

Additions are underlined; deletions are in brackets.

Rule 1. Definitions

The terms defined herein shall have the meanings specified herein for all purposes of Rules of the Board of Governors and of rules and regulations of Standing Committees of the Exchange, unless the context of a rule or regulation requires otherwise.

(a) - (tt) No change.

(uu) The term "representative" means a member or an associated person of a registered broker or dealer, including assistant officers other than principals, who is engaged in the investment banking or securities business for the member organization 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. To the extent required by the provisions of Rule 604, all representatives are required to be registered with the Exchange, and representatives that are so registered are referred to herein as "Registered Representatives."

(vv) The term "associated person" or "person associated with a member organization" means any partner, officer, director, or branch manager of an Exchange member organization or applicant (or person occupying a similar status or performing similar functions), or any person directly or indirectly controlling, controlled by, or under common control with such member organization or applicant, or any employee of such member organization or applicant, except that any person associated with a member organization or applicant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of the Exchange Rules.

(ww) The term "investment banking or securities business" means the business, carried on by a broker or dealer, of underwriting or distributing issues of securities, or of purchasing securities and offering the same for sale as a dealer, or of purchasing and selling securities upon the order and for the account of others.

* * * * *

Rule 604. Registration and Termination of Registered Persons

(a) – (e) No change.

(f) All member organizations that are registered with the Exchange for the purpose of trading NMS Stocks through the facilities of the Exchange, and all members and other persons associated with such member organizations, must comply with paragraphs (g) and (h).

(g) Principal Registration.

(1) All persons engaged or to be engaged in the investment banking or securities business of a member organization who are to function as Principals shall be registered as such with the Exchange through WebCRD in the category of registration appropriate to the function to be

performed as specified in this rule. Before their registration can become effective, they shall pass a Qualification Examination for Principals appropriate to the category of registration as specified in this rule.

A member organization shall not maintain a Principal registration with the Exchange for any person (A) who is no longer active in the member organization's investment banking or securities business, (B) who is no longer functioning as a Principal, or (C) where the sole purpose is to avoid the examination requirement of this rule. A member organization shall not make application for the registration of any person as Principal where there is no intent to employ such person in the member organization's investment banking or securities business. A member organization may, however, maintain or make application for the registration as a Principal of a person who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the member organization or a person engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the member organization.

(2) Definition of Principal

Persons associated with a member organization, enumerated in subparagraphs (A) through (E) hereafter, who are actively engaged in the management of the member organization's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a member organization for any of these functions are designated as Principals. Such persons shall include:

- (A) Sole Proprietors
- (B) Officers
- (C) Partners
- (D) Managers of offices of supervisory jurisdiction, and
- (E) Directors of Corporations.

"Office of supervisory jurisdiction" means any office of a member organization at which any one or more of the following functions takes place: order execution and/or market making; structuring of public offerings or private placements; maintaining custody of customers' funds and/or securities; final acceptance (approval) of new accounts on behalf of the member organization; review and endorsement of customer orders; final approval of advertising or sales literature for use by persons associated with the member organization, pursuant to Rule 605, except for an office that solely conducts final approval of research reports; or responsibility for supervising the activities of persons associated with the member organization at one or more other branch offices of the member organization.

(3) Requirements for Examination on Lapse of Registration

Any person whose registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration as a Principal has been terminated for a period of two or more years immediately preceding the date of receipt by the Exchange of a new application

shall be required to pass a Qualification Examination for Principals appropriate to the category of registration as specified in this rule.

(4) Application for Principal Status

(A) Any person associated with a member organization as a Registered Representative whose duties are changed by the member organization so as to require registration in any Principal classification shall be allowed a period of 90 calendar days following the change in his or her duties during which to pass the appropriate Qualification Examination for Principals. Upon elevation, the member organization shall submit to the Exchange through WebCRD an amended "Uniform Application for Securities Industry Registration or Transfer" and any applicable fees. In no event may a person function as a Principal beyond the initial 90 calendar day period following the change in his or her duties without having successfully passed the appropriate Qualification Examination. This provision shall apply to (i) a person associated with a member organization of another registered national securities exchange or association who is required to register in a Principal classification under Exchange Rules but who is not required to be so registered under the rules of the other exchange or association, or (ii) a person associated with a member organization who was not required to register with the Exchange as a Principal prior to the adoption of this Rule 604(g) by the Exchange.

(B) Any person not presently associated with a member organization as a Registered Representative seeking registration as a Principal shall submit the appropriate application for registration and any required registration and examination fees. Such person shall be allowed a period of 90 days after all applicable prerequisites are fulfilled to pass the appropriate Qualification Examination for Principals. In no event may a person previously unregistered in any capacity applying for Principal status function as a Principal until fully qualified.

(5) Requirement of Two Registered Principals

(A) An Exchange member organization, 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 organization's investment banking and securities business pursuant to the applicable provisions of Rule 604(g); 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.

