

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76391; File No. SR-FINRA-2015-044)

November 9, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Establish An Examination Fee for the Securities Trader Qualification Examination (Series 57)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 29, 2015, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. 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 the Substance of the Proposed Rule Change

FINRA is proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to establish an examination fee for the Securities Trader qualification examination (Series 57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA 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, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Background

The SEC recently approved amendments to FINRA rules to establish two new registration categories for associated persons who engage in the securities trading activities specified in NASD Rule 1032(f) and for principals who supervise such activities: (1) Securities Traders; and (2) Securities Trader Principals.⁵ The Securities Trader registration category and associated examination (Series 57)⁶ will replace the current Equity Trader registration category

⁵ See Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (Order Approving File No. SR-FINRA-2015-017).

⁶ FINRA has filed the Series 57 examination program with the SEC for immediate effectiveness. See SR-FINRA-2015-042 (October 13, 2015) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the New Securities Trader Qualification Examination (Series 57)).

and associated examination (Series 55).⁷ Further, unlike Equity Trader registration, there is no prerequisite registration requirement for Securities Trader registration.⁸ To qualify for registration as a Securities Trader, an eligible candidate must only pass the Series 57 examination. In addition, to qualify for registration as a Securities Trader Principal, an associated person must be registered as a Securities Trader and pass the General Securities Principal qualification examination (Series 24).⁹

FINRA is expecting the national securities exchanges to also file amendments to their respective registration rules relating to securities trading activities to replace the Proprietary Trader qualification examination (Series 56) with the Series 57 examination.¹⁰ In addition, the Series 57 examination will replace the Series 56 examination for those exchange registration categories, such as the Proprietary Trader Principal registration category, where the Series 56 examination is currently an acceptable prerequisite.

⁷ The fee for the Series 55 examination is \$110.

⁸ Before registration as an Equity Trader may become effective, an associated person must be registered as either a General Securities Representative (Series 7) or Corporate Securities Representative (Series 62). The fee for the Series 7 examination is \$305, and the fee for the Series 62 examination is \$95.

⁹ The fee for the Series 24 examination is \$120.

¹⁰ For instance, under the rules of the Chicago Board Options Exchange (CBOE), an individual trading permit holder or individual associated person who is engaged in proprietary trading, market-making or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Proprietary Trader. See Interpretation and Policy .08(a)(1) to CBOE Rule 3.6A (Qualification and Registration of Trading Permit Holders and Associated Persons). To qualify as a Proprietary Trader under the CBOE rules, an individual must pass the Series 56 examination or be registered as a General Securities Representative. See Interpretation and Policy .08(b) to CBOE Rule 3.6A. FINRA administers the Series 56 examination on behalf of the national securities exchanges. The fee for the Series 56 examination is \$195.

Proposal

FINRA currently administers examinations electronically through the PROCTOR[®] system¹¹ at testing centers operated by vendors under contract with FINRA. FINRA charges an examination fee to candidates for FINRA-sponsored and co-sponsored examinations to cover the development, maintenance and delivery of these examinations.¹² Consistent with this practice, FINRA is proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to establish a fee of \$120 for the Series 57 examination.¹³

FINRA has filed the proposed rule change for immediate effectiveness. FINRA is expecting to implement the proposed rule change on January 4, 2016, which coincides with the anticipated implementation date for the Securities Trader registration category and examination program.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹⁴ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

¹¹ PROCTOR is a computer system that is specifically designed for the administration and delivery of computer-based testing and training.

¹² Delivery costs vary based on the length of the examination because FINRA pays its delivery vendors an hourly rate for seat time at test delivery centers. The length of the Series 57 examination will be longer than the Series 55 examination as well as the Series 56 examination.

¹³ Consequently, the total examination fee for associated persons registering as Securities Trader Principals will be \$240, which includes the proposed fee for the Series 57 examination (\$120) and the current fee for the Series 24 examination (\$120).

¹⁴ 15 U.S.C. 78o-3(b)(5).

FINRA believes that the proposed rule change constitutes an equitable allocation of fees as the examination fee will be used to cover FINRA's costs in developing, maintaining and delivering the examination and will be assessed only on those individuals who will take the Series 57 examination. FINRA further believes that the proposed fee for the Series 57 examination is reasonable because it is aligned with the overall cost associated with the Series 57 examination program. Accordingly, FINRA believes that the proposed fee for the Series 57 examination is equitably allocated and reasonable.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. FINRA believes that the establishment of the fee for the Series 57 examination will have a limited economic impact on the industry.

