

Additions underlined  
 Deletions [bracketed]

## Rules of the NYSE Arca, Inc.

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### **RULE 2 TRADING PERMITS**

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#### **Rule 2.5. Denial of or Conditions to Trading Permits**

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#### **Series 7 and Securities Industry Essentials Examination Requirements**

(A) Traders of ETP Holders for which the Exchange is the Designated Examining Authority ("DEA") must successfully complete the Series 7 Examination and the Securities Industry Essentials Examination. ETP Holders performing the function of a registered Market Maker pursuant to Rule 7.21(b)(2) are exempt from this requirement.

For purposes of this Rule:

(i) The term "trader" means a person (a) who is directly or indirectly compensated by an ETP Holder, or who is any other associated person of an ETP Holder and (b) who trades, makes trading decisions with respect to, or otherwise engages in the proprietary or agency trading of securities.

(B) The requirement to complete the Series 7 Examination and the Securities Industry Essentials Examination will apply to current traders of ETP Holders that meet the criteria of subsection (A), above, as well as to future traders of ETP Holders that meet the criteria of subsection (A), above, at a later date. Traders of ETP Holders that meet the criteria of subsection (A), above, at the time of SEC approval of this Rule, must successfully complete the Series 7 Examination and the Securities Industry Essentials Examination within six months of notification by the Exchange.

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### **EMPLOYEES OF OTP FIRMS AND ETP HOLDERS**

#### **Rule 2.23. Registration—OTPs**

(a) Each employee of an OTP Firm compensated directly or indirectly for the solicitation or handling of business in securities, including trading in securities for the account of the

organization must be registered with the Exchange. In connection with their registration, such individuals shall electronically file a Form U4 with the CRD by appropriately checking the Exchange as a requested registration on the electronic Form U4 filing. Individuals for whom registration is maintained on CRD are required to promptly electronically file any required amendments to Form U4 with the CRD.

(b) In order to satisfy the registration requirement, OTP Holders and associated persons of OTP Firms must satisfy applicable examination requirements as prescribed by the Exchange, complete documentation and pay the related fees. Continuance of any OTP Holder or associated person is at the sole discretion of the Exchange.

(1) All traders of OTP Holders and OTP Firms must successfully complete the General Securities Registered Representative Examination, Series 7 and the Securities Industry Essentials Examination, except as provided in subsection (b)(2) of this Rule. For purposes of this Rule, the term "trader" means 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.

(2) The [Series 7 ]examination requirement of subsection (b)(1) of this Rule does not apply to an individual who does not conduct business with the public and who is registered as a:

(A) Market Maker (pursuant to Rule 6.33) or Market Maker Authorized Trader (pursuant to Rule 6.34A) following successful completion of the Series 57 examination and the Securities Industry Essentials Examination and an orientation program for such examination as may be prescribed by the Exchange;

(B) Floor Broker (pursuant to Rule 6.44) following successful completion of the Series 57 examination and an orientation program for such examination as may be prescribed by the Exchange; or

(C) Securities Trader following successful completion of the Series 57 examination and the Securities Industry Essentials Examination.

For purposes of this Rule, the term "Securities Trader" has the meaning set forth in Rule 2.1220(b)(3). [means any person engaged in the purchase or sale of securities or other similar instruments for the account of a member or member organization with which he is associated, as an employee or otherwise, and who does not transact any business with the public.] The term "Securities Trader" does not include a person who is required to be registered as a Market Maker in accordance with Rule 6.33 or Market Maker Authorized Trader in accordance with Rule 6.34A.

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.

(3) Persons engaged in supervisory activities as described in Rule 11.18 may register as follows:

(A) A General Securities Principal must complete (a) the General Securities Registered Representative Examination, Series 7, (b) the Securities Industry Essentials Examination, and ([b]c) the General Securities Principal Qualification Examination, Series 24.

(B) A Securities Trader Principal must (a) complete the General Securities Principal Qualification Examination, Series 24, and (b) be registered pursuant to Exchange Rules as a Securities Trader.

For purposes of this Rule, the term "Securities Trader Principal" means a supervisor of a Securities Trader if such supervisor's supervisory responsibilities are limited solely to supervising Securities Traders. Such a supervisor shall not be qualified to function in a Principal or supervisory capacity with responsibility over any area of business other than that which involves proprietary trading.

(c) The Exchange may require each individual applying for registration as an OTP Holder or associated person of an OTP Firm to successfully complete such examinations as the Exchange may prescribe to establish the applicant's qualification for such registration. The Exchange may exempt an individual from the examination requirements if such individual has successfully completed comparable examinations (e.g., Series 7 Examination and the Securities Industry Essentials Examination).

(d) Continuing Education. No OTP Firm or OTP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this Rule 2.23(d).

(1) *Regulatory Element*—Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be consistent with the standards set forth by the Exchange and other self regulatory organizations for each registration category of persons subject to the Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to Rule 2.1210, Commentary .08, shall be determined based on the person's most recent registration status, and the Regulatory Element shall be completed based on the same cycle had the person remain registered.

- (A) *Required Programs*—For purposes of this Rule 2.23(d)(1), the following Regulatory Elements are required: the S201 for registered principals and supervisors; the S106 for persons registered only as Investment Company Products/Variable Contracts Limited Representatives; and the S101 for all other registered persons.
- (B) *Failure to Complete*—Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration. Further, such person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the ETP Holder with which such person is associated has a policy prohibiting such trail or residual commissions.

The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements. If a person designated as eligible for a waiver pursuant to Exchange Rule 2.1210, Commentary .08, fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver.

- (C) *Disciplinary Actions*—Unless otherwise determined by the SRO, a registered person or other than a person designated as eligible for a waiver pursuant to Exchange Rule 2.1210, Commentary .08, will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:
- (i) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;
  - (ii) becomes subject to suspension or to 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, 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; or
  - (iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory

disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(D) *Regulatory Element Notifications*—Each OTP Firm or OTP Holder shall designate an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository ("Web CRD") regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each OTP Firm or OTP Holder must, no less than quarterly, review and, if necessary, update the information regarding its Regulatory Element contact person(s) with Web CRD.

