

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76409; File No. SR-BX-2015-066)

November 10, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish the Securities Trader and Securities Trader Principal Registration Categories

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 4, 2015, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. 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 establish the Securities Trader and Securities Trader Principal registration categories and to retire the Limited Representative – Proprietary Trader and Limited Principal – Proprietary Trader registration categories. The Exchange is also amending its rules to establish the Series 57 examination as the appropriate qualification examination for Securities Traders and deleting the rule referring to the S501 continuing education program currently applicable to Proprietary Traders.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqomxbx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

---

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

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange is proposing to replace the Proprietary Trader registration category (the “Proprietary Trader” registration category) and Proprietary Trader qualification examination (Series 56) with the Securities Trader registration category and Securities Trader qualification examination (Series 57) in its registration rules relating to securities trading activity. Similarly, the Exchange proposes to replace the Limited Principal - Proprietary Trader registration category (the “Proprietary Trader Principal” registration category) with the Securities Trader Principal registration category.

This filing is, in all material respects, based upon SR-FINRA-2015-017, which was recently approved by the Commission.<sup>3</sup>

I. Securities Trader Registration Category.

Today, BX Rule 1032(a) requires each person associated with a member who is included within the definition of a Representative<sup>4</sup> to register with the Exchange as a General Securities

---

<sup>3</sup> See Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (approving SR-FINRA-2015-017) (the “FINRA Amendments”).

<sup>4</sup> “Representative” is defined in Rule 1011 as an Associated Person of a registered broker

Representative and to pass an appropriate Qualification Examination before such registration may become effective unless his or her activities are so limited as to qualify him for one or more limited categories of representative registration specified in Rule 1032. Subparagraph (b) to Rule 1032 sets forth the Proprietary Trader category of registration limited to persons who are associated with a proprietary trading firm<sup>5</sup> and whose activities in the investment banking or securities business are limited solely to proprietary trading. Persons who deal with the public do not fit in this registration category and must continue to register as General Securities Representatives.<sup>6</sup>

The Exchange is proposing to retire the Proprietary Trader registration category by deleting current Rule 1032(b) and adopting proposed Rule 1032(b) establishing the new Securities Trader registration category. Proposed Rule 1032(b) requires that each person associated with a member who is included within the definition of a representative as defined in Rule 1011 must register with the Exchange as a Securities Trader if, with respect to transactions

---

or dealer who is engaged in the investment banking or securities business for the member including the functions of supervision, solicitation or conduct of business in securities or who is engaged in the training of persons associated with a broker or dealer for any of these functions are designated as representatives. As provided in Rule 1031, all Representatives of BX members are required to be registered with the Exchange, and Representatives that are so registered are referred to as "Registered Representatives".

<sup>5</sup> "Proprietary trading firm" is defined in Rule 1011 as an Applicant with the following characteristics: (1) the Applicant is not required by Section 15(b)(8) of the Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Act; (2) all funds used or proposed to be used by the Applicant for trading are the Applicant's own capital, traded through the Applicant's own accounts; (3) the Applicant does not, and will not have "customers," as that term is defined in Equity Rule 0120(g); and (4) all Principals and Representatives of the Applicant acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Applicant.

<sup>6</sup> Persons who are registered as General Securities Representatives and have passed the Series 7 may perform the functions of a Proprietary Trader. Associated persons may register as General Securities Representatives upon passing the Series 7 examination and then function as a Proprietary Trader.

in equity, preferred or convertible debt securities, or foreign currency options on the Exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities, other than any person associated with a member whose trading activities are conducted principally on behalf of an investment company that is registered with the Commission pursuant to the Investment Company Act of 1940 and that controls, is controlled by or is under common control, with the member (an “investment company firm”). The proposed language requires applicants to pass an appropriate Qualification Examination for Securities Trader (the Series 57 examination) before registering in the new Securities Trader category. It also provides that a person registered as a Securities Trader shall not be qualified to function in any other registration category, unless he or she is also qualified and registered in such other registration category.

A person registered as a Proprietary Trader in the Central Registration Depository (CRD®) system on the effective date of the proposed rule change will be grandfathered as a Securities Trader without having to take any additional examinations and without having to take any other actions. In addition, individuals who were registered as a Proprietary Trader in the CRD system prior to the effective date of the proposed rule change will be eligible to register as Securities Traders without having to take any additional examinations, provided that no more than two years have passed between the date they were last registered as a representative and the date they register as a Securities Trader.

Persons registered in the new category would be subject to the continuing education requirements of Rule 1120. The Exchange proposes to amend Rule 1120(a) by removing the option for Series 56 registered persons to participate in the S501 Series 56 Proprietary Trader continuing education program in order to satisfy the Regulatory Element. The S501 Series 56

Proprietary Trader continuing education program is being phased out along with the Series 56 Proprietary Trader qualification examination. As a result, effective January 4, 2016, the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons will cease to exist. In place of the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons, the Exchange proposes that Series 57 registered persons be permitted to enroll in the S101 General Program for Series 7 and all other registered persons.<sup>7</sup>

II. Securities Trader Principal Registration Category.

Currently, Exchange Rule 1021 requires all persons engaged or to be engaged in the investment banking or securities business of a member who are to function as principals to be registered as such with the Exchange in the category of registration appropriate to the function to be performed as specified in Rule 1022.<sup>8</sup> Before their registration can become effective, they are required to pass a Qualification Examination for Principals appropriate to the category of registration as specified by the Exchange Board. Pursuant to Rule 1021(b), persons associated with a member as sole proprietor, officer, partner, manager of office of supervisory jurisdiction or corporate director, who are actively engaged in the management of the member's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a member for any of these functions, are designated as Principals.