In proposing a fee of \$120 for the Series 57 examination, FINRA applied the same criteria as it does for establishing the fees for other FINRA qualification examinations. The primary factors that FINRA considered include the number of test questions, test session time, staff effort associated with test development and delivery, corporate overhead and operational and technology costs associated with maintaining the PROCTOR system (i.e., item banking, test authoring and test delivery). The proposed fee was also compared with the fees for qualification examinations with comparable test session times (e.g., the Series 24 and Series 27 examinations¹⁵), because a primary cost of administering examinations is vendor fees.

¹⁵ The Series 27 examination qualifies an associated person to function as a Financial and Operations Principal. The fee for the Series 27 examination is \$120.

Moreover, the proposed rule change will reduce the examination fees for the registration of associated persons who are required to be registered to engage in or supervise securities trading.

Economic Impact Assessment

The need for the rule and the regulatory objective are discussed previously.

- Economic Baseline

Currently, associated persons who engage in the securities trading activities specified under NASD Rule 1032(f) or who directly supervise such activities, including principals, are required to take and pass the Series 55 examination in combination with other examinations. As described above, the new registration categories of Securities Trader and Securities Trader Principal will allow such individuals to engage in the same trading and supervisory activities by taking and passing fewer examinations. Specifically, individuals will no longer be required to take and pass a prerequisite examination, such as the Series 7 or Series 62 examination, to engage in or supervise securities trading. Thus, the proposed rule change will reduce the overall costs, including the cost of having to sit for additional examinations, on individuals who will engage in or supervise securities trading under the new categories, as well as the costs on their associated firms.

Based on a survey of Equity Traders, FINRA understands that some Equity Traders, albeit a limited number, currently engage in sales activities in addition to securities trading. Today, such individuals may engage in sales activities because, concurrent to registration as an Equity Trader, they are registered as either a General Securities Representative or Corporate Securities Representative. However, a newly-registered Securities Trader who will be engaging in sales activities in addition to securities trading must separately register in an appropriate sales-

related registration category (e.g., General Securities Representative or Corporate Securities Representative). As a result, such individuals may experience an increase in their total examination fees.

- Economic Impacts

The proposed rule change will reduce the examination fees for the registration of associated persons who are required to be registered to engage in or supervise securities trading. By way of example, the current examination fee for registering as an Equity Trader is \$415 (for associated persons who take the Series 7 and 55 examinations) or \$205 (for associated persons who take the Series 62 and 55 examinations). Under the proposed rule change, the examination fee for registering as a Securities Trader will be \$120. Assuming a constant examination volume at the 2014 level, FINRA estimates that the aggregate cost savings will be approximately \$188,000 per year for individuals who currently take the Series 7 and 55 examinations or Series 62 and 55 examinations to engage only in securities trading. In addition, the current examination fee for registering as a Proprietary Trader is \$305 (for individuals who take the Series 7 examination) or \$195 (for individuals who take the Series 56 examination). Assuming a constant volume at the 2014 level, FINRA estimates that the aggregate cost savings for individuals who currently take the Series 56 examination to engage in securities trading will be approximately \$58,200 per year.¹⁶

As noted above, newly-registered persons who will engage in both sales and trading activities may experience an increase in their total examination fees. For instance, the examination fee for associated persons who will take the Series 7 and 57 examinations to engage

¹⁶ FINRA does not have data on the number of individuals who take the Series 7 examination and register as General Securities Representatives in order to function as Proprietary Traders and engage in securities trading.

in both sales and trading activities will be \$425 compared to the current fee of \$415 for associated persons who take the Series 7 and 55 examinations to engage in such activities.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷ and paragraph (f)(2) of Rule 19b-4 thereunder.¹⁸ 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2015-044 on the subject line.

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f)(2).

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-FINRA-2015-044. 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 such filing also will be available for inspection and copying at the principal offices of FINRA. 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-FINRA-2015-044, 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.¹⁹

Robert W. Errett
Deputy Secretary

¹⁹ 17 CFR 200.30-3(a)(12).