

Required fields are shown with yellow backgrounds and asterisks.

Filing by NYSE National, Inc.  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed amendments to the Exchange rules regarding qualification, registration and continuing education requirements applicable to Equity Trading Permit Holders

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Samir      Last Name \* Patel  
 Title \* Senior Counsel NYSE Group Inc  
 E-mail \* Samir.Patel@theice.com  
 Telephone \* (212) 656-2030      Fax (212) 656-8101

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)  
 Assistant Secretary

Date 08/15/2018  
 By Martha Redding  
 (Name \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Martha Redding,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NYSE National, Inc. (“NYSE National” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) proposed amendments to the Exchange’s rules regarding qualification, registration and continuing education requirements applicable to Equity Trading Permit (“ETP”) Holders. To the extent the Exchange’s rule proposal is intended to harmonize with Financial Regulatory Authority, Inc. (“FINRA”) rules and thus promote consistency within the securities industry, the Exchange is only adopting rules that are relevant to the Exchange’s ETP Holders. The Exchange is not adopting registration categories that are not applicable to ETP Holders because ETP Holders do not engage in the type of business that would require such registration. As such, the Exchange is amending current Rule 2.2 regarding continuing education requirements to reflect the FINRA rule; adopting Commentary .08 to current Rule 2.2 regarding fingerprint information; adopting new Rule 2.1210 regarding registration requirements and related Commentary to new Rule 2.1210; adopting new Rule 2.1220 regarding registration categories<sup>3</sup> and related Commentary to new Rule 2.1220; and adopting new Rule 2.1230 regarding associated persons exempt from registration and related Commentary to new Rule 2.1230. Each of these rule changes, which are described in more detail below, would become operative on October 1, 2018.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

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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> The relevant principal registration categories the Exchange proposes to adopt are (1) Principal; (2) General Securities Principal; (3) Compliance Officer; (4) Financial and Operations Principal and Introducing Broker-Dealer Financial and Operations Principal; (5) Securities Trader Principal; and (6) General Securities Sales Supervisor. The relevant representative registration categories the Exchange proposes to adopt are (1) Representative; (2) General Securities Representative; and (3) Securities Trader.

2. Procedures of the Self-Regulatory Organization

The Board of Directors of the Exchange and its Regulatory Oversight Committee have approved the proposed rule change. No further action by the Board of Directors or the membership of the Exchange is required. Therefore, the Exchange's internal procedures with respect to the proposed change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Samir M. Patel  
Senior Counsel  
NYSE Group, Inc.  
(212) 656-2030

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

(a) Purpose

The Exchange proposes to amend its qualification, registration, and continuing education requirements applicable to ETP Holders. The proposed amendments are intended to: (i) provide transparency and clarity with respect to the Exchange's registration, qualification and examination requirements; (ii) ensure that all persons engaging in trading on the Exchange or performing supervisory or operational functions are properly registered and subject to the examination and continuing education requirements necessary for their business function; (iii) harmonize the Exchange's qualification, registration and examination rules with those of FINRA<sup>4</sup> so as to promote uniform standards across the securities industry; and (iv) add new definitions of terms and make other conforming changes to enhance the comprehensiveness and clarity of the Exchange's rules.<sup>5</sup> The proposed changes are discussed below.

A. Amendments to Rule 2.2(e) - Continuing Education Requirements

Rule 2.2(e) provides the continuing education requirements of certain Registered Persons<sup>6</sup> subsequent to their initial qualification and registration with the

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<sup>4</sup> See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (SR-FINRA-2017-007) (Approval Order) (the "FINRA Filing").

<sup>5</sup> The conforming changes the Exchange proposes would substitute the term "ETP Holder" for "member" and the term "Exchange" for "FINRA."

<sup>6</sup> For purposes of Rule 2.2(e), the term "Registered Person" means any Person registered with the Exchange as a General Securities Representative, Securities

Exchange, and includes a Regulatory Element and a Firm Element. The Regulatory Element applies to registered persons and consists of periodic computer-based training on regulatory, compliance, ethical, supervisory subjects and sales practice standards. The Firm Element consists of at least an annual, member-developed and administered training programs designed to keep registered persons current regarding securities products, services and strategies offered by the member. For purposes of Rule 2.2(e), the Exchange proposes to include within the definition of a Registered Person any Person who is permissively registered pursuant to proposed Rule 2.1210, Commentary .01, and any Person designated as eligible for a waiver pursuant to proposed Rule 2.1210, Commentary .08.<sup>7</sup> The purpose of this change is to ensure all Registered Persons, including those with permissive registrations, keep their knowledge of the securities industry current. The inclusion of persons designated as eligible for a waiver under the term “Registered Person” corresponds to the requirements of proposed Rule 2.1210, Commentary .08.

### 1. Regulatory Element

The Exchange proposes to amend Rule 2.2(e)(1) to provide, consistent with proposed Rule 2.1210, Commentary .08, that a waiver-eligible person would be subject to a Regulatory Element program that correlates to his or her most recent registration category, and that the content of the Regulatory Element would be based on the same cycle had the individual remain registered.<sup>8</sup> The proposed amendment to Rule 2.2(e)(1) also provides that if a waiver-eligible person fails to complete the Regulatory Element during the prescribed time frames, he or she would lose waiver eligibility.<sup>9</sup>

Further, the Exchange proposes to amend Rule 2.2(e)(1) to provide that any person who registration has been deemed inactive under the rule may not accept or solicit business or receive any compensation for the purchase or sale of securities. The proposed amendment provides, however, that such person may receive trail or residual commissions resulting from transactions completed before

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Trader, Principal, Principal - Financial and Operations (“FINOP”), Person Associated with an ETP Holder, Authorized Trader or Market Maker Authorized Trader. See Rule 2.2(e). The Exchange notes that the term Registered Person includes all Exchange participants that would be subject to the Exchange’s qualification, registration and continuing education requirements.

<sup>7</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(5).

<sup>8</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(1).

<sup>9</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(2).

the inactive status, unless the ETP Holder with which the person is associated has a policy prohibiting such trail or residual commissions.<sup>10</sup>

## 2. Firm Element

Current Rule 2.2(e)(2)(B)(ii) provides that programs used to implement an ETP Holder's training program must be appropriate for the business of the ETP Holder and, at a minimum must cover specific matters concerning securities products, services, and strategies offered by the ETP Holder. The Exchange proposes to amend the current rule to expand the minimum standard for such training programs by requiring that, at a minimum, a firm's training program must also cover training in ethics and professional responsibility.<sup>11</sup>

### B. Amendments to Rule 2.2(e), Commentary .02

Current Rule 2.2, Commentary .02, states that the Exchange will accept the New York Stock Exchange Chief Compliance Officer Examination ("NYSE Series 14") as an alternative qualification to register as Principal an individual identified as the Chief Compliance Officer on an ETP Holder's Form BD. The Exchange proposes a technical change to rename the NYSE Series 14 examination as the Compliance Official Examination which is the correct name of the examination.

### C. Amendments to Rule 2.2(e), Commentary .04

Current Rule 2.2, Commentary .04, references by incorporation NASD Rule 1032(f).<sup>12</sup> With this proposed rule change, the Exchange is adopting the content of Rule 1032(f) into the Exchange's rules and therefore would no longer need to reference by incorporation the NASD rule. The Exchange, therefore, proposes to replace reference to NASD Rule 1032(f) in Rule 2.2, Commentary .04, with Rule 2.1220(b)(3) which is a proposed new Exchange rule that is substantively similar to NASD Rule 1032(f).

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<sup>10</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(2).

<sup>11</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(b)(2).

<sup>12</sup> NASD Rule 1032(f) was recently amended to expand the scope of individuals associated with a FINRA member broker-dealer who are required to register as Security Traders. See Securities Exchange Act Release No. 77551 (April 7, 2016), 81 FR 21914 (April 13, 2016) (SR-FINRA-2016-007) (Order Approving a Proposed Rule Change To Require Registration as Securities Traders of Associated Persons Primarily Responsible for the Design, Development, Significant Modification of Algorithmic Trading Strategies or Responsible for the Day-to-Day Supervision of Such Activities).

#### D. Proposed New Rule 2.2(e) - Commentary .08 - Fingerprint Information<sup>13</sup>

The Exchange proposes to adopt new Rule 2.2(e), Commentary .08, regarding the submission of fingerprint information by ETP Holders. As proposed, upon filing an electronic Form U4 on behalf of a person applying for registration, an ETP Holder would be required to promptly submit fingerprint information for that person. If the ETP Holder fails to submit the fingerprint information within 30 days after the Exchange receives the electronic Form U4, the person's registration shall be deemed inactive and the person would be required to immediately cease all activities requiring registration and would be prohibited from performing any duties and functioning in any capacity requiring registration. The proposed rule further provides allows the Exchange to administratively terminate a registration that is inactive for a period of two years. However, a person whose registration is administratively terminated may seek to reactivate his or her registration by reapplying for registration and meeting the qualification requirements under Exchange rules.

#### E. Proposed New Rules 2.1210 through 2.1230

As a general matter, FINRA administers qualification examinations that are designed to establish that persons associated with ETP Holders have attained specified levels of competence and knowledge. Over time, the examination program has increased in complexity to address the introduction of new products and functions, and related regulatory concerns and requirements. As a result, today, there are a large number of examinations, considerable content overlap across the representative-level examinations and requirements for individuals in various segments of the industry to pass multiple examinations. To address these issues, FINRA has formulated a general knowledge examination called the Securities Industry Essential ("SIE") that all potential representative-level registrants would take.<sup>14</sup> Rule changes related to the adoption of the SIE and other proposed new rules are discussed below.

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<sup>13</sup> The proposed rule is substantially similar to FINRA Rule 1010(d).

<sup>14</sup> The SIE would assess basic product knowledge; the structure and function of the securities industry markets, regulatory agencies and their functions; and regulated and prohibited practices. In particular, the SIE will cover four major areas. The first, "Knowledge of Capital Markets," focuses on topics such as types of markets and offerings, broker-dealers and depositories, and economic cycles. The second, "Understanding Products and Their Risks," covers securities products at a high level as well as associated investment risks. The third, "Understanding Trading, Customer Accounts and Prohibited Activities," focuses on accounts, orders, settlement and prohibited activities. The final area, "Overview of the Regulatory Framework," encompasses topics such as SROs, registration requirements and specified conduct rules.

### 1. Proposed Rule 2.1210 - Registration Requirements<sup>15</sup>

Proposed Rule 2.1210 provides that each person engaged in the investment banking or securities business of an ETP Holder must register with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in proposed Rule 2.1220, unless exempt from registration pursuant to proposed Rule 2.1230. Proposed Rule 2.1210 also provides that such person is not qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

### 2. Proposed Rule 2.1210, Commentary .01 - Permissive Registrations<sup>16</sup>

Proposed Rule 2.1210, Commentary .01, allows any associated person to obtain and maintain any registration permitted by an ETP Holder. For instance, an associated person of an ETP Holder working solely in a clerical or ministerial capacity, such as in an administrative capacity, would be able to obtain and maintain a General Securities Representative registration with the ETP Holder. As another example, an associated person of an ETP Holder who is registered, and functioning solely, as a General Securities Representative would be able to obtain and maintain a General Securities Principal registration with the ETP Holder. Further, proposed Rule 2.1210, Commentary .01, allows an individual engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of an ETP Holder to obtain and maintain any registration permitted by the ETP Holder.

The Exchange is proposing to permit the registration of such individuals for several reasons. First, an ETP Holder may foresee a need to move a former representative or principal who has not been registered for two or more years back into a position that would require such person to be registered. Currently, such persons are required to requalify (or obtain a waiver of the applicable qualification examinations) and reapply for registration. Second, the proposed rule change would allow ETP Holders to develop a depth of associated persons with registrations in the event of unanticipated personnel changes. Finally, allowing registration in additional categories encourages greater regulatory understanding.

Individuals maintaining a permissive registration under the proposed rule change would be considered registered persons and subject to all Exchange rules, to the extent relevant to their activities. As proposed, ETP Holders would be required to have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their

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<sup>15</sup> The proposed rule is substantially similar to FINRA Rule 1210.

<sup>16</sup> The proposed rule is substantially similar to FINRA Rule 1210.02.

assigned functions. With respect to an individual who solely maintains a permissive registration, such as an individual working exclusively in an administrative capacity, the individual's day-to-day supervisor may be a non-registered person. However, an ETP Holder would be required to assign a registered supervisor who would be responsible for periodically contacting such individual's day-to-day supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor must be registered as a representative or principal. If the individual is permissively registered as a principal, the registered supervisor must be registered as a principal.<sup>17</sup>

### 3. Proposed Rule 2.1210, Commentary .02 - Qualification Examinations and Waivers of Examinations<sup>18</sup>

Proposed Rule 2.1210, Commentary .02, provides that before the registration of a person as a representative can become effective under proposed Rule 2.1210, such person must pass the SIE and an appropriate representative-level qualification examination as specified in proposed Rule 2.1220.<sup>19</sup> Proposed Rule 2.1210, Commentary .02, also provides that before the registration of a person as a principal can become effective under proposed Rule 2.1210, such person must pass an appropriate principal-level qualification examination as specified in proposed Rule 2.1220.

Further, proposed Rule 2.1210, Commentary .02, provides that if a registered person's job functions change and he or she needs to become registered in another representative-level category, he or she would not need to pass the SIE again. Rather, the registered person would need to pass only the appropriate representative-level qualification examination.

Moreover, proposed Rule 2.1210, Commentary .02, provides that all associated persons, such as associated persons whose functions are solely and exclusively clerical or ministerial, are eligible to take the SIE. Proposed Rule 2.1210, Commentary .02, also provides that individuals who are not associated persons of firms, such as members of the general public, are eligible to take the SIE. The Exchange believes that expanding the pool of individuals who are eligible to take

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<sup>17</sup> In either case, the registered supervisor of an individual who solely maintains a permissive registration would not be required to be registered in the same representative or principal registration category as the permissively-registered individual.

<sup>18</sup> The proposed rule is substantially similar to FINRA Rule 1210.03.

<sup>19</sup> Proposed Rule 2.1220 sets forth each registration category and applicable qualification examination for ETP Holders on the Exchange.

the SIE would enable prospective securities industry professionals to demonstrate to prospective employers a basic level of knowledge prior to submitting a job application. Further, this approach would allow for more flexibility and career mobility within the securities industry. While all associated persons of firms as well as individuals who are not associated persons would be eligible to take the SIE pursuant to the proposed rule, passing the SIE alone would not qualify them for registration with the Exchange. Rather, to be eligible for registration with the Exchange, an individual must pass an applicable representative or principal qualification examination and complete the other requirements of the registration process.

Proposed Rule 2.1210, Commentary .02, also provides that the Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination(s) and accept other standards as evidence of an applicant's qualifications for registration. The proposed rule further provides that the Exchange will only consider examination waiver requests submitted by an ETP Holder for individuals associated with the ETP Holder who are seeking registration in a representative- or principal-level registration category. Moreover, the proposed rule states that the Exchange will consider waivers of the SIE alone or the SIE and the representative- and principal-level examination(s) for such individuals. The Exchange would not consider a waiver of the SIE for non-associated persons or for associated persons who are not registering as representatives or principals.

#### 4. Proposed Rule 2.1210, Commentary .03 - Requirements for Registered Persons Functioning as Principals for a Limited Period<sup>20</sup>

Proposed Rule 2.1210, Commentary .03, provides that an ETP Holder may designate any person currently registered, or who becomes registered, with the ETP Holder as a representative to function as a principal for a limited period, provided that such person has at least 18 months of experience functioning as a registered representative with the five-year period immediately preceding the designation. The proposed rule is intended to ensure that representatives designated to function as principals for the limited period under the proposal have an appropriate level of registered representative experience. The proposed rule clarifies that the requirements of the rule apply to designations to any principal category, including those categories that are not subject to a prerequisite representative-level registration requirement, such as the Financial and Operations Principal registration category.<sup>21</sup>

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<sup>20</sup> The proposed rule is substantially similar to FINRA Rule 1210.04.

<sup>21</sup> The Exchange notes that qualifying as a registered representative is a prerequisite to qualifying as a principal except with respect to the following principal-level registrations: (1) Compliance Official; (2) Financial and Operations Principal; and (3) Introducing Broker-Dealer Financial and Operations Principal.

The proposed rule also clarifies that the individual must fulfill all applicable prerequisite registration, fee and examination requirements before his or her designation as a principal. Further, the proposed rule provides that in no event may such person function as a principal beyond the initial 120 calendar days without having successfully passed an appropriate principal qualification examination. The proposed rule also provides an exception to the experience requirement for principals who are designated by an ETP Holder to function in other principal categories for a limited period. Specifically, the proposed rule states that an ETP Holder may designate any person currently registered, or who becomes registered, with the ETP Holder as a principal to function in another principal category for 120 calendar days before passing any applicable examinations.

