

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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BY-LAWS OF FINRA REGULATION, INC.

ARTICLE I DEFINITIONS

When used in these By-Laws, unless the context otherwise requires, the term:

(a) through (k) No Change.

[(l) "District Committee" means a District Committee elected pursuant to Article VIII of these By-Laws;]

(m) through (hh) are redesignated as (l) through (gg).

(hh) "Regional Committee" means a Regional Committee elected pursuant to Article VIII of these By-Laws;

(ii) through (kk) No Change.

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ARTICLE VIII

[DISTRICT]REGIONAL COMMITTEES

Establishment of Districts and Regions

Sec. 8.1 No Change.

Composition of [District]Regional Committees

Sec. 8.2 (a) A district within its respective region, as established under Section 8.1, shall elect no fewer than six Regional Committee members to serve on the Regional Committee for its respective region, unless otherwise provided by resolution of the Board. A Regional Committee shall consist of no fewer than five and no more than 20

members, unless otherwise provided by resolution of the Board. Subject to the limitation set forth in the immediately preceding sentence, the authorized number of members of a Regional Committee shall be determined from time to time by the Board; provided, however, that no decrease in the authorized number of members of a Regional Committee shall shorten the term of office of any member thereof. Each Regional Committee member of a particular district shall: (1) be associated with a FINRA member eligible to vote in the district-level elections and registered in the capacity of a branch manager or principal or denoted as a corporate officer of the FINRA member; and (2) work for a firm headquartered within the district the Regional