g)(3) of the Act,¹¹ 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 purposes 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 Act¹² and subparagraph (f)(1) of Rule 19b-4 thereunder,¹³ 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 24 and 62 examination programs 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-2001-23 and should be submitted by May 30, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44251; File No. SR-NASD-2001-19]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Reporting Requirements for Clearing Members

May 3, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 21, 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. 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 to adopt Rule 3150 to require all members that are clearing firms to report certain data to the NASD Regulation Department of Member Regulation ("Member Regulation") on a daily basis.

Proposed new language is in italics.

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3100. BOOKS AND RECORDS, AND FINANCIAL CONDITION

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3150. Reporting Requirements for Clearing Firms

Each member that is a clearing firm shall be required to report to the Association on a daily basis and in such format as the Association may require, prescribed data pertaining to the member and any broker-dealer for which it clears. A clearing firm may enter into an agreement with a third party pursuant to which the third party agrees to fulfill the clearing firm's obligations

¹⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁸ 15 U.S.C. 78k-1.

⁹ 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.

¹⁰ 15 U.S.C. 78o-3(b)(6).

¹¹ 15 U.S.C. 78o-3(g)(3).

¹² 15 U.S.C. 78s(b)(3)(A)(i).

¹³ 17 CFR 240.19b-4(f)(1).

under this Rule. Notwithstanding the existence of such an agreement, each clearing firm remains responsible for complying with the requirements of this Rule.

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I. 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

NASD Member Regulation is developing a new business model regarding the surveillance and examination of NASD members. The new program's official title is Integrated National Surveillance and Information Technology Enhancements (commonly referred to as "INSITE"). INSITE will allow NASD Regulation to concentrate its examinations on higher-risk segments of the industry; focus the content of each examination on higher-risk topics; streamline the examination process for the examiners and members; better coordinate regulatory findings with other NASD Regulation departments; and provide specialized training to enhance and maintain examiners' competency levels.

The surveillance component of the INSITE program will produce reports that identify member "exceptions" based on historical and current comparisons of member data. The exceptions will trigger follow-up reviews and possible member examinations. In order for the surveillance component of INSITE to work, it is essential that members that are clearing firms (both those that are self-clearing and those that clear for other firms) provide certain data to NASD Regulation on a daily basis. Proposed Rule 3150 would establish the INSITE reporting requirements and would require members that are clearing firms to provide the necessary data directly to NASD Regulation.³ A

clearing firm member may enter into an agreement with a third party pursuant to which the third party agrees to fulfill the clearing firm's obligations under proposed Rule 3150. Notwithstanding the existence of such an agreement, each member that is a clearing firm will be responsible for complying with the requirements of the proposed rule change.

The text proposed Rule 3150 does not specify the data that must be reported to NASD Regulation. The data elements that NASD Regulation currently expects to require its members that are clearing firms to submit to the Association pursuant to proposed Rule 3150 include items such as trade cancellations (T+1 forward) and as-of-trades, aggregate net liquidating equity in each firm's proprietary accounts, and unsecured customer debits. The Association will continue to work with its clearing firm members and the SEC staff in identifying the data that is needed in order to operate the surveillance component of INSITE. The Association will also provide its clearing firms members with advance notice through the NASD Notice to Members process (or similar guidance) of any changes to the required data elements. Moreover, NASD Regulation will advise its clearing firm members of the format to be used in transmitting information pursuant to proposed rule 3150, and the methodology by which NASD Regulation will require its clearing firm members to submit the following to the Association.

2. Statutory Basis

NASD Regulation believes that the proposed rule change is consistent with the provisions of section 15A(b)(6) of the Act,⁴ which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

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 purposes of the Act.

Telephone conversations between Shirley H. Weiss, Office of General Counsel, NASD Regulation, and Heidi Pilpel, Special Counsel, and Lisa Jones, Attorney, Division of Market Regulation, Commission (May 2, 2001).

⁴ 15 U.S.C. 78o-3(b)(6).

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

NASD Regulation has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing and 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, including whether the proposed rule change 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 No. SR-NASD-2001-19 and should be submitted by May 30, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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³ The Association anticipates requesting members that are clearing firms to submit data electronically.

⁵ 17 CFR 200.30-2(a)(12).