5. Proposed Rule 2.1210, Commentary .04 - Rules of Conduct for Taking Examinations and Confidentiality of Examinations<sup>22</sup>

Proposed Rule 2.1210, Commentary .04 states that associated persons taking the SIE would be subject to the SIE Rules of Conduct, and associated persons taking a representative or principal examination would be subject to the Rules of Conduct for representative and principal examinations. Pursuant to proposed Rule 2.1210, Commentary .04, a violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person would be deemed to be a violation of Rule 11.3.1. Moreover, if an associated person is deemed to have violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by the Exchange.

Further, the proposed rule states that individuals taking the SIE who are not associated persons must agree to be subject to the SIE Rules of Conduct. Among other things, the SIE Rules of Conduct would require individuals to attest that they are not qualified to engage in the investment banking or securities business based on passing the SIE and would prohibit individuals from cheating on the examination or misrepresenting their qualifications to the public subsequent to passing the SIE. Moreover, non-associated persons may forfeit their SIE results and may be prohibited from retaking the SIE if the Exchange determines that they cheated on the SIE or that they misrepresented their qualifications to the public subsequent to passing the SIE. In addition, if the Exchange discovers that non-associated persons who have passed the SIE have subsequently engaged in other types of misconduct, the Exchange would refer the matter to the appropriate authorities or regulators.

The proposed rule further notes that the Exchange considers all qualification examinations content to be highly confidential and that the removal of

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The proposed rule is substantially similar to FINRA Rule 1210.05.

examination content from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such qualification examination or any other use that would compromise the effectiveness of the examinations and the use in any manner and at any time of the questions or answers to the examinations is prohibited and would be deemed a violation of Rule 11.3.1.

6. Proposed Rule 2.1210, Commentary .05 - Waiting Periods for Retaking a Failed Examination<sup>23</sup>

Proposed Rule 2.1210, Commentary .05 provides that any person who fails a qualification examination may retake that examination after 30 calendar days from the date of the person's last attempt to pass that examination. The proposed rule further provides that if a person fails an examination three or more times in succession within a two-year period, he or she would be prohibited from retaking the examination either until a period of 180 calendar days from the date of the person's last attempt to pass it. These waiting periods would apply to the SIE and the representative- and principal-level examinations. Moreover, the proposed rule provides that non-associated persons taking the SIE must agree to be subject to the same waiting periods for retaking the SIE.

7. Proposed Rule 2.1210, Commentary .06 - All Registered Persons Must Satisfy the Regulatory Element of Continuing Education<sup>24</sup>

Pursuant to Rule 2.2(e), the CE requirements applicable to registered persons consist of a Regulatory Element<sup>25</sup> and a Firm Element.<sup>26</sup> The Regulatory Element applies to registered persons and must be completed within prescribed time frames.<sup>27</sup> For purposes of the Regulatory Element, a registered person is any

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<sup>23</sup> The proposed rule is substantially similar to FINRA Rule 1210.06.

<sup>24</sup> The proposed rule is substantially similar to FINRA Rule 1210.07.

<sup>25</sup> See Rule 2.2(e)(1).

<sup>26</sup> See Rule 2.2(e)(2).

<sup>27</sup> Pursuant to Rule 2.2(e)(1), each specified registered person is required to complete the Regulatory Element initially within 120 days after the person's second registration anniversary date and, thereafter, within 120 days after every third registration anniversary date. A registered person who has not completed the Regulatory Element program within the prescribed time frames will have his or her registrations deemed inactive and designated as "CE inactive" on the CRD system until such time as the requirements of the program have been satisfied. A CE inactive person is prohibited from performing, or being compensated for, any activities requiring registration, including supervision. Moreover, if a registered person is CE inactive for a two-year period, the Exchange will administratively terminate the person's registration status. The two-year period would be

person registered with the Exchange as a General Securities Principal, Securities Trader, Principal, FINOP, Person Associated with an ETP Holder, Authorized Trader or Market Maker Authorized Trader. The Firm Element consists of annual, ETP Holder-developed and administered training programs designed to keep covered registered persons current regarding securities products, services and strategies offered by the ETP Holder. For purposes of the Firm Element, the term covered registered persons means any Person registered with an ETP Holder who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading and investment banking activities and to the immediate supervisors of such Persons.

The Exchange believes that all registered persons, regardless of their activities, should be subject to the Regulatory Element of the CE requirements so that they can keep their knowledge of the securities industry current. Therefore, the Exchange proposes to adopt Rule 2.1210, Commentary .06, to clarify that all registered persons, including those who solely maintain a permissive registration, are required to satisfy the Regulatory Element, as specified in Rule 2.2(e)(1). The Exchange is making corresponding changes to Rule 2.2(e)(1). The Exchange is not proposing any changes to the Firm Element requirement at this time. Individuals who have passed the SIE but not a representative- or principal-level examination and do not hold a registered position would not be subject to any CE requirements.

Proposed Rule 2.1210, Commentary .06, also provides that a registered person of an ETP Holder who becomes CE inactive would not be permitted to be registered in another registration category with the ETP Holder or be registered in any registration category with another ETP Holder, until the person has satisfied the Regulatory Element.

#### 8. Proposed Rule 2.1210, Commentary .07 - Lapse of Registration and Expiration of the SIE<sup>28</sup>

Proposed Rule 2.1210, Commentary .07, provides that any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative is required to pass a qualification examination for representatives appropriate to the category of registration as specified in proposed Rule 2.1220(b). Proposed Rule

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calculated from the date the person becomes CE inactive. If a registered person becomes CE inactive but is not registered with an ETP Holder when the two-year period ends, the Exchange will nevertheless update the CRD system to reflect that the person did not satisfy the Regulatory Element program. In either case, such person must requalify (or obtain a waiver of the applicable qualification examination(s)) to be re-eligible for registration.

2.1210, Commentary .07, also sets forth that a passing result on the SIE would be valid for four years. Therefore, under the proposed rule change, an individual who passes the SIE and is an associated person of an ETP Holder at the time would have up to four years from the date he or she passes the SIE to pass a representative-level examination to register as a representative with that ETP Holder, or a subsequent ETP Holder, without having to retake the SIE. In addition, an individual who passes the SIE and is not an associated person at the time would have up to four years from the date he or she passes the SIE to become an associated person of an ETP Holder and pass a representative-level examination and register as a representative without having to retake the SIE.

Moreover, an individual holding a representative-level registration who leaves the industry after the effective date of this proposed rule change would have up to four years to reassociate with an ETP Holder and register as a representative without having to retake the SIE. However, the four-year expiration period in the proposed rule change extends only to the SIE, and not the representative- and principal-level registrations. The representative- and principal-level registrations would continue to be subject to a two-year expiration period as is the case today.

Finally, proposed Rule 2.1210, Commentary .07, clarifies that, for purposes of the proposed rule, an application would not be considered to have been received by the Exchange if that application does not result in a registration.

9. Proposed Rule 2.1210, Commentary .08 - Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of an ETP Holder<sup>29</sup>

Proposed Rule 2.1210, Commentary .08, provides the process for individuals working for a financial services industry affiliate of an ETP Holder<sup>30</sup> to terminate their registrations with the ETP Holder and be granted a waiver of their requalification requirements upon re-registering with an ETP Holder, provided the firm that is requesting the waiver and the individual satisfy the criteria for a Financial Services Affiliate (“FSA”) waiver.

Under the proposed waiver process, the first time a registered person is designated as eligible for a waiver based on the FSA criteria, the ETP Holder with which the individual is registered would notify the Exchange of the FSA designation. The ETP Holder would concurrently file a full Form U5 terminating the individual's

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<sup>29</sup> The proposed rule is substantially similar to FINRA Rule 1210.09.

<sup>30</sup> Proposed Rule 2.1210, Commentary .07, defines a “financial services industry affiliate of an ETP Holder” as a legal entity that controls, is controlled by or is under common control with an ETP Holder and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

registration with the firm, which would also terminate the individual's other SRO and state registrations. To be eligible for initial designation as an FSA-eligible person by an ETP Holder, an individual must have been registered for a total of five years within the most recent 10-year period prior to the designation, including for the most recent year with that ETP Holder. An individual would have to satisfy these preconditions only for purposes of his or her initial designation as an FSA-eligible person, and not for any subsequent FSA designation(s). Thereafter, the individual would be eligible for a waiver for up to seven years from the date of initial designation,<sup>31</sup> provided that the other conditions of the waiver, as described below, have been satisfied. Consequently, an ETP Holder other than the ETP Holder that initially designated an individual as an FSA-eligible person may request a waiver for the individual and more than one ETP Holder may request a waiver for the individual during the seven-year period.<sup>32</sup>

An individual designated as an FSA-eligible person would be subject to the Regulatory Element of CE while working for a financial services industry affiliate

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<sup>31</sup> Individuals would be eligible for a single, fixed seven-year period from the date of initial designation, and the period would not be tolled or renewed.

<sup>32</sup> The following examples illustrate this point:

*Example 1.* Firm A designates an individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual joins Firm A's financial services affiliate. Firm A does not submit a waiver request for the individual. After working for Firm A's financial services affiliate for three years, the individual directly joins Firm B's financial services affiliate for three years. Firm B then submits a waiver request to register the individual.

*Example 2.* Same as Example 1, but the individual directly joins Firm B after working for Firm A's financial services affiliate, and Firm B submits a waiver request to register the individual at that point in time.

*Example 3.* Firm A designates an individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual joins Firm A's financial services affiliate for three years. Firm A then submits a waiver request to re-register the individual. After working for Firm A in a registered capacity for six months, Firm A re-designates the individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual rejoins Firm A's financial services affiliate for two years, after which the individual directly joins Firm B's financial services affiliate for one year. Firm B then submits a waiver request to register the individual.

*Example 4.* Same as Example 3, but the individual directly joins Firm B after the second period of working for Firm A's financial services affiliate, and Firm B submits a waiver request to register the individual at that point in time.

of an ETP Holder. The individual would be subject to a Regulatory Element program that correlates to his or her most recent registration category, and CE would be based on the same cycle had the individual remained registered. If the individual fails to complete the prescribed Regulatory Element during the 120-day window for taking the session, he or she would lose FSA eligibility (*i.e.*, the individual would have the standard two-year period after termination to re-register without having to retake an examination). The Exchange is making corresponding changes to Rule 2.2(e).

Upon registering an FSA-eligible person, a firm would file a Form U4 and request the appropriate registration(s) for the individual. The firm would also submit an examination waiver request to the Exchange,<sup>33</sup> similar to the process used today for waiver requests, and it would represent that the individual is eligible for an FSA waiver based on the conditions set forth below. The Exchange would review the waiver request and make a determination of whether to grant the request within 30 calendar days of receiving the request. The Exchange would summarily grant the request if the following conditions are met:

(1) Prior to the individual's initial designation as an FSA-eligible person, the individual was registered for a total of five years within the most recent 10-year period, including for the most recent year with the ETP Holder that initially designated the individual as an FSA-eligible person;

(2) The waiver request is made within seven years of the individual's initial designation as an FSA-eligible person by an ETP Holder;

(3) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;

(4) The individual continuously worked for the financial services affiliate(s) of an ETP Holder since the last Form U5 filing;

(5) The individual has complied with the Regulatory Element of CE; and

(6) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification while the individual was designated as an FSA-eligible person with an ETP Holder.

Following the Form U5 filing, an individual could move between the financial services affiliates of an ETP Holder so long as the individual is continuously working for an affiliate. Further, an ETP Holder could submit multiple waiver

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The Exchange would consider a waiver of the representative-level qualification examination(s), the principal-level qualification examination(s) and the SIE, as applicable.

requests for the individual, provided that the waiver requests are made during the course of the seven-year period.<sup>34</sup> An individual who has been designated as an FSA-eligible person by an ETP Holder would not be able to take additional examinations to gain additional registrations while working for a financial services affiliate of an ETP Holder.

10. Proposed Rule 2.1210, Commentary .09 - Status of Persons Serving in the Armed Forces of the United States<sup>35</sup>

Proposed Rule 2.1210, Commentary .09 provides specific relief to registered persons serving in the Armed Forces of the United States. Among other things, the proposed rule permits a registered person of an ETP Holder who volunteers for or is called into active duty in the Armed Forces of the United States to be registered in an inactive status and remain eligible to receive ongoing transaction-related compensation. The proposed rule also includes specific provisions regarding the deferment of the lapse of registration requirements for formerly registered persons serving in the Armed Forces of the United States. The proposed rule further requires that the ETP Holder with which such person is registered promptly notify the Exchange of such person's return to employment with the ETP Holder. The proposed rule would require an ETP Holder that is a sole proprietor to also similarly notify the Exchange of his or her return to participation in the investment banking or securities business. The proposed rule also provides that the Exchange would defer the lapse of the SIE for formerly registered persons serving in the Armed Forces of the United States.

F. Proposed New Rule 2.1220 - Registration Categories<sup>36</sup>

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<sup>34</sup> For example, if an ETP Holder submits a waiver request for an FSA-eligible person who has been working for a financial services affiliate of the ETP Holder for three years and re-registers the individual, the ETP Holder could subsequently file a Form U5 and re-designate the individual as an FSA-eligible person. Moreover, if the individual works with a financial services affiliate of the ETP Holder for another three years, the ETP Holder could submit a second waiver request and re-register the individual upon returning to the ETP Holder.

<sup>35</sup> The proposed rule is substantially similar to FINRA Rule 1210.10.

<sup>36</sup> The Exchange is not adopting the following categories from the FINRA Filing because ETP Holders do not engage in the type of business that would require registration with the Exchange: Investment Banking Principal, Research Principal, Registered Options Principal, Government Securities Principal, Investment Company and Variable Contracts Products Principal, Direct Participation Programs Principal, Private Securities Offerings Principal, Supervisory Analyst, Operations Professional, Investment Banking Representative, Research Analyst, Investment Company and Variable Contracts Products Representative, Direct Participation Programs Representative, and Private Securities Offering Representative.

### 1. Proposed Rule 2.1220(a)(1) - Principal

Rule 1.1(y) currently defines the term “Principal” to mean any Person Associated with an ETP Holder actively engaged in the management of the ETP Holder's securities business, including supervision, solicitation, conduct of the ETP Holder's business, or the training of Authorized Traders and Persons Associated with an ETP Holder for any of these functions. Such Persons include Sole Proprietors, Officers, Partners, and Directors of Corporations. The Exchange is not proposing any change to the current definition for purposes of the proposed new registration rules.

### 2. Proposed Rule 2.1220(a)(2) - General Securities Principal<sup>37</sup>

Proposed Rule 2.1220(a)(2)(A) states that each principal as defined in proposed Rule 2.1220(a)(1) is required to register with the Exchange as a General Securities Principal, subject to the following exceptions. The proposed rule provides that if a principal's activities include the functions of a Compliance Officer, a Financial and Operations Principal (or an Introducing Broker-Dealer Financial and Operations Principal, as applicable), a Principal Financial Officer, a Principal Operations Officer, or a Securities Trader Principal, then the principal must appropriately register in one or more of these categories.

Proposed Rule 2.1220(a)(2)(A) further provides that if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor, then the principal may appropriately register in that category in lieu of registering as a General Securities Principal.

Proposed Rule 2.1220(a)(2)(B) requires that an individual registering as a General Securities Principal satisfy the General Securities Representative prerequisite registration and pass the General Securities Principal qualification examination. Proposed Rule 2.1220(a)(2)(B) also clarifies that an individual may register as a General Securities Sales Supervisor and pass the General Securities Sales Supervisor qualification examination in lieu of passing the General Securities Principal examination.

As a general matter, the Exchange currently recognizes the Corporate Securities Representative but would no longer recognize this registration category given its elimination by FINRA. Proposed Rule 2.1220(a)(2)(B), however, provides that, subject to the lapse of registration provisions in proposed Rule 2.1210, Commentary .07, General Securities Principals who obtained the Corporate Securities Representative prerequisite registration in lieu of the General Securities Representative prerequisite registration and individuals who have been registered as such within the past two years prior to the effective of the proposed rule change, may continue to supervise corporate securities activities as currently

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The proposed rule is substantially similar to FINRA Rule 1220(a)(2).

permitted.

### 3. Proposed Rule 2.1220(a)(3) - Compliance Officer<sup>38</sup>

Proposed Rule 2.1220(a)(3) establishes a Compliance Officer registration category and requires all persons designated as CCOs on Schedule A of Form BD to register as Compliance Officers, subject to an exception for ETP Holders engaged in limited investment banking or securities business. The proposed rule only addresses the registration requirements for CCOs. However, consistent with proposed Rule 2.1210, Commentary .01 relating to permissive registrations, a firm may allow other associated persons to register as Compliance Officers.

