

EXHIBIT 5

Exhibit 5 shows the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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Text of Proposed FINRA Rules

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1200. REGISTRATION AND QUALIFICATION

1210. Registration Requirements

Each person engaged in the investment banking or securities business of a member shall be registered with FINRA as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in Rule 1220, unless exempt from registration pursuant to Rule 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.

••• Supplementary Material: -----

.01 Minimum Number of Registered Principals. Each member, except a member with only one associated person, shall have at least two officers or partners who are registered as General Securities Principals pursuant to Rule 1220(a)(2), provided that a member that is limited in the scope of its activities may instead have two officers or partners who are registered in a principal category under Rule 1220(a) that corresponds to the scope of the member's activities. The requirement that a member have a minimum of two principals shall apply to persons seeking admission as members and existing members.

Pursuant to the Rule 9600 Series, FINRA may waive the requirement that a member have a minimum of two principals in situations that indicate conclusively that

only one person associated with an applicant for membership or existing member should be required to register as a principal.

In addition to the requirement that a member have a minimum of two principals, an applicant for membership or existing member shall have at least one person: (1) registered as a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal, as applicable, pursuant to Rule 1220(a)(4)(A); (2) designated as a Principal Financial Officer pursuant to Rule 1220(a)(4)(B); and (3) designated as a Principal Operations Officer pursuant to Rule 1220(a)(4)(B). An applicant for membership or existing member, if the nature of its business so requires, shall also have at least one person registered as: (1) an Investment Banking Principal pursuant to Rule 1220(a)(5); (2) a Research Principal pursuant to Rule 1220(a)(6); (3) a Securities Trader Principal pursuant to Rule 1220(a)(7); and (4) a Registered Options Principal pursuant to Rule 1220(a)(8).

.02 Permissive Registrations. A member may make application for or maintain the registration as a representative or principal, pursuant to Rule 1220, of any associated person of the member and any individual engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the member. Individuals maintaining such permissive registrations shall be considered registered persons and subject to all FINRA rules, to the extent relevant to their activities.

Consistent with the requirements of Rule 3110, members 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 Rule 3110(a)(5), a member 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.

.03 Qualification Examinations and Waivers of Examinations. Before the registration of a person as a representative can become effective under Rule 1210, such person shall pass the Securities Industry Essentials ("SIE") and an appropriate representative qualification examination as specified in Rule 1220(b). Before the registration of a person as a principal can become effective under Rule 1210, such person shall pass an appropriate principal qualification examination as specified in Rule 1220(a).

If the job functions of a registered representative, other than an individual registered as an Order Processing Assistant Representative or a Foreign Associate, 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 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 FINRA. To be eligible for registration with FINRA, an individual shall pass an applicable representative or principal qualification examination as specified in Rule 1220 and satisfy all other applicable prerequisite registration requirements.

Pursuant to the Rule 9600 Series, FINRA 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. FINRA shall only consider waiver requests submitted by a member for individuals associated with the member who are seeking registration in a representative or principal registration category. Moreover, FINRA shall consider waivers of the SIE alone or the SIE and the applicable representative and principal examination(s) for such individuals. FINRA 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.

.04 Requirements for Registered Persons Functioning as Principals for a Limited

Period. Subject to the requirements of Rule 1220.03, a member may designate any person currently registered, or who becomes registered, with the member 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 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 as specified under Rule 1220(a). The requirements above apply to designations to any principal category, including those categories that are not subject to a prerequisite representative registration requirement. Further, a person registered as an Order Processing Assistant Representative or a Foreign Associate shall not be eligible to be designated as a principal under Supplementary Material .04 of this Rule.

Subject to the requirements of Rule 1220.03, a member may designate any person currently registered, or who becomes registered, with the member 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 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 1220.

.05 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 2010. If FINRA 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 FINRA.

Individuals taking the SIE who are not associated persons shall agree to be subject to the SIE Rules of Conduct. If FINRA 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.

FINRA considers all of its 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 2010. 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.

.06 Waiting Periods for Retaking a Failed Examination. Any person who fails to pass a qualification examination prescribed by FINRA 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 1220. Individuals taking the SIE who are not associated persons shall agree to be subject to the same waiting periods for retaking the SIE.

.07 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 1210.02, shall satisfy the Regulatory Element of continuing education as specified in Rule 1240(a).

If a person registered with a member has a continuing education deficiency with respect to that registration as provided under Rule 1240(a), such person shall not be permitted to be registered in another registration category under Rule 1220 with that member or to be registered in any registration category under Rule 1220 with another member, until the person has satisfied the deficiency.

.08 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 FINRA 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 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 FINRA 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 1220(b).

Any person who was last registered as a principal two or more years immediately preceding the date of receipt by FINRA 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 1220(a).

Any person whose registration has been revoked pursuant to Rule 8310 shall be required to pass a principal or representative qualification examination appropriate to his or her category of registration as specified in Rule 1220(a) or Rule 1220(b), respectively, to be eligible for registration with FINRA.

For purposes of Supplementary Material .08 of this Rule, an application shall not be considered to have been received by FINRA if that application does not result in a registration.

.09 Waiver of Examinations for Individuals Working for a Financial Services

Industry Affiliate of a Member. Upon request by a member, FINRA shall waive the applicable qualification examination(s) for an individual designated with FINRA as working for a financial services industry affiliate of a member if the following conditions are met:

(a) Prior to the individual's initial designation, the individual was registered as a representative or principal with FINRA for a total of five years within the most recent 10-year period, including for the most recent year with the member 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 a member since the individual's last Form U5 filing;

(e) The individual has complied with the Regulatory Element of continuing education as specified in Rule 1240(a); 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 Supplementary Material .09 of this Rule, a "financial services industry affiliate of a member" is a legal entity that controls, is controlled by or is under common control with a member and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

.10 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 a member who volunteers for or is called into active duty in the Armed Forces of the United States shall be placed, after proper notification to FINRA, on inactive status and need not be re-registered by such member upon his or her

return to active employment with the member. Such person shall remain eligible to receive transaction-related compensation, including continuing commissions. The employing member also may allow such person to enter into an arrangement with another registered person of the member 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 included within the definition of "Personnel" for purposes of the dues or assessments as provided in Article VI of the FINRA By-Laws. In addition, 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 Rule 1240 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 member 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 member 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 a member and only while the person remains on active military duty. Further, the member with which such person is registered shall promptly notify FINRA in

such manner as FINRA may specify of such person's return to active employment with the member.

