

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73068; File No. SR-NYSEArca-2014-98)

September 10, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Rule 2.23 to Specify the Registration and Examination Requirements for Persons Engaged in Supervisory Activities

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on August 28, 2014, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend NYSE Arca Rule 2.23 to specify the registration and examination requirements for a [sic] persons engaged in supervisory activities.⁴ The text of the proposed rule change is available on the Exchange’s website at 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ The Rules of NYSE Arca govern NYSE Arca Options. Rule changes proposed in this filing are not applicable to NYSE Arca Equities.

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.

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 Rule 2.23 to specify the registration and examination requirements for a person engaged in supervisory activities as described in Rule 11.18 – Supervision.

Rule 2.23 prescribes the registration and qualification requirements for individuals performing certain duties on behalf of an OTP Holder or OTP Firm⁵, including traders and Proprietary Traders. A “trader” is a person who is directly or indirectly compensated by an OTP Holder or OTP Firm and who trades, makes trading decisions with respect to, or otherwise engages in the proprietary or agency trading of securities. The General Securities Registered Representative Examination, (“Series 7”) is the qualifying examination for registered traders. A Proprietary Trader, which is a limited registration category, is any person engaged in the purchase or sale of securities or other similar instruments for the account of an OTP Holder or OTP Firm with which he or she is associated, as an employee or otherwise, and who does not transact any business with the public.⁶ The Proprietary Traders Examination (“Series 56”) is the

⁵ See Rule 1.1(p). The term “OTP” shall refer to an Options Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange's Trading Facilities

⁶ The term “Proprietary Trader” does not include a person who is required to be registered as a Market Maker in accordance with Rule 6.33 or a Market Maker Authorized Trader in accordance with Rule 6.34A. See Rule 2.23(b)(2)(C).

qualifying examination for Proprietary Traders.⁷

The Exchange proposes to set out within Rule 2.23(b)(3) the ways a person engaged in supervisory activities as described in Rule 11.18 – Supervision may register with the Exchange on Web CRD.⁸ The first way to qualify is to register as a General Securities Principal. A General Securities Principal must complete (a) the General Securities Principal Qualification Examination (“Series 24”) and (b) the Series 7. The Exchange presently requires persons acting in a supervisory capacity to be registered as a General Securities Principal and pass the Series 24 and Series 7. This filing serves to codify the existing registration and examination requirements and does not impart any new obligations on individuals registered as a General Securities Principal. The proposed second way to register and qualify as a supervisor would be as a Proprietary Trader Principal. A Proprietary Trader Principal must (a) complete the Series 24 and (b) be registered as a Proprietary Trader pursuant to Exchange Rules as described above.

Registration in the category of Proprietary Trader Principal would be a limited principal registration and would not authorize an individual to supervise non-Proprietary Traders. Therefore, the Exchange also proposes to specify within Rule 2.23(b)(3) that a Proprietary Trader Principal would not be qualified to function in a Principal or supervisory capacity with responsibility over any area of business or any registered person conducting such a business, other than that involving proprietary trading.

⁷ See Securities Exchange Act Release No. 66452 (February 23, 2012), 77 FR 12347 (February 29, 2012) (SR-NYSEArca-2012-15). An individual may also register as a Proprietary Trader by passing the General Securities Registered Representative Examination (“Series 7 Examination”) without passing the Series 56 Examination.

⁸ Web CRD is the central licensing and registration system for the U.S. securities industry and its regulators operated by the Financial Industry Regulatory Authority (“FINRA”).

The proposed change is not otherwise intended to address any other issues and the Exchange is not aware of any problems that OTP Holders or OTP Firms or their registered persons would have in complying with the proposed change.