In addition, the Exchange is proposing to provide CCOs of firms that engage in limited investment banking or securities business with greater flexibility to satisfy the qualification requirements for CCOs. Specifically, proposed Rule 2.1220(a)(3) set forth the following qualification requirements for Compliance Officer registration:

- Subject to the lapse of registration provisions in proposed Rule 2.1210, Commentary .07, each person registered with the Exchange as a General Securities Representative and a General Securities Principal on the effective date of this proposed rule change and each person who was registered with the Exchange as a General Securities Representative and a General Securities Principal within two years prior to the effective date of this proposed rule change would be qualified to register as Compliance Officers without having to take any additional examinations. In addition, subject to the lapse of registration provisions in proposed Rule 2.1210, Commentary .07, individuals registered as Compliance Officials in the CRD system on the effective date of this proposed rule change and individuals who were registered as such within two years prior to the effective date of this proposed rule change would also be qualified to register as Compliance Officers without having to take any additional examinations;
- All other individuals registering as Compliance Officers after the effective date of this proposed rule change would have to: (1) Satisfy the General Securities Representative prerequisite registration and pass the General Securities Principal qualification examination; or (2) pass the Compliance Official qualification examination.
- An individual designated as a CCO on Schedule A of Form BD of an ETP Holder that is engaged in limited investment banking or securities business may be registered in a principal category under proposed Rule 2.1220(a) that corresponds to the limited scope of the ETP Holder's business.

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The proposed rule is substantially similar to FINRA Rule 1220(a)(3).

4. Proposed Rule 2.1220(a)(4) - Financial and Operation Principal and Introducing Broker-Dealer Financial and Operations Principal<sup>39</sup>

Proposed Rule 2.1220(a)(4) provides that each principal who is responsible for the financial and operational management of an ETP Holder that has a minimum net capital requirement of \$250,000 under SEA Rules 15c3-1(a)(1)(ii) and 15c3-1(a)(2)(i), or an ETP Holder that has a minimum net capital requirement of \$150,000 under SEA Rule 15c-3-1(a)(8) must be designated as a Financial and Operations Principal. In addition, proposed Rule 2.1220(a)(4) provides that a principal who is responsible for the financial and operational management of an ETP Holder that is subject to the net capital requirements of SEA Rule 15c3-1, other than an ETP Holder that is subject to the net capital requirements of SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), must be designated and registered as either a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal. Financial and Operations Principals and Introducing Broker-Dealer Financial and Operation Principals are not subject to a prerequisite representative registration, but they must pass the Financial and Operations Principal or Introducing Broker-Dealer Financial and Operations Principal examination, as applicable.

Additionally, proposed Rule 2.1220(a)(4)(B) requires an ETP Holder to designate: (1) a Principal Financial Officer with primary responsibility for the day-to-day operations of the business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and firm assets, calculation and collection of margin from customers and processing dividend receivable and payables and reorganization redemptions and those books and records related to such activities. Further, the proposed rule requires that a firm's Principal Financial Officer and Principal Operations Officer qualify and register as Financial and Operations Principals or Introducing Broker-Dealer Financial and Operations Principals, as applicable.

Because the financial and operational activities of ETP Holders that neither self-clear nor provide clearing services are more limited, such ETP Holders may designate the same person as the Principal Financial Officer, Principal Operations Officer and Financial and Operations Principal or Introducing Broker-Dealer Financial and Operations Principal (that is, such ETP Holders are not required to designate different persons to function in these capacities).

Given the level of financial and operational responsibility at clearing and self-clearing members, the Exchange believes that it is necessary for such ETP Holders to designate separate persons to function as Principal Financial Officer and Principal Operations Officer. Such persons may also carry out the other responsibilities of a Financial and Operations Principal, such as supervision of individuals engaged in financial and operational activities. In addition, the

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The proposed rule is substantially similar to FINRA Rule 1220(a)(4).

proposed rule provides that a clearing or self-clearing ETP Holder that is limited in size and resources may request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

5. Proposed Rule 2.1220(a)(5) - Securities Trader Principal<sup>40</sup>

Proposed Rule 2.1220(a)(5) requires that a principal responsible for supervising the securities trading activities specified in proposed Rule 2.1220(b)(3) register as a Securities Trader Principal. The proposed rule requires that individuals registering as Securities Trader Principals must be registered as Securities Traders and pass the General Securities Principal qualification examination.

6. Proposed Rule 2.1220(a)(6) - General Securities Sales Supervisor<sup>41</sup>

Proposed Rule 2.1220(a)(6) provides that a principal may register with the Exchange as a General Securities Sales Supervisor if his or her supervisory responsibilities in the investment banking or securities business of an ETP Holder are limited to the securities sales activities of the ETP Holder, including the approval or customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the ETP Holder required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registering as a General Securities Sales Supervisor must satisfy the General Securities Representative prerequisite registration and pass the General Securities Sales Supervisor examinations.<sup>42</sup> Moreover, a General Securities Sales Supervisor is precluded from performing any of the following activities: (1) Supervision of the origination and structuring of underwritings; (2) supervision of market-making commitments; (3) supervision of the custody of firm or customer funds or securities for purposes of SEA Rule 15c3-3; or (4) supervision of overall compliance with financial responsibility rules.

7. Proposed Rule 2.1220(b)(1) - Representative<sup>43</sup>

Proposed Rule 2.1220(b)(1) defines a representative as any person associated with an ETP Holder, including assistant officers other than principals, who is engaged in the ETP Holder's investment banking or securities business, such as

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<sup>40</sup> The proposed rule is substantially similar to FINRA Rule 1220(a)(7).

<sup>41</sup> The proposed rule is substantially similar to FINRA Rule 1220(a)(10).

<sup>42</sup> An individual may also register as a General Securities Sales Supervisor by passing a combination of other principal-level examinations.

<sup>43</sup> The proposed rule is substantially similar to FINRA Rule 1220(b)(1).

supervision, solicitation, conduct of business in securities or the training of persons associated with an ETP Holder for any of these functions.

#### 8. Proposed Rule 2.1220(b)(2) - General Securities Representative<sup>44</sup>

Proposed Rule 2.1220(b)(2)(A) states that each representative as defined in proposed Rule 2.1220(b)(1) is required to register with the Exchange as a General Securities Representative, subject to the following exceptions. The proposed rule provides that if a representative's activities include the function of a Securities Trader, then the representative must appropriately register in that category. The proposed rule also provides that if a representative's activities are limited solely to the functions of a Direct Participation Programs Representative, then the representative may appropriately register in that category in lieu of registering as a General Securities Representative.

Further, the proposed rule would require that individuals registering as General Securities Representatives pass the SIE and the General Securities Representative examination.

#### 9. Proposed Rule 2.1220(b)(3) - Securities Trader<sup>45</sup>

Proposed Rule 2.1220(b)(3) provides that each representative as defined in proposed Rule 2.1220(b)(1) is required to register as a Securities Trader if such person meets the definition of a Securities Trader under Rule 1.1. The proposed rule also requires that associated persons primarily responsible for the design, development or significant modification of algorithmic trading strategies (or responsible for the day-to-day supervision or direction of such activities) register as Securities Traders. Individuals registering as Securities Traders must pass the SIE and the Securities Trader examination.

#### 10. Proposed Rule 2.1220, Commentary .01 - Foreign Registrations<sup>46</sup>

Proposed Rule 2.1220, Commentary .01, states that individuals who are in good standing as representatives with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator would be exempt from the requirement to pass the SIE, and thus would be required only to pass a specialized knowledge examination to register with the Exchange as a representative. The proposed approach would provide individuals with a United Kingdom or Canadian qualification more flexibility to obtain a representative-level registration. Additionally, while FINRA has proposed to eliminate the

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<sup>44</sup> The proposed rule is substantially similar to FINRA Rule 1220(b)(2).

<sup>45</sup> The proposed rule is substantially similar to FINRA Rule 1220(b)(4).

<sup>46</sup> The proposed rule is substantially similar to FINRA Rule 1220.01.

current registration categories of United Kingdom Securities Representative, Canada Securities Representative, and Foreign Associate, individuals currently registered in such categories would be grandfathered. Specifically, individuals registered as United Kingdom Securities Representative, Canada Securities Representative and Foreign Associate prior to the effective date of this proposed rule change may continue to maintain these same registrations. In addition, individuals whose registrations in these categories were terminated between October 1, 2016, and September 30, 2018, may qualify to re-register in the same categories, provided they re-register in these categories within two years from the date of terminating those registrations. Individuals registered in these categories who terminate their registrations with the Exchange on or after the effective date of this proposed rule change, and whose registrations remain terminated for two or more years, will not be able to reregister in these categories.

11. Proposed Rule 2.1220, Commentary .02 - Additional Qualification Requirements for Persons Engaged in Security Futures<sup>47</sup>

Proposed Rule 2.1220, Commentary .02, states that each person who is registered with the Exchange as a General Securities Representative, United Kingdom Securities Representative, Canada Securities Representative, or General Securities Sales Supervisor shall be eligible to engage in security futures activities as a representative or principal, as applicable, provided that such individual completes a Firm Element program as set forth in Rule 2.2(e)(2) that addresses security futures products before such person engages in security futures activities.<sup>48</sup>

12. Proposed Rule 2.1220, Commentary .03 - Scope of General Securities Sales Supervisor Registration Category<sup>49</sup>

Proposed Rule 2.1220, Commentary .03, explains the purpose of the General Securities Sales Supervisor registration category. The General Securities Sales Supervisor category is an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Without this category of limited registration, such principals would be required to separately qualify pursuant to the rules of FINRA, the MSRB, the NYSE and the options exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the General Securities Sales Supervisor

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<sup>47</sup> The proposed rule is substantially similar to FINRA Rule 1220.02.

<sup>48</sup> FINRA Rule 1220.02 also includes Options Representative and Registered Options Principal registration categories. NYSE National does not trade options and ETP Holders of NYSE National therefore would not be required to register with the Exchange in those categories and therefore the Exchange is not adopting those categories within proposed Rule 2.1220, Commentary .03.

<sup>49</sup> The proposed rule is substantially similar to FINRA Rule 1220.04.

examinations permit qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal registration may supervise sales activities of all securities by also qualifying as General Securities Sales Supervisors.

The proposed rule further provides that any person required to be registered as a principal who supervises sales activities in corporate, municipal and option securities, investment company products, variable contracts, direct participation program securities as defined in Rule 2.1220(b)(4)(A), and security futures (subject to the requirements of Rule 2.1220, Commentary .02) may be registered solely as a General Securities Sales Supervisor. In addition to branch office managers, other persons such as regional and national sales managers may also be registered solely as General Securities Sales Supervisors as long as they supervise only sales activities.

#### G. Proposed New Rule 2.1230 - Associated Persons Exempt from Registration<sup>50</sup>

Proposed Rule 2.1230 provides an exemption from registration with the Exchange for certain associated persons. Specifically, the proposed rule provides that persons associated with an ETP Holder whose functions are solely and exclusively clerical or ministerial would be exempt from registration.<sup>51</sup>

##### 1. Proposed Rule 2.1230, Commentary .01 - Registration Requirements for Associated Persons Who Accept Customer Orders<sup>52</sup>

Proposed Rule 2.1230, Commentary .01, clarifies that the function of accepting customer orders is not considered clerical or ministerial and that associated persons who accept customer orders under any circumstances are required to be appropriately registered. However, the proposed rule provides that an associated person is not accepting a customer order where occasionally, when an

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<sup>50</sup> The proposed rule is substantially similar to FINRA Rule 1230.

<sup>51</sup> FINRA Rule 1230 also provides an exemption from registration to persons associated with an ETP Holder whose functions are solely and exclusively to effecting transactions on the floor of a national securities exchange and who are appropriately registered with such exchange; persons associated with an ETP Holder whose functions are solely and exclusively to transactions in municipal securities, commodities, or security futures, provided that any such person is registered with a registered futures association. ETP Holders of NYSE National do not solely and exclusively engage in such functions and therefore the Exchange is not adopting that portion of FINRA Rule 1230.

<sup>52</sup> The proposed rule is substantially similar to FINRA Rule 1230.01.

appropriately registered person is unavailable, the associated person transcribes the order details and the registered person contacts the customer to confirm the order details before entering the order.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>53</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>54</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change will streamline, and bring consistency and uniformity to, the registration rules, which will, in turn, assist ETP Holders and their associated persons in complying with these rules and improve regulatory efficiency. The proposed rule change will also improve the efficiency of the examination program, without compromising the qualification standards. In addition, the proposed rule change will expand the scope of permissive registrations, which, among other things, will allow ETP Holders to develop a depth of associated persons with registrations to respond to unanticipated personnel changes and will encourage greater regulatory understanding. Further, the proposed rule change will provide a more streamlined and effective waiver process for individuals working for a financial services industry affiliate of an ETP Holder, and it will require such individuals to maintain specified levels of competence and knowledge while working in areas ancillary to the investment banking and securities business.

Finally, the Exchange believes that, with the introduction of the SIE and expansion of the pool of individuals who are eligible to take the SIE, the proposed rule change has the potential of enhancing the pool of prospective securities industry professionals by introducing them to securities laws, rules and regulations and appropriate conduct before they join the industry in a registered capacity.

4. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed amendments are intended to promote

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<sup>53</sup> 15 U.S.C. 78f(b).

<sup>54</sup> 15 U.S.C. 78f(b)(5).

transparency in the Exchange's rules, and consistency with the rules of other SROs with respect to the examination, qualification, and continuing education requirements applicable to ETP Holders and their registered personnel. The Exchange believes that in that regard that any burden on competition would be clearly outweighed by the important regulatory goal of ensuring clear and consistent requirements applicable across SROs, avoiding duplication, and mitigating any risk of SROs implementing different standards in these important areas.

Further, the Exchange does not believe that the proposed amendments will affect competition among securities markets since all SROs are expected to adopt similar rules with uniform standards for qualification, registration and continuing education requirements.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange believes that the proposed rule change qualifies for immediate effectiveness upon filing as a "non-controversial" rule change in accordance with Section 19(b)(3)(A) of the Act<sup>55</sup> and Rule 19b-4(f)(6)<sup>56</sup> thereunder.

The Exchange asserts that the proposed rule change: (i) will not significantly affect the protection of investors or the public interest; (ii) will not impose any significant burden on competition; and (iii) by its terms, will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.

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<sup>55</sup> 15 U.S.C. § 78s(b)(3)(A).

<sup>56</sup> 17 C.F.R. § 240.19b-4(f)(6).

The Exchange believes that this proposal is non-controversial and eligible to become effective immediately because it promotes uniformity in standards for qualification, registration and continuing education requirements across self-regulatory organizations. The Exchange further believes that the proposed rule change would not significantly affect the protection of investors or the public interest or impose any significant burden on competition because it is based on the approved rules of FINRA relating to qualification and registration requirements.

The Exchange respectfully requests that the Commission waive the five-day pre-filing requirement contained in Rule 19b-4(f)(6)(iii).<sup>57</sup> The Exchange previously submitted drafts of the proposed rule filing to the Commission on July 31, 2018, and August 13, 2018. The Exchange was required to make the current filing no later than August 15, 2018 in order to comply with the Commission order approving the Exchange's rules in connection with the re-launch of trading on the Exchange earlier this year.<sup>58</sup> Given that the Exchange previously submitted drafts of the proposed rule change to the Commission and that the Exchange was required to make the proposed rule filing no later than August 15, 2018, the Exchange believes that waiving the five day requirement of Rule 19b-4(f)(6)(iii) would be appropriate.

For the foregoing reasons, the rule filing qualifies for immediate effectiveness as a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4.<sup>59</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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.

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<sup>57</sup> 17 CFR 240.19b-4(f)(6)(iii). Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

<sup>58</sup> See Securities Exchange Act Release No. 83289 (May 17, 2018), 83 FR 23968 (May 23, 2018) (SR-NYSENat-2018-02) (Approval Order). Pursuant to the approval order, the Exchange committed to working with Commission staff to update its membership rules and to file a separate rule filing relating to its membership rules within 90 days of approval of the rule change. The Commission approved the Exchange's rule change on May 17, 2018.