(b) Inactive Status of Sole Proprietorships

A member 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 FINRA, on inactive status while the member remains on active military duty.

A sole proprietor member 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 a sole proprietor member and only while the person remains on active military duty. Further, the sole proprietor shall promptly notify FINRA in such manner as FINRA 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 a member 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 a member, FINRA shall defer the lapse of registration requirements set forth in Rule 1210.08 (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). FINRA 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 FINRA 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 a member, 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 a member 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 a member 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 1210.08 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 a member, FINRA shall defer the lapse of registration requirements set forth in Rule 1210.08 (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. FINRA shall defer the lapse of registration requirements based on existing information in the CRD system, provided that FINRA 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 a member, 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 a member 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 a member 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 1210.08.

.11 Impermissible Registrations. Members shall not register or maintain the registration of any person unless consistent with the requirements of Rule 1210.

12[3]20. Registration Categories

(a) Definition of Principal and Principal Registration Categories

(1) [Reserved] Definition of Principal

A "principal" is any person associated with a member, including, but not limited to, sole proprietor, officer, partner, manager of office of supervisory jurisdiction, director or other person occupying a similar status or performing similar functions, who is actively engaged in the management of the member's investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions. Such persons shall include, among other persons, a member's chief executive officer and chief financial officer (or equivalent officers).

A “principal” also includes any other person associated with a member who is performing functions or carrying out responsibilities that are required to be performed or carried out by a principal under the FINRA rules.

The term “actively engaged in the management of the member’s investment banking or 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 member’s investment banking or securities business and management-level responsibilities for supervising any aspect of such business, such as serving as a voting member of the member’s executive, management or operations committees.

(2) [Reserved] General Securities Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with FINRA 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, an Investment Banking Principal, a Research Principal, a Securities Trader Principal or a Registered Options Principal as specified in paragraphs (a)(3) through (a)(8) of this Rule, then such person shall appropriately register in one or more of those

categories;

(ii) if a principal's activities are limited solely to the functions of a Government Securities Principal, an Investment Company and Variable Contracts Products Principal, a Direct Participation Programs Principal or a Private Securities Offerings Principal as specified in paragraphs (a)(9), (a)(11), (a)(12) or (a)(13) of this Rule, then such person may appropriately register in one or more of those categories in lieu of registering as a General Securities Principal;

(iii) if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal, provided, however, that if such person is engaged in options sales activities, such person shall be required to register with FINRA as a Registered Options Principal as specified in paragraph (a)(8) of this Rule or as a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule; and

(iv) if a principal's activities are limited solely to the functions of a Supervisory Analyst as specified in paragraph (a)(14) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal, provided, however, that if such person is responsible for

approving the content of a member's research report on equity securities, such person shall be required to register with FINRA as a Research Principal as specified in paragraph (a)(6) of this Rule or as a Supervisory Analyst as specified in paragraph (a)(14) of this Rule.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Corporate Securities Representative and a General Securities Principal on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Corporate Securities Representative and a General Securities Principal within two years prior to [the effective date of the proposed rule change] 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 a member are limited to corporate securities activities of the member.

All other individuals registering as General Securities Principals after [the effective date of the proposed rule change] 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 Principal Sales Supervisor Module qualification examination.

(3) [Reserved] 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 as specified in Rule 3130(a) shall be required to register with FINRA as a Compliance Officer.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a General Securities Representative and a General Securities Principal on [the effective date of the proposed rule change] and each person who was registered with FINRA as a General Securities Representative and a General Securities Principal within two years prior to [the effective date of the proposed rule change] 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 1210.08, each person registered as a Compliance Official in the CRD system on [the effective date of the proposed rule change] and each person who was registered as a Compliance Official in the CRD system within two years prior to [the effective date of the proposed rule change] shall be qualified to register as

a Compliance Officer without passing any additional qualification examinations.

All other individuals registering as Compliance Officers after [the effective date of the proposed rule change], 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 a member that is engaged in limited investment banking or securities business may be registered in a principal category under Rule 1220(a) that corresponds to the limited scope of the member's business.

(4) [Reserved] Financial and Operations Principal and Introducing Broker-Dealer Financial and Operations Principal

(A) Requirement

Each member 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 member subject to the requirements of SEA Rule 15c3-1, other than a member 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 member's books and records from which such reports are derived;

(v) supervision and performance of the member'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 member's back office operations; and

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

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

Each member 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 member's business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and member 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 member that self-clears, or that clears for other members, 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 member is limited in size and resources, it may, pursuant to the Rule 9600 Series, request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

Each member 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) [Reserved] Investment Banking Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising the investment banking activities specified in paragraph (b)(5) of this Rule shall be required to register with FINRA as an Investment Banking Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Banking Representative and a General Securities Principal on [the effective date of the proposed rule change] and each person who was registered with FINRA as an Investment Banking Representative and a General Securities Principal within two years prior to [the effective date of the proposed rule change] shall be qualified to register as an Investment Banking Principal without passing any additional qualification examinations.

All other individuals registering as Investment Banking Principals after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(5) of this Rule as an Investment Banking Representative and pass the General Securities Principal qualification examination.

(6) [Reserved] Research Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for approving the content of a member's research reports on equity securities, or who, with respect to equity research, is responsible for supervising the overall conduct of a Research Analyst registered pursuant to paragraph (b)(6) of this Rule or a Supervisory Analyst registered pursuant to paragraph (a)(14) of this Rule shall be required to register with FINRA as a Research Principal, subject to the following exceptions:

(i) if a principal's activities are limited solely to approving the content of a member's research reports on equity securities, then such person may register as a Supervisory Analyst pursuant to paragraph (a)(14) of this Rule in lieu of registering as a Research Principal;

(ii) if a principal's activities are limited solely to reviewing a member's research reports on equity securities only for compliance with the disclosure provisions of Rule 2241, then such person may register as a General Securities Principal pursuant to paragraph (a)(2) of this Rule in lieu of registering as a Research Principal; and

(iii) if a principal's activities are limited solely to approving the content of a member's research reports on debt securities or the content of third-party research reports, then such person may register as a General Securities Principal pursuant to paragraph (a)(2) of this Rule or as a Supervisory Analyst pursuant to paragraph (a)(14) of this Rule in lieu of registering as a Research Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Research Principal on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Research Principal within two years prior to

[the effective date of the proposed rule change] shall be qualified to register as a Research Principal without passing any additional qualification examinations.

