

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76650; File No. SR-FINRA-2015-052)

December 15, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend NASD Rules 1022 (Categories of Principal Registration) and 1032 (Categories of Representative Registration)

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 December 4, 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 and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ 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 NASD Rule 1022 (Categories of Principal Registration) and NASD Rule 1032 (Categories of Representative Registration) to remove the deadline by which eligible registrants must complete a firm-element continuing education requirement to engage in a security futures business, and to remove reference to a revised examination.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is available on FINRA's Web site 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

In 2002, FINRA modified the following registration categories to include the activities of engaging in and supervising securities futures: (1) Registered Options Principal (Series 4); (2) Limited Principal – General Securities Sales Supervisor (Series 9/10); (3) General Securities Representative (Series 7); and (4) Registered Options Representative (Series 42).⁴ FINRA also required that persons currently registered or becoming registered in these categories complete a firm-element continuing education requirement addressing security futures before they conducted any security futures business. FINRA instituted this continuing education requirement to ensure that registered personnel, who may not be familiar with risks, trading characteristics, terms and nomenclature of these products, or the fact that they are subject to the joint jurisdiction of the SEC and CFTC, receive the necessary training. Notably, FINRA

⁴ See Securities Exchange Act Release No. 46663 (October 15, 2002), 67 FR 64944 (October 22, 2002) (Order Approving File No. SR-NASD-2002-40).

specified the content of the continuing education program pursuant to NASD Rule 1120(b)(4) (now FINRA Rule 1250(b)(4)).⁵

Consequently, in 2002, FINRA, the National Futures Association (“NFA”), and the Institute for Financial Markets collaborated to develop a free web-based training program consisting of a series of modules intended to satisfy FINRA’s firm-element continuing education requirement and NFA’s training requirement (“Security Futures Training Modules”). Although the Security Futures Training Modules are not the only program that FINRA and NFA Members can use to satisfy their security futures training requirements, FINRA is not aware of any alternative training programs used by firms. Moreover, even if a firm were to use an alternative training program, the program must cover all applicable subjects specified in the content outline provided by FINRA. Since inception in 2002 through May 2015, just over 15,000 individuals have completed the Security Futures Training Modules. In 2014, only 180 registered individuals completed the Security Futures Training Modules (18 FINRA registrants and 162 NFA-only registrants).

At the time trading in security futures commenced, FINRA considered replacing the firm-element continuing education requirement with revised qualification examinations for the registration categories that address security futures; however, due to low trading volume in security futures and limited interest for registered representatives to engage in security futures business, such qualification examinations have not been implemented. Accordingly, on three

⁵ Because the introduction of security futures in the United States presented extraordinary circumstances, FINRA (then NASD) determined to use its authority under NASD Rule 1120(b)(4) to specify the content of firm-element continuing education. See Securities Exchange Act Release No. 46186 (July 11, 2002), 67 FR 47412, 47422 (July 18, 2002) (Notice of Filing File No. SR-NASD-2002-40); see also NASD Notice to Members 02-73, at 747-748 (November 2002).

prior occasions, FINRA has extended the deadline for completing a firm-element continuing education requirement.⁶

Current data on trading volume has shown there to be very limited trading activity in security futures.⁷ Given the continued low trading volume in security futures, the limited interest for registered representatives to engage in security futures business, and the comprehensiveness of the required firm-element continuing education training, FINRA has determined not to impose qualification examinations for security futures. Rather, FINRA will continue to require eligible registrants to complete the mandated security futures firm-element continuing education training before engaging in any security futures business. Moreover, FINRA, in coordination with NFA, will continue to monitor security futures volume and the number of persons taking the Security Futures Training Modules, as well as the number of disciplinary matters and complaints involving security futures, in considering whether a qualification examination should be developed at a later date. Accordingly, the proposed rule change amends NASD Rule 1022 and NASD Rule 1032 to remove the deadline by which eligible registrants must complete the firm-

⁶ See Securities Exchange Act Release No. 54617 (October 17, 2006), 71 FR 62498 (October 25, 2006) (Notice of Filing and Immediate Effectiveness of File No. SR-NASD-2006-118) (extending the deadline to December 31, 2009); Securities Exchange Act Release No. 61231 (December 23, 2009), 74 FR 69173 (December 30, 2009) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2009-092) (extending the deadline to December 31, 2012); and Securities Exchange Act Release No. 68468 (December 19, 2012), 77 FR 76112 (December 26, 2012) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2012-055) (extending the deadline to December 31, 2015).

⁷ Between January 2015 and September 2015, security futures had an average daily trading volume of approximately 47,640 contracts. See OneChicago, PR2015, http://www.onechicago.com/?page_id=20539 (last visited Oct. 28, 2015). In comparison, over the same time period option contracts clearing through the Options Clearing Corporation (“OCC”) had an average daily trading volume of approximately 16.9 million contracts. See OCC, Market Data, Daily Volume Statistics, <http://www.optionsclearing.com/webapps/daily-volume-statistics> (last visited Nov. 2, 2015).

element continuing education requirement to engage in a security futures business, and to remove the references to a revised qualification examination.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so that FINRA can implement the proposed rule change on December 31, 2015.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁸ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed rule change is necessary to continue to allow eligible registrants to complete a firm-element continuing education program that will qualify them to engage in a security futures business in lieu of a qualification examination.

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. The proposed rule change will allow eligible registrants to complete a firm-element continuing education program that will qualify them to engage in a security futures business in lieu of a qualification examination.

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.

⁸ 15 U.S.C. 78o-3(b)(6).

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 Act⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁰

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing.¹¹ Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.¹² The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange has stated that waiver of the operative delay is necessary in order to implement the proposed rule change by December 31, 2015. The Commission notes that very few individuals are involved in the sale of security futures products and the regulators have decided that continuing education sufficiently mitigates the risk of trading these products. FINRA, in coordination with NFA, will continue to monitor security futures volume and the number of persons taking the Security Futures Training Modules, as well as the number of disciplinary matters and complaints involving security futures, in considering whether a qualification examination should be developed at a later date. For these reasons, the Commission believes waiving the 30-day operative delay is consistent with the protection of investors and the public

⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² Id.

interest. Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.¹³

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. Please include File Number SR-FINRA-2015-052 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-FINRA-2015-052. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

¹³ 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).

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 office 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-2015-052, 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.¹⁴

Robert W. Errett
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).