

education program into two parts: The Regulatory Element, which emphasizes subjects regarding legal and ethical standards, and the Firm Element, which contemplates the timely transmission of product related information to maintain and expand individuals' professional knowledge. Taken together, the Elements form the basis for an educational program that should ensure that registered persons have the training and knowledge necessary to conduct themselves in an appropriate professional manner, over the course of their careers. The Commission also notes that the re-entry provision of the Regulatory Element, which is triggered by disciplinary action, will ensure that those individuals who have not complied with all applicable regulatory requirements, receive further training as a condition to their re-entry into business.

The Commission believes that a continuing education requirement for persons in the securities industry, administered pursuant to industry developed standards, will benefit public investors as a result of the increased knowledge and enhanced understanding of regulatory and ethical standards by industry members. SRO qualification of registered persons of broker-dealers is of critical importance in promoting compliance with the requirements of the federal securities laws. Increasing the sensitivity of registered persons to regulatory and ethical matters also should enhance investor confidence in the securities industry. Moreover, the recent attention that has been devoted to derivatives underscores the need for securities industry personnel to receive thorough training in the products in which they deal.

The SROs have noted that the Regulatory Element of the program initially will be administered only in the NASD's testing centers, stating that this is necessary to allow the NASD to manage the introduction of the program in a reasonable manner. Nevertheless, interest has been expressed in permitting member firms either to administer the Regulatory Element in-house, or to solicit the services of outside vendors. While recognizing the concerns of the Council and the SROs regarding the technological and administrative issues that arise in connection with the in-house administration of the Regulatory Element, the Commission encourages the Council and the SROs to continue to study whether practical and reasonable

alternatives to the NASD's testing centers can be developed.²⁶

The Commission notes with approval that the Firm Element Committee of the Council is developing guidelines for dealers' use in devising and carrying out training programs to meet the requirements of the Firm Element, including providing guidance as to how different firms might approach the requirements (e.g., firms that deal with one product, small firms, and firms with large numbers of very small offices or solo representatives).

These guidelines will offer suggestions intended to help firms devise appropriate and reasonable programs consistent with their own unique characteristics and businesses. The Commission believes that such guidance will particularly benefit smaller firms and should lessen their costs of compliance with the Firm Element. The Commission encourages the SROs, as they gain experience with the continuing education program, to continue such efforts.

VI. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,²⁷ that the proposed rule changes (File Nos. SR-AMEX-94-59, SR-CBOE-94-49, SR-CHX-94-27, SR-MSRB-94-17, SR-NASD-94-72, SR-NYSE-94-43, SR-PSE-94-35, and SR-PHLX-94-52) are approved.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35344; File No. SR-Amex-95-03]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Change by American Stock Exchange, Inc. Relating to a Pilot Program for Execution of Odd-lot Market Orders

February 8, 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 February 2, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the

²⁶ Specifically, delivery of the Regulatory Element other than through the NASD's testing centers would require that appropriate safeguards be developed to ensure the integrity of the program and the ability to capture the necessary information for feedback.

²⁷ 15 U.S.C. § 78s(b)(2) (1988).

Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 Amex proposes that the Commission extend for twelve months the Exchange's existing pilot program under Rule 205 requiring execution of odd-lot market orders at the prevailing Amex quote with no differential charged.¹ The text of the proposed rule change is available at the Office of the Secretary, Amex, and at the Commission.

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, 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 III 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

The Commission has approved, on a pilot basis extending to February 8, 1995, amendments to Exchange Rule 205 to require the execution of odd-lot market orders at the prevailing Amex quote with no odd-lot differential.² These procedures initially were approved by the commission on a pilot

¹ The Exchange seeks accelerated approval of the proposed rule change in order to allow the pilot program, which expires on February 8, 1995, to continue without interruption. The Commission notes that, under current Rule 205, no differential may be charged on odd-lot order transactions, except for non-regular way trades. See *infra*, note 5.

² See Securities Exchange Act Release No. 34949 (November 8, 1994), 59 FR 58863 (November 15, 1994) (approving File No. SR-AMEX-94-47).