All other individuals registering as Research Principals after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration: (i) become registered pursuant to paragraph (b)(6) of this Rule as a Research Analyst and pass the General Securities Principal qualification examination; or (ii) become registered pursuant to paragraph (a)(14) of this Rule as a Supervisory Analyst and pass the General Securities Principal qualification examination.

(7) [Reserved] 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)(4) of this Rule shall be required to register with FINRA 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)(4) of this Rule as a Securities Trader and pass the General Securities Principal qualification examination.

(8) [Reserved] Registered Options Principal

(A) Requirement

Each member 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 a member's options sales practices with the public, including a person designated pursuant to Rule 3110(a)(2), shall be required to register with FINRA 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 Rule 2360, then such person may register as a General Securities Sales Supervisor pursuant to paragraph (a)(10) of this Rule in lieu of registering as a Registered Options Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Registered Options Principal on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Registered Options Principal within two years prior to [the effective date of the proposed rule change] 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 [the effective date of the proposed rule change] 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.

(9) [Reserved] Government Securities Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with FINRA as a Government Securities Principal if his or her activities include:

(i) the management or supervision of the member's

government securities business, including:

a. underwriting, trading or sales of government

securities;

b. financial advisory or consultant services for

issuers in connection with the issuance of government

securities;

c. research or investment advice, other than general

economic information or advice, with respect to

government securities in connection with the activities

described in subparagraphs a. and b. above;

d. activities other than those specifically described

above that involve communication, directly or indirectly,

with public investors in government securities in

connection with the activities described in subparagraphs a.

and b. above; or

(ii) the supervision of:

a. the processing and clearance activities with respect to government securities; or

b. the maintenance of records involving any of the activities described in paragraph (a)(9)(A)(i) of this Rule.

If a principal's functions include the activities specified in paragraph (a)(9)(A) of this Rule, then such person may register as a General Securities Principal pursuant to paragraph (a)(2) of this Rule in lieu of registering as a Government Securities Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Government Securities Principal on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Government Securities Principal within two years prior to [the effective date of the proposed rule change] shall be qualified to register as a Government Securities Principal without passing any additional qualification examinations.

All other individuals registering as Government Securities Principals after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative.

(10) [Reserved] General Securities Sales Supervisor

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a General Securities Sales Supervisor if his or her supervisory responsibilities in the investment banking or securities business of a member are limited to the securities sales activities of the member, 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 member 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.

(11) [Reserved] Investment Company and Variable Contracts

Products Principal

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as an Investment Company and Variable Contracts Products Principal if his or her activities in the investment banking or securities business of a member are limited to the activities specified in paragraph (b)(7) of this Rule.

(B) Qualifications

Each person seeking to register as an Investment Company and Variable Contracts Products Principal 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 Investment Company and Variable Contracts Products Principal qualification examination; or (ii) become registered pursuant to paragraph (b)(7) of this Rule as an Investment Company and Variable Contracts Products Representative and pass the Investment Company and Variable Contracts Products Principal qualification examination.

(12) Direct Participation Programs Principal

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a Direct Participation Program Principal if his or her activities in the investment banking or securities business of a member are limited to the activities specified in paragraph (b)(8) of this Rule.

(B) Qualifications

Each person seeking to register as a Direct Participation Program Principal 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 Direct Participation Program Principal qualification examination; or (ii) become registered pursuant to paragraph (b)(8) of this Rule as a Direct Participation Programs Representative and pass the Direct Participation Program Principal qualification examination.

(13) Private Securities Offerings Principal

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a Private Securities Offerings Principal if his or her activities in the investment banking or securities business of a member are limited to the activities specified in paragraph (b)(9) of this Rule.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Private Securities Offerings Representative and a General Securities Principal on [the effective date of the proposed rule change] and each person who was registered with

FINRA as a Private Securities Offerings Representative and a General Securities Principal within two years prior to [the effective date of the proposed rule change] shall be qualified to register as a Private Securities Offerings Principal without passing any additional qualification examinations.

All other individuals registering as Private Securities Offerings Principals after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(9) of this Rule as a Private Securities Offerings Representative and pass the General Securities Principal qualification examination.

(14) Supervisory Analyst

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a Supervisory Analyst if his or her activities are limited to approving the following: (i) the content of a member's research reports on equity securities; (ii) the content of a member's research reports on debt securities; (iii) the content of third-party research reports; (iv) retail communications as described in Rule 2241(a)(11)(A); or (v) other research communications that do not meet the definition of "research report" under Rule 2241, provided that the Supervisory Analyst has technical expertise in the particular product area.

The activities of a Supervisory Analyst engaged in equity research

shall be supervised by a Research Principal registered pursuant to paragraph (a)(6) of this Rule.

(B) Qualifications

Each person seeking to register as a Supervisory Analyst shall, prior to or concurrent with such registration pass the Supervisory Analyst qualification examination.

Upon written request pursuant to the Rule 9600 Series, FINRA shall grant a waiver from the securities analysis portion (Part II) of the Supervisory Analyst qualification examination upon verification that the applicant has passed Level I of the Chartered Financial Analyst (“CFA”) Examination.

(b) Definition of Representative and Representative Registration Categories

(1) [Reserved] Definition of Representative

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

(2) [Reserved] General Securities Representative

(A) Requirement

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with FINRA as a General Securities Representative, subject to the following exceptions:

(i) if a representative's activities include the functions of an Operations Professional, a Securities Trader, an Investment Banking Representative or a Research Analyst as specified in paragraphs (b)(3) through (b)(6) of this Rule, then such person shall appropriately register in one or more of those categories; and

(ii) if a representative's activities are limited solely to the functions of an Investment Company and Variable Contracts Products Representative, a Direct Participation Programs Representative or a Private Securities Offerings Representative as specified in paragraphs (b)(7) through (b)(9) of this Rule, then such person may appropriately register in one or more of those categories in lieu of registering as a General Securities Representative.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a General Securities Representative on [the effective date of the proposed rule change] and each person who was registered with FINRA as a General Securities Representative within two years prior to [the effective date of the proposed rule change] 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 [the effective date of the proposed rule change] shall,

prior to or concurrent with such registration, pass the SIE and the General Securities Representative qualification examination.

