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–94–55 and should be submitted by February 17, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority. 13

Jonathan G. Katz,

Secretary.

[FR Doc. 95–2073 Filed 1–26–95; 8:45 am]

[Release No. 34–35258; File No. SR–Phlx–94–15]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Limited Registration/Floor Member Registration Status and the Use of the Series 7A Examination

January 20, 1995.

On October 3, 1994, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") 1 and Rule 19b-4 thereunder,² a proposed rule change to amend Rule 604, Registration and Termination of Registered Representatives, to adopt a limited registration provision applicable to persons conducting a professional customer business from the Phlx trading floor and to adopt the Content Outline for the Examination Module for Floor Members Engaged in Public Business with Professional Customers ("Content Outline"). The Exchange also proposes to adopt a requirement that persons conducting functions customarily performed by a registered representative must register and be qualified pursuant to Phlx Rule 604.

The proposed rule changes were published for comment in Securities Exchange Act Release No. 35055 (December 7, 1994), 59 FR 64452 (December 14, 1994). No comments were received on the proposals. This order approves the proposed rule changes.

I. Proposal

Phlx Rule 604, Registration and Termination of Registered Representatives, currently requires every registered representative of a member or participant organization to be registered with and approved by the Phlx. The Phlx proposes to amend Rule 604 to clarify that not only registered representatives, but also persons conducting functions customarily performed by a registered representative must register and be qualified pursuant to Phlx Rule 604.3 The Exchange seeks to clarify this requirement by adopting a specific provision in Rule 604(a) which would expressly state that conducting a public business requires registration pursuant to the General Securities Registered Representative ("Series 7") Examination.4

In addition to amending Rule 604(a), the Exchange seeks to adopt a new paragraph (c) of Rule 604 to permit a limited registration for persons conducting a professional customer business from the Phlx trading floor. In lieu of full registration as a registered representative, the proposed limited registration would apply to accepting orders from professional customers only, as defined in proposed Rule 604(c)(i).5 Limited registration/floor members would be required to register as such with the Exchange and pass an examination.⁶ This examination, a subset of the Series 7 Examination,

would be tailored toward the professional customer business being conducted, testing knowledge required to conduct such a business. The advantage of such an examination is that it would cover important topics relevant to conducting a professional customer business, but not knowledge particular to conducting a retail business. The Content Outline details the topics contained in the examination: federal and state securities laws; general characteristics of equity securities and corporate bonds; conduct respecting customer accounts; primary and secondary securities markets; and order execution, confirmation, settlement and recordkeeping.

II. Discussion

The Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, with the requirements of Sections 6(b)(5) and 6(c)(3)(B) of the Act.⁷ Section 6(b)(5)requires, among other things, that the rules of an exchange 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. Section 6(c)(3)(B) provides that a national securities exchange may examine and verify the qualifications of an applicant to become a person associated with a member in accordance with procedures established by the rules of the exchange, and require any person associated with a member, or any class of such persons, to be registered with the exchange in accordance with procedures so established.

The Commission also believes that the proposed rule changes are consistent with Section 15(b)(7) of the Act 8 which stipulates that prior to effecting any transaction in, or inducing the purchase or sale of, any security, a registered broker or dealer must meet certain standards of operational capability, and that such broker or dealer (and all natural persons associated with such broker or dealer) must meet certain standards of training, experience, competence, and such other qualifications as the Commission finds necessary or appropriate in the public interest or for the protection of investors.

The Commission also believes that the amendment to Rule 604(a) will clarify

^{13 17} CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. § 78s(b)(1) (1988).

^{2 17} CFR 240.19b-4 (1991).

³The Exchange notes that its members who are also NYSE members, for example, are currently subject to the NYSE's registration provisions; "Phlxonly" members would now be subject to a corresponding provision.

⁴ The Series 7 Examination is an industry-wide qualification examination for persons seeking registration as general securities representatives. The Commission recently approved a proposed rule change that updated the Series 7 Examination. Securities Exchange Act Release No. 34853 (October 18, 1994), 59 FR 53694.

⁵The proposal would define a professional customer to include: a bank, trust company, insurance company, investment trust, state or political subdivision thereof, charitable or nonprofit educational institution regulated under the laws of the United States, or any state, or pension or profit sharing plan subject to ERISA or of an agency of the United States or of a state or political subdivision thereof or any person who has, or has under management, net tangible assets of at least sixteen million dollars. For purposes of this definition of professional customer, the term "person" shall mean the same as that term is defined in Phlx Rule 20, except that it shall not include natural persons.

⁶The Exchange will use the Series 7A
Examination that was approved in SR-NYSE-93-10
(Securities Exchange Act Release No. 32698 (July
29, 1993), 58 FR 41539). The Series 7A Examination
for Phlx members will be administered by the New
York Stock Exchange, Inc. ("NYSE"). Telephone
conversation between Edith Hallahan, Special
Counsel, Regulatory Services, Phlx and Elisa
Metzger, Senior Counsel, Office of Market
Supervision, Division of Market Regulation, SEC,
on December 5, 1994.

⁷¹⁵ U.S.C. § 78f(b)(5) and (c)(3)(B) (1988).

⁸¹⁵ U.S.C. § 78o(b)(7) (1988).