

### *III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action*

The Amex represents that the foregoing rule change effects a change in an Amex order-entry system that: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not have the effect of limiting the access to or availability of the system. Therefore, the rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and subparagraph (f)(5) of Rule 19b-4 under the Act.<sup>10</sup>

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 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. 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 at the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-99-11 and should be submitted by May 18, 1999.

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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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-41314; File No. SR-NASD-99-17]

April 20, 1999

#### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to SelectNet Fees**

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> notice is hereby given that on March 24, 1999, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary the Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq.

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

The NASD is submitting this proposed rule change to extend, through March 31, 2000, the fees currently charged under NASD Rule 7010(l) for the execution of transactions in SelectNet as discussed below. If no further action is taken, SelectNet fees will revert to their original per-side level on April 1, 2000.<sup>3</sup>

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

In its filing with the Commission, Nasdaq included statements concerning the purpose of, and basis for, the proposed rule change. Nasdaq has prepared summaries, set forth below in Sections A, B, and C 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**

Nasdaq is proposing to again extend its current reduced SelectNet fees. The

reasons for Nasdaq's prevailing SelectNet fee structure were fully explained in its original fee structure proposal filed with the Commission in February of 1998.<sup>4</sup> Since then, SelectNet usage has continued at significantly elevated levels. As such, Nasdaq believes that an extension of these reduced fees, through March 31, 2000, is warranted. Under the proposed extension, SelectNet fees would continue to be assessed in the following manner: (1) \$1.00 will be charged for each SelectNet order entered and directed to one particular market participant that is subsequently executed in whole or in part, (2) no fee will be charged to a member who receives and executes a directed SelectNet order, (3) the existing \$2.50 fee will remain in effect for both sides of executed SelectNet orders that result from broadcast messages; and (4) a \$0.25 fee will remain in effect for any member who cancels a SelectNet order. Nasdaq will continue to monitor and review SelectNet activity to determine if further extensions of its reduced SelectNet fee structure are appropriate. If no further action is taken, SelectNet fees will revert to their original \$2.50 per-side level on April 1, 2000.

For the reason set forth above, Nasdaq believes that the proposed rule change is consistent with Section 15A(b)(5) of the Act,<sup>5</sup> which requires that the rules of the NASD provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls.

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

The NASD believes that the proposed rule change will not 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**

Comments were neither solicited nor received.

<sup>4</sup> See Securities Exchange Act Release No. 39641 (February 10, 1998), 63 FR 8241 (February 18, 1998). Nasdaq's current reduced fee structure was originally approved for a 90 day trial period, commencing the day that the proposal was published in the **Federal Register**. The reduced fees were extended in May, September and November of 1998 and would expire on March 31, 1999, if not extended by this filing. See Securities Exchange Act Release No. 40783 (December 11, 1998), 63 FR 70177 (December 18, 1998).

<sup>5</sup> 15 U.S.C. 78o-3(b)(5).

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

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

<sup>3</sup> Nasdaq notes that it recently filed with the Commission a rule proposal to, in part, return SelectNet to a pure order delivery and negotiation facility. See SR-NASD-99-11. Notwithstanding the one year extension of reduced fees contemplated here, Nasdaq reserves the right to adjust its SelectNet pricing by proposed rule change pending the approval of SR-NASD-99-11.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(5).

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

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

This filing applies to the assessment of SelectNet fees to NASD members, and thus the proposed rule change is effective immediately upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>6</sup> and subparagraph (f)(2) of Rule 19b-4<sup>7</sup> under the Act because the proposal is establishing or changing a due, fee or other charge.

### 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, N.W., Washington, D.C. 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-99-17 and should be submitted by May 18, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41306; File No. SR-Phlx-99-07]

#### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Requirement for Off-Floor Traders for Which the Exchange Is the Designated Examining Authority To Successfully Complete the General Securities Representative Examination Series 7

April 16, 1999.

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> notice is hereby given that on March 15, 1999, the Philadelphia Stock Exchange, Inc. ("Phlx" 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. On April 7, 1999, the Phlx filed Amendment No. 1.<sup>3</sup> On April 13, 1999, the Phlx filed Amendment No. 2.<sup>4</sup> 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

The Exchange proposes to amend Phlx Rule 604, Registration and Termination of Registered Representatives, to require successful completion of the National Association of Securities Dealers General Securities Representative Examination ("Series 7 Exam") by persons associated with member of participant organizations for which the Exchange is the Designated Examining Authority ("DEA") who are trading from off the floor of the Exchange.

Specifically, the Exchange seeks to require associated persons of members or member organizations for which the Exchange is the DEA, but who are not themselves Exchange members, who engage in proprietary trading of equities and options, including, but not limited to, persons who execute such trades or

make trading decisions with respect to such trades, to successfully complete the Series 7 Exam. The proposed rule would apply to those persons who are not Exchange members registered in a trading capacity on the floor of the Exchange.

The text of the proposed rule change is below. Additions are italicized, and deletions are bracketed.

Rule 604. Registration and Termination of Registered [Representatives] Persons

*(e) (i) Every person who is compensated directly or indirectly by a member or participant organization for which the Exchange is the DEA who executes, makes trading decisions with respect to, or otherwise engages in proprietary or agency trading of equities, preferred securities, convertible debt securities or options off the floor of the Exchange ("off-floor traders"), must successfully complete the General Securities Registered Representative Examination Test Series 7.*

*(1) The requirement to successfully complete the Series 7 examination applies to current off-floor traders as well as future off-floor traders who affiliate with members at a later date. Off-floor traders currently engaged in off-floor trading activity at the time of approval of this rule must successfully complete the Series 7 examination within six (6) months of notification by the Exchange.*

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#### 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 Exchange 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. The Exchange 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

The Exchange proposes to add paragraph (e) of Phlx Rule 604 to establish examination requirements for securities traders not located on the floor of the Exchange. Currently, the Exchange specifies qualification requirements for various persons conducting a public business or duties customarily performed by a registered

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

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

<sup>3</sup> Amendment No. 1 removed a description of professional traders from the filing. Letter from Richard S. Rudolph, Legal Counsel, Phlx, to Karl Varner, Special Counsel, Division of Market Regulation ("Division"), SEC, April 6, 1999.

<sup>4</sup> Amendment No. 2 made technical changes to the proposed rule change. Letter from Richard S. Rudolph, Legal Counsel, Phlx, to Karl Varner, Special counsel, Division, SEC, April 12, 1999.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>7</sup> 17 CFR 240.19b-4(f)(2).

<sup>8</sup> 17 CFR 200.30-3(a)(12).