

### 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).

representative. These qualification requirements are enumerated in Phlx Rule 604.<sup>5</sup> No similar qualification requirement exists for persons who conduct trading activities from off the floor of the Exchange. The purpose of the proposed rule change is to bring the Exchange's qualification requirements in line with those of the other major securities exchanges and enhance the consistency of qualification requirements across the exchanges by adding testing requirements for off-floor traders and certain other associated persons of members who are not covered by the current qualification requirements for floor traders.

The Exchange has discovered that the majority of those persons to whom the proposed rule would apply are associated with certain limited liability companies ("LLC") for the purpose of conducting off-floor trading in their own accounts. These securities traders become members of the LLC to avail themselves of good faith margin provided through the LLC's Joint Back Office agreement with its clearing agent.

The new Series 7 Exam requirements, if approved, will apply to all previously registered persons, who will be required to successfully complete the Series 7 Exam within six months of notice by the Exchange. The new examination requirement would be phased in over a six-month period. Associated persons who are currently registered to trade from off the floor of the Exchange would be required to register to take the Series 7 Exam within 30 days of the Exchange's notice to membership of this requirement and those off-floor traders to whom the order applies will be required to notify the Exchange promptly that they have so registered. Off-floor traders required to register for the Series 7 Exam will have six months from the date of notice by the Exchange in which to successfully complete the Series 7 Exam.

Off-floor traders to whom the proposed rule applies who become associated with member organizations after notice of this requirement must successfully complete the Series 7 Exam prior to conducting securities trading activities for which the examination is required.

The proposed rule change is consistent with Section 6 of the Act<sup>6</sup> in general, and furthers the objectives of Section 6(c)(3)(A) of the Act<sup>7</sup> and

Section 6(c)(3)(B) of the Act<sup>8</sup> in particular, in that it is designed to prescribe appropriate standards of training, experience, and competence for brokers and dealers and persons associated with Exchange members in order to protect investors and the public. The proposed rule change is also consistent with Section 6(b)(5) of the Act<sup>9</sup> in general, in that it is designed to perfect the mechanisms of a free and open market and a national market system, and to protect investors and the public interest by requiring registered off-floor traders to demonstrate their qualifications to trade by successfully passing the Series 7 Examination.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

#### *C. Self-Regulatory Organization's Statement on Comment on the Proposed Rule Change Received From Members, Participants or Others*

No written comments were either solicited or 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 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 Phlx 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.

#### **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 20549-0609. 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 Phlx. All submissions should refer to File No. Sr-Phlx-99-07 and should be submitted by May 18, 1999.

For the Commission, by the Division on Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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#### **DEPARTMENT OF STATE**

[Public Notice No. 3031]

#### **Advisory Committee on International Economic Policy; Meeting Notice**

The Advisory Committee on International Economic Policy (ACIEP) will meet from 9:00 a.m. to 1:00 p.m. on Tuesday, May 18, 1999, in Room 1107, U.S. Department of State, 2201 C Street, NW, Washington, DC 20520. The meeting will be hosted by Committee Chairman R. Michael Gadbaw and by Assistant Secretary of State for Economic and Business Affairs Alan P. Larson.

The ACIEP serves the U.S. Government in a solely advisory capacity concerning issues and problems in international economic policy. The objective of the ACIEP is to provide expertise and insight on these issues which are not available within the U.S. Government. Topics for the May 18 meeting will be: China: WTO Accession, Economic Relations, and Broader Agenda; Sanctions: Administration Initiatives, Status of Legislation, and State and Local Measures; Addressing Labor, Environmental, and Transparency Concerns in Economic Agreements; and U.S.-European Cooperation: Managing Trade Issues and Rebuilding a New Southeast Europe.

Members of the public may attend these meetings as seating capacity allows. While the meeting is open to the public, admittance to the Department of State Building is only by means of a pre-arranged clearance list. In order to be placed on this list, please provide your

<sup>5</sup> Securities Exchange Act Release No. 36515 (November 27, 1995), 60 FR 62119 (December 4, 1995) (File No. SR-Phlx-95-58) (order approving amendment of Phlx Rule 604).

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(c)(3)(A).

<sup>8</sup> 15 U.S.C. 78f(c)(3)(B).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 17 CFR 200.30-3(a)(12).