[(3) Reserved]

[(4) Reserved]

[(5) Reserved]

[(6)3] Operations Professional

(A) [Covered Persons] Requirement

(i) Covered Persons

Each of the following persons shall be required to register with FINRA as an Operations Professional:

[(i)]a. [S]senior management with direct responsibility over the covered functions specified in paragraph (b)([(6)3])([B]A)(ii) of this Rule;

[(ii)]b. [A]any person designated by senior management specified in paragraph (b)([(6)3])(A)(i)a. of this Rule as a supervisor, manager or other person responsible for approving or authorizing work, including work of other persons, in direct furtherance of each of the covered functions specified in paragraph (b)([(6)3])([B]A)(ii) of this Rule, as applicable, provided that there is sufficient designation of such persons by senior management to address each of the applicable covered functions; and

[(iii)]c. [P]persons with the authority or discretion materially to commit a member's capital in direct furtherance of the covered functions specified in paragraph (b)([6]3)([B]A)(ii) of this Rule or to commit a member to any material contract or agreement (written or oral) in direct furtherance of the covered functions specified in paragraph (b)([6]3)([B]A)(ii) of this Rule.

[(B)]ii Covered Functions

For purposes of paragraph (b)(3) of this Rule, the following are the covered functions:

[(i)]a. [C]client on-boarding (customer account data and document maintenance);

[(ii)]b. [C]collection, maintenance, re-investment (*i.e.*, sweeps) and disbursement of funds;

[(iii)]c. [R]receipt and delivery of securities and funds, account transfers;

[(iv)]d. [B]bank, custody, depository and firm account management and reconciliation;

[(v)]e. [S]settlement, fail control, buy ins, segregation, possession and control;

[(vi)]f. [T]trade confirmation and account statements;

[(vii)]g. [M]margin;

[(viii)]h. [S]stock loan[/] or securities lending;

[(ix)]i. [P]prime brokerage (services to other broker-dealers and financial institutions);

[(x)]j. [A]approval of pricing models used for valuations;

[(xi)]k. [F]financial control, including general ledger and treasury;

[(xii)]l. [C]contributing to the process of preparing and filing financial regulatory reports;

[(xiii)]m. [D]defining and approving business requirements for sales and trading systems and any other systems related to the covered functions, and validation that these systems meet such business requirements;

[(xiv)]n. [D]defining and approving business security requirements and policies for information technology, including, but not limited to, systems and data, in connection with the covered functions;

[(xv)]o. [D]defining and approving information entitlement policies in connection with the covered functions; and

[(xvi)]p. [P]posting entries to a member's books and records in connection with the covered functions to ensure integrity and compliance with the federal securities

laws and regulations and FINRA rules.

([C]B) Qualifications [Examination]

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Company Products and Variable Contracts Representative, a General Securities Representative, a United Kingdom Securities Representative, a Canada Securities Representative, an Operations Professional, a Registered Options Principal, a General Securities Sales Supervisor, a Supervisory Analyst, a General Securities Principal, an Investment Company Products and Variable Products Principal, a Financial and Operations Principal, an Introducing Broker-Dealer Financial and Operations Principal, a Municipal Fund Securities Limited Principal or a Municipal Securities Principal on [the effective date of the proposed rule change] and each person who was registered with FINRA in such registration categories within two years prior to [the effective date of the proposed rule change] shall be qualified to register as an Operations Professional without passing any additional qualification examinations.

Each person who registers with FINRA as an Investment Company Products and Variable Contracts Representative, a General Securities Representative, a Registered Options Principal, a General Securities Sales Supervisor, a Supervisory Analyst, a General Securities Principal, an Investment Company Products and Variable Products Principal, a Financial and Operations Principal, an Introducing Broker-Dealer

Financial and Operations Principal, a Municipal Fund Securities Limited Principal or a Municipal Securities Principal after [the effective date of the proposed rule change] shall also be qualified to register as an Operations Professional without passing any additional qualification examinations.

All other individuals registering as Operations Professionals after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, pass the SIE and the Operations Professional qualification examination.

[Subject to the exception in paragraph (b)(6)(D) of this Rule, any person who is required to register as an Operations Professional shall pass the Operations Professional qualification examination before such registration may become effective.]

[(D) Exception]

(i) Any person who is registered with FINRA as an Investment Company Products/Variable Contracts Representative, General Securities Representative, United Kingdom Securities Representative or Canada Securities Representative, Registered Options Principal, General Securities Sales Supervisor, Compliance Officer, Supervisory Analyst, General Securities Principal, Investment Company Products/Variable Products Principal, Financial and Operations Principal, Introducing Broker-Dealer Financial and Operations Principal, Municipal Fund Securities Limited Principal or Municipal Securities Principal, and

any person who has been registered in one of these categories within the two years immediately prior to registering as an Operations Professional, shall be qualified to register as an Operations Professional without passing the Operations Professional qualification examination, provided that such registration is not revoked pursuant to Rules 8310 or 8320, suspended or otherwise deemed inactive.]

[(ii) The staff] FINRA may accept as an alternative to the [Operations Professional] qualification examination requirement in paragraph (b)(6)(B) of this Rule any domestic or foreign qualification if it determines that acceptance of such alternative qualification is consistent with the purposes of [this] paragraph (b)(3) of this Rule, the protection of investors, and the public interest.

[(E) Implementation]

[(i) Any person who is required to register as an Operations Professional as of October 17, 2011 shall request registration as an Operations Professional via Form U4 in CRD within 60 days after October 17, 2011. Any person who is required to register as an Operations Professional as of October 17, 2011 and must pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) to qualify for Operations

Professional registration shall be allowed a period of 12 months beginning on October 17, 2011 to pass such qualifying examination, during which time such person may function as an Operations Professional.]

[(ii) Any person who is required to register as an Operations Professional from October 18, 2011 through December 16, 2011 shall register as an Operations Professional and, if applicable, pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) prior to engaging in any activities that would require such registration; provided, however, any such person who must pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) to qualify for Operations Professional registration shall be allowed until April 14, 2012 to pass such qualifying examination, during which time such person may function as an Operations Professional.]

[(iii) Any person who is required to register as an Operations Professional on or after December 17, 2011 shall register as an Operations Professional and, if applicable, pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) prior to engaging in any activities that would require such

registration; provided, however, any such person who must pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) to qualify for Operations Professional registration] A person registering as an Operations Professional shall be allowed a period of 120 days beginning on the date such person requests Operations Professional registration to pass any applicable qualification examination [such qualifying examination], during which time such person may function as an Operations Professional.