<sup>59</sup> 17 C.F.R. § 240.19b-4(f)(6).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on approved rules of FINRA relating to qualification, registration and continuing education requirements.<sup>60</sup>

Specifically, proposed Rule 2.1210 - Registration Requirements is based on and is substantially similar to FINRA Rule 1210; proposed Rule 2.1210, Commentary .01 - Permissive Registrations is based on and is substantially similar to FINRA Rule 1210.02; proposed Rule 2.1210, Commentary .02 - Qualification Examinations and Waivers of Examinations is based on and is substantially similar to FINRA Rule 1210.03; proposed Rule 2.1210, Commentary .03 - Requirements for Registered Persons Functioning as Principals for a Limited Period is based on and is substantially similar to FINRA Rule 1210.04; proposed Rule 2.1210, Commentary .04 - Rules of Conduct for Taking Examinations and Confidentiality of Examinations is based on and is substantially similar to FINRA Rule 1210.05; proposed Rule 2.1210, Commentary .05 - Waiting Periods for Retaking a Failed Examination is based on and is substantially similar to FINRA Rule 1210.06; proposed Rule 2.1210, Commentary .06 - All Registered Persons Must Satisfy the Regulatory Element of Continuing Education is based on and is substantially similar to FINRA Rule 1210.07; proposed Rule 2.1210, Commentary .07 - Lapse of Registration and Expiration of the SIE is based on and is substantially similar to FINRA Rule 1210.08; proposed Rule 2.1210, Commentary .08 - Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of an ETP Holder is based on and is substantially similar to FINRA Rule 1210.09; and proposed Rule 2.1210, Commentary .09 - Status of Persons Serving in the Armed Forces of the United States is based on and is substantially similar to FINRA Rule 1210.10. The Exchange is not adopting the following provisions from FINRA Rule 1210: FINRA Rule 1210.01 (Minimum Number of Registered Principals) because the Exchange currently has a similar provision in its Rule 2.2(c)(2); and FINRA Rule 1210.11 (Impermissible Registrations) because the Exchange does not believe it is necessary to adopt a rule to mandate that ETP Holders shall not register or maintain the registration of any person unless such registration is consistent with proposed Rule 2.1210. The Exchange believes the adoption of registration requirements is sufficient.

Additionally, as noted above, the Exchange is not adopting registration categories that are not applicable to ETP Holders because ETP Holders do not engage in the type of business that would require such registration. The Exchange is proposing to adopt only those registration categories adopted by FINRA that are relevant to ETP Holders of NYSE National. More specifically, proposed Rule 2.1220(a)(2) - General Securities Principal is based on and is substantially similar to FINRA

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See supra, note 3.

Rule 1220(a)(2); proposed Rule 2.1220(a)(3) - Compliance Officer is based on and is substantially similar to FINRA Rule 1220(a)(3); proposed Rule 2.1220(a)(5) - Securities Trader Principal is based on and is substantially similar to FINRA Rule 1220(a)(7); proposed Rule 2.1220(a)(6) - General Securities Sales Supervisor is based on and is substantially similar to FINRA Rule 1220(a)(10). Proposed Rule 2.1220(b)(1) - Representative is based on and is substantially similar to FINRA Rule 1220(b)(1); proposed Rule 2.1220(b)(2) - General Securities Representative is based on and is substantially similar to FINRA Rule 1220(b)(2); and proposed Rule 2.1220(b)(3) - Securities Trader is based on and is substantially similar to FINRA Rule 1220(b)(4).

The Exchange is not adopting the following categories from the FINRA Filing because ETP Holders do not engage in the type of business that would require registration with the Exchange: Investment Banking Principal, Research Principal, Registered Options Principal, Government Securities Principal, Investment Company and Variable Contracts Products Principal, Direct Participation Programs Principal, Private Securities Offerings Principal, Supervisory Analyst, Operations Professional, Investment Banking Representative, Research Analyst, Investment Company and Variable Contracts Products Representative, Direct Participation Programs Representative, and Private Securities Offering Representative.

Additionally, proposed Rule 2.1220, Commentary .01 - Foreign Registrations is based on and is substantially similar to FINRA Rule 1220.01; proposed Rule 2.1220, Commentary .02 - Additional Qualification Requirements for Persons Engaged in Security Futures is based on and is substantially similar to FINRA Rule 1220.02; and proposed Rule 2.1220, Commentary .03 - Scope of General Securities Sales Supervisor Registration Category is based on and is substantially similar to FINRA Rule 1220.04.

The Exchange is not adopting the following provisions from FINRA Rule 1220: FINRA Rule 1220.03 (Members with One Registered Options Principal) because the options trading is not available on the Exchange and therefore the Exchange does not believe an Exchange rule equivalent to FINRA Rule 1220.03 is necessary; FINRA Rule 1220.05 (Scope of Operations Professional Requirement) because the Exchange does not believe it is necessary to adopt a rule regarding the scope of an operations professional when the Exchange is not adopting the underlying Operations Professional registration category; and FINRA Rule 1220.06 (Eliminated Registration Categories) because the Exchange does not require the registration categories for ETP Holders that are referenced in FINRA Rule 1220.06 and therefore does not believe it is necessary to adopt the substance of the FINRA rule.

Finally, the proposed changes to current NYSE National Rule 2.2 regarding continuing education requirements are based on and are substantially similar to FINRA Rule 1240.

The Exchange is not adopting any changes adopted in the FINRA Filing other than the changes noted above.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5 – Text of Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION  
 (Release No. 34- ; File No. SR-NYSENAT-2018-20)

[Date]

Self-Regulatory Organizations; NYSE National, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change of Amendments to the Exchange’s Rules Regarding Qualification, Registration and Continuing Education Requirements Applicable to Equity Trading Permit Holders

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on August 15, 2018, NYSE National, Inc. (the “Exchange” or “NYSE National”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III 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 Exchange proposes amendments to the Exchange’s rules regarding qualification, registration and continuing education requirements applicable to Equity Trading Permit (“ETP”) Holders. To the extent the Exchange’s rule proposal is intended to harmonize with Financial Regulatory Authority, Inc. (“FINRA”) rules and thus promote consistency within the securities industry, the Exchange is only adopting rules that are relevant to the Exchange’s ETP Holders. The Exchange is not adopting

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

registration categories that are not applicable to ETP Holders because ETP Holders do not engage in the type of business that would require such registration. As such, the Exchange is amending current Rule 2.2 regarding continuing education requirements to reflect the FINRA rule; adopting Commentary .08 to current Rule 2.2 regarding fingerprint information; adopting new Rule 2.1210 regarding registration requirements and related Commentary to new Rule 2.1210; adopting new Rule 2.1220 regarding registration categories<sup>4</sup> and related Commentary to new Rule 2.1220; and adopting new Rule 2.1230 regarding associated persons exempt from registration and related Commentary to new Rule 2.1230. Each of these rule changes, which are described in more detail below, would become operative on October 1, 2018. The proposed rule change is available on the Exchange's website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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 those 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 parts of such statements.

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<sup>4</sup> The relevant principal registration categories the Exchange proposes to adopt are (1) Principal; (2) General Securities Principal; (3) Compliance Officer; (4) Financial and Operations Principal and Introducing Broker-Dealer Financial and Operations Principal; (5) Securities Trader Principal; and (6) General Securities Sales Supervisor. The relevant representative registration categories the Exchange proposes to adopt are (1) Representative; (2) General Securities Representative; and (3) Securities Trader.

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

1. Purpose

The Exchange proposes to amend its qualification, registration, and continuing education requirements applicable to ETP Holders. The proposed amendments are intended to: (i) provide transparency and clarity with respect to the Exchange’s registration, qualification and examination requirements; (ii) ensure that all persons engaging in trading on the Exchange or performing supervisory or operational functions are properly registered and subject to the examination and continuing education requirements necessary for their business function; (iii) harmonize the Exchange’s qualification, registration and examination rules with those of FINRA<sup>5</sup> so as to promote uniform standards across the securities industry; and (iv) add new definitions of terms and make other conforming changes to enhance the comprehensiveness and clarity of the Exchange’s rules.<sup>6</sup> The proposed changes are discussed below.

A. Amendments to Rule 2.2(e) - Continuing Education Requirements

Rule 2.2(e) provides the continuing education requirements of certain Registered Persons<sup>7</sup> subsequent to their initial qualification and registration with the Exchange, and

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<sup>5</sup> See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (SR-FINRA-2017-007) (Approval Order) (the “FINRA Filing”).

<sup>6</sup> The conforming changes the Exchange proposes would substitute the term “ETP Holder” for “member” and the term “Exchange” for “FINRA.”

<sup>7</sup> For purposes of Rule 2.2(e), the term “Registered Person” means any Person registered with the Exchange as a General Securities Representative, Securities Trader, Principal, Principal - Financial and Operations (“FINOP”), Person Associated with an ETP Holder, Authorized Trader or Market Maker Authorized Trader. See Rule 2.2(e). The Exchange notes that the term Registered Person includes all Exchange participants that would be subject to the Exchange’s qualification, registration and continuing education requirements.

includes a Regulatory Element and a Firm Element. The Regulatory Element applies to registered persons and consists of periodic computer-based training on regulatory, compliance, ethical, supervisory subjects and sales practice standards. The Firm Element consists of at least an annual, member-developed and administered training programs designed to keep registered persons current regarding securities products, services and strategies offered by the member. For purposes of Rule 2.2(e), the Exchange proposes to include within the definition of a Registered Person any Person who is permissively registered pursuant to proposed Rule 2.1210, Commentary .01, and any Person designated as eligible for a waiver pursuant to proposed Rule 2.1210, Commentary .08.<sup>8</sup> The purpose of this change is to ensure all Registered Persons, including those with permissive registrations, keep their knowledge of the securities industry current. The inclusion of persons designated as eligible for a waiver under the term “Registered Person” corresponds to the requirements of proposed Rule 2.1210, Commentary .08.

#### 1. Regulatory Element

The Exchange proposes to amend Rule 2.2(e)(1) to provide, consistent with proposed Rule 2.1210, Commentary .08, that a waiver-eligible person would be subject to a Regulatory Element program that correlates to his or her most recent registration category, and that the content of the Regulatory Element would be based on the same cycle had the individual remain registered.<sup>9</sup> The proposed amendment to Rule 2.2(e)(1) also provides that if a waiver-eligible person fails to complete the Regulatory Element

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<sup>8</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(5).

<sup>9</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(1).

during the prescribed time frames, he or she would lose waiver eligibility.<sup>10</sup>

Further, the Exchange proposes to amend Rule 2.2(e)(1) to provide that any person whose registration has been deemed inactive under the rule may not accept or solicit business or receive any compensation for the purchase or sale of securities. The proposed amendment provides, however, that such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the ETP Holder with which the person is associated has a policy prohibiting such trail or residual commissions.<sup>11</sup>

## 2. Firm Element

Current Rule 2.2(e)(2)(B)(ii) provides that programs used to implement an ETP Holder's training program must be appropriate for the business of the ETP Holder and, at a minimum, must cover specific matters concerning securities products, services, and strategies offered by the ETP Holder. The Exchange proposes to amend the current rule to expand the minimum standard for such training programs by requiring that, at a minimum, a firm's training program must also cover training in ethics and professional responsibility.<sup>12</sup>

### B. Amendments to Rule 2.2(e), Commentary .02

Current Rule 2.2, Commentary .02, states that the Exchange will accept the New York Stock Exchange Chief Compliance Officer Examination ("NYSE Series 14") as an

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<sup>10</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(2).

<sup>11</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(a)(2).

<sup>12</sup> The proposed change is substantially similar to that contained in FINRA Rule 1240(b)(2).

alternative qualification to register as Principal an individual identified as the Chief Compliance Officer on an ETP Holder's Form BD. The Exchange proposes a technical change to rename the NYSE Series 14 examination as the Compliance Official Examination which is the correct name of the examination.

C. Amendments to Rule 2.2(e), Commentary .04

Current Rule 2.2, Commentary .04, references by incorporation NASD Rule 1032(f).<sup>13</sup> With this proposed rule change, the Exchange is adopting the content of Rule 1032(f) into the Exchange's rules and therefore would no longer need to reference by incorporation the NASD rule. The Exchange, therefore, proposes to replace reference to NASD Rule 1032(f) in Rule 2.2, Commentary .04, with Rule 2.1220(b)(3) which is a proposed new Exchange rule that is substantively similar to NASD Rule 1032(f).

D. Proposed New Rule 2.2(e) - Commentary .08 - Fingerprint Information<sup>14</sup>

The Exchange proposes to adopt new Rule 2.2(e), Commentary .08, regarding the submission of fingerprint information by ETP Holders. As proposed, upon filing an electronic Form U4 on behalf of a person applying for registration, an ETP Holder would be required to promptly submit fingerprint information for that person. If the ETP Holder fails to submit the fingerprint information within 30 days after the Exchange receives the electronic Form U4, the person's registration shall be deemed inactive and the person

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<sup>13</sup> NASD Rule 1032(f) was recently amended to expand the scope of individuals associated with a FINRA member broker-dealer who are required to register as Security Traders. See Securities Exchange Act Release No. 77551 (April 7, 2016), 81 FR 21914 (April 13, 2016) (SR-FINRA-2016-007) (Order Approving a Proposed Rule Change To Require Registration as Securities Traders of Associated Persons Primarily Responsible for the Design, Development, Significant Modification of Algorithmic Trading Strategies or Responsible for the Day-to-Day Supervision of Such Activities).

<sup>14</sup> The proposed rule is substantially similar to FINRA Rule 1010(d).

would be required to immediately cease all activities requiring registration and would be prohibited from performing any duties and functioning in any capacity requiring registration. The proposed rule further provides allows the Exchange to administratively terminate a registration that is inactive for a period of two years. However, a person whose registration is administratively terminated may seek to reactivate his or her registration by reapplying for registration and meeting the qualification requirements under Exchange rules.

E. Proposed New Rules 2.1210 through 2.1230

As a general matter, FINRA administers qualification examinations that are designed to establish that persons associated with ETP Holders have attained specified levels of competence and knowledge. Over time, the examination program has increased in complexity to address the introduction of new products and functions, and related regulatory concerns and requirements. As a result, today, there are a large number of examinations, considerable content overlap across the representative-level examinations and requirements for individuals in various segments of the industry to pass multiple examinations. To address these issues, FINRA has formulated a general knowledge examination called the Securities Industry Essential (“SIE”) that all potential representative-level registrants would take.<sup>15</sup> Rule changes related to the adoption of the

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<sup>15</sup> The SIE would assess basic product knowledge; the structure and function of the securities industry markets, regulatory agencies and their functions; and regulated and prohibited practices. In particular, the SIE will cover four major areas. The first, “Knowledge of Capital Markets,” focuses on topics such as types of markets and offerings, broker-dealers and depositories, and economic cycles. The second, “Understanding Products and Their Risks,” covers securities products at a high level as well as associated investment risks. The third, “Understanding Trading, Customer Accounts and Prohibited Activities,” focuses on accounts, orders, settlement and prohibited activities. The final area, “Overview of the Regulatory

SIE and other proposed new rules are discussed below.

1. Proposed Rule 2.1210 - Registration Requirements<sup>16</sup>

Proposed Rule 2.1210 provides that each person engaged in the investment banking or securities business of an ETP Holder must register with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in proposed Rule 2.1220, unless exempt from registration pursuant to proposed Rule 2.1230. Proposed Rule 2.1210 also provides that such person is not qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

2. Proposed Rule 2.1210, Commentary .01 - Permissive Registrations<sup>17</sup>

Proposed Rule 2.1210, Commentary .01, allows any associated person to obtain and maintain any registration permitted by an ETP Holder. For instance, an associated person of an ETP Holder working solely in a clerical or ministerial capacity, such as in an administrative capacity, would be able to obtain and maintain a General Securities Representative registration with the ETP Holder. As another example, an associated person of an ETP Holder who is registered, and functioning solely, as a General Securities Representative would be able to obtain and maintain a General Securities Principal registration with the ETP Holder. Further, proposed Rule 2.1210, Commentary .01, allows an individual engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of an ETP Holder to obtain and maintain any

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Framework,” encompasses topics such as SROs, registration requirements and specified conduct rules.

<sup>16</sup> The proposed rule is substantially similar to FINRA Rule 1210.

<sup>17</sup> The proposed rule is substantially similar to FINRA Rule 1210.02.

registration permitted by the ETP Holder.

The Exchange is proposing to permit the registration of such individuals for several reasons. First, an ETP Holder may foresee a need to move a former representative or principal who has not been registered for two or more years back into a position that would require such person to be registered. Currently, such persons are required to requalify (or obtain a waiver of the applicable qualification examinations) and reapply for registration. Second, the proposed rule change would allow ETP Holders to develop a depth of associated persons with registrations in the event of unanticipated personnel changes. Finally, allowing registration in additional categories encourages greater regulatory understanding.

Individuals maintaining a permissive registration under the proposed rule change would be considered registered persons and subject to all Exchange rules, to the extent relevant to their activities. As proposed, ETP Holders would be required to have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. With respect to an individual who solely maintains a permissive registration, such as an individual working exclusively in an administrative capacity, the individual's day-to-day supervisor may be a non-registered person. However, an ETP Holder would be required to assign a registered supervisor who would be responsible for periodically contacting such individual's day-to-day supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor must be registered as a representative or principal. If the individual is permissively registered as a principal,

the registered supervisor must be registered as a principal.<sup>18</sup>

3. Proposed Rule 2.1210, Commentary .02 - Qualification Examinations and Waivers of Examinations<sup>19</sup>

Proposed Rule 2.1210, Commentary .02, provides that before the registration of a person as a representative can become effective under proposed Rule 2.1210, such person must pass the SIE and an appropriate representative-level qualification examination as specified in proposed Rule 2.1220.<sup>20</sup> Proposed Rule 2.1210, Commentary .02, also provides that before the registration of a person as a principal can become effective under proposed Rule 2.1210, such person must pass an appropriate principal-level qualification examination as specified in proposed Rule 2.1220.