(2) Firm Element

(A) *Persons Subject to the Firm Element*—The requirements of this Rule 2.23(d)(2) shall apply to any registered Securities Trader and any registered person who has direct contact with customers in the conduct of the OTP Firm's or OTP Holder's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(B) *Standards*

(i) Each OTP Firm and OTP Holder must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each OTP Firm and OTP Holder shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the OTP Firm's or OTP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If an OTP Firm's or an OTP Holder's analysis determines a need for supervisory training for persons with supervisory responsibilities, such training must be included in the OTP Firm's or OTP Holder's training plan.

(ii) *Minimum Standards for Training Programs*—Programs used to implement an OTP Firm's or OTP Holder's training plan must be appropriate for the business of the OTP Firm or OTP Holder and, at a minimum, must cover training in ethics and professional responsibility and the following matters concerning securities products, services and strategies offered by the OTP Firm or OTP Holder:

(a) General investment features and associated risk factors;

(b) Suitability and sales practice considerations; and

(c) Applicable regulatory requirements.

(iii) Administration of Continuing Education Program --Each OTP Firm and OTP Holder must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(C) *Participation in the Firm Element*—Covered registered persons included in an OTP Firm's or OTP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the OTP Firm or OTP Holder.

(D) *Specific Training Requirements*—The Exchange may require an OTP Firm or OTP Holder, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas that the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(e) - (j) No Change

**Commentary:**

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**.04** Any registration that is deemed inactive for a period of two calendar years pursuant to section (d)(1)(B) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Exchange.

**.05** [Reserved.

**.06** ]Any registered person who is associated with an OTP Firm or OTP Holder who is also a member of another self-regulatory organization ("SRO") shall be subject to the other SRO's implementation date for the elimination of the exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than September 30, 2005.

.06 Fingerprint Information. Upon filing an electronic Form U4 on behalf of a person applying for registration, an OTP Holder or OTP Firm shall promptly submit fingerprint information for that person. The Exchange may make a registration effective pending receipt of the fingerprint information. If an OTP Holder or OTP Firm fails to submit the fingerprint information within 30 days after the Exchange receives the electronic Form U4, the person's registration shall be deemed inactive. In such case, the Exchange shall notify the OTP Holder or OTP Firm that the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements under Exchange rules. Upon application and a showing of good cause, the Exchange may extend the 30-day period.

#### **Rule 2.24. Registration—Employees of ETP Holders**

Each employee of an ETP Holder compensated directly or indirectly for the solicitation or handling of business in securities, including trading in securities for the account of the organization must be registered with the Exchange. In connection with their registration, such individuals shall electronically file a Form U4 with the CRD by appropriately checking NYSE Arca as a requested registration on the electronic Form U4 filing. Individuals for whom registration is maintained on CRD are required to promptly electronically file any required amendments to Form U4 with the CRD.

(b) In order to satisfy the registration requirement, employees of ETP Holders must satisfy applicable examination requirements as prescribed by the Exchange, complete documentation and pay the related fees. Continuance of any registered employee is at the sole discretion of the Exchange.

- (i) For employees of ETP Holders for which the Exchange serves as the Designated Examining Authority, all the requirements of subsection (b) apply;
- (ii) For employees of ETP Holders for which the Exchange does not serve as the Designated Examining Authority, such employees shall be deemed registered with the Exchange if the ETP Holder has recorded registration of such employees with the Exchange in the manner prescribed in paragraph (a) of this Rule;
- (iii) For employees of ETP Holders seeking limited registration as Securities Traders, as described below, the Exchange requires the Securities Trader qualification examination ("Series 57") and the Securities Industry Essentials Examination.

(c) The Exchange may require each applicant for employment as a registered employee to successfully complete such examinations as the Exchange may prescribe to establish the applicant's qualification for such registration. The Exchange may exempt an individual from the examination requirements if such individual has successfully completed comparable examinations (e.g., Series 7 Examination and the Securities Industry Essentials Examination).

(d) Continuing Education. No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this Rule 2.24(d).

(1) *Regulatory Element*—Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be consistent with the standards set forth by the Exchange and other self regulatory organizations for each registration category of persons subject to the Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to Rule 2.1210, Commentary .08, shall be determined based on the person's most recent registration status, and the Regulatory Element shall be completed based on the same cycle had the person remain registered. A person qualified solely as a Securities Trader shall comply with the continuing education requirements appropriate for the Series 57 by completing the S101 Program. All other registered persons shall comply with the continuing education requirements applicable to their particular registration.

(A) Reserved.

(B) *Failure to Complete*—Any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration. Further, such person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the ETP Holder with which such person is associated has a policy prohibiting such trail or residual commissions.

(C) *Disciplinary Actions*—Unless otherwise determined by the SRO, a registered person or other than a person designated as eligible for a waiver pursuant to



Exchange Rule 2.1210, Commentary .08, will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

- (i) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;
- (ii) becomes subject to suspension or to 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, 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; or
- (iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(D) *Regulatory Element Notifications*—Each ETP Holder shall designate an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository ("Web CRD") regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each ETP Holder must, not less than quarterly, review and, if necessary, update the information regarding its Regulatory Element contact person(s) with Web CRD.

## (2) Firm Element

(A) *Persons Subject to the Firm Element*—The requirements of this Rule 2.24(d)(2) shall apply to any registered person who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

### (B) *Standards*

- (i) Each ETP Holder must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each ETP Holder shall at least annually

evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the ETP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If an ETP Holder's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the ETP Holder's training plan.

