

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-52916; File No. SR-Phlx-2005-71)

December 7, 2005

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Revisions to the Series 9/10 Examination Program

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 November 16, 2005, 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 Phlx. On November 29, 2005, Phlx filed Amendment No. 1 to the proposed rule change. Phlx has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) of the Act<sup>3</sup> and Rule 19b-4(f)(1) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

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

The Phlx proposes to file revisions to the study outline and selection specifications for the Limited Principal – General Securities Supervisor (Series 9/10) examination (“Series 9/10 Examination”), which is administered by the National Association of Securities Dealers, Inc. (“NASD”). The proposed revisions update the material to reflect changes to the laws, rules, and regulations covered by the Series 9/10 Examination, as well as modify the content of the examination program to track more closely the functional workflow of a Series 9/10 limited principal. Phlx is not proposing any textual changes to its rules.

The revised Series 9/10 Examination study outline is available on Phlx’s Web site (<http://www.phlx.com>), at the Phlx, and at the Commission.<sup>5</sup>

However, The Exchange has omitted the Series 9/10 Examination selection specifications from this filing and has submitted the specifications under separate cover to the Commission with a request for confidential treatment pursuant to Rule 24b-2 under the Act.<sup>6</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, the Phlx 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 Phlx has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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<sup>5</sup> The Series 9/10 Examination study outline is also available on NASD’s Web site (<http://www.nasd.com>).

<sup>6</sup> 17 CFR 240.24b-2.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Series 9/10 Examination tests a candidate’s knowledge of securities industry rules and regulations and certain statutory provisions pertinent to the supervision of sales activities. The Series 9/10 Examination is shared by Phlx and the following SROs: the NASD, the American Stock Exchange LLC , the Chicago Board Options Exchange, Inc., the Municipal Securities Rule Making Board (“MSRB”) , the New York Stock Exchange, Inc. (“NYSE”), and the Pacific Exchange, Inc.

A committee of industry representatives, together with the staff of NASD and the other SROs, recently undertook a periodic review of the Series 9/10 examination program. As a result of this review, the NASD has filed a rule change proposal with the Commission<sup>7</sup> and Phlx is proposing a similar rule change to update the content of the examination to cover Regulation S-P,<sup>8</sup> MSRB Rules G-37/G-38, SRO research analyst and anti-money laundering rules, municipal fund securities (e.g., 529 college savings plans), and exchange traded funds. Phlx is further proposing revisions to the study outline to reflect the Commission’s short sale requirements. In addition, as part of an ongoing effort to align the examination more closely to the supervisory duties of a Series 9/10 limited principal, the proposal would modify the content of the examination to track the functional workflow of a Series 9/10 limited principal, and would

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<sup>7</sup> See Securities Exchange Act Release No. 52548 (September 30, 2005), 70 FR 59111 (October 11, 2005) (SR-NASD-2005-111). In the filing, the NASD proposes an implementation date of no later than November 30, 2005.

<sup>8</sup> 17 CFR 248.1-18; 17 CFR 248.30; and 17 CFR 248, Appendix A.

include questions related to parallel rules of NASD, the options exchanges, the MSRB, and the NYSE in the same section of the exam.

As a result of the revisions, Phlx is proposing to modify the main section headings and the number of questions on each section of the Series 9/10 study outline as follows: Section 1--Hiring, Qualifications, and Continuing Education, 9 questions; Section 2--Supervision of Accounts and Sales Activities, 94 questions; Section 3--Conduct of Associated Persons, 14 questions; Section 4--Recordkeeping Requirements, 8 questions; Section 5--Municipal Securities Regulation, 20 questions; Section 6--Options Regulation, 55 questions. Sections 1 through 5 constitute the Series 10 portion of the examination. Section 6 constitutes the Series 9 portion of the examination. Series 10 covers general securities and municipal securities, and Series 9 covers options. The revised examination continues to cover the areas of knowledge required for the supervision of sales activities.

Phlx is proposing these changes to the entire content of the Series 9/10 examination, including the selection specifications and question bank. The number of questions on the Series 9/10 examination will remain at 200, and candidates will continue to have four hours to complete the Series 10 portion and one and one-half hours to complete the Series 9 portion. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions on each series, 9 and 10, to receive a passing grade. Phlx believes that the other SROs are filing similar proposals.

As further discussed below, the Exchange is filing the proposed rule change for immediate effectiveness. The Exchange will announce the proposed revisions in a Notice to Members to be published prior to the implementation date.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>9</sup> in general and furthers the objectives of Section 6(c)(3),<sup>10</sup> which authorize Phlx to prescribe standards of training, experience and competence for members of the Exchange or persons associated with them.

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

The Phlx does not believe that the proposed rule change, as amended, will impose any burden on competition 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

No written comments were either solicited or received.

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

The proposed rule change, as amended, has become effective pursuant to Section 19(b)(3)(A)(i)<sup>11</sup> of the Act and Rule 19b-4(f)(1) thereunder,<sup>12</sup> in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule.

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

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

<sup>10</sup> 15 U.S.C. 78f(c)(3).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>12</sup> 17 CFR 240.19b-4(f)(1).

necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.<sup>13</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2005-71 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-Phlx-2005-71. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

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<sup>13</sup> The effective date of the original proposed rule is November 16, 2005. The effective date of Amendment No. 1 is November 29, 2005. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on November 29, 2005, the date on which Phlx submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). 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 also will be available for inspection and copying at the principal office of the Phlx. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2005-71 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

Jonathan G. Katz  
Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).