Further, proposed Rule 2.1210, Commentary .02, provides that if a registered person's job functions change and he or she needs to become registered in another representative-level category, he or she would not need to pass the SIE again. Rather, the registered person would need to pass only the appropriate representative-level qualification examination.

Moreover, proposed Rule 2.1210, Commentary .02, provides that all associated persons, such as associated persons whose functions are solely and exclusively clerical or ministerial, are eligible to take the SIE. Proposed Rule 2.1210, Commentary .02, also provides that individuals who are not associated persons of firms, such as members of the

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<sup>18</sup> In either case, the registered supervisor of an individual who solely maintains a permissive registration would not be required to be registered in the same representative or principal registration category as the permissively-registered individual.

<sup>19</sup> The proposed rule is substantially similar to FINRA Rule 1210.03.

<sup>20</sup> Proposed Rule 2.1220 sets forth each registration category and applicable qualification examination for ETP Holders on the Exchange.

general public, are eligible to take the SIE. The Exchange believes that expanding the pool of individuals who are eligible to take the SIE would enable prospective securities industry professionals to demonstrate to prospective employers a basic level of knowledge prior to submitting a job application. Further, this approach would allow for more flexibility and career mobility within the securities industry. While all associated persons of firms as well as individuals who are not associated persons would be eligible to take the SIE pursuant to the proposed rule, passing the SIE alone would not qualify them for registration with the Exchange. Rather, to be eligible for registration with the Exchange, an individual must pass an applicable representative or principal qualification examination and complete the other requirements of the registration process.

Proposed Rule 2.1210, Commentary .02, also provides that the Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination(s) and accept other standards as evidence of an applicant's qualifications for registration. The proposed rule further provides that the Exchange will only consider examination waiver requests submitted by an ETP Holder for individuals associated with the ETP Holder who are seeking registration in a representative- or principal-level registration category. Moreover, the proposed rule states that the Exchange will consider waivers of the SIE alone or the SIE and the representative- and principal-level examination(s) for such individuals. The Exchange would not consider a waiver of the SIE for non-associated persons or for associated persons who are not registering as representatives or principals.

4. Proposed Rule 2.1210, Commentary .03 - Requirements for Registered Persons Functioning as Principals for a Limited Period<sup>21</sup>

Proposed Rule 2.1210, Commentary .03, provides that an ETP Holder may designate any person currently registered, or who becomes registered, with the ETP Holder as a representative to function as a principal for a limited period, provided that such person has at least 18 months of experience functioning as a registered representative with the five-year period immediately preceding the designation. The proposed rule is intended to ensure that representatives designated to function as principals for the limited period under the proposal have an appropriate level of registered representative experience. The proposed rule clarifies that the requirements of the rule apply to designations to any principal category, including those categories that are not subject to a prerequisite representative-level registration requirement, such as the Financial and Operations Principal registration category.<sup>22</sup>

The proposed rule also clarifies that the individual must fulfill all applicable prerequisite registration, fee and examination requirements before his or her designation as a principal. Further, the proposed rule provides that in no event may such person function as a principal beyond the initial 120 calendar days without having successfully passed an appropriate principal qualification examination. The proposed rule also provides an exception to the experience requirement for principals who are designated by an ETP Holder to function in other principal categories for a limited period. Specifically,

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<sup>21</sup> The proposed rule is substantially similar to FINRA Rule 1210.04.

<sup>22</sup> The Exchange notes that qualifying as a registered representative is a prerequisite to qualifying as a principal except with respect to the following principal-level registrations: (1) Compliance Official; (2) Financial and Operations Principal; and (3) Introducing Broker-Dealer Financial and Operations Principal.

the proposed rule states that an ETP Holder may designate any person currently registered, or who becomes registered, with the ETP Holder as a principal to function in another principal category for 120 calendar days before passing any applicable examinations.

5. Proposed Rule 2.1210, Commentary .04 - Rules of Conduct for Taking Examinations and Confidentiality of Examinations<sup>23</sup>

Proposed Rule 2.1210, Commentary .04 states that associated persons taking the SIE would be subject to the SIE Rules of Conduct, and associated persons taking a representative or principal examination would be subject to the Rules of Conduct for representative and principal examinations. Pursuant to proposed Rule 2.1210, Commentary .04, a violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person would be deemed to be a violation of Rule 11.3.1. Moreover, if an associated person is deemed to have violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by the Exchange.

Further, the proposed rule states that individuals taking the SIE who are not associated persons must agree to be subject to the SIE Rules of Conduct. Among other things, the SIE Rules of Conduct would require individuals to attest that they are not qualified to engage in the investment banking or securities business based on passing the SIE and would prohibit individuals from cheating on the examination or misrepresenting their qualifications to the public subsequent to passing the SIE. Moreover, non-associated persons may forfeit their SIE results and may be prohibited from retaking the

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<sup>23</sup> The proposed rule is substantially similar to FINRA Rule 1210.05.

SIE if the Exchange determines that they cheated on the SIE or that they misrepresented their qualifications to the public subsequent to passing the SIE. In addition, if the Exchange discovers that non-associated persons who have passed the SIE have subsequently engaged in other types of misconduct, the Exchange would refer the matter to the appropriate authorities or regulators.

The proposed rule further notes that the Exchange considers all qualification examinations content to be highly confidential and that the removal of examination content from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such qualification examination or any other use that would compromise the effectiveness of the examinations and the use in any manner and at any time of the questions or answers to the examinations is prohibited and would be deemed a violation of Rule 11.3.1.

6. Proposed Rule 2.1210, Commentary .05 - Waiting Periods for Retaking a Failed Examination<sup>24</sup>

Proposed Rule 2.1210, Commentary .05 provides that any person who fails a qualification examination may retake that examination after 30 calendar days from the date of the person's last attempt to pass that examination. The proposed rule further provides that if a person fails an examination three or more times in succession within a two-year period, he or she would be prohibited from retaking the examination either until a period of 180 calendar days from the date of the person's last attempt to pass it. These waiting periods would apply to the SIE and the representative- and principal-level examinations. Moreover, the proposed rule provides that non-associated persons taking the SIE must agree to be subject to the same waiting periods for retaking the SIE.

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<sup>24</sup> The proposed rule is substantially similar to FINRA Rule 1210.06.

7. Proposed Rule 2.1210, Commentary .06 - All Registered Persons Must Satisfy the Regulatory Element of Continuing Education<sup>25</sup>

Pursuant to Rule 2.2(e), the CE requirements applicable to registered persons consist of a Regulatory Element<sup>26</sup> and a Firm Element.<sup>27</sup> The Regulatory Element applies to registered persons and must be completed within prescribed time frames.<sup>28</sup> For purposes of the Regulatory Element, a registered person is any person registered with the Exchange as a General Securities Principal, Securities Trader, Principal, FINOP, Person Associated with an ETP Holder, Authorized Trader or Market Maker Authorized Trader. The Firm Element consists of annual, ETP Holder-developed and administered training programs designed to keep covered registered persons current regarding securities products, services and strategies offered by the ETP Holder. For purposes of the Firm Element, the term covered registered persons means any Person registered with an ETP

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<sup>25</sup> The proposed rule is substantially similar to FINRA Rule 1210.07.

<sup>26</sup> See Rule 2.2(e)(1).

<sup>27</sup> See Rule 2.2(e)(2).

<sup>28</sup> Pursuant to Rule 2.2(e)(1), each specified registered person is required to complete the Regulatory Element initially within 120 days after the person's second registration anniversary date and, thereafter, within 120 days after every third registration anniversary date. A registered person who has not completed the Regulatory Element program within the prescribed time frames will have his or her registrations deemed inactive and designated as "CE inactive" on the CRD system until such time as the requirements of the program have been satisfied. A CE inactive person is prohibited from performing, or being compensated for, any activities requiring registration, including supervision. Moreover, if a registered person is CE inactive for a two-year period, the Exchange will administratively terminate the person's registration status. The two-year period would be calculated from the date the person becomes CE inactive. If a registered person becomes CE inactive but is not registered with an ETP Holder when the two-year period ends, the Exchange will nevertheless update the CRD system to reflect that the person did not satisfy the Regulatory Element program. In either case, such person must requalify (or obtain a waiver of the applicable qualification examination(s)) to be re-eligible for registration.

Holder who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading and investment banking activities and to the immediate supervisors of such Persons.

The Exchange believes that all registered persons, regardless of their activities, should be subject to the Regulatory Element of the CE requirements so that they can keep their knowledge of the securities industry current. Therefore, the Exchange proposes to adopt Rule 2.1210, Commentary .06, to clarify that all registered persons, including those who solely maintain a permissive registration, are required to satisfy the Regulatory Element, as specified in Rule 2.2(e)(1). The Exchange is making corresponding changes to Rule 2.2(e)(1). The Exchange is not proposing any changes to the Firm Element requirement at this time. Individuals who have passed the SIE but not a representative- or principal-level examination and do not hold a registered position would not be subject to any CE requirements.

Proposed Rule 2.1210, Commentary .06, also provides that a registered person of an ETP Holder who becomes CE inactive would not be permitted to be registered in another registration category with the ETP Holder or be registered in any registration category with another ETP Holder, until the person has satisfied the Regulatory Element.

8. Proposed Rule 2.1210, Commentary .07 - Lapse of Registration and Expiration of the SIE<sup>29</sup>

Proposed Rule 2.1210, Commentary .07, provides that any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative is required to pass a qualification examination for representatives appropriate to the category of

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<sup>29</sup> The proposed rule is substantially similar to FINRA Rule 1210.08.

registration as specified in proposed Rule 2.1220(b). Proposed Rule 2.1210, Commentary .07, also sets forth that a passing result on the SIE would be valid for four years. Therefore, under the proposed rule change, an individual who passes the SIE and is an associated person of an ETP Holder at the time would have up to four years from the date he or she passes the SIE to pass a representative-level examination to register as a representative with that ETP Holder, or a subsequent ETP Holder, without having to retake the SIE. In addition, an individual who passes the SIE and is not an associated person at the time would have up to four years from the date he or she passes the SIE to become an associated person of an ETP Holder and pass a representative-level examination and register as a representative without having to retake the SIE.

Moreover, an individual holding a representative-level registration who leaves the industry after the effective date of this proposed rule change would have up to four years to reassociate with an ETP Holder and register as a representative without having to retake the SIE. However, the four-year expiration period in the proposed rule change extends only to the SIE, and not the representative- and principal-level registrations. The representative- and principal-level registrations would continue to be subject to a two-year expiration period as is the case today.

Finally, proposed Rule 2.1210, Commentary .07, clarifies that, for purposes of the proposed rule, an application would not be considered to have been received by the Exchange if that application does not result in a registration.

9. Proposed Rule 2.1210, Commentary .08 - Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of an ETP Holder<sup>30</sup>

Proposed Rule 2.1210, Commentary .08, provides the process for individuals working for a financial services industry affiliate of an ETP Holder<sup>31</sup> to terminate their registrations with the ETP Holder and be granted a waiver of their requalification requirements upon re-registering with an ETP Holder, provided the firm that is requesting the waiver and the individual satisfy the criteria for a Financial Services Affiliate (“FSA”) waiver.

Under the proposed waiver process, the first time a registered person is designated as eligible for a waiver based on the FSA criteria, the ETP Holder with which the individual is registered would notify the Exchange of the FSA designation. The ETP Holder would concurrently file a full Form U5 terminating the individual's registration with the firm, which would also terminate the individual's other SRO and state registrations. To be eligible for initial designation as an FSA-eligible person by an ETP Holder, an individual must have been registered for a total of five years within the most recent 10-year period prior to the designation, including for the most recent year with that ETP Holder. An individual would have to satisfy these preconditions only for purposes of his or her initial designation as an FSA-eligible person, and not for any subsequent FSA designation(s). Thereafter, the individual would be eligible for a waiver for up to

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<sup>30</sup> The proposed rule is substantially similar to FINRA Rule 1210.09.

<sup>31</sup> Proposed Rule 2.1210, Commentary .07, defines a “financial services industry affiliate of an ETP Holder” as a legal entity that controls, is controlled by or is under common control with an ETP Holder and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

seven years from the date of initial designation,<sup>32</sup> provided that the other conditions of the waiver, as described below, have been satisfied. Consequently, an ETP Holder other than the ETP Holder that initially designated an individual as an FSA-eligible person may request a waiver for the individual and more than one ETP Holder may request a waiver for the individual during the seven-year period.<sup>33</sup>

An individual designated as an FSA-eligible person would be subject to the Regulatory Element of CE while working for a financial services industry affiliate of an ETP Holder. The individual would be subject to a Regulatory Element program that correlates to his or her most recent registration category, and CE would be based on the

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<sup>32</sup> Individuals would be eligible for a single, fixed seven-year period from the date of initial designation, and the period would not be tolled or renewed.

<sup>33</sup> The following examples illustrate this point:

*Example 1.* Firm A designates an individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual joins Firm A's financial services affiliate. Firm A does not submit a waiver request for the individual. After working for Firm A's financial services affiliate for three years, the individual directly joins Firm B's financial services affiliate for three years. Firm B then submits a waiver request to register the individual.

*Example 2.* Same as Example 1, but the individual directly joins Firm B after working for Firm A's financial services affiliate, and Firm B submits a waiver request to register the individual at that point in time.

*Example 3.* Firm A designates an individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual joins Firm A's financial services affiliate for three years. Firm A then submits a waiver request to re-register the individual. After working for Firm A in a registered capacity for six months, Firm A re-designates the individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual rejoins Firm A's financial services affiliate for two years, after which the individual directly joins Firm B's financial services affiliate for one year. Firm B then submits a waiver request to register the individual.

*Example 4.* Same as Example 3, but the individual directly joins Firm B after the second period of working for Firm A's financial services affiliate, and Firm B submits a waiver request to register the individual at that point in time.

same cycle had the individual remained registered. If the individual fails to complete the prescribed Regulatory Element during the 120-day window for taking the session, he or she would lose FSA eligibility (*i.e.*, the individual would have the standard two-year period after termination to re-register without having to retake an examination). The Exchange is making corresponding changes to Rule 2.2(e).

Upon registering an FSA-eligible person, a firm would file a Form U4 and request the appropriate registration(s) for the individual. The firm would also submit an examination waiver request to the Exchange,<sup>34</sup> similar to the process used today for waiver requests, and it would represent that the individual is eligible for an FSA waiver based on the conditions set forth below. The Exchange would review the waiver request and make a determination of whether to grant the request within 30 calendar days of receiving the request. The Exchange would summarily grant the request if the following conditions are met:

(1) Prior to the individual's initial designation as an FSA-eligible person, the individual was registered for a total of five years within the most recent 10-year period, including for the most recent year with the ETP Holder that initially designated the individual as an FSA-eligible person;

(2) The waiver request is made within seven years of the individual's initial designation as an FSA-eligible person by an ETP Holder;

(3) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;

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<sup>34</sup> The Exchange would consider a waiver of the representative-level qualification examination(s), the principal-level qualification examination(s) and the SIE, as applicable.

(4) The individual continuously worked for the financial services affiliate(s) of an ETP Holder since the last Form U5 filing;

(5) The individual has complied with the Regulatory Element of CE; and

(6) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification while the individual was designated as an FSA-eligible person with an ETP Holder.

Following the Form U5 filing, an individual could move between the financial services affiliates of an ETP Holder so long as the individual is continuously working for an affiliate. Further, an ETP Holder could submit multiple waiver requests for the individual, provided that the waiver requests are made during the course of the seven-year period.<sup>35</sup> An individual who has been designated as an FSA-eligible person by an ETP Holder would not be able to take additional examinations to gain additional registrations while working for a financial services affiliate of an ETP Holder.

10. Proposed Rule 2.1210, Commentary .09 - Status of Persons Serving in the Armed Forces of the United States<sup>36</sup>

Proposed Rule 2.1210, Commentary .09 provides specific relief to registered persons serving in the Armed Forces of the United States. Among other things, the proposed rule permits a registered person of an ETP Holder who volunteers for or is

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<sup>35</sup> For example, if an ETP Holder submits a waiver request for an FSA-eligible person who has been working for a financial services affiliate of the ETP Holder for three years and re-registers the individual, the ETP Holder could subsequently file a Form U5 and re-designate the individual as an FSA-eligible person. Moreover, if the individual works with a financial services affiliate of the ETP Holder for another three years, the ETP Holder could submit a second waiver request and re-register the individual upon returning to the ETP Holder.