- (ii) *Minimum Standards for Training Programs*—Programs used to implement an ETP Holder's training plan must be appropriate for the business of the ETP Holder and, at a minimum, must cover training in ethics and professional responsibility and the following matters concerning securities products, services and strategies offered by the ETP Holder:
  - (a) General investment features and associated risk factors;
  - (b) Suitability and sales practice considerations; and
  - (c) Applicable regulatory requirements.
- (iii) *Administration of Continuing Education Program*—Each ETP Holder must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.
- (C) *Participation in the Firm Element*—Covered registered persons included in an ETP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the ETP Holder.
- (D) *Specific Training Requirements*—The Exchange may require an ETP Holder, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas that the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.
- (e) Reserved.
- (f) No ETP Holder may employ an Exchange employee during regular Exchange business hours. No ETP Holder may employ an Exchange employee outside regular Exchange employment hours without having obtained the prior written approval of the Exchange and registering the name of the employee, the nature of the services rendered and the amount of related compensation.
- (g) Reserved.

(h) Reserved.

(i) An ETP Holder shall promptly file a Uniform Termination Notice for Securities Industry Registration ("Form U-5") electronically with the Central Registration Depository ("CRD"), but not later than 30 calendar days after the date of termination of an employee. Any amendment to a Form U-5 shall also be promptly filed electronically with the CRD, but not later than 30 calendar days after learning of the facts or circumstances giving rise to the amendment. All Forms U-5 shall also be provided to the terminated person concurrently with filing.

(j) Process to Register Employees. To register an employee the employer must file an application on Form U4 and any amendment thereto in the manner prescribed by paragraph (a) of this Rule, as well as complete any relevant application process prescribed by the Exchange.

***Commentary:***

**.01** For purposes of this Rule, the term "registered person" means any ETP Holder, Allied Person thereof, registered representative or other person registered or required to be registered under the Rules of the Exchange.

**.02** For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, an ETP Holder.

**.03** For purposes of this Rule, the term "Securities Trader" has the meaning set forth in Rule 2.1220(b)(3). [any person engaged in the purchase or sale of securities or other similar instruments for the account of an ETP Holder with which such person is associated, as an employee or otherwise, and who does not transact any business with the public.] A Securities Trader must be registered as such on Web CRD and pass the Securities Industry Essentials Examination and the Series 57 Examination. 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 supervisor of a Securities Trader must satisfy its registration requirements under this Commentary .03 by registering and qualifying as a Securities Trader Principal in Web CRD if (a) such supervisor's supervisory responsibilities are limited solely to supervising Securities Traders; (b) such supervisor is qualified to be so registered by passing the General Securities Principal

Qualification Examination - Series 24; and (c) such supervisor is registered pursuant to Exchange Rules as a Securities Trader. Such a supervisor shall not be qualified to function in a Principal or supervisory capacity with responsibility over any area of business other than that involving proprietary trading.

**.04** Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter) based on their initial base date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety based on the most recent registration date.

**.05** Any registration that is deemed inactive for a period of two calendar years pursuant to section (d)(1)(B) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Exchange.

**.06** [Reserved]Fingerprint Information. Upon filing an electronic Form U4 on behalf of a person applying for registration, an ETP Holder shall promptly submit fingerprint information for that person. The Exchange may make a registration effective pending receipt of the fingerprint information. If an ETP Holder fails to submit the fingerprint information within 30 days after the Exchange receives the electronic Form U4, the person's registration shall be deemed inactive. In such case, the Exchange shall notify the ETP Holder that the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements under Exchange rules. Upon application and a showing of good cause, the Exchange may extend the 30-day period.

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**Rule 2.28. Books and Records**

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**Rule 2.1210 Registration Requirements**

Each person engaged in the investment banking or securities business of an ETP Holder, OTP Holder or OTP Firm shall be registered with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in Rule 2.1220, unless exempt from registration pursuant to Rule 2.1230. Such person shall not be qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

**Commentary:**

**.01 Permissive Registrations.** An ETP Holder, OTP Holder or OTP Firm may make application for or maintain the registration as a representative or principal of any associated person of an ETP Holder, OTP Holder or OTP Firm and any individual engaged in the securities business of a foreign securities affiliate or subsidiary of the ETP Holder, OTP Holder or OTP Firm. Individuals maintaining such permissive registrations shall be considered registered persons and subject to all Exchange rules, to the extent relevant to their activities. Consistent with the requirements of the Exchange's supervision rules, ETP Holders, OTP Holders or OTP Firms shall have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. With respect to an individual who solely maintains a permissive registration(s), the individual's direct supervisor shall not be required to be a registered person. However, for purposes of compliance with the Exchange's supervision rules, an ETP Holder, OTP Holder or OTP Firm shall assign a registered supervisor who shall be responsible for periodically contacting such individual's direct supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor shall be registered as a representative or principal. If the individual is permissively registered as a principal, the registered supervisor shall be registered as a principal. Moreover, the registered supervisor of an individual who solely maintains a permissive registration(s) shall not be required to be registered in the same representative or principal registration category as the permissively-registered individual.

**.02 Qualification Examinations and Waivers of Examinations.** Before the registration of a person as a representative can become effective under Rule 2.1210, such person shall pass the Securities Industry Essentials ("SIE") and an appropriate representative qualification examination as specified in Rule 2.1220(b). Before the registration of a person as a principal can become effective under Rule 2.1210, such person shall pass an appropriate principal qualification examination as specified in Rule 2.1220(a). If the job functions of a registered representative change so as to require the person to register in another representative category, the person shall not be required to pass the SIE. Rather,

the registered person would need to pass only an appropriate representative qualification examination as specified in Rule 2.1220(b). All associated persons shall be eligible to take the SIE. In addition, individuals who are not associated persons shall be eligible to take the SIE. However, passing the SIE alone shall not qualify an individual for registration with the Exchange. To be eligible for registration with the Exchange, an individual shall pass an applicable representative or principal qualification examination as specified in Rule 2.1220 and satisfy all other applicable prerequisite registration requirements. The Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination(s) and accept other standards as evidence of an applicant's qualifications for registration. Age or disability 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. The Exchange shall only consider waiver requests submitted by an ETP Holder, OTP Holder or OTP Firm for individuals associated with the ETP Holder, OTP Holder or OTP Firm who are seeking registration in a representative or principal registration category. Moreover, the Exchange shall consider waivers of the SIE alone or the SIE and the applicable representative and principal examination(s) for such individuals. The Exchange shall not consider a waiver of the SIE for individuals who are not associated persons or for associated persons who are not registering as representatives or principals.