2. Statutory Basis

The proposed rule change is consistent with Section 6(c) of the Act,⁹ in general, and furthers the objectives of Section 6(c)(3) of the Act,¹⁰ in particular, which authorizes the Exchange to prescribe standards of training, experience, and competence for registered persons of OTP Holders and OTP Firms. The Exchange believes that the proposed examination requirements for a General Securities Principal and a Proprietary Trader Principal will help to ensure that a registered supervisor is competent to perform such supervisory functions and the registration requirements will result in a General Securities Principal and a Proprietary Trader Principal being subject to ongoing training requirements under the Exchange's rules.¹¹ The Exchange also believes that the proposed rule change is reasonable because the Proprietary Trader Principal category is limited and tailored to persons supervising proprietary trading functions and because other markets already recognize Proprietary Trader Principal registration and related examination requirements.¹² The Exchange also believes that it is reasonable to prescribe the Series 24 Examination as the appropriate examination for both the General

⁹ 15 U.S.C. 78f(c).

¹⁰ 15 U.S.C. 78f(c)(3).

¹¹ Rule 2.23(d) specifies the continuing education requirements for registered persons subsequent to their initial qualification and registration, which consist of a Regulatory Element and a Firm Element. The S201 Regulatory Element Program is required for registered Supervisors/Principals.

¹² See, e.g., Commentary .08 to Chicago Board Options Exchange ("CBOE") Rule 3.6A and Securities Exchange Act Release No. 67000 (May 16, 2012), 77 FR 30338 (May 22, 2012) (SR-CBOE-2012-039). See also NASDAQ OMX BX ("BX") Rule 1022(h) and Securities Exchange Act Release No. 65056 (August 8, 2011), 76 FR 50279 (August 12, 2011) (SR-BX-2011-053).

Securities Principal and the Proprietary Trader Principal because the Series 24 Examination tests knowledge and understanding of supervision-related rules, including but not limited to rules governing sales practices, books and records, account suitability, trade review and trade reporting requirements.

The Exchange also believes that the proposed rule change is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange believes that the proposed rule change accomplishes these objectives by enabling individuals to qualify for registration with the Exchange by passing a qualification examination that specifically addresses industry topics that establish the foundation for the regulatory and procedural knowledge necessary for such persons electing to register as General Securities Principal or Proprietary Trader Principal.

For these reasons, the Exchange believes that the proposal is consistent with the Act.

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

In accordance with Section 6(b)(8) of the Act,¹⁵ the Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 15 U.S.C. 78f(b)(8).

in furtherance of the purposes of the Act. Specifically, the Exchange does not believe that registration requirements for a General Securities Principal or a Proprietary Trader Principal registration will affect intermarket competition because other markets have adopted similar rules requiring registration and examination requirements for registered persons engaged in supervisory activities.¹⁶ In addition, the Exchange does not believe that the proposed rule change will affect intramarket competition because all similarly situated registered persons of OTP Holders and OTP Firms, e.g., registered persons maintaining the same categories of registration, are required to complete the same qualification examinations and maintain the same registrations.

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

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 interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷ and Rule 19b-4(f)(6)(iii) thereunder.¹⁸

¹⁶ See supra note 12.

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f)(6)(iii). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, as this proposed rule change will make NYSE Arca's rules consistent with those of the other markets which already have the Proprietary Trader Principal category of registration and its qualification requirements. Waiver of the operative delay would also allow the Exchange to implement the proposed rule change without delay, enabling associated persons of OTP Holders and OTP Firms who are engaged in supervisory activities to comply with the registration, examination and continuing education requirements associated with the Proprietary Trader Principal registration category in a timely manner, and thus is consistent with the protection of investors and the public interest.¹⁹ Therefore, the Commission designates the proposal operative upon filing.²⁰

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)²¹ of the Act to determine whether the proposed rule change should be approved or disapproved.

¹⁹ The Commission notes that, with respect to the General Securities Principal registration category, NYSE Arca states that it is codifying an existing requirement.

²⁰ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²¹ 15 U.S.C. 78s(b)(2)(B).

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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2014-98 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEArca-2014-98. 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 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of

the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2014-98 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.²²

Kevin M. O'Neill
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).