<sup>36</sup> The proposed rule is substantially similar to FINRA Rule 1210.10.

called into active duty in the Armed Forces of the United States to be registered in an inactive status and remain eligible to receive ongoing transaction-related compensation. The proposed rule also includes specific provisions regarding the deferment of the lapse of registration requirements for formerly registered persons serving in the Armed Forces of the United States. The proposed rule further requires that the ETP Holder with which such person is registered promptly notify the Exchange of such person's return to employment with the ETP Holder. The proposed rule would require an ETP Holder that is a sole proprietor to also similarly notify the Exchange of his or her return to participation in the investment banking or securities business. The proposed rule also provides that the Exchange would defer the lapse of the SIE for formerly registered persons serving in the Armed Forces of the United States.

F. Proposed New Rule 2.1220 - Registration Categories<sup>37</sup>

1. Proposed Rule 2.1220(a)(1) - Principal

Rule 1.1(y) currently defines the term "Principal" to mean any Person Associated with an ETP Holder actively engaged in the management of the ETP Holder's securities business, including supervision, solicitation, conduct of the ETP Holder's business, or the training of Authorized Traders and Persons Associated with an ETP Holder for any of these functions. Such Persons include Sole Proprietors, Officers, Partners, and Directors

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<sup>37</sup> The Exchange is not adopting the following categories from the FINRA Filing because ETP Holders do not engage in the type of business that would require registration with the Exchange: Investment Banking Principal, Research Principal, Registered Options Principal, Government Securities Principal, Investment Company and Variable Contracts Products Principal, Direct Participation Programs Principal, Private Securities Offerings Principal, Supervisory Analyst, Operations Professional, Investment Banking Representative, Research Analyst, Investment Company and Variable Contracts Products Representative, Direct Participation Programs Representative, and Private Securities Offering Representative.

of Corporations. The Exchange is not proposing any change to the current definition for purposes of the proposed new registration rules.

2. Proposed Rule 2.1220(a)(2) - General Securities Principal<sup>38</sup>

Proposed Rule 2.1220(a)(2)(A) states that each principal as defined in proposed Rule 2.1220(a)(1) is required to register with the Exchange as a General Securities Principal, subject to the following exceptions. The proposed rule provides that if a principal's activities include the functions of a Compliance Officer, a Financial and Operations Principal (or an Introducing Broker-Dealer Financial and Operations Principal, as applicable), a Principal Financial Officer, a Principal Operations Officer, or a Securities Trader Principal, then the principal must appropriately register in one or more of these categories.

Proposed Rule 2.1220(a)(2)(A) further provides that if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor, then the principal may appropriately register in that category in lieu of registering as a General Securities Principal.

Proposed Rule 2.1220(a)(2)(B) requires that an individual registering as a General Securities Principal satisfy the General Securities Representative prerequisite registration and pass the General Securities Principal qualification examination. Proposed Rule 2.1220(a)(2)(B) also clarifies that an individual may register as a General Securities Sales Supervisor and pass the General Securities Sales Supervisor qualification examination in lieu of passing the General Securities Principal examination.

As a general matter, the Exchange currently recognizes the Corporate Securities

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<sup>38</sup> The proposed rule is substantially similar to FINRA Rule 1220(a)(2).

Representative but would no longer recognize this registration category given its elimination by FINRA. Proposed Rule 2.1220(a)(2)(B), however, provides that, subject to the lapse of registration provisions in proposed Rule 2.1210, Commentary .07, General Securities Principals who obtained the Corporate Securities Representative prerequisite registration in lieu of the General Securities Representative prerequisite registration and individuals who have been registered as such within the past two years prior to the effective of the proposed rule change, may continue to supervise corporate securities activities as currently permitted.

### 3. Proposed Rule 2.1220(a)(3) - Compliance Officer<sup>39</sup>

Proposed Rule 2.1220(a)(3) establishes a Compliance Officer registration category and requires all persons designated as CCOs on Schedule A of Form BD to register as Compliance Officers, subject to an exception for ETP Holders engaged in limited investment banking or securities business. The proposed rule only addresses the registration requirements for CCOs. However, consistent with proposed Rule 2.1210, Commentary .01 relating to permissive registrations, a firm may allow other associated persons to register as Compliance Officers.

In addition, the Exchange is proposing to provide CCOs of firms that engage in limited investment banking or securities business with greater flexibility to satisfy the qualification requirements for CCOs. Specifically, proposed Rule 2.1220(a)(3) set forth the following qualification requirements for Compliance Officer registration:

- Subject to the lapse of registration provisions in proposed Rule 2.1210, Commentary .07, each person registered with the Exchange as a General

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<sup>39</sup> The proposed rule is substantially similar to FINRA Rule 1220(a)(3).

Securities Representative and a General Securities Principal on the effective date of this proposed rule change and each person who was registered with the Exchange as a General Securities Representative and a General Securities Principal within two years prior to the effective date of this proposed rule change would be qualified to register as Compliance Officers without having to take any additional examinations. In addition, subject to the lapse of registration provisions in proposed Rule 2.1210, Commentary .07, individuals registered as Compliance Officials in the CRD system on the effective date of this proposed rule change and individuals who were registered as such within two years prior to the effective date of this proposed rule change would also be qualified to register as Compliance Officers without having to take any additional examinations;

- All other individuals registering as Compliance Officers after the effective date of this proposed rule change would have to: (1) Satisfy the General Securities Representative prerequisite registration and pass the General Securities Principal qualification examination; or (2) pass the Compliance Official qualification examination.
- An individual designated as a CCO on Schedule A of Form BD of an ETP Holder that is engaged in limited investment banking or securities business may be registered in a principal category under proposed Rule 2.1220(a) that corresponds to the limited scope of the ETP Holder's business.

4. Proposed Rule 2.1220(a)(4) - Financial and Operation Principal and Introducing Broker-Dealer Financial and Operations Principal<sup>40</sup>

Proposed Rule 2.1220(a)(4) provides that each principal who is responsible for the financial and operational management of an ETP Holder that has a minimum net capital requirement of \$250,000 under SEA Rules 15c3-1(a)(1)(ii) and 15c3-1(a)(2)(i), or an ETP Holder that has a minimum net capital requirement of \$150,000 under SEA Rule 15c-3-1(a)(8) must be designated as a Financial and Operations Principal. In addition, proposed Rule 2.1220(a)(4) provides that a principal who is responsible for the financial and operational management of an ETP Holder that is subject to the net capital requirements of SEA Rule 15c3-1, other than an ETP Holder that is subject to the net capital requirements of SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), must be designated and registered as either a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal. Financial and Operations Principals and Introducing Broker-Dealer Financial and Operation Principals are not subject to a prerequisite representative registration, but they must pass the Financial and Operations Principal or Introducing Broker-Dealer Financial and Operations Principal examination, as applicable.

Additionally, proposed Rule 2.1220(a)(4)(B) requires an ETP Holder to designate: (1) a Principal Financial Officer with primary responsibility for the day-to-day operations of the business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and firm assets, calculation and collection of margin from customers and processing dividend receivable and payables and reorganization redemptions and those books and records related to such activities. Further, the proposed

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<sup>40</sup> The proposed rule is substantially similar to FINRA Rule 1220(a)(4).

rule requires that a firm's Principal Financial Officer and Principal Operations Officer qualify and register as Financial and Operations Principals or Introducing Broker-Dealer Financial and Operations Principals, as applicable.

Because the financial and operational activities of ETP Holders that neither self-clear nor provide clearing services are more limited, such ETP Holders may designate the same person as the Principal Financial Officer, Principal Operations Officer and Financial and Operations Principal or Introducing Broker-Dealer Financial and Operations Principal (that is, such ETP Holders are not required to designate different persons to function in these capacities).

Given the level of financial and operational responsibility at clearing and self-clearing members, the Exchange believes that it is necessary for such ETP Holders to designate separate persons to function as Principal Financial Officer and Principal Operations Officer. Such persons may also carry out the other responsibilities of a Financial and Operations Principal, such as supervision of individuals engaged in financial and operational activities. In addition, the proposed rule provides that a clearing or self-clearing ETP Holder that is limited in size and resources may request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

#### 5. Proposed Rule 2.1220(a)(5) - Securities Trader Principal<sup>41</sup>

Proposed Rule 2.1220(a)(5) requires that a principal responsible for supervising the securities trading activities specified in proposed Rule 2.1220(b)(3) register as a Securities Trader Principal. The proposed rule requires that individuals registering as

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<sup>41</sup> The proposed rule is substantially similar to FINRA Rule 1220(a)(7).

Securities Trader Principals must be registered as Securities Traders and pass the General Securities Principal qualification examination.

6. Proposed Rule 2.1220(a)(6) - General Securities Sales Supervisor<sup>42</sup>

Proposed Rule 2.1220(a)(6) provides that a principal may register with the Exchange as a General Securities Sales Supervisor if his or her supervisory responsibilities in the investment banking or securities business of an ETP Holder are limited to the securities sales activities of the ETP Holder, including the approval or customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the ETP Holder required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registering as a General Securities Sales Supervisor must satisfy the General Securities Representative prerequisite registration and pass the General Securities Sales Supervisor examinations.<sup>43</sup> Moreover, a General Securities Sales Supervisor is precluded from performing any of the following activities: (1) Supervision of the origination and structuring of underwritings; (2) supervision of market-making commitments; (3) supervision of the custody of firm or customer funds or securities for purposes of SEA Rule 15c3-3; or (4) supervision of overall compliance with financial responsibility rules.

7. Proposed Rule 2.1220(b)(1) - Representative<sup>44</sup>

Proposed Rule 2.1220(b)(1) defines a representative as any person associated with

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<sup>42</sup> The proposed rule is substantially similar to FINRA Rule 1220(a)(10).

<sup>43</sup> An individual may also register as a General Securities Sales Supervisor by passing a combination of other principal-level examinations.

<sup>44</sup> The proposed rule is substantially similar to FINRA Rule 1220(b)(1).

an ETP Holder, including assistant officers other than principals, who is engaged in the ETP Holder's investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with an ETP Holder for any of these functions.

8. Proposed Rule 2.1220(b)(2) - General Securities Representative<sup>45</sup>

Proposed Rule 2.1220(b)(2)(A) states that each representative as defined in proposed Rule 2.1220(b)(1) is required to register with the Exchange as a General Securities Representative, subject to the following exceptions. The proposed rule provides that if a representative's activities include the function of a Securities Trader, then the representative must appropriately register in that category. The proposed rule also provides that if a representative's activities are limited solely to the functions of a Direct Participation Programs Representative, then the representative may appropriately register in that category in lieu of registering as a General Securities Representative.

Further, the proposed rule would require that individuals registering as General Securities Representatives pass the SIE and the General Securities Representative examination.

9. Proposed Rule 2.1220(b)(3) - Securities Trader<sup>46</sup>

Proposed Rule 2.1220(b)(3) provides that each representative as defined in proposed Rule 2.1220(b)(1) is required to register as a Securities Trader if such person meets the definition of a Securities Trader under Rule 1.1. The proposed rule also requires that associated persons primarily responsible for the design, development or

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<sup>45</sup> The proposed rule is substantially similar to FINRA Rule 1220(b)(2).

<sup>46</sup> The proposed rule is substantially similar to FINRA Rule 1220(b)(4).

significant modification of algorithmic trading strategies (or responsible for the day-to-day supervision or direction of such activities) register as Securities Traders. Individuals registering as Securities Traders must pass the SIE and the Securities Trader examination.

10. Proposed Rule 2.1220, Commentary .01 - Foreign Registrations<sup>47</sup>

Proposed Rule 2.1220, Commentary .01, states that individuals who are in good standing as representatives with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator would be exempt from the requirement to pass the SIE, and thus would be required only to pass a specialized knowledge examination to register with the Exchange as a representative. The proposed approach would provide individuals with a United Kingdom or Canadian qualification more flexibility to obtain a representative-level registration. Additionally, while FINRA has proposed to eliminate the current registration categories of United Kingdom Securities Representative, Canada Securities Representative, and Foreign Associate, individuals currently registered in such categories would be grandfathered. Specifically, individuals registered as United Kingdom Securities Representative, Canada Securities Representative and Foreign Associate prior to the effective date of this proposed rule change may continue to maintain these same registrations. In addition, individuals whose registrations in these categories were terminated between October 1, 2016, and September 30, 2018, may qualify to re-register in the same categories, provided they re-register in these categories within two years from the date of terminating those registrations. Individuals registered in these categories who terminate their registrations with the Exchange on or after the effective date of this proposed rule change, and whose

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<sup>47</sup> The proposed rule is substantially similar to FINRA Rule 1220.01.

registrations remain terminated for two or more years, will not be able to reregister in these categories.

11. Proposed Rule 2.1220, Commentary .02 - Additional Qualification Requirements for Persons Engaged in Security Futures<sup>48</sup>

Proposed Rule 2.1220, Commentary .02, states that each person who is registered with the Exchange as a General Securities Representative, United Kingdom Securities Representative, Canada Securities Representative, or General Securities Sales Supervisor shall be eligible to engage in security futures activities as a representative or principal, as applicable, provided that such individual completes a Firm Element program as set forth in Rule 2.2(e)(2) that addresses security futures products before such person engages in security futures activities.<sup>49</sup>

12. Proposed Rule 2.1220, Commentary .03 - Scope of General Securities Sales Supervisor Registration Category<sup>50</sup>

Proposed Rule 2.1220, Commentary .03, explains the purpose of the General Securities Sales Supervisor registration category. The General Securities Sales Supervisor category is an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Without this category of limited registration, such principals would be required to separately qualify pursuant to the rules of FINRA, the MSRB, the NYSE and the options

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<sup>48</sup> The proposed rule is substantially similar to FINRA Rule 1220.02.

<sup>49</sup> FINRA Rule 1220.02 also includes Options Representative and Registered Options Principal registration categories. NYSE National does not trade options and ETP Holders of NYSE National therefore would not be required to register with the Exchange in those categories and therefore the Exchange is not adopting those categories within proposed Rule 2.1220, Commentary .03.

<sup>50</sup> The proposed rule is substantially similar to FINRA Rule 1220.04.

exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the General Securities Sales Supervisor examinations permit qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal registration may supervise sales activities of all securities by also qualifying as General Securities Sales Supervisors.

The proposed rule further provides that any person required to be registered as a principal who supervises sales activities in corporate, municipal and option securities, investment company products, variable contracts, direct participation program securities as defined in Rule 2.1220(b)(4)(A), and security futures (subject to the requirements of Rule 2.1220, Commentary .02) may be registered solely as a General Securities Sales Supervisor. In addition to branch office managers, other persons such as regional and national sales managers may also be registered solely as General Securities Sales Supervisors as long as they supervise only sales activities.

#### G. Proposed New Rule 2.1230 - Associated Persons Exempt from Registration<sup>51</sup>

Proposed Rule 2.1230 provides an exemption from registration with the Exchange for certain associated persons. Specifically, the proposed rule provides that persons associated with an ETP Holder whose functions are solely and exclusively clerical or ministerial would be exempt from registration.<sup>52</sup>

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<sup>51</sup> The proposed rule is substantially similar to FINRA Rule 1230.

<sup>52</sup> FINRA Rule 1230 also provides an exemption from registration to persons associated with an ETP Holder whose functions are solely and exclusively to effecting transactions on the floor of a national securities exchange and who are appropriately registered with such exchange; persons associated with an ETP

1. Proposed Rule 2.1230, Commentary .01 - Registration Requirements for Associated Persons Who Accept Customer Orders<sup>53</sup>

Proposed Rule 2.1230, Commentary .01, clarifies that the function of accepting customer orders is not considered clerical or ministerial and that associated persons who accept customer orders under any circumstances are required to be appropriately registered. However, the proposed rule provides that an associated person is not accepting a customer order where occasionally, when an appropriately registered person is unavailable, the associated person transcribes the order details and the registered person contacts the customer to confirm the order details before entering the order.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>54</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>55</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

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Holder whose functions are solely and exclusively to transactions in municipal securities, commodities, or security futures, provided that any such person is registered with a registered futures association. ETP Holders of NYSE National do not solely and exclusively engage in such functions and therefore the Exchange is not adopting that portion of FINRA Rule 1230.

<sup>53</sup> The proposed rule is substantially similar to FINRA Rule 1230.01.

<sup>54</sup> 15 U.S.C. 78f(b).

<sup>55</sup> 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change will streamline, and bring consistency and uniformity to, the registration rules, which will, in turn, assist ETP Holders and their associated persons in complying with these rules and improve regulatory efficiency. The proposed rule change will also improve the efficiency of the examination program, without compromising the qualification standards. In addition, the proposed rule change will expand the scope of permissive registrations, which, among other things, will allow ETP Holders to develop a depth of associated persons with registrations to respond to unanticipated personnel changes and will encourage greater regulatory understanding. Further, the proposed rule change will provide a more streamlined and effective waiver process for individuals working for a financial services industry affiliate of an ETP Holder, and it will require such individuals to maintain specified levels of competence and knowledge while working in areas ancillary to the investment banking and securities business.