---

<sup>7</sup> The Commission notes that amended Rule 1120(a)(1) would require Series 57 registered persons to take the S101 General Program. See Rule 1120(a)(1).

<sup>8</sup> Additionally, Rule 1021(e), Requirement of Two Registered Principals for Members, establishes that an Exchange member, except a sole proprietorship, shall have at least two officers or partners who are registered as principals with respect to each aspect of the member's investment banking and securities business pursuant to the applicable provisions of Rule 1022; provided, however, that a proprietary trading firm with 25 or fewer registered representatives shall only be required to have one officer or partner who is registered as a principal.

Rule 1022 lists the categories of principal registration. In addition to “General Securities Principal,” which is the broadest category, there are three limited categories of principal registration: Financial and Operations, General Securities Sales Supervisor, and Proprietary Trader. Pursuant to Rule 1022(h), the Proprietary Trader Principal category is available for persons whose supervisory responsibilities in the investment banking and securities business are limited to the activities of a member that involve proprietary trading. Currently, Rule 1022 requires that such persons be registered pursuant to Exchange rules as a Proprietary Trader, be qualified to be so registered by passing the Series 24 examination (the same qualification required for registration as a General Securities Principal), and not function in a principal capacity with responsibility over any area of business activity other than proprietary trading. Under Exchange Rule 1032(b)(1)(B), the prerequisite examination for the Proprietary Trader Principal category is the Series 56 examination.

In consultation with FINRA and other exchanges, the Exchange is now proposing to retire the Proprietary Trader Principal category. Accordingly, it is deleting Rule 1022(h) in its entirety. In its place the Exchange is adopting new Rule 1022(h), which adds a new Securities Trader Principal registration category. Under the proposed rule each person associated with a member who is included within the definition of principal in Rule 1021 and who will have supervisory responsibility over the securities trading activities described in Rule 1032(b) must become qualified and registered as a Securities Trader Principal. The proposed rule change should allow BX to more easily track principals with supervisory responsibility over securities trading activities.

To qualify for registration as a Securities Trader Principal, a candidate would first be required to qualify and register as a Securities Trader under Rule 1032(b) and pass the General Securities Principal qualification examination. A person who is qualified and registered as a Securities Trader Principal under the new rule would only have supervisory responsibility over

the securities trading activities specified in Rule 1032(b), unless such person were separately qualified and registered in another appropriate principal registration category, such as the General Securities Principal registration category. Finally, a registered General Securities Principal would not be qualified to supervise the securities trading activities described in Rule 1032(b), unless such person also qualified and registered as a Securities Trader under Rule 1032(b) by passing the Securities Trader qualification examination and registered as a Securities Trader Principal.

A person registered as a Proprietary Trader Principal in the CRD system on the effective date of the proposed rule change will be eligible to register as a Securities Trader Principal without having to take any additional examinations. An individual who was registered as a Proprietary Trader Principal in the CRD system prior to the effective date of the proposed rule change will also be eligible to register as a Securities Trader Principal without having to take any additional examinations, provided that no more than two years have passed between the date they [sic] were last registered as a principal and the date they [sic] register as a Securities Trader Principal. Members, however, will be required to affirmatively register persons transitioning to the proposed registration category as Securities Trader Principals on or after the effective date of the proposed rule change.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect

---

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

investors and the public interest. The Exchange believes that the requirements of the Securities Trader and Securities Trader Principal registration categories, as well as the new Securities Trader qualification examination, should help ensure that proprietary traders and the principals who supervise proprietary traders and proprietary trading are, and will continue to be, properly trained and qualified to perform their functions which should protect investors and the public interest.

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 not necessary or appropriate in furtherance of the purposes of the Act.

Implementation of the proposed changes to BX's registration rules in coordination with the FINRA Amendments does not present any competitive issues, but rather is designed to provide less burdensome and more efficient regulatory compliance for members and enhance the ability of the Exchange to fairly and efficiently regulate members, which will further enhance competition. Additionally, the proposed rule change should not affect intramarket competition because all similarly situated representatives and principals will be required to complete the same qualification examinations and maintain the same registrations. Finally, the proposed rule change does not impose any additional examination burdens on persons who are already registered. There is no obligation to take the proposed Series 57 examination in order to continue in their present duties, so the proposed rule change is not expected to disadvantage current registered persons relative to new entrants in this regard.

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

No written comments were either solicited or received.



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

Because the foregoing 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 for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>11</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>12</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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2015-066 on the subject line.

---

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

<sup>12</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 satisfied this requirement.

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-BX-2015-066. 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 Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for 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; 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-BX-2015-066 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>13</sup>

Robert W. Errett  
Deputy Secretary

---

<sup>13</sup> 17 CFR 200.30-3(a)(12).