define gross revenue for assessment purposes as income reported on the FOCUS report, with certain limited exclusions and deductions.² The FOCUS report reports income on a calendar year basis. However, Section 1 (a) of Schedule A was not amended when this change was enacted and still gives members the election to report on either a calendar year or fiscal year basis. The NASD is proposing to amend Section 1(a) of Schedule A to require all member firms to report annual gross revenue on a calendar year basis and to delete portions of the section that are no longer applicable. The NASD believes that the proposed amendment will simplify the data collection and reporting process for the NASD, provide a consistent basis for assessments among member firms and rectify the current inconsistency between Sections 1 and 5 of Schedule A.

Recently, the NASD also amended Schedule C to the By-Laws by adding new Part XII prescribing requirements for the continuing education of certain registered persons subsequent to their qualification and registration with the NASD.³ The new rule established a formal two-part Securities Industry Continuing Education Program for securities industry professionals that would require uniform periodic training in regulatory matters (the "Regulatory Element") and ongoing programs by firms to keep employees informed of the products, services and investment strategies of their firms (the "Firm Elements"). Uniform rules in this area have also been adopted by other selfregulatory organizations, including the New York Stock Exchange, the American Stock Exchange, the Philadelphia Stock Exchange, the Chicago Board Options Exchange and the Municipal Securities Rulemaking Board ("SROs"). The participating SROs have established a permanent Securities Industry/Regulatory Council on Continuing Education ("Council") to make recommendations to SROs concerning the content of the Regulatory Element and requirements for satisfying the Firm Element.

An important feature of the continuing education program is that it would be operated on a cost recovery basis and generate modest reserves for unanticipated future expenditures. The participating SROs will begin administration of the Regulatory Element on July 1, 1995. This will

include tracking and follow-up by the NASD's Central Registration Depository of persons subject to the program's requirements and administering the computer-based training program through the NASD PROCTOR system at PROCTOR centers or at newly-created mobile centers or special sessions for on-site delivery of the program. The Firm Element will be administered in two stages, with members required to complete written training plans by July 1, 1995 and implement such plans no later than January 1, 1996. The administration of this element will involve on-site review by the SROs of compliance of the plans with the Firm Element will be borne largely by the members, the NASD will function as Program Administrator for the Regulatory Element and will incur significant initial start-up and ongoing operational costs.

In order to cover the costs associated with the administration of the program, the NASD is proposing to amend Section 2 to Schedule A by adding a new provision to assess a \$75.00 session fee against each individual required to complete the Regulatory Element of the continuing education program. The fee would apply to recoup the expenses of the Council and to cover the development, start-up and on-going operational costs of administering the Regulatory Element.

The NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act⁴ which require that the rules of the Association provide for the equitable allocation of reasonable dues, fees, and other changes in that the proposed rule provides a consistent basis for assessments among member firms and rectifies the current inconsistency between Sections 1 and 5 of Schedule A, and fairly assesses a charge to cover the start-up and ongoing costs incurred by the Association in the administration of the Regulatory Element of the continuing education requirements.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The NASD 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, 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 of the proposed rule change to Section 1 to Schedule A to the NASD By-Laws 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 selfregulatory 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.

The proposed rule change to Section 2 to Schedule A to the NASD By-Laws has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e) of Rule 19b-4 thereunder because the NASD has designated the part of the proposal for continuing education fees as one establishing or changing a fee under §19(b)(3)(A)(ii), which renders the rule effective upon the Commission's receipt of this filing. At any time within 60 days of the filing of such 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statement 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-95-23 and should be submitted by June 30, 1995.

 $^{^2}$ See Securities Exchange At Release No. 35074 (December 9, 1994); 59 FR 64827 (December 15, 1994).

³ See Securities Exchange Act Release No. 35341 (February 8, 1995); 60 FR 8426 (February 14, 1995).

⁴¹⁵ U.S.C. 78o3.