Finally, the Exchange believes that, with the introduction of the SIE and expansion of the pool of individuals who are eligible to take the SIE, the proposed rule change has the potential of enhancing the pool of prospective securities industry professionals by introducing them to securities laws, rules and regulations and appropriate conduct before they join the industry in a registered capacity.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed amendments are intended to promote transparency in the Exchange's rules, and consistency with the rules of other SROs with respect to the

examination, qualification, and continuing education requirements applicable to ETP Holders and their registered personnel. The Exchange believes that in that regard that any burden on competition would be clearly outweighed by the important regulatory goal of ensuring clear and consistent requirements applicable across SROs, avoiding duplication, and mitigating any risk of SROs implementing different standards in these important areas.

Further, the Exchange does not believe that the proposed amendments will affect competition among securities markets since all SROs are expected to adopt similar rules with uniform standards for qualification, registration and continuing education requirements.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>56</sup> and Rule 19b-4(f)(6) thereunder.<sup>57</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public

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<sup>56</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>57</sup> 17 CFR 240.19b-4(f)(6).

interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>58</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>59</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend 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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>60</sup> of the Act to determine whether the proposed rule change should be approved or 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. 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

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<sup>58</sup> 17 CFR 240.19b-4(f)(6).

<sup>59</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>60</sup> 15 U.S.C. 78s(b)(2)(B).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSENAT-2018-20 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSENAT-2018-20. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSENAT-2018-20 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>61</sup>

Robert W. Errett  
Deputy Secretary

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<sup>61</sup> 17 CFR 200.30-3(a)(12).

Additions underlined  
Deletions [bracketed]

## **Rules of NYSE National, Inc.**

### **RULE 2 TRADING PERMITS**

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#### **Rule 2.2. Obligations of ETP Holders and the Exchange**

(a) In addition to all other obligations imposed by the Exchange in its By-Laws or the Exchange Rules, all ETP Holders, as a condition of effecting approved securities transactions on the Exchange's trading facilities, shall agree to be regulated by the Exchange and shall recognize that the Exchange is obligated to undertake to enforce compliance with the provisions of the Exchange Rules, its By-Laws, its interpretations and policies and with the provisions of the Exchange Act and regulations thereunder, and that, subject to orders and rules of the Commission, the Exchange is required to discipline ETP Holders and Persons Associated with ETP Holders for violations of the provisions of the Exchange Rules, its By-Laws, its interpretations and policies and the Exchange Act and regulations thereunder, by expulsion, suspension, limitation of activities, functions, and operations, fines, censure, being suspended or barred from being associated with an ETP Holder, or any other fitting sanction.

(b) Each ETP Holder shall require that each Person Associated with an ETP Holder as defined in Rule 1.1 agree:

- (1) to supply the Exchange with such information with respect to such Person's business relationship and dealings with the ETP Holder as may be specified by the Exchange;
- (2) to permit examination of such Person's books and records by the Exchange to verify the accuracy of any information so supplied; and
- (3) to be regulated by the Exchange and to recognize that the Exchange is obligated to enforce compliance with the provisions of the Exchange Rules, the By-Laws, the interpretations and policies of the Exchange and the provisions of the Exchange Act and the regulations thereunder.

(c) (1) An ETP Holder shall register with the Exchange as a Principal any Person who meets the definition of a "Principal" as described in Rule 1.1. A "Principal" includes any individual responsible for supervising the activities of the ETP Holder's Authorized Traders, and any individual designated as a Chief Compliance Officer on Schedule A of

the ETP Holder's Form BD. Each of these Principals must be registered as such through the FINRA Central Registration Depository System ("CRD"), and must pass the General Securities Principal (Series 24) Examination. With the exception of Commentary .04, below, a Principal must pass the Series 7 examination or an equivalent foreign examination module as a prerequisite to taking the Series 24 examination.

(2) Each ETP Holder, other than a sole proprietorship or a proprietary trading firm, which is an entity that only trades using the firm's capital and does not trade on behalf of customers and has 25 or fewer Authorized Traders ("Limited Size Proprietary Firm"), is required to register at least two Principals with the Exchange. A Person registered solely as a Principal-Financial and Operations ("FINOP") as defined in Rule 1.1 does not count toward the two-Principal requirement and shall not be qualified to function in a Principal capacity with responsibility over any area of business activity not described in Rule 1.1. A Limited Size Proprietary Firm is required to register at least one Principal with the Exchange. The Exchange may waive the provisions of this subparagraph in situations that indicate conclusively that only one Person associated with an applicant for membership should be required to register as a Principal.

(3) For purposes of this Rule 2.2, a "proprietary trading firm" shall mean an ETP Holder meeting the following characteristics: it trades its own capital, does not have customers, excluding broker-dealers, and is not a FINRA member. To qualify for this definition, the funds used by a proprietary trading firm must be exclusively firm funds, all trading must be in the firm's accounts, and traders must be owners of, employees of, or contractors to the firm.

(d) Each ETP Holder shall designate and register with the Exchange, through the CRD System, a FINOP as defined in Rule 1.1, who shall successfully complete the Financial and Operations Principal (Series 27) qualification examination. The registered FINOP shall be responsible for performing the duties described in Exchange Rule 1.1. The FINOP of an ETP Holder may be an employee of the ETP Holder or an independent contractor.

(e) Continuing Education Requirements. This Rule prescribes requirements regarding the continuing education of certain Registered Persons subsequent to their initial qualification and registration with the Exchange. For purposes of this Rule 2.2(e), the term "Registered Person" shall mean any Person registered with the Exchange as a General Securities Representative, Securities Trader, Principal, FINOP, Person Associated with an ETP Holder, Authorized Trader or Market Maker Authorized Trader, any Person who is permissively registered or any Person designated as eligible for a waiver pursuant to Exchange Rules. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(1) Regulatory Element.

(A) Requirements. No ETP Holder shall permit any Registered Person to continue

to, and no Registered Person shall continue to, perform duties as a Registered Person unless such Person has complied with the requirements of this Rule 2.2(e). Each Registered Person shall complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within 120 days after the Person's registration anniversary date. A Person's initial registration date, also known as the "base date", shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element shall be determined by the Exchange and shall be appropriate to the status of the Person subject to this Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to Exchange Rule 2.1210, Commentary .08, shall be determined based on the person's most recent registration status, and the Regulatory Element shall be completed based on the same cycle had the person remain registered.

(B) Failure to Complete. Unless otherwise determined by the Exchange, any Registered Person who has not completed the Regulatory Element within the prescribed timeframes will have their registrations deemed inactive until such time as the requirements of the program have been satisfied. Any Person whose registration has been deemed inactive under this Rule shall cease all activities as a Registered Person and is prohibited from performing any duties and functioning in any capacity requiring registration. Further, such person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the ETP Holder with which such person is associated has a policy prohibiting such trail or residual commissions. A registration that is inactive for a period of two years will be administratively terminated. A Person whose registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of these Rules. The Exchange may, upon application and a showing of good cause, allow for additional time for a Registered Person to satisfy the program requirements. If a person designated as eligible for a waiver pursuant to Exchange Rule 2.1210, Commentary .08, fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver.

(C) Disciplinary Actions. Unless otherwise determined by the Exchange, a Registered Person, other than a person designated as eligible for a waiver pursuant to Exchange Rule 2.1210, Commentary .08, will be required to retake the Regulatory Element and satisfy all of its requirements in the event such Person:

- (i) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;
- (ii) is subject to suspension or to the imposition of a fine of \$5,000 or

more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any governmental securities regulatory agency, securities industry self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any governmental securities regulatory agency or by any self-regulatory organization.

The retaking of the Regulatory Element shall commence with participation within 120 days of the Registered Person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) and (iii) above. The date of the disciplinary action shall be treated as such Person's new base date with the Exchange.

- (D) Reassociation in a Registered Capacity. Any Registered Person who has terminated association with an ETP Holder and who has, within two years of the date of termination, become reassociated in a registered capacity with an ETP Holder shall participate in the Regulatory Element at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity.
- (E) Each ETP Holder shall designate and identify to the Exchange (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via CRD regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each ETP Holder shall identify, review, and, if necessary, update the information regarding the Regulatory Element contact person(s) with CRD.

## (2) Firm Element

- (A) Persons Subject to the Firm Element. The requirements of this Rule 2.2(e)(2) shall apply to any Person registered with an ETP Holder who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading and investment banking activities and to the immediate supervisors of such Persons (collectively, "Covered Registered Persons"). "Customer" shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through or receiving investment banking services from an ETP Holder.

(B) Standards for the Firm Element

(i) Each ETP Holder must maintain a continuing and current education program for its covered Registered Persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each ETP Holder shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the ETP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of Covered Registered Persons in the Regulatory Element. If an ETP Holder's analysis establishes the need for supervisory training for Persons with supervisory responsibilities, such training must be included in the ETP Holder's training plan.

(ii) Minimum Standards for Training Programs. Programs used to implement an ETP Holder's training plan must be appropriate for the business of the ETP Holder and, at a minimum must cover training in ethics and professional responsibility and the following matters concerning securities products, services, and strategies offered by the ETP Holder: general investment features and associated risk factors; suitability and sales practice considerations; and applicable regulatory requirements.

(iii) Administration of Continuing Education Program. An ETP Holder must administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by Covered Registered Persons.

(C) Participation in the Firm Element. Covered Registered Persons included in an ETP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the ETP Holder.

(D) Specific Training Requirements. The Exchange may require an ETP Holder, individually or as part of a larger group, to provide specific training to its Covered Registered Persons in such areas as the Exchange deems appropriate. Such a requirement may stipulate the class of Covered Registered Persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

***Commentary:***

**.01** The Exchange requires the General Securities Representative Examination (“Series 7”) or an equivalent foreign examination module approved by the Exchange in qualifying Persons seeking registration as general securities representatives.

**.02** The Exchange will accept the New York Stock Exchange (“NYSE”) [Chief Compliance [Officer] Official Examination (“NYSE Series 14”) as an alternative qualification to the Series 24 to register as a Principal an individual identified as the Chief Compliance Officer on ETP Holder’s Form BD.

**.03** Each Person Associated with an ETP Holder meeting the definition of a Securities Trader under Rule 1.1 must pass the Securities Trader Qualification examination (“Series 57”) and register as such in CRD. A Person registered as a Securities Trader shall not function in any other registration category unless he/she is also qualified in such other registration category.

**.04** Person Associated with an ETP Holder who meets the definition of a Securities Trader Principal as defined in Rule 1.1 and who has supervisory responsibility for Securities Trading activity as described in [NASD Rule 1032(f)(1), which is incorporated by reference herein,] Rule 2.1220(b)(3) must become qualified and registered as a Securities Trader Principal. To qualify as a Securities Trader Principal, such Person must first qualify and register as a Securities Trader as provided in Commentary .03, above. A Person who is qualified and registered as a Securities Trader Principal may only have supervisory responsibilities for the trading activity described in [NASD Rule 1032(f)(1)] Rule 2.1220(b)(3), unless such Person is separately qualified and registered in another appropriate principal registration category. A Person who is registered as a General Securities Principal shall not be qualified to supervise the trading activities described in [NASD Rule 1032(f)(1)] Rule 2.1220(b)(3), unless such Person has also become qualified and registered as a Securities Trader under [NASD Rule 1032(f)] Rule 2.1220(b)(3) by passing the Securities Trader qualification examination and registered as a Securities Trader Principal.

**.05** The Exchange requires the Uniform Application for Securities Industry Registration or Transfer (“Form U4”) and the Uniform Termination Notice for Securities Industry Registration (“Form U5”) submitted through CRD as part of its procedure for registration of ETP Holder personnel. The Form U4 shall be amended by the ETP Holder no later than 30 days after an event that would require an amendment to Form U4.

**.06** The Exchange may, in exceptional cases and where good cause is shown, waive a proficiency examination and accept other standards as evidence of an applicant’s qualifications for registration. Advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the investment banking or securities business may constitute sufficient grounds to waive a qualification examination.

**.07** The Exchange may pass through the reasonable costs associated with such examinations and qualifications to ETP Holders.

**.08** Fingerprint Information. Upon filing an electronic Form U4 on behalf of a person applying for registration, an ETP Holder shall promptly submit fingerprint information

for that person. The Exchange may make a registration effective pending receipt of the fingerprint information. If an ETP Holder fails to submit the fingerprint information within 30 days after the Exchange receives the electronic Form U4, the person's registration shall be deemed inactive. In such case, the Exchange shall notify the ETP Holder that the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements under Exchange rules. Upon application and a showing of good cause, the Exchange may extend the 30-day period.

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### **Rule 2.1210 Registration Requirements**

Each person engaged in the investment banking or securities business of an ETP Holder shall be registered with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in Rule 2.1220, unless exempt from registration pursuant to Rule 2.1230. Such person shall not be qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

#### **Commentary:**

**.01 Permissive Registrations.** An ETP Holder may make application for or maintain the registration as a representative or principal of any associated person of an ETP Holder and any individual engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the ETP Holder. Individuals maintaining such permissive registrations shall be considered registered persons and subject to all Exchange rules, to the extent relevant to their activities. ETP Holders shall have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. With respect to an individual who solely maintains a permissive registration(s), the individual's direct supervisor shall not be required to be a registered person. However, an ETP Holder shall assign a registered supervisor who shall be responsible for periodically contacting such individual's direct supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor shall be registered as a representative or principal. If the individual is permissively registered as a principal, the registered supervisor shall be registered as a principal. Moreover, the registered supervisor of an individual who solely maintains a permissive registration(s) shall not be required to be registered in the same representative or principal registration category as the permissively-registered individual.

**.02 Qualification Examinations and Waivers of Examinations.** Before the registration of a person as a representative can become effective under Rule 2.1210, such person shall pass the Securities Industry Essentials (“SIE”) and an appropriate representative qualification examination as specified in Rule 2.1220(b). Before the registration of a person as a principal can become effective under Rule 2.1210, such person shall pass an appropriate principal qualification examination as specified in Rule 2.1220(a). If the job functions of a registered representative change so as to require the person to register in another representative category, the person shall not be required to pass the SIE. Rather, the registered person would need to pass only an appropriate representative qualification examination as specified in Rule 2.1220(b). All associated persons shall be eligible to take the SIE. In addition, individuals who are not associated persons shall be eligible to take the SIE. However, passing the SIE alone shall not qualify an individual for registration with the Exchange. To be eligible for registration with the Exchange, an individual shall pass an applicable representative or principal qualification examination as specified in Rule 2.1220 and satisfy all other applicable prerequisite registration requirements. The Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination(s) and accept other standards as evidence of an applicant’s qualifications for registration. Age or disability will not individually of themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the investment banking or securities business may constitute sufficient grounds to waive a qualification examination. The Exchange shall only consider waiver requests submitted by an ETP Holder for individuals associated with the ETP Holder who are seeking registration in a representative or principal registration category. Moreover, the Exchange shall consider waivers of the SIE alone or the SIE and the applicable representative and principal examination(s) for such individuals. The Exchange shall not consider a waiver of the SIE for individuals who are not associated persons or for associated persons who are not registering as representatives or principals.

**.03 Requirements for Registered Persons Functioning as Principals for a Limited Period.** Subject to the requirements of Rule 2.1220, Commentary .03, an ETP Holder may designate any person currently registered, or who becomes registered, with the ETP Holder as a representative to function as a principal for a period of 120 calendar days prior to passing an appropriate principal qualification examination as specified under Rule 2.1220(a), provided that such person has at least 18 months of experience functioning as a registered representative within the five-year period immediately preceding the designation and has fulfilled all applicable prerequisite registration, fee and examination requirements prior to designation as a principal. However, in no event may such person function as a principal beyond the initial 120 calendar day period without having successfully passed an appropriate principal qualification examination. The requirements above apply to designations to any principal category, including those categories that are not subject to a prerequisite representative registration requirement.

Subject to the requirements of Rule 2.1220, Commentary .03, an ETP Holder may designate any person currently registered, or who becomes registered, with the ETP Holder as a principal to function in another principal category for a period of 120

calendar days prior to passing an appropriate qualification examination as specified under Rule 2.1220. However, in no event may such person function in such other principal category beyond the initial 120 calendar day period without having successfully passed an appropriate qualification examination as specified under Rule 2.1220.

**.04 Rules of Conduct for Taking Examinations and Confidentiality of Examinations.**

Associated persons taking the SIE shall be subject to the SIE Rules of Conduct.