(4) Securities Trader

(A) Requirement

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

In addition, each person associated with a member 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 FINRA as a Securities Trader.

For purposes of paragraph (b)(4) 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 1210.08, each person registered with FINRA as a Securities Trader on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Securities Trader within two years prior to [the effective date of the proposed rule change] shall be qualified to register as a Securities Trader without passing any additional qualification examinations.

All other individuals registering as Securities Traders after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, pass the SIE and the Securities Trader qualification examination.

(5) Investment Banking Representative

(A) Requirement

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with FINRA as an Investment Banking Representative if his or her activities in the investment banking or securities business of a member involve:

(i) advising on or facilitating debt or equity securities offerings through a private placement or a public offering, including but not limited to origination, underwriting, marketing, structuring, syndication, and pricing of such securities and managing the allocation and stabilization activities of such offerings, or

(ii) advising on or facilitating mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations or business combination transactions, including but not limited to rendering a fairness, solvency or similar opinion.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Banking Representative on [the effective date of the proposed rule change] and each person who was registered with FINRA as an Investment Banking Representative within two years prior to [the effective date of the proposed rule change] shall be qualified to register as an Investment

Banking Representative without passing any additional qualification examinations.

All other individuals registering as Investment Banking Representatives after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, pass the SIE and the Investment Banking Representative qualification examination.

(C) Exceptions

(i) Associated Persons Participating in New Employee Training Program

An associated person who participates in a new employee training program conducted by a member shall not be required to register as an Investment Banking Representative for a period of up to six months from the time the associated person first engages within the program in activities described in paragraph (b)(5) of this Rule, but in no event more than two years after commencing participation in the training program. This exception is conditioned upon the member maintaining records that:

- a. evidence the existence and details of the training program, including but not limited to its scope, length, eligible participants and administrator; and
- b. identify those participants whose activities otherwise would require registration as an Investment

Banking Representative and the date on which each participant commenced such activities.

(ii) Associated Persons Engaged in Limited Activities

An associated person shall not be required to register as an Investment Banking Representative if his or her activities in the investment banking or securities business of a member are limited solely to:

- a. advising on or facilitating the placement of direct participation program securities as defined in paragraph (b)(8)(A) of this Rule;
- b. effecting private securities offerings as specified in paragraph (b)(9) of this Rule; or
- c. retail or institutional sales and trading activities.

(6) Research Analyst

(A) Requirement

Each person associated with a member who is to function as a research analyst shall be required to register with FINRA as a Research Analyst.

For purposes of paragraph (b)(6) of this Rule, “research analyst” shall mean an associated person whose primary job function is to provide investment research and who is primarily responsible for the preparation of the substance of an equity research report or whose name appears on an

equity research report, and “research report” shall have the same meaning as in Rule 2241.

The requirements of paragraph (b)(6) of this Rule shall not apply to an associated person who:

- (i) is an employee of a non-member foreign affiliate of a member (“foreign research analyst”);
- (ii) resides outside the United States; and
- (iii) contributes, partially or entirely, to the preparation of globally branded or foreign affiliate research reports but does not contribute to the preparation of a member’s research, including a mixed-team report, that is not globally branded.

Provided that the following conditions are satisfied:

- a. a member that publishes or otherwise distributes globally branded research reports partially or entirely prepared by a foreign research analyst must subject such research to pre-use review and approval by a Research Principal registered pursuant to paragraph (a)(6) of this Rule or a Supervisory Analyst registered pursuant to paragraph (a)(14) of this Rule. In addition, the member must ensure that such research reports comply with Rule 2241, as applicable;
- b. in publishing or otherwise distributing globally branded research reports partially or entirely prepared by a

foreign research analyst, a member must prominently disclose:

1. each affiliate contributing to the research

report;

2. the names of the foreign research analysts employed by each contributing affiliate;

3. that such research analysts are not registered as Research Analysts with FINRA; and

4. that such research analysts may not be associated persons of the member and therefore may not be subject to Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account;

c. the disclosures required by paragraph

(b)(6)(A)(iii)b. of this Rule shall be presented on the front page of the research report or the front page shall refer to

the page on which the disclosures can be found. In

electronic research reports, a member may hyperlink to the

disclosures. References and disclosures shall be clear,

comprehensive and prominent;

d. members shall establish and maintain records

that identify those individuals who have availed themselves

of this exemption, the basis for such exemption, and evidence of compliance with the conditions of the exemption. Failure to establish and maintain such records shall create an inference of a violation of paragraph (b)(6) of this Rule. Members shall also establish and maintain records that evidence compliance with the applicable content, disclosure and supervision provisions of Rule 2241. Members shall maintain these records in accordance with the supervisory requirements of Rule 3110, and in addition to such requirement, the failure to establish and maintain such records shall create an inference of a violation of the applicable content, disclosure and supervision provisions of Rule 2241;

e. nothing in paragraph (b)(6) of this Rule shall affect the obligation of any person or broker-dealer, including a foreign broker-dealer, to comply with the applicable provisions of the federal securities laws, rules and regulations and any self-regulatory organization rules;

f. the fact that a foreign research analyst avails himself or herself of the exemption in paragraph (b)(6) of this Rule shall not be probative of whether that individual is an associated person of the member for other purposes, including whether the foreign research analyst is subject to

the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account;

g. a member that distributes non-member foreign affiliate research reports that are clearly and prominently labeled as such must comply with the third-party research report requirements in Rule 2241; and

h. for purposes of the exemption in paragraph (b)(6) of this Rule, the terms “affiliate,” “globally branded research report” and “mixed-team research report” shall have the following meanings:

1. “affiliate” shall mean a person that directly or indirectly controls, is controlled by, or is under common control with, a member;

2. “globally branded research report” refers to the use of a single marketing identity that encompasses the member and one or more of its affiliates; and

3. “mixed-team research report” refers to any member research report that is not globally branded and includes a contribution by a research analyst who is not an associated person of the member.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Research Analyst on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Research Analyst within two years prior to [the effective date of the proposed rule change] shall be qualified to register as a Research Analyst without passing any additional qualification examinations.

All other individuals registering as Research Analysts after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, pass the SIE and the Research Analyst qualification examinations.