**.03 Requirements for Registered Persons Functioning as Principals for a Limited Period.** Subject to the requirements of Rule 2.1220, Commentary .02, an ETP Holder, OTP Holder or OTP Firm may designate any person currently registered, or who becomes registered, with the ETP Holder, OTP Holder or OTP Firm as a representative to function as a principal for a period of 120 calendar days prior to passing an appropriate principal qualification examination as specified under Rule 2.1220(a), provided that such person has at least 18 months of experience functioning as a registered representative within the five-year period immediately preceding the designation and has fulfilled all applicable prerequisite registration, fee and examination requirements prior to designation as a principal. However, in no event may such person function as a principal beyond the initial 120 calendar day period without having successfully passed an appropriate principal qualification examination. The requirements above apply to designations to any principal category, including those categories that are not subject to a prerequisite representative registration requirement.

Subject to the requirements of Rule 2.1220, Commentary .02, an ETP Holder, OTP Holder or OTP Firm may designate any person currently registered, or who becomes registered, with the ETP Holder, OTP Holder or OTP Firm as a principal to function in another principal category for a period of 120 calendar days prior to passing an appropriate qualification examination as specified under Rule 2.1220. However, in no event may such person function in such other principal category beyond the initial 120 calendar day period without having successfully passed an appropriate qualification examination as specified under Rule 2.1220.

**.04 Rules of Conduct for Taking Examinations and Confidentiality of Examinations.**

Associated persons taking the SIE shall be subject to the SIE Rules of Conduct. Associated persons taking any representative or principal examination shall be subject to the Rules of Conduct for representative and principal examinations. A violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person shall be deemed to be a violation of Rule 11.1. If the Exchange determines that an associated person has violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by the Exchange. Individuals taking the SIE who are not associated persons shall agree to be subject to the SIE Rules of Conduct. If the Exchange determines that such individuals cheated on the SIE or that they misrepresented their qualifications to the public subsequent to passing the SIE, they may forfeit the results of the examination and may be prohibited from retaking the SIE. The Exchange considers all qualification examinations content to be highly confidential. The removal of examination content from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such qualification examination or any other use that would compromise the effectiveness of the examinations and the use in any manner and at any time of the questions or answers to the examinations shall be prohibited and shall be deemed to be a violation of Rule 11.1. An applicant cannot receive assistance while taking the examination and shall certify that no assistance was given to or received by him or her during the examination.

**.05 Waiting Periods for Retaking a Failed Examination.** Any person who fails to pass a qualification examination prescribed by the Exchange shall be permitted to take that examination again after a period of 30 calendar days has elapsed from the date of such person's last attempt to pass that examination, except that any person who fails to pass an examination three or more times in succession within a two-year period shall be prohibited from again taking that examination until a period of 180 calendar days has elapsed from the date of such person's last attempt to pass that examination. The waiting periods for retaking a failed examination shall apply to the SIE and the representative and principal examinations specified under Rule 2.1220. Individuals taking the SIE who are not associated persons shall agree to be subject to the same waiting periods for retaking the SIE.

**.06 All Registered Persons Must Satisfy the Regulatory Element of Continuing Education.** All registered persons, including those individuals who solely maintain permissive registrations pursuant to Rule 2.1210, Commentary .01, shall satisfy the Regulatory Element of continuing education as specified in Rules 2.23(d)(1) and 2.24(d)(1). If a person registered with an ETP Holder, OTP Holder or OTP Firm has a continuing education deficiency with respect to that registration as provided under Rules 2.23(d)(1) and 2.24(d)(1), such person shall not be permitted to be registered in another registration category under Rule 2.1220 with that ETP Holder, OTP Holder or OTP Firm or to be registered in any registration category under Rule 2.1220 with another ETP Holder, OTP Holder or OTP Firm until the person has satisfied the deficiency.

**.07 Lapse of Registration and Expiration of SIE.** Any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass a representative qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(b). Any person who last passed the SIE or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(b). Any person who was last registered as a principal two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a principal shall be required to pass a principal qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(a). Any person whose registration has been revoked shall be required to pass a principal or representative qualification examination appropriate to his or her category of registration as specified in Rule 2.1220(a) or Rule 2.1220(b), respectively, to be eligible for registration with the Exchange. For purposes of Commentary .07 of this Rule, an application shall not be considered to have been received by the Exchange if that application does not result in a registration.

**.08 Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of an ETP Holder, OTP Holder or OTP Firm.** Upon request by an ETP Holder, OTP Holder or OTP Firm, the Exchange shall waive the applicable qualification examination(s) for an individual designated with the Exchange as working for a financial services industry affiliate of an ETP Holder, OTP Holder or OTP Firm if the following conditions are met:

(a) Prior to the individual's initial designation, the individual was registered as a representative or principal with the Exchange for a total of five years within the most recent 10 year period, including for the most recent year with the ETP Holder, OTP Holder or OTP Firm that initially designated the individual;

(b) The waiver request is made within seven years of the individual's initial designation;

(c) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;

(d) The individual continuously worked for the financial services industry affiliate(s) of an ETP Holder, OTP Holder or OTP Firm since the individual's last Form U5 filing;

(e) The individual has complied with the Regulatory Element of continuing education as specified in Rules 2.23(d)(1) and 2.24(d)(1); and



(f) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while the individual was designated as eligible for a waiver.

