

given the nature of the violation.<sup>9</sup> PSE Rule 10.13 provides for an appropriate response to minor violations of certain Exchange rules while preserving the due process rights of the party accused through specified required procedures.<sup>10</sup>

Moreover, the Commission finds that violations of the provisions being added to the MRP are objective and technical in nature, and easily verifiable, thereby lending themselves to the use of expedited proceedings. Noncompliance with the provisions may be determined objectively and adjudicated quickly without the complicated factual and interpretive inquiries associated with more sophisticated Exchange disciplinary proceedings. If, however, the Exchange determines that a violation of one of these rules is not minor in nature, the Exchange retains the discretion to initiate full disciplinary proceedings in accordance with Exchange Rule 10.3.

The Commission also believes that the establishment of an administrative charge for the late filing of periodic FOCUS Reports is consistent with Section 6(b)(1) of the Act in that it will enhance the Exchange's ability to enforce compliance with Rule 17a-5 under the Act and the rules of the Exchange by providing the PSE with a standardized response to such instances and members with a clear incentive to file their periodic FOCUS Reports on a timely basis.

Finally, the Commission finds that, consistent with Section 6(b)(6), the imposition of both the recommended fines for the above-listed additions to the MRP and an administrative charge for the late filing of periodic FOCUS Reports should result in appropriate discipline of members, in a manner that is proportionate to the nature of such violations. The Commission, however, expects the PSE to bring full disciplinary proceedings in appropriate cases involving the additions to the MRP and the late filing of periodic FOCUS Reports (e.g., in cases where the violation is egregious or where there is a history or pattern of repeated violations).

<sup>9</sup> The inclusion of a rule in an exchange's minor rule plan should not be interpreted to mean that it is not an important rule. On the contrary, the Commission recognizes that the inclusion of minor violations of particular rules under a minor rule violation plan may make the exchange's disciplinary system more efficient in prosecuting more egregious and/or repeated violations of these rules, thereby furthering its mandates to protect investors and the public interest.

<sup>10</sup> The MRP permits any person to contest the Exchange's imposition of a fine through submission of a written answer, at which time the matter will become a formal disciplinary proceeding.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-PSE-95-27) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-36629; International Series Release No. 909; File No. SR-NYSE-95-29]

**Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendments No. 1 and 2 Relating to the Specifications and Content Outline for the Canadian Module of the General Securities Registered Representative Examination (Series 37 and Series 38)**

December 21, 1995.

**I. Introduction**

On September 18, 1995, the New York Stock Exchange, Inc. ("NYSE" 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")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt a Canadian module of the General Securities Registered Representative Examination.

The proposed rule change was published for comment in the Federal Register on October 23, 1995.<sup>3</sup> No comments were received on the proposal. Amendment No. 1<sup>4</sup> was filed on November 2, 1995. Amendment No. 2<sup>5</sup> was filed on December 19, 1995. This order approves the proposal, including Amendments No. 1 and 2 on an accelerated basis.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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

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

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

<sup>3</sup> Securities Exchange Act Release No. 36378 (Oct. 16, 1995), 60 FR 54401.

<sup>4</sup> Amendment No. 1 confirmed that the Exchange has procedures in place that ensure the module remains current in view of industry changes in the United States as well as Canada, and it assigned separate series numbers to the two examinations contained in the module. See Letter dated November 1, 1995, from James E. Buck, Senior Vice President and Secretary, NYSE, to Glen Barrentine, Team Leader, SEC.

<sup>5</sup> Amendment No. 2 broadened the scope of the module slightly by adding some subtopics to it. See letter dated December 15, 1995, from James E. Buck, Senior Vice President and Secretary, NYSE, to Glen Barrentine, Team Leader, SEC.

**II. Description of the Proposal**

Presently, registered representatives who are already qualified to conduct business in Canada and who wish to sell securities in the United States must qualify as registered representatives in the U.S. by successfully completing the General Securities Registered Representative Examination (Series 7). In an effort to reduce redundant qualification requirements, the Exchange has developed a Canadian module of the Series 7 which consists of two examinations, the Series 37 and the Series 38. As a subset of the Series 7, these examinations cover subject matter that is not covered, or is not covered in sufficient detail, on the Canadian qualification examinations. The Series 37 is for Canadian registered representatives who hold the additional Canadian license to sell options. This examination contains only 45 questions because it excludes questions pertaining to options. All other Canadian registered representatives must pass the Series 38. This is a 90 question examination that includes questions concerning options.

To become registered with the Exchange, qualified Canadian registered representatives in good standing with the Canadian securities authorities would be required to obtain a passing score on one of the two examinations contained in the Canadian module. Canadian representatives seeking to sell municipal securities, however, would be required to pass either the standard Series 7 or a combination of the applicable Canadian module examination and the Series 52 (Municipal Securities Representative Examination).