Upon written request pursuant to the Rule 9600 Series, FINRA shall grant a waiver from the analytical portion of the Research Analyst qualification examinations (Series 86) upon verification that the applicant has passed:

(i) Levels I and II of the CFA Examination; or

(ii) if the applicant functions as a research analyst who prepares only technical research reports as defined in paragraph (b)(6) of this Rule, Levels I and II of the Chartered Market Technician (“CMT”) Examination; and

(iii) has either functioned as a research analyst continuously since having passed the Level II CFA or CMT

Examination or applied for registration as a Research Analyst within two years of having passed the Level II CFA or CMT Examination.

For purposes of paragraph (b)(6) of this Rule, a “technical research report” shall mean a research report, as that term is defined in Rule 2241, that is based solely on stock price movement and trading volume and not on the subject company’s financial information, business prospects, contact with subject company’s management, or the valuation of a subject company’s securities.

An applicant who has been granted an exemption pursuant to paragraph (b)(6)(B) of this Rule still must pass the regulatory portion of the Research Analyst qualification examinations (Series 87) before that applicant can be registered as a Research Analyst.

(7) [Reserved] Investment Company and Variable Contracts

Products Representative

A. Representatives Engaged in Limited Activities

Each representative as defined in paragraph (b)(1) of this Rule may register with FINRA as an Investment Company and Variable Contracts Products Representative if his or her activities in the investment banking or securities business of a member are limited to the solicitation, purchase or sale of:

- (i) redeemable securities of companies registered pursuant to the Investment Company Act;

(ii) securities of closed-end companies registered pursuant to the Investment Company Act during the period of original distribution only;

(iii) variable contracts and insurance premium funding programs and other contracts issued by an insurance company except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act; or

(iv) municipal fund securities as defined under MSRB Rule D-12.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Company and Variable Contracts Products Representative on [the effective date of the proposed rule change] and each person who was registered with FINRA as an Investment Company and Variable Contracts Products Representative within two years prior to [the effective date of the proposed rule change] shall be qualified to register as an Investment Company and Variable Contracts Products Representative without passing any additional qualification examinations.

All other individuals registering as Investment Company and Variable Contracts Products Representatives after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, pass the SIE and the Investment Company and Variable Contracts

Products Representative qualification examination.

(8) [Reserved] Direct Participation Programs Representative

A. Representatives Engaged in Limited Activities

Each representative as defined in paragraph (b)(1) of this Rule may register with FINRA as a Direct Participation Programs Representative if his or her activities in the investment banking or securities business of a member are limited to the solicitation, purchase or sale of equity interests in or the debt of direct participation programs as defined in paragraph (b)(8)(A) of this Rule.

“Direct participation programs” shall mean programs that provide for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code (“Code”) and individual retirement plans under Section 408 of the Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Code and any company including separate accounts registered pursuant to the Investment Company Act. Also excluded from this definition is any program that is listed on a national securities exchange or any program for which an application for

listing on a national securities exchange has been made.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Direct Participation Programs Representative on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Direct Participation Programs Representative within two years prior to [the effective date of the proposed rule change] shall be qualified to register as a Direct Participation Programs Representative without passing any additional qualification examinations.

All other individuals registering as Direct Participation Programs Representatives after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, pass the SIE and the Direct Participation Programs Representative qualification examination.

(9) [Reserved] Private Securities Offerings Representative

(A) Representatives Engaged in Limited Activities

Each representative as defined in paragraph (b)(1) of this Rule may register with FINRA as a Private Securities Offerings Representative if his or her activities in the investment banking or securities business of a member are limited to effecting sales as part of a primary offering of securities not involving a public offering, pursuant to Sections 3(b), 4(2) or 4(6) of the Securities Act and the Securities Act rules and regulations, provided, however, that such person shall not effect sales of municipal or

government securities, or equity interests in or the debt of direct participation programs as defined in paragraph (b)(8)(A) of this Rule.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Private Securities Offerings Representative on [the effective date of the proposed rule change] and each person who was registered with FINRA as a Private Securities Offerings Representative within two years prior to [the effective date of the proposed rule change] shall be qualified to register as a Private Securities Offerings Representative without passing any additional qualification examinations.

All other individuals registering as Private Securities Offerings Representatives after [the effective date of the proposed rule change] shall, prior to or concurrent with such registration, pass the SIE and the Private Securities Offerings Representative qualification examination. However, FINRA shall, upon such evidence as it determines to be appropriate, deem any person who while employed by a bank, engaged in effecting sales of private securities offerings as described in paragraph (b)(9) of this Rule, during the period from May 12, 1999 to November 12, 1999, as qualified to register as a Private Securities Offerings Representative without the need to pass the SIE and the Private Securities Offerings Representative qualification examination.

[(10) Reserved]

[(11) Reserved]

[(12) Reserved]

[(13) Reserved]

[(14) Reserved]

••• **Supplementary Material:** -----

.01 [Reserved] 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.

.02 [Reserved] Additional Qualification Requirements for Persons Engaged in Security Futures Activities. Each person who is registered with FINRA 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 Rule 1240 that addresses security futures products before such person engages in security futures activities.

.03 [Reserved] Members With One Registered Options Principal. A member that has one Registered Options Principal shall promptly notify FINRA 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, FINRA shall require the member 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.

Members 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.

.04 [Reserved] 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, direct participation program securities as defined in paragraph (b)(8)(A) of this

Rule, and security futures (subject to the requirements of Supplementary Material .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.

.05 [Reserved]

[.06] Scope of Operations Professional Requirement. Any person whose activities are limited to performing a function ancillary to a covered function specified in paragraph (b)(6)(A)(ii) of this Rule, or whose function is to serve a role that can be viewed as supportive of or advisory to the performance of a covered function specified in paragraph (b)(6)(A)(ii) of this Rule (e.g., internal audit, legal or compliance personnel who review but do not have primary responsibility for any covered function), or who engages solely in clerical or ministerial activities in a covered function specified in paragraph (b)(6)(A)(ii) of this Rule shall not be required to register as an Operations Professional [pursuant to paragraph (b)(6)(A) of this Rule]. For the purpose of paragraph [Rule 1230](b)(6)(A)(ii)c. of this Rule, the determination as to what constitutes “materially” or “material” is based on a member’s pre-established spending guidelines and risk management policies.