As used in Commentary .08 of this Rule, a “financial services industry affiliate of an ETP Holder, OTP Holder or OTP Firm” is a legal entity that controls, is controlled by or is under common control with an ETP Holder, OTP Holder or OTP Firm and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

**.09 Status of Persons Serving in the Armed Forces of the United States.** The following provisions address the status of current and former registered persons serving in active duty in the Armed Forces of the United States:

(a) Inactive Status of Currently Registered Persons

A registered person of an ETP Holder, OTP Holder or OTP Firm who volunteers for or is called into active duty in the Armed Forces of the United States shall be placed, after proper notification to the Exchange, on inactive status and need not be re-registered by such ETP Holder, OTP Holder or OTP Firm upon his or her return to active employment with the ETP Holder, OTP Holder or OTP Firm. Such person shall remain eligible to receive transaction-related compensation, including continuing commissions. The employing ETP Holder, OTP Holder or OTP Firm also may allow such person to enter into an arrangement with another registered person of the ETP Holder, OTP Holder or OTP Firm to take over and service the person’s accounts and to share transaction-related compensation based upon the business generated by such accounts. However, because such persons are inactive, they may not perform any of the functions and responsibilities performed by a registered person.

A registered person who is placed on inactive status pursuant to this paragraph (a) shall not be required to complete either the Regulatory Element or Firm Element set forth in Rules 2.23(d) and 2.24(d) during the pendency of such inactive status.

The relief provided in this paragraph (a) shall be available to a registered person who is placed on inactive status pursuant to this paragraph (a) during the period that such person remains registered with the ETP Holder, OTP Holder or OTP Firm with which he or she was registered at the beginning of active duty in the Armed Forces of the United States, regardless of whether the person returns to active employment with another ETP Holder, OTP Holder or OTP Firm upon completion of his or her active duty in the Armed Forces of the United States.

The relief described in this paragraph (a) shall be provided only to a person registered with an ETP Holder, OTP Holder or OTP Firm and only while the person remains on active military duty. Further, the ETP Holder, OTP Holder or OTP Firm with

which such person is registered shall promptly notify the Exchange in such manner as the Exchange may specify of such person's return to active employment with the ETP Holder, OTP Holder or OTP Firm.

(b) Inactive Status of Sole Proprietorships

An ETP Holder, OTP Holder or OTP Firm that is a sole proprietor who temporarily closes his or her business by reason of volunteering for or being called into active duty in the Armed Forces of the United States, shall be placed, after proper notification to the Exchange, on inactive status while the ETP Holder, OTP Holder or OTP Firm remains on active military duty.

An ETP Holder, OTP Holder or OTP Firm that is a sole proprietor who is placed on inactive status as set forth in this paragraph (b) shall not be required to pay dues or assessments during the pendency of such inactive status and shall not be required to pay an admission fee upon return to active participation in the investment banking or securities business.

The relief described in this paragraph (b) shall be provided only to an ETP Holder, OTP Holder or OTP Firm that is a sole proprietor and only while the person remains on active military duty. Further, the sole proprietor shall promptly notify the Exchange in such manner as the Exchange may specify of his or her return to active participation in the investment banking or securities business.

(c) Status of Formerly Registered Persons

If a person who was formerly registered with an ETP Holder, OTP Holder or OTP Firm volunteers for or is called into active duty in the Armed Forces of the United States at any time within two years after the date the person ceased to be registered with an ETP Holder, OTP Holder or OTP Firm, the Exchange shall defer the lapse of registration provisions in Rule 2.1210, Commentary .07 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE). The Exchange shall defer the lapse of registration requirements and the SIE commencing on the date the person begins actively serving in the Armed Forces of the United States, provided that the Exchange is properly notified of the person's period of active military service within 90 days following his or her completion of active service or upon his or her re-registration with an ETP Holder, OTP Holder or OTP Firm, whichever occurs first. The deferral will terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with an ETP Holder, OTP Holder or OTP Firm within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with an ETP Holder, OTP Holder or OTP Firm without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in Rule

2.1210, Commentary .07 reduced by the period of time between the person's termination of registration and beginning of active service in the Armed Forces of the United States.

If a person placed on inactive status while serving in the Armed Forces of the United States ceases to be registered with an ETP Holder, OTP Holder or OTP Firm, the Exchange shall defer the lapse of registration requirements set forth in Rule 2.1210, Commentary .07 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE) during the pendency of his or her active service in the Armed Forces of the United States. The Exchange shall defer the lapse of registration requirements based on existing information in the CRD system, provided that the Exchange is properly notified of the person's period of active military service within two years following his or her completion of active service or upon his or her re-registration with an ETP Holder, OTP Holder or OTP Firm, whichever occurs first. The deferral shall terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with an ETP Holder, OTP Holder or OTP Firm within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with an ETP Holder, OTP Holder or OTP Firm without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable.

## **Rule 2.1220. Registration Categories**

### **(a) Definition of Principal and Principal Registration Categories**

#### **1. Principal**

A "principal" is any Person Associated with an ETP Holder, OTP Holder or OTP Firm actively engaged in the management of the ETP Holder's, OTP Holder's or OTP Firm's securities business, including supervision, solicitation, conduct of the ETP Holder's business, or the training of Authorized Traders and Persons Associated with an ETP Holder, OTP Holder or OTP Firm for any of these functions. Such Persons include, among others, Sole Proprietors, Officers, Partners, and Directors of Corporations.

The term "actively engaged in the management of the ETP Holder's, OTP Holder's or OTP Firm's securities business" includes the management of, and the implementation of corporate policies related to, such business. The term also includes managerial decision-making authority with respect to the ETP Holder's securities business and management-level responsibilities for supervising any aspect of such business, such as serving as a voting member of the ETP Holder's executive, management or operations committee.