The term "proprietary trading firm" means a member organization or applicant with the following characteristics:

(i) The applicant is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act.

(ii) 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.

(iii) The applicant does not, and will not have customers.

(iv) 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.

(B) The Exchange may waive the provisions of subparagraph (A) in situations that indicate conclusively that only one person should be required to register as a Principal.

(C) In addition to the provisions of subparagraph (A) above, an applicant for membership shall have at least one person qualified for registration as a Limited Principal – Financial and Operations, pursuant to Supplementary Material .02(a) below.

(h) Representative Registration

(1) All persons engaged or to be engaged in the investment banking or securities business of a member organization who are to function as representatives shall be registered as such with the Exchange through WebCRD in the category of registration appropriate to the function to be performed as specified in Supplementary Material .04. Before their registration can become effective, they shall pass the Series 7 examination.

A member organization shall not maintain a representative registration with the Exchange for any person (A) who is no longer active in the member organization's investment banking or securities business, (B) who is no longer functioning as a representative, or (C) where the sole purpose is to avoid the examination requirement prescribed in this rule. A member organization shall not make application for the registration of any person as representative where there is no intent to employ such person in the member organization's investment banking or securities business. A member may, however, maintain or make application for the registration as a representative of a person who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the member organization, or a person who performs administrative support functions for registered personnel, or a person engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the member organization.

(2) Requirement for Examination on Lapse of Registration

Any person whose registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration as a Representative or Principal has been terminated for a period of two or more years immediately preceding the date of receipt by the Exchange of a new application shall be required to pass the Series 7 examination for Representatives appropriate to the category of registration as specified in this rule.

(3) Qualification Requirements

No member organization shall permit any member or person associated with it to engage in the investment banking or securities business unless the member organization determines that such person satisfies the qualification requirements established by the Board and is not subject to statutory disqualification as defined in Section 3(a)(39) of the Act.

(i) Persons Exempt from Registration

(1) The following persons associated with a member organization are not required to be registered with the Exchange:

(A) persons associated with a member organization whose functions are solely and exclusively clerical or ministerial;

(B) persons associated with a member organization who are not actively engaged in the investment banking or securities business;

(C) persons associated with a member organization whose functions are related solely and exclusively to the member organization's need for nominal corporate officers or for capital participation; and

(D) persons associated with a member organization whose functions are related solely and exclusively to:

(i) effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange;

(ii) transactions in municipal securities;

(iii) transactions in commodities;

(iv) transactions in security futures, provided that any such person is registered with FINRA or a registered futures association;

(v) transactions in variable contracts and insurance premium funding programs and other contracts issued by an insurance company;

(vi) transactions in direct participation programs;

(vii) transactions in government securities; or

(viii) effecting sales as part of a primary offering of securities not involving a public offering pursuant to Section 3(b), 4(2), or 4(6) of the Securities Act of 1933 and the rules and regulations thereunder.

(2) Member organizations, and persons associated with a member organization, may pay to nonregistered foreign persons transaction-related compensation based upon the business of customers they direct to member organizations if the following conditions are met:

(A) the member organization has assured itself that the nonregistered foreign person who will receive the compensation (the "finder") is not required to register in the U.S. as a broker/dealer nor is subject to a disqualification as defined in Exchange Rules, and has further assured itself that the compensation arrangement does not violate applicable foreign law;

(B) the finders are foreign nationals (not U.S. citizens) or foreign entities domiciled abroad;

(C) the customers are foreign nationals (not U.S. citizens) or foreign entities domiciled abroad transacting business in either foreign or U.S. securities;

(D) customers receive a descriptive document, similar to that required by Rule 206(4)-3(b) of the Investment Advisers Act of 1940, that discloses what compensation is being paid to finders;

(E) customers provide written acknowledgment to the member organization of the existence of the compensation arrangement and that such acknowledgment is retained and made available for inspection by the Exchange;

(F) records reflecting payments to finders are maintained on the member organization's books and actual agreements between the member organization and persons compensated are available for inspection by the Exchange; and

(G) the confirmation of each transaction indicates that a referral or finders fee is being paid pursuant to an agreement.

(j) Waiver of Requirements. The Exchange may, in exceptional cases and where good cause is shown, waive the applicable Qualification 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.

. . . Supplementary Material:-----

.01 General Securities Principal

(a) Each member and person associated with a member organization to which Rule 604(g) applies and who is included within the definition of Principal in Rule 604(g), and each person designated as a Chief Compliance Officer on Schedule A of Form BD of a member organization

to which Rule 604(g) applies, shall be required to register with the Exchange as a General Securities Principal and shall pass the Series 24 examination before such registration may become effective, unless such person's activities are so limited as to qualify such person for one or more of the limited categories of Principal registration specified hereafter. A person whose activities in the investment banking or securities business are so limited is not, however, precluded from attempting to become qualified for registration as a General Securities Principal, and if qualified, may become so registered. Each person seeking to register and qualify as a General Securities Principal must, prior to or concurrent with such registration, become registered as a General Securities Representative. A person who has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or 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 securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding shall be required to register as a General Securities Principal, but shall be exempt from the requirement to pass the Series 24 examination.