An employee of a foreign broker-dealer whose activities, relating to a transaction in foreign securities on behalf of a customer of a member, are limited to facilitating the clearance and settlement of the transaction shall not be required to register as an Operations Professional [pursuant to paragraph (b)(6)(A) of this Rule] where:

([1]a) the member sending the order for a transaction in foreign securities on behalf of the customer to the foreign broker-dealer is not a direct participant of the applicable foreign clearing system; and

([2]b) in executing such order in the foreign market, the foreign broker-dealer accepts the member's customer's instructions to settle the transaction in foreign securities on a DVP/RVP basis through the foreign clearing system and settle directly with a custodian for the customer.

.06[7] [Reserved] Eliminated Registration Categories. Subject to the lapse of registration provisions in Rule 1210.08, each person who is registered with FINRA as an Order Processing Assistant Representative, a United Kingdom Securities Representative, a Canada Securities Representative, an Options Representative, a Corporate Securities Representative or a Government Securities Representative on [the effective date of the proposed rule change] and each person who was registered with FINRA in such categories within two years prior to [the effective date of the proposed rule change] shall be eligible to maintain such registrations with FINRA. However, if persons registered in such categories subsequently terminate such registration(s) with FINRA and the registration remains terminated for two or more years, they shall not be eligible to re-register in such categories. In addition, each person who is registered with FINRA as a Foreign Associate on [the effective date of the proposed rule change] shall be eligible to maintain such registration with FINRA. However, if persons registered as Foreign Associates subsequently terminate such registrations with FINRA, they shall not be eligible to re-register as Foreign Associates.

(a) Persons registered as Order Processing Assistant Representatives shall be subject to the following conditions:

(1) Order Processing Assistant Representatives may not solicit transactions or new accounts on behalf of a member, render investment advice, make recommendations to customers regarding the appropriateness of securities transactions, effect transactions in securities markets on behalf of a member or accept customer orders for municipal securities and direct participation program securities as defined in paragraph (b)(8)(A) of this Rule;

(2) members may only compensate Order Processing Assistant Representatives on an hourly wage or salaried basis and may not in any way, directly or indirectly, relate their compensation to the number or size of transactions effected for customers, provided that Order Processing Assistant Representatives are not prohibited from receiving bonuses or other compensation based on a member's profit sharing plan or similar arrangement;

(3) the activities of Order Processing Assistant Representatives may only be conducted at a business location of a member that is under the direct supervision of an appropriately registered principal of the member; and

(4) an Order Processing Assistant Representative shall not be precluded from registering as a General Securities Representative or in another registration category appropriate to his or her functions; however, upon registration in such other category, such person's registration as an Order Processing Assistant Representative shall be terminated.

(b) Persons registered as Foreign Associates shall be subject to the following conditions:

(1) They shall not be citizens, nationals, or residents of the United States or any of its territories or possessions;

(2) They shall not engage in any securities activities with or for any citizen, national or resident of the United States; and

(3) They shall conduct all of their securities activities in areas outside the jurisdiction of the United States.

1230. Associated Persons Exempt from Registration

The following persons associated with a member are not required to be registered with FINRA:

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

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

(1) effecting transactions on the floor of a national securities exchange and who are appropriately registered with such exchange;

(2) transactions in municipal securities;

(3) transactions in commodities; or

(4) transactions in security futures, provided that any such person is registered with a registered futures association.

••• Supplementary Material: -----

.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 a member who accepts customer orders under any circumstances shall be registered in an appropriate registration category pursuant to Rule 1220. An associated person shall not be considered to be accepting a customer order where occasionally, when an appropriately registered person is unavailable, the associated person transcribes order details submitted by a customer and the registered person contacts the customer to confirm the order details before entering the order.

12[5]40. Continuing Education Requirements

This Rule prescribes requirements regarding the continuing education of [certain registered] specified persons subsequent to their initial [qualification and] registration with FINRA. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(a) Regulatory Element

(1) Requirements

[No member 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 requirements of paragraph (a) hereof] All covered persons shall comply with the requirement to complete the Regulatory Element.

Each [registered] covered person shall complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by FINRA. On each occasion, the

Regulatory Element must be completed within 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 of anniversary dates for purposes of this Rule. The content of the Regulatory Element [shall be determined by FINRA and] shall be appropriate to either the registered representative or principal status of persons subject to the Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to Rule 1210.09 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 remained registered.

(2) Failure to Complete

Unless otherwise determined by FINRA, any [registered] covered persons who have not completed the Regulatory Element within the prescribed time frames will have their registrations 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 is 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 member with which such person is associated has a policy prohibiting such trail or residual commissions. A registration that is inactive for a period of two years will be

administratively terminated. A person whose registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of Rules 121[3]0[(b)(6)] and 1220 [the NASD Rule 1020 and 1030 Series]. FINRA may, upon application and a showing of good cause, allow for additional time for a [registered] covered person to satisfy the program requirements. If a person designated as eligible for a waiver pursuant to Rule 1210.09 fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver.

(3) Disciplinary Actions

Unless otherwise determined by FINRA, a [registered] covered person, other than a person designated as eligible for a waiver pursuant to Rule 1210.09, will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(A) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;

(B) is 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 or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to retake the

Regulatory Element by any securities governmental agency or self-regulatory organization.

The retaking of the Regulatory Element shall commence with participation within 120 days of the [registered] covered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) and (C) above. The date of the disciplinary action shall be treated as such person's new base date with FINRA.

(4) Reassociation in a Registered Capacity

Any [registered] covered person who has terminated association with a member and who has, within two years of the date of termination, become reassociated in a registered capacity with a member shall participate in the Regulatory Element at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity.

(5) Definition of [Registered] Covered Person

For purposes of this Rule, the term ["registered person"] "covered person" means any person, other than a Foreign Associate, registered with FINRA [as a representative, principal, assistant representative or research analyst] pursuant to [Rule 1230(b)(6) and the NASD Rule 1020, 1030, 1040, 1050 and 1110 Series] Rule 1210, including any person who is permissively registered pursuant to Rule 1210.02, and any person who is designated as eligible for a waiver pursuant to Rule 1210.09.

(6) No Change.

(7) Regulatory Element Contact Person

Each member shall designate and identify to FINRA (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository regarding when a [registered] covered person is approaching the end of his or her Regulatory Element time frame and when a [registered] covered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) in the manner prescribed by Rule 4517.

(b) Firm Element

(1) Persons Subject to the Firm Element

The requirements of this subparagraph shall apply to any person registered with a member who has direct contact with customers in the conduct of the member's securities sales, trading and investment banking activities, any person registered as an operations professional pursuant to Rule 12[3]20(b)([6]3) or a research analyst pursuant to [NASD] Rule [1050] 1220(b)(6), and to the immediate supervisors of such persons (collectively, "covered registered persons"). "Customer" shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through or receiving investment banking services from a member.