#### **2. General Securities Principal**

**(A) Requirement**

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with the Exchange as a General Securities Principal, subject to the following exceptions:

- (i) if a principal's activities include the functions of a Compliance Officer, a Financial and Operations Principal (or an Introducing Broker-Dealer Financial and Operations Principal, as applicable), a Principal Financial Officer, a Principal Operations Officer, a Securities Trader Principal as specified in paragraphs (a)(3) through (a)(5) of this Rule, or a Registered Options Principal as specified in paragraph (a)(7) of this Rule, then such person shall appropriately register in one or more of those categories; and
- (ii) if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor as specified in paragraph (a)(6) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal.

**(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a Corporate Securities Representative and a General Securities Principal on October 1, 2018 and each person who was registered with the Exchange as a Corporate Securities Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a General Securities Principal without passing any additional qualification examinations, provided that his or her supervisory responsibilities in the investment banking or securities business of an ETP Holder, OTP Holder or OTP Firm are limited to corporate securities activities of the ETP Holder, OTP Holder or OTP Firm.

All other individuals registering as General Securities Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and either (i) pass the General Securities Principal qualification examination or (ii) register as a General Securities Sales Supervisor and pass the General Securities Sales Supervisor qualification examination.

**3. Compliance Officer**

**(A) Requirement**

Subject to the exception in paragraph (a)(3)(C) of this Rule, each person designated as a Chief Compliance Officer on Schedule A of Form BD with the exception of a Chief Compliance Officer at a OTP Holder or OTP Firm shall be required to register with the Exchange as a Compliance Officer.

### **(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a General Securities Representative and a General Securities Principal on October 1, 2018 and each person who was registered with the Exchange as a General Securities Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a Compliance Officer without passing any additional qualification examinations. In addition, subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered as a Compliance Official in the CRD system on October 1, 2018 and each person who was registered as a Compliance Official in the CRD system within two years prior to October 1, 2018 shall be qualified to register as a Compliance Officer without passing any additional qualification examinations.

All other individuals registering as Compliance Officers after October 1, 2018, shall, prior to or concurrent with such registration: (i) become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Principal qualification examination; or (ii) pass the Compliance Official qualification examination.

### **(C) Exception**

An individual designated as a Chief Compliance Officer on Schedule A of Form BD of an ETP Holder, OTP Holder or OTP Firm that is engaged in limited investment banking or securities business may be registered in a principal category under Rule 2.1220(a) that corresponds to the limited scope of the ETP Holder's, OTP Holder's or OTP Firm's business.

## **4. Financial and Operations Principal and Introducing Broker-Dealer Financial and Operations Principal**

### **(A) Requirement**

Each ETP Holder, OTP Holder or OTP Firm that is operating pursuant to the provisions of SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate a Financial and Operations Principal. Each ETP Holder, OTP Holder or OTP Firm subject to the requirements of SEA Rule 15c3-1, other than an ETP Holder, OTP Holder or OTP Firm operating pursuant to SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate either a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal.

A Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal shall be responsible for performing the following duties:

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

(ii) final preparation of such reports;

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

(iv) supervision of and responsibility for individuals who are involved in the actual maintenance of the ETP Holder's, OTP Holder's or OTP Firm's books and records from which such reports are derived;

(v) supervision and performance of the ETP Holder's, OTP Holder's or OTP Firm's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Exchange Act;

(vi) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the ETP Holder's, OTP Holder's or OTP Firm's back office operations; and

(vii) any other matter involving the financial and operational management of the ETP Holder, OTP Holder or OTP Firm.

**(B) Designation of Principal Financial Officer and Principal Operations Officer**

Each ETP Holder, OTP Holder or OTP Firm shall designate a:

(i) Principal Financial Officer with primary responsibility for financial filings and those books and records related to such filings; and

(ii) Principal Operations Officer with primary responsibility for the day-to-day operations of the ETP Holder's, OTP Holder's or OTP Firm's business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and ETP Holder, OTP Holder or OTP Firm assets, calculation and collection of margin from customers and processing dividend receivables and payables and reorganization redemptions and those books and records related to such activities.

Each ETP Holder, OTP Holder or OTP Firm that self-clears, or that clears for other ETP Holders, OTP Holders or OTP Firms, shall be required to designate

separate persons to function as Principal Financial Officer and Principal Operations Officer. Such persons may also carry out the other responsibilities of a Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal as specified in paragraph (a)(4)(A) of this Rule. If such ETP Holder, OTP Holder or OTP Firm is limited in size and resources, it may, request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

Each ETP Holder, OTP Holder or OTP Firm that is an introducing member may designate the same person to function as Financial and Operations Principal (or Introducing Broker-Dealer Financial and Operations Principal), Principal Financial Officer and Principal Operations Officer.

Each person designated as a Principal Financial Officer or Principal Operations Officer shall be required to register as a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal pursuant to paragraph (a)(4)(A) of this Rule.

### **(C) Qualifications**

Each person seeking to register as a Financial and Operations Principal shall, prior to or concurrent with such registration, pass the Financial and Operations Principal qualification examination. Each person seeking to register as an Introducing Broker-Dealer Financial and Operations Principal shall, prior to or concurrent with such registration, pass the Financial and Operations Principal qualification examination or the Introducing Broker-Dealer Financial and Operations Principal qualification examination.

## **5. Securities Trader Principal**

### **(A) Requirement**

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising the securities trading activities specified in paragraph (b)(3) of this Rule shall be required to register with the Exchange as a Securities Trader Principal.

### **(B) Qualifications**

Each person seeking to register as a Securities Trader Principal shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(3) of this Rule as a Securities Trader and pass the General Securities Principal qualification examination.