**III. Discussion**

After careful review, the Commission finds that the proposed rule change is 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 Section 6(b)(5) and Section 6(c)(3)(B).<sup>6</sup>

The Commission believes the proposal is consistent with Section 6(b)(5)<sup>7</sup> because it is designed to perfect the mechanism of a free and open market. The Canadian module of the series 7 reduces duplicative qualification requirements and, at the same time, allows the Exchange to ensure that the Canadian representatives wishing to become registered with the Exchange are fully qualified. In addition, U.S. representatives currently receive substantially reciprocal

<sup>6</sup> 15 U.S.C. 78f(b)(5) and 78f(c)(3)(B).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

treatment from the Canadian securities authorities, thus easing their access to the Canadian market.<sup>8</sup>

The Commission also believes the proposal is consistent with Section 6(c)(3)(B)<sup>9</sup> because it establishes standards of training, experience, and competence for persons associated with Exchange members and member organizations. The Canadian module should provide comprehensive coverage of the topics contained in the Series 7 that are not covered, or are not covered in sufficient detail, in the Canadian qualification examinations.

Accordingly, the Canadian module, along with the Canadian qualification examinations, should adequately measure the Canadian representatives' knowledge of U.S. securities laws, markets, investment products, and sales practices.

The Commission finds good cause for approving proposed Amendments No. 1 and 2 prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register.

Amendment No. 1 confirmed that the Exchange has procedures in place that ensure the module remains current in view of industry changes in the United States as well as Canada, and it assigned separate series numbers to the two examinations contained in the module. Amendment No. 2 broadened the scope of the Canadian module slightly to ensure that it is sufficient to measure Canadian registered representatives' knowledge of U.S. securities laws, markets, investment products, and sales practices. Although Amendment No. 2 added a few subtopics, the general scope of the module did not change. For these reasons, the Commission finds good cause for accelerating approval of Amendments No. 1 and 2.

Interested persons are invited to submit written data, views, and arguments concerning Amendments No. 1 and 2 to the proposed rule change. Persons 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 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

Amendments No. 1 and 2 between the Commission and any persons, 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-95-29 and should be submitted by January 19, 1996.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-NYSE-95-29), including Amendments No. 1 and 2 on an accelerated basis, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-36633; File No. SR-Amex-95-51]

### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange, Inc. Relating to the Use of Automated Telephone Voting Systems by Member Organizations or Their Proxy Agents**

December 22, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 13, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") 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 the self-regulatory organization. On December 15, 1995, the Exchange submitted Amendment No. 1 to the proposed rule change.<sup>1</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> See Letter from Claudia Crowley, Special Counsel, Amex, to Glen Barrentine, Team Leader, Division of Market Regulation, SEC, dated December 14, 1995. Amendment No. 1 clarifies that the Exchange is filing its proposed rule change pursuant to Rule 19b-4(e)(6) as a "non-controversial" rule change and makes appropriate changes to the Form 19b-4. See *infra* note 3 for further description of Amendment No. 1.

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

The Exchange is proposing to amend Rule 577 and Section 723 of the Company Guide to permit the use of automated telephone voting systems by member organizations or their proxy agents.

The proposed rule change would amend Amex Rule 577 and Section 723 of the Amex Company Guide by adding the following text:

Instructions from beneficial owners may also be accepted by member organizations or their agents through the use of an automated telephone voting system which has been approved by the Exchange. Such a system shall utilize an identification code for beneficial owners and provide an opportunity for beneficial owners to validate votes to ensure that they were received correctly. The automated system must provide beneficial owners with the same power and authority to issue, revoke, or otherwise change voting instructions as currently exists for instructions communicated in written form. Records of voting including the date of receipt of instructions and the name of the recipient must be retained by the member organizations or their agents.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of an 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. The self-regulatory organization 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

Exchange Rules 575 through 585 specify the manner in which an Exchange member organization must transmit proxy materials to customers who are the beneficial owners of securities held of record by the member organization. The voting process which is currently used by member organizations (or their proxy agents) provides for the transmission of a proxy statement and voting authorization form to beneficial owners. The appropriate voting selections are indicated on the form by the beneficial owner and mailed

<sup>8</sup> The Canadian Securities Institute, in conjunction with the Investment Dealers Association of Canada, developed the New Entrants Exam. The New Entrants Exam is a shortened examination module for U.S. qualified registered representatives seeking to conduct business with Canadian citizens.

<sup>9</sup> 15 U.S.C. 78f(c)(3)(B).