(2) Standards for the Firm Element

(A) Each member must maintain a continuing and current education program for its covered registered persons to enhance their

securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member'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 a member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's training plan.

(B) Minimum Standards for Training Programs — Programs used to implement a member's training plan must be appropriate for the business of the member 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 member:

- (i) General investment features and associated risk factors;
- (ii) Suitability and sales practice considerations; and
- (iii) Applicable regulatory requirements; and
- (iv) With respect to registered research analysts and their immediate supervisors, training in ethics, professional responsibility and the requirements of Rule 2241.]

(C) Administration of Continuing Education Program — A member must administer its continuing education programs 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.

(3) Participation in the Firm Element

Covered registered persons included in a member's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the member.

(4) Specific Training Requirements

FINRA may require a member, individually or as part of a larger group, to provide specific training to its covered registered persons in such areas as FINRA 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.

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Text of NASD Rules, Incorporated NYSE Rules and Incorporated NYSE Rule Interpretations to be Deleted in their Entirety from the Transitional Rulebook

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NASD Rules

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[IM-1000-2. Status of Persons Serving in the Armed Forces of the United States]

Entire text deleted.

[IM-1000-3. Failure to Register Personnel]

Entire text deleted.

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[1020. Registration of Principals]

[1021. Registration Requirements]

Entire text deleted.

[1022. Categories of Principal Registration]

Entire text deleted.

[IM-1022-1. Limited Principal—Registered Options and Security Futures]

Entire text deleted.

[IM-1022-2. Limited Principal—General Securities Sales Supervisor]

Entire text deleted.

[1030. Registration of Representatives]

[1031. Registration Requirements]

Entire text deleted.

[1032. Categories of Representative Registration]

Entire text deleted.

[1040. Registration of Assistant Representatives and Proctors]

[1041. Registration Requirements for Assistant Representatives]

Entire text deleted.

[1042. Restrictions for Assistant Representatives]

Entire text deleted.

[1050. Registration of Research Analysts]

Entire text deleted.

[1060. Persons Exempt from Registration]

Entire text deleted.

[1070. Qualification Examinations and Waiver of Requirements]

Entire text deleted.

[1080. Confidentiality of Examinations]

Entire text deleted.

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[1100. Foreign Associates]

Entire text deleted.

[1110. Reserved]

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Incorporated NYSE Rules

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[10. “Registered Representative”]

Entire text deleted.

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[344. Research Analysts and Supervisory Analysts]

Entire text deleted.

[345. Employees—Registration, Approval, Records]

Entire text deleted.

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[472. Communications With The Public]

Entire text deleted.

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Incorporated NYSE Rule Interpretations

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[10 “Registered Representative”]

Entire text deleted.

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[344 Research Analysts and Supervisory Analysts]

Entire text deleted.

[345 Employees—Registration, Approval, Records]

Entire text deleted.

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**Text of Incorporated NYSE Rule and Incorporated NYSE Rule Interpretation to
Remain in the Transitional Rulebook**

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Incorporated NYSE Rule

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Rule 311. Formation and Approval of Member Organizations

(a) through (g) No Change.

••• Supplementary Material -----

.10 through .16 No Change.

[.17 The term “principal executive” shall include: an employee of a member organization designated to exercise senior principal executive responsibility over the various areas of the business of the member organization including: operations, compliance with rules and regulations of regulatory bodies, finances and credit, sales, underwriting, research and administration; and any employee of a member organization who is a functional equivalent of such person.]

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Rule 321. Formation or Acquisition of Subsidiaries

No member organization may, without the prior written approval of the Exchange, form or acquire a subsidiary company. The member organization shall require such subsidiary to comply with the following provisions.

••• Supplementary Material -----

Information Regarding Subsidiary Companies of Member Organizations

.10 through .14 No Change.

.15 [Employees] Reserved.

[No employee associated with a non U.S. registered foreign subsidiary whose duties correspond to those of a registered representative in the solicitation of accounts or orders for the purchase or sale of U.S. securities shall be employed by such subsidiary unless such person has been and is continued to be approved by the Exchange as a registered representative of the member or member organization.]

[Any filing or submission required under this rule which is made with a properly authorized agent acting on behalf of the Exchange shall for purposes of this rule be deemed to be a filing with the Exchange.]

.16 through .24 No Change.

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Incorporated NYSE Rule Interpretation

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Rule 311 Formation and Approval of Member Organizations

(b)

(5) OFFICERS

/01 [**Principal Executives**] Reserved.

[General Qualifications]

[Principal executives must satisfy any and all examination requirements necessary to perform their assigned functions. Candidates for such positions must also have work experience and background commensurate with their responsibilities. The Exchange may request information with respect to the experience of anyone appointed or elected to such positions.]

/02 [**Examination Requirements for Chief Financial Officers (“CFO”) and Chief Operations Officers (“COO”)**] Reserved.

[A person designated CFO or COO pursuant to /01 of this Interpretation must pass the Financial and Operations Principal Qualification Examination (“Series 27”) unless designated CFO or COO of an introducing member organization, in which case such person must pass either the Series 27 Examination or the Introducing Broker/Dealer Financial and Operations Principal Qualification Examination (“Series 28”).]

/03 [**Dual Designation of CFO and COO**] Reserved.

[If a member organization’s activities are limited to introducing customers’ accounts and such organization does not hold funds or securities, an individual, who must be either Series 27 or Series 28 qualified, may be designated as both CFO and COO. Member

organizations must use due diligence to reasonably assess the supervisory adequacy of such arrangements pursuant to Rule 342. The Exchange must be notified promptly of any such dual designations.]

/06 No Change.

(f) No Change.

(g) MINIMUM OF ACTIVE PARTNERS IN MEMBER

ORGANIZATIONS—USE OF MEMBER ORGANIZATION NAME

/01 [**Carrying Accounts**] Reserved.

[To carry customer accounts a member firm must have at least two general partners who are natural persons actively engaged in the organization's business.]

[The purpose of this requirement is to avert a situation in which the death or disassociation of a sole general partner could result in a delay in servicing customers' accounts, in the street-side settlement of open contractual commitments or otherwise interfere in the conduct of the firm's business to the detriment of the public interest and investor confidence.]

/02 No Change.

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