## **6. General Securities Sales Supervisor**

**(A) Requirement**

Each principal as defined in paragraph (a)(1) of this Rule may register with the Exchange as a General Securities Sales Supervisor if his or her supervisory responsibilities in the investment banking or securities business of an ETP Holder, OTP Holder or OTP Firm are limited to the securities sales activities of the ETP Holder, OTP Holder or OTP Firm, including the approval of customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the ETP Holder, OTP Holder or OTP Firm required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registered solely as a General Securities Sales Supervisor shall not be qualified to perform any of the following activities:

- (i) supervision of the origination and structuring of underwritings;
- (ii) supervision of market making commitments;
- (iii) supervision of the custody of broker-dealer or customer funds or securities for purposes of SEA Rule 15c3-3; or
- (iv) supervision of overall compliance with financial responsibility rules for broker-dealers promulgated pursuant to the provisions of the Exchange Act.

**(B) Qualifications**

Each person seeking to register as a General Securities Sales Supervisor shall, prior to or concurrent with such registration become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Sales Supervisor qualification examinations.

**7. Registered Options Principal****(A) Requirement**

Each OTP Holder or OTP Firm that is engaged in transactions in options with the public shall have at least one Registered Options Principal. In addition, each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising an OTP Holder's or OTP Firm's options sales practices with the public, including a person designated pursuant to Rule 11.18(b)(2), shall be required to register with Exchange as a Registered Options Principal, subject to the following exception. If a principal's options activities are limited solely to those activities that may be supervised by a General Securities Sales Supervisor as specified in paragraph (a)(6) of this Rule, then such person may register as a



General Securities Sales Supervisor in lieu of registering as a Registered Options Principal.

**(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a Registered Options Principal on October 1, 2018 and each person who was registered with the Exchange as a Registered Options Principal within two years prior to October 1, 2018 shall be qualified to register as a Registered Options Principal without passing any additional qualification examinations.

All other individuals registering as Registered Options Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the Registered Options Principal qualification examination.

**(b) Definition of Representative and Representative Registration Categories**

**1. Representative**

A “representative” is any person associated with an ETP Holder, OTP Holder or OTP Firm including assistant officers other than principals, who is engaged in the ETP Holder’s, OTP Holder’s or OTP Firm’s investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with an ETP Holder, OTP Holder or OTP Firm for any of these functions.

**2. General Securities Representative**

**(A) Requirement**

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a General Securities Representative, subject to the following exception: (i) if a representative’s activities include the functions of a Securities Trader, as specified in paragraph (b)(3) of this Rule, then such person shall appropriately register in that category.

**(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a General Securities Representative on October 1, 2018 and each person who was registered with the Exchange as a General Securities Representative within two years prior to October 1, 2018 shall be qualified to register as a General Securities

Representative without passing any additional qualification examinations. All other individuals registering as General Securities Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the General Securities Representative qualification examination.

### **3. Securities Trader**

#### **(A) Requirement**

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or options such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with an ETP Holder, OTP Holder or OTP Firm whose trading activities are conducted primarily on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with an ETP Holder, OTP Holder or OTP Firm.

In addition, each person associated with an ETP Holder, OTP Holder or OTP Firm who is: (i) primarily responsible for the design, development or significant modification of an algorithmic trading strategy relating to equity, preferred or convertible debt securities; or (ii) responsible for the day-to-day supervision or direction of such activities shall be required to register with the Exchange as a Securities Trader.

For purposes of paragraph (b)(3) of this Rule, an “algorithmic trading strategy” is an automated system that generates or routes orders (or order-related messages) but shall not include an automated system that solely routes orders received in their entirety to a market center.

#### **(B) Qualifications**

Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person registered with the Exchange as a Securities Trader on October 1, 2018 and each person who was registered with the Exchange as a Securities Trader within two years prior to October 1, 2018 shall be qualified to register as a Securities Trader without passing any additional qualification examinations. All other individuals registering as Securities Traders after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Securities Trader qualification examination.

### **Commentary**

**.01 Foreign Registrations.** Persons who are in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE. Subject to the lapse of registration provisions in Rule 2.1210, Commentary .07, each person who is registered with the Exchange as a United Kingdom Securities Representative or a Canada Securities Representative on October 1, 2018 and each person who was registered with the Exchange in such categories within two years prior to October 1, 2018 shall be eligible to maintain such registrations with the Exchange. However, if persons registered in such categories subsequently terminate such registration(s) with the Exchange and the registration remains terminated for two or more years, they shall not be eligible to re-register in such categories.

**.02 Additional Qualification Requirements for Persons Engaged in Security Futures Activities.** Each person who is registered with the Exchange as a General Securities Representative, United Kingdom Securities Representative, Canada Securities Representative, Options Representative, Registered Options Principal or General Securities Sales Supervisor shall be eligible to engage in security futures activities as a representative or principal, as applicable, provided that such individual completes a Firm Element program as set forth in Rules 2.23(d)(2) and 2.24(d)(2) that addresses security futures products before such person engages in security futures activities.

**.03 Scope of General Securities Sales Supervisor Registration Category.** The General Securities Sales Supervisor category 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 would be required to separately qualify pursuant to the rules of FINRA, the MSRB, the NYSE and the options exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the General Securities Sales Supervisor examinations permit qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors 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 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 and security futures (subject to the requirements of Commentary .02 of this Rule) may be registered solely as a 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 General Securities Sales Supervisors as long as they supervise only sales activities.

**.04 OTP Holders and OTP Firms With One Registered Options Principal.** An OTP Holder or OTP Firm that has one Registered Options Principal shall promptly notify the Exchange in the event such person is terminated, resigns, becomes incapacitated or is otherwise unable to perform the duties of a Registered Options Principal. Following

receipt of such notification, the Exchange shall require the OTP Holder or OTP Firm to agree, in writing, to refrain from engaging in any options-related activities that would necessitate the prior or subsequent approval of a Registered Options Principal until such time as a new Registered Options Principal has been qualified. OTP Holders and OTP Firms failing to qualify a new Registered Options Principal within two weeks following the loss of their sole Registered Options Principal, or by the earliest available date for administration of the Registered Options Principal examination, whichever is longer, shall be required to cease doing an options business; provided, however, they may effect closing transactions in options to reduce or eliminate existing open options positions in their own account as well as the accounts of their customers.