Associated persons taking any representative or principal examination shall be subject to the Rules of Conduct for representative and principal examinations. A violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person shall be deemed to be a violation of Rule 11.3.1. If the Exchange determines that an associated person has violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by the Exchange. Individuals taking the SIE who are not associated persons shall agree to be subject to the SIE Rules of Conduct. If the Exchange determines that such individuals cheated on the SIE or that they misrepresented their qualifications to the public subsequent to passing the SIE, they may forfeit the results of the examination and may be prohibited from retaking the SIE. The Exchange considers all qualification examinations content to be highly confidential. The removal of examination content from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such qualification examination or any other use that would compromise the effectiveness of the examinations and the use in any manner and at any time of the questions or answers to the examinations shall be prohibited and shall be deemed to be a violation of Rule 11.3.1. An applicant cannot receive assistance while taking the examination and shall certify that no assistance was given to or received by him or her during the examination.

**.05 Waiting Periods for Retaking a Failed Examination.** Any person who fails to pass a qualification examination prescribed by the Exchange shall be permitted to take that examination again after a period of 30 calendar days has elapsed from the date of such person's last attempt to pass that examination, except that any person who fails to pass an examination three or more times in succession within a two-year period shall be prohibited from again taking that examination until a period of 180 calendar days has elapsed from the date of such person's last attempt to pass that examination. The waiting periods for retaking a failed examination shall apply to the SIE and the representative and principal examinations specified under Rule 2.1220. Individuals taking the SIE who are not associated persons shall agree to be subject to the same waiting periods for retaking the SIE.

**.06 All Registered Persons Must Satisfy the Regulatory Element of Continuing Education.** All registered persons, including those individuals who solely maintain permissive registrations pursuant to Rule 2.1210, Commentary .01, shall satisfy the Regulatory Element of continuing education as specified in Rule 2.2(e)(1). If a person registered with an ETP Holder has a continuing education deficiency with respect to that registration as provided under Rule 2.2(e)(1), such person shall not be permitted to be

registered in another registration category under Rule 2.1220 with that ETP Holder or to be registered in any registration category under Rule 2.1220 with another ETP Holder, until the person has satisfied the deficiency.

**.07 Lapse of Registration and Expiration of SIE.** Any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass a representative qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(b). Any person who last passed the SIE or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(b). Any person who was last registered as a principal two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a principal shall be required to pass a principal qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(a). Any person whose registration has been revoked shall be required to pass a principal or representative qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(a) or Rule 2.1220(b), respectively, to be eligible for registration with the Exchange. For purposes of Commentary .07 of this Rule, an application shall not be considered to have been received by the Exchange if that application does not result in a registration.

**.08 Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of a Member.** Upon request by an ETP Holder, the Exchange shall waive the applicable qualification examination(s) for an individual designated with the Exchange as working for a financial services industry affiliate of an ETP Holder if the following conditions are met:

(a) Prior to the individual's initial designation, the individual was registered as a representative or principal with the Exchange for a total of five years within the most recent 10 year period, including for the most recent year with the ETP Holder that initially designated the individual;

(b) The waiver request is made within seven years of the individual's initial designation;

(c) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;

(d) The individual continuously worked for the financial services industry affiliate(s) of an ETP Holder since the individual's last Form U5 filing;

(e) The individual has complied with the Regulatory Element of continuing education as specified in Rule 2.2(e)(1); and

(f) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while the individual was designated as eligible for a waiver.

As used in Commentary .08 of this Rule, a “financial services industry affiliate of a member” is a legal entity that controls, is controlled by or is under common control with a member and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

**.09 Status of Persons Serving in the Armed Forces of the United States.** The following provisions address the status of current and former registered persons serving in active duty in the Armed Forces of the United States:

(a) Inactive Status of Currently Registered Persons

A registered person of an ETP Holder who volunteers for or is called into active duty in the Armed Forces of the United States shall be placed, after proper notification to the Exchange, on inactive status and need not be re-registered by such ETP Holder upon his or her return to active employment with the ETP Holder. Such person shall remain eligible to receive transaction-related compensation, including continuing commissions. The employing ETP Holder also may allow such person to enter into an arrangement with another registered person of the ETP Holder to take over and service the person’s accounts and to share transaction-related compensation based upon the business generated by such accounts. However, because such persons are inactive, they may not perform any of the functions and responsibilities performed by a registered person.

A registered person who is placed on inactive status pursuant to this paragraph (a) shall not be required to complete either the Regulatory Element or Firm Element set forth in Rule 2.2(e) during the pendency of such inactive status.

The relief provided in this paragraph (a) shall be available to a registered person who is placed on inactive status pursuant to this paragraph (a) during the period that such person remains registered with the ETP Holder with which he or she was registered at the beginning of active duty in the Armed Forces of the United States, regardless of whether the person returns to active employment with another ETP Holder upon completion of his or her active duty in the Armed Forces of the United States.

The relief described in this paragraph (a) shall be provided only to a person registered with an ETP Holder and only while the person remains on active military duty. Further, the ETP Holder with which such person is registered shall promptly notify the Exchange in such manner as the Exchange may specify of such person’s return to active employment with the ETP Holder.

(b) Inactive Status of Sole Proprietorships

An ETP Holder that is a sole proprietor who temporarily closes his or her business by reason of volunteering for or being called into active duty in the Armed Forces of the United States, shall be placed, after proper notification to the Exchange, on inactive status while the ETP Holder remains on active military duty.

An ETP Holder that is a sole proprietor who is placed on inactive status as set forth in this paragraph (b) shall not be required to pay dues or assessments during the pendency of such inactive status and shall not be required to pay an admission fee upon return to active participation in the investment banking or securities business.

The relief described in this paragraph (b) shall be provided only to an ETP Holder that is a sole proprietor and only while the person remains on active military duty. Further, the sole proprietor shall promptly notify the Exchange in such manner as the Exchange may specify of his or her return to active participation in the investment banking or securities business.

#### (c) Status of Formerly Registered Persons

If a person who was formerly registered with an ETP Holder volunteers for or is called into active duty in the Armed Forces of the United States at any time within two years after the date the person ceased to be registered with an ETP Holder, the Exchange shall defer the lapse of registration provisions in Rule 2.1210, Commentary .07 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE). The Exchange shall defer the lapse of registration requirements and the SIE commencing on the date the person begins actively serving in the Armed Forces of the United States, provided that the Exchange is properly notified of the person's period of active military service within 90 days following his or her completion of active service or upon his or her re-registration with an ETP Holder, whichever occurs first. The deferral will terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with an ETP Holder within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with an ETP Holder without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in Rule 2.1210, Commentary .07 reduced by the period of time between the person's termination of registration and beginning of active service in the Armed Forces of the United States.

If a person placed on inactive status while serving in the Armed Forces of the United States ceases to be registered with an ETP Holder, the Exchange shall defer the lapse of registration requirements set forth in Rule 2.1210, Commentary .07 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE) during the pendency of his or her active service in the Armed Forces of the United States. The

Exchange shall defer the lapse of registration requirements based on existing information in the CRD system, provided that the Exchange is properly notified of the person's period of active military service within two years following his or her completion of active service or upon his or her re- registration with an ETP Holder, whichever occurs first. The deferral shall terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with an ETP Holder within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with an ETP Holder without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable.

## **Rule 2.1220. Registration Categories**

### **(a) Definition of Principal and Principal Registration Categories**

#### **1. Principal**

A "principal" is any Person who meets the definition of a "Principal" as described in Rule 1.1.

#### **2. General Securities Principal**

##### **(A) Requirement**

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with the Exchange as a General Securities Principal, subject to the following exceptions:

- (i) if a principal's activities include the functions of a Compliance Officer, a Financial and Operations Principal (or an Introducing Broker-Dealer Financial and Operations Principal, as applicable), a Principal Financial Officer, a Principal Operations Officer, or a Securities Trader Principal as specified in paragraphs (a)(3) through (a)(5) of this Rule, then such person shall appropriately register in one or more of those categories; and
- (ii) if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor as specified in paragraph (a)(6) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal.

##### **(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a Corporate Securities Representative and a General Securities Principal on October 1, 2018 and each person who was registered with the Exchange as a Corporate Securities Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a General Securities Principal without passing any additional qualification examinations, provided that his or her supervisory responsibilities in the investment banking or securities business of an ETP Holder are limited to corporate securities activities of the ETP Holder.

All other individuals registering as General Securities Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and either (i) pass the General Securities Principal qualification examination or (ii) register as a General Securities Sales Supervisor and pass the General Securities Sales Supervisor qualification examination.

### **3. Compliance Officer**

#### **(A) Requirement**

Subject to the exception in paragraph (a)(3)(C) of this Rule, each person designated as a Chief Compliance Officer on Schedule A of Form BD shall be required to register with the Exchange as a Compliance Officer.

#### **(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a General Securities Representative and a General Securities Principal on October 1, 2018 and each person who was registered with the Exchange as a General Securities Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a Compliance Officer without passing any additional qualification examinations. In addition, subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered as a Compliance Official in the CRD system on October 1, 2018 and each person who was registered as a Compliance Official in the CRD system within two years prior to October 1, 2018 shall be qualified to register as a Compliance Officer without passing any additional qualification examinations.

All other individuals registering as Compliance Officers after October 1, 2018, shall, prior to or concurrent with such registration: (i) become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Principal qualification examination; or (ii) pass the Compliance Official qualification examination.

**(C) Exception**

An individual designated as a Chief Compliance Officer on Schedule A of Form BD of an ETP Holder that is engaged in limited investment banking or securities business may be registered in a principal category under Rule 2.1220(a) that corresponds to the limited scope of the ETP Holder's business.

**4. Financial and Operations Principal and Introducing Broker-Dealer Financial and Operations Principal**

**(A) Requirement**

Each ETP Holder that is operating pursuant to the provisions of SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate a Financial and Operations Principal. Each ETP Holder subject to the requirements of SEA Rule 15c3-1, other than an ETP Holder operating pursuant to SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate either a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal.

A Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal shall be responsible for performing the following duties:

(i) final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;

(ii) final preparation of such reports;

(iii) supervision of individuals who assist in the preparation of such reports;

(iv) supervision of and responsibility for individuals who are involved in the actual maintenance of the ETP Holder's books and records from which such reports are derived;

(v) supervision and performance of the ETP Holder's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Exchange Act;

(vi) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the ETP Holder's back office operations; and

(vii) any other matter involving the financial and operational management of the ETP Holder.

**(B) Designation of Principal Financial Officer and Principal Operations Officer**

Each ETP Holder shall designate a:

(i) Principal Financial Officer with primary responsibility for financial filings and those books and records related to such filings; and

(ii) Principal Operations Officer with primary responsibility for the day-to-day operations of the ETP Holder's business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and member assets, calculation and collection of margin from customers and processing dividend receivables and payables and reorganization redemptions and those books and records related to such activities.

Each ETP Holder that self-clears, or that clears for other ETP Holders, shall be required to designate separate persons to function as Principal Financial Officer and Principal Operations Officer. Such persons may also carry out the other responsibilities of a Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal as specified in paragraph (a)(4)(A) of this Rule. If such ETP Holder is limited in size and resources, it may request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

Each ETP Holder that is an introducing member may designate the same person to function as Financial and Operations Principal (or Introducing Broker-Dealer Financial and Operations Principal), Principal Financial Officer and Principal Operations Officer.

Each person designated as a Principal Financial Officer or Principal Operations Officer shall be required to register as a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal pursuant to paragraph (a)(4)(A) of this Rule.

**(C) Qualifications**

Each person seeking to register as a Financial and Operations Principal shall, prior to or concurrent with such registration, pass the Financial and Operations Principal qualification examination. Each person seeking to register as an Introducing Broker-Dealer Financial and Operations Principal shall, prior to or concurrent with such registration, pass the Financial and Operations Principal qualification examination or the Introducing Broker-Dealer Financial and Operations Principal qualification examination.

**5. Securities Trader Principal**

**(A) Requirement**

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising the securities trading activities specified in paragraph (b)(3) of this Rule shall be required to register with the Exchange as a Securities Trader Principal.

**(B) Qualifications**

Each person seeking to register as a Securities Trader Principal shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(3) of this Rule as a Securities Trader and pass the General Securities Principal qualification examination.

**6. General Securities Sales Supervisor**

**(A) Requirement**

Each principal as defined in paragraph (a)(1) of this Rule may register with the Exchange as a General Securities Sales Supervisor if his or her supervisory responsibilities in the investment banking or securities business of an ETP Holder are limited to the securities sales activities of the ETP Holder, including the approval of customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the ETP Holder required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registered solely as a General Securities Sales Supervisor shall not be qualified to perform any of the following activities:

(i) supervision of the origination and structuring of underwritings;

(ii) supervision of market making commitments;

(iii) supervision of the custody of broker-dealer or customer funds or securities for purposes of SEA Rule 15c3-3; or

(iv) supervision of overall compliance with financial responsibility rules for broker-dealers promulgated pursuant to the provisions of the Exchange Act.

**(B) Qualifications**

Each person seeking to register as a General Securities Sales Supervisor shall, prior to or concurrent with such registration become registered pursuant to

paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Sales Supervisor qualification examinations.

## **(b) Definition of Representative and Representative Registration Categories**

### **1. Representative**

A “representative” is any person associated with an ETP Holder, including assistant officers other than principals, who is engaged in the ETP Holder’s investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with an ETP Holder for any of these functions.

### **2. General Securities Representative**

#### **(A) Requirement**

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a General Securities Representative, subject to the following exceptions:

(i) if a representative’s activities include the functions of a Securities Trader, as specified in paragraph (b)(3) of this Rule, then such person shall appropriately register in that category; and

(ii) if a representative’s activities are limited solely to the functions of a Direct Participation Programs Representative as specified in paragraph (b)(4) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Representative.

#### **(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a General Securities Representative on October 1, 2018 and each person who was registered with the Exchange as a General Securities Representative within two years prior to October 1, 2018 shall be qualified to register as a General Securities Representative without passing any additional qualification examinations. All other individuals registering as General Securities Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the General Securities Representative qualification examination.

### **3. Securities Trader**

#### **(A) Requirement**

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a Securities Trader if such person meets the definition of a Securities Trader under Rule 1.1.

In addition, each person associated with an ETP Holder who is: (i) primarily responsible for the design, development or significant modification of an algorithmic trading strategy relating to equity, preferred or convertible debt securities; or (ii) responsible for the day-to-day supervision or direction of such activities shall be required to register with the Exchange as a Securities Trader.

For purposes of paragraph (b)(3) of this Rule, an “algorithmic trading strategy” is an automated system that generates or routes orders (or order-related messages) but shall not include an automated system that solely routes orders received in their entirety to a market center.

### **(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a Securities Trader on October 1, 2018 and each person who was registered with the Exchange as a Securities Trader within two years prior to October 1, 2018 shall be qualified to register as a Securities Trader without passing any additional qualification examinations. All other individuals registering as Securities Traders after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Securities Trader qualification examination.

### **Commentary**

**.01 Foreign Registrations.** Persons who are in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

**.02 Additional Qualification Requirements for Persons Engaged in Security Futures Activities.** Each person who is registered with the Exchange as a General Securities Representative, United Kingdom Securities Representative, Canada Securities Representative, or General Securities Sales Supervisor shall be eligible to engage in security futures activities as a representative or principal, as applicable, provided that such individual completes a Firm Element program as set forth in Rule 2.2(e)(2) that addresses security futures products before such person engages in security futures activities.

**.03 Scope of General Securities Sales Supervisor Registration Category.** The General Securities Sales Supervisor category is an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Without this category of limited registration, such principals would be required to separately qualify pursuant to the rules of FINRA, the MSRB, the NYSE and the options exchanges. While persons may continue to separately qualify with all relevant self-

regulatory organizations, the General Securities Sales Supervisor examinations permit qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal registration may supervise sales activities of all securities by also qualifying as General Securities Sales Supervisors.

Any person required to be registered as a principal who supervises sales activities in corporate, municipal and option securities, investment company products, variable contracts, direct participation program securities as defined in paragraph (b)(4)(A) of this Rule, and security futures (subject to the requirements of Commentary .02 of this Rule) may be registered solely as a General Securities Sales Supervisor. In addition to branch office managers, other persons such as regional and national sales managers may also be registered solely as General Securities Sales Supervisors as long as they supervise only sales activities.

### **Rule 2.1230. Associated Persons Exempt from Registration**

The following persons associated with an ETP Holder are not required to be registered with the Exchange:

(a) persons associated with an ETP Holder whose functions are solely and exclusively clerical or ministerial.

### **Commentary**

**.01 Registration Requirements for Associated Persons Who Accept Customer Orders.** The function of accepting customer orders is not considered a clerical or ministerial function. Each person associated with an ETP Holder who accepts customer orders under any circumstances shall be registered in an appropriate registration category pursuant to Rule 2.1220. An associated person shall not be considered to be accepting a customer order where occasionally, when an appropriately registered person is unavailable, such person transcribes order details submitted by a customer and the registered person contacts the customer to confirm the order details before entering the order.