(b) Except as provided in Rule 604(g)(3), a person who was registered with FINRA as a Principal, shall not be required to pass the Series 24 examination and shall be qualified as a General Securities Principal.

(c) A person registered solely as a General Securities Principal shall not be qualified to function as a Limited Principal—Financial and Operations or Limited Principal—General Securities Sales Supervisor unless that person is also qualified and registered as such.

.02 Limited Principal—Financial and Operations

(a) Every member organization to which Rule 604(g) applies and that is operating pursuant to the provisions of SEC Rule 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8) shall designate as Limited Principal—Financial and Operations those persons associated with it, at least one of whom shall be its chief financial officer, who performs the duties described in subparagraph (2) hereof. Each person associated with a member organization who performs such duties shall be required to register as a Limited Principal—Financial and Operations with the Exchange and shall pass the Series 27 examination before such registration may become effective.

(b) The term "Limited Principal—Financial and Operations" shall mean a person associated with a member organization whose duties include:

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

(2) final preparation of such reports;

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

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

(5) supervision and/or performance of the member organization's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Act;

(6) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member organization's back office operations; or

(7) any other matter involving the financial and operational management of the member organization.

(c) A person registered solely as a Limited Principal—Financial and Operations shall not be qualified to function in a Principal capacity with responsibility over any area of business activity not described in subparagraph (2) hereof.

.03 Limited Principal—General Securities Sales Supervisor

(a) Each person associated with a member organization to which Rule 604(g) applies and who is included in the definition of Principal in Rule 604(g) may register with the Exchange as a Limited Principal—General Securities Sales Supervisor if:

(1) his or her supervisory responsibilities in the investment banking and securities business are limited to the securities sales activities of a member organization, including the training of sales and sales supervisory personnel and the maintenance of records of original entry and/or ledger accounts of the member organization required to be maintained in branch offices by SEC record keeping rules;

(2) he or she is registered pursuant to Exchange Rules as a General Securities Representative; and

(3) he or she is qualified to be so registered by passing the Series 9 or Series 10 examination.

(b) A person registered in this category solely on the basis of having passed the Series 9 or Series 10 examination for Limited Principal—General Securities Sales Supervisor shall NOT be qualified to:

(1) function in a Principal capacity with responsibility over any area of business activity not described in paragraph (a)(1);

(2) be included for purposes of the Principal numerical requirements of Rule 604(g)(5);
or

(3) perform for a member organization any or all of the following activities:

- (A) supervision of the origination and structuring of underwritings;
- (B) supervision of market making commitments;
- (C) final approval of advertisements as these are defined in Rule 605;
- (D) supervision of the custody of firm or customer funds and/or securities for purposes of SEC Rule 15c3-3; or
- (E) supervision of overall compliance with financial responsibility rules for broker/dealers promulgated pursuant to the provisions of the Act.

(c) Explanation of Category. Limited Principal—General Securities Sales Supervisor

Limited Principal—General Securities Sales Supervisor 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 could be required to separately qualify pursuant to the rules of multiple exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the Limited Principal—General Securities Sales Supervisor Examination permits qualification as a supervisor of sales of all securities by one examination. Persons registered as Limited Principals—General Securities Sales Supervisor 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 Limited Principals—General Securities Sales Supervisor.

Functions that may be performed by Limited Principals—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 programs, and security futures may be registered solely as a Limited Principal—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 Limited Principals—General Securities Sales Supervisor as long as they supervise only sales activities. Qualification as a General Securities Representative is a prerequisite for registration as a Limited Principal—General Securities Sales Supervisor.

Functions that may not be performed by Limited Principals—General Securities Sales Supervisors. Certain functions may not be performed by persons registered solely as Limited Principal—General Securities Sales Supervisor. These include supervisory responsibility for the origination and structuring of underwritings, market-making, final approval of advertising, custody of firm or customer funds and/or securities for purposes of SEC Rule 15c3-3 and overall compliance with financial responsibility rules for broker/dealers. Persons responsible for any of these activities are still required to qualify in the appropriate categories of Principal registration. Moreover, persons qualified only as Limited Principals—General Securities Sales Supervisor are not included for purposes of the two Principal requirements of Rule 604.

.04 Categories of Representative Registration - General Securities Representative

Each member and each person associated with a member organization who is required to register with the Exchange as a General Securities Representative under Rule 604 shall pass the Series 7 examination before such registration may become effective.

* * * * *

Rule 640. Continuing Education For Registered Persons

(a) – (b) No change.

••• Commentary: -----

.01 For purposes of this Rule, the term "registered person" means any member, registered representative or other person registered or required to be registered under Exchange rules, but does not include such person whose activities are limited solely to the transaction of business on the floor[or XLE], with members or registered broker-dealers.

.02 - .04 No change.

* * * * *