### **Rule 2.1230. Associated Persons Exempt from Registration**

Persons associated with an ETP Holder, OTP Holder or OTP Firm whose functions are solely and exclusively clerical or ministerial are not required to be registered with the Exchange.

### **Commentary**

**.01 Registration Requirements for Associated Persons Who Accept Customer Orders.** The function of accepting customer orders is not considered a clerical or ministerial function. Each person associated with an ETP Holder, OTP Holder or OTP Firm who accepts customer orders under any circumstances shall be registered in an appropriate registration category pursuant to Rule 2.1220. An associated person shall not be considered to be accepting a customer order where occasionally, when an appropriately registered person is unavailable, such person transcribes order details submitted by a customer and the registered person contacts the customer to confirm the order details before entering the order.

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### **Options Rules**

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## **RULE 6-O OPTIONS TRADING**

### **Rules Principally Applicable to Trading of Option Contracts**

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### **Rule 6.43-O. Options Floor Broker Defined**

(a) A Floor Broker for the purposes of this Rule is an individual (either an OTP Holder or OTP Firm or a nominee of an OTP Holder or OTP Firm) who is registered with the

Exchange for the purpose, while on the Exchange Floor, of accepting and executing option orders.

(b) Conducting a Limited Public Business

(1) Qualified Floor Brokers and Floor Clerks of qualified Floor Brokers may conduct a public business limited to accepting orders directly from Professional Customers, as defined below, for execution on the Floor of the Exchange. Any Floor Broker or Floor Clerk of a Floor Broker seeking to conduct such a limited public business must first:

(A) successfully complete the Series 7 Examination or the Series 7A Examination and the SIE Examination; and

(B) register and receive approval from the Exchange. The form of registration will be prescribed by the Exchange.

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**Rule 9.27-O. Registration of Representatives**

(a) *General.* No OTP Firm or OTP Holder shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been registered with and approved by the Exchange pursuant to the provisions of Rule 2.23. Persons who perform duties for the OTP Firm or OTP Holder which are customarily performed by sales representatives, solicitors, customers' men or branch office managers shall be designated as Representatives.

(b) *Registered Options Representatives.* No person associated with an OTP Firm or OTP Holder shall transact any business with the public in option contracts, unless those persons are registered with and approved by the Exchange pursuant to the provisions of paragraph (a) of this Section and are registered with and approved by the Exchange as Options Representatives. In connection with their registration as Options Representatives, such persons shall file an application with the Exchange on a form prescribed by the Exchange, shall successfully complete a training course and an examination for the purpose of demonstrating adequate knowledge in the trading of option contracts, and shall sign an agreement to abide by the Bylaws, Rules and procedures of the Exchange and the Rules of the Options Clearing Corporation; provided, however, that representatives of an OTP Firm or OTP Holder which is a member of another national securities exchange or association which has standards of approval acceptable to the Exchange may be deemed to be registered with and approved by the Exchange, so long as such representatives are registered with and approved by such other exchange or association. An OTP Firm or OTP Holder whose representatives are deemed registered and approved pursuant to the last clause of the preceding sentence shall inform their

representatives of their obligation to adhere to the Bylaws, Rules and procedures of the Exchange and the Rules of the Options Clearing Corporation. Termination of employment or affiliation of any Registered Options Representative in such capacity shall be reported promptly to the [Department of Member Organizations of the ]Exchange together with a brief statement of the reason for such termination, pursuant to Rule 2.23(i).

***Commentary :***

**.01** The Exchange considers the [Uniform Registered] General Securities Representative Examination, Series 7, and the Securities Industry Essentials Examination as adequate in measuring an applicant's knowledge of the securities industry and satisfies the examination requirements prescribed under paragraphs (a) and (b) of this Section.

**.02** Persons designated as representatives who had been previously registered with an exchange or association would be required to requalify with the Exchange as Registered Options Representatives, if such persons had not successfully completed the Series 7 Examination and the Securities Industry Essentials Examination or some other examination which adequately measures an applicant's knowledge in the trading of option contracts. To qualify as a Registered Options Representative the applicant shall successfully complete a training course in options and pass a special options examination approved or prescribed by the Exchange.

**.03** Registered persons who have not re-qualified with the Exchange as Registered Options Representatives shall not solicit or conduct a public business in option contracts.

**Rule 9.27-O(c). Continuing Education Requirements**

No OTP Firm or OTP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Rule 2.23.

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**Equities Rules**

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**Rule 9.27-E. Registration of Representatives**

(a) - (b) No Change

***Commentary:***

**.01** The Exchange considers the Uniform Registered Representative Examination, Series 7, and the Securities Industry Essentials Examination as adequate in measuring an applicant's knowledge of the securities industry and satisfies the examination requirements prescribed under paragraphs (a) and (b) of this Section.

**.02** Persons designated as representatives who had been previously registered with an exchange or association would be required to requalify with the Exchange as Registered Options Representatives, if such persons had not successfully completed the Series 7 Examination and the Securities Industry Essentials Examination or some other examination which adequately measures an applicant's knowledge in the trading of option contracts. To qualify as a Registered Options Representative the applicant shall successfully complete a training course in options and pass a special options examination approved or prescribed by the Exchange.

**.03** Registered persons who have not re-qualified with the Exchange as Registered Options Representatives shall not solicit or conduct a public business in option contracts.

**Rule 9.27-E(c). Continuing Education Requirements**

No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of [this]Rule [9.27-E(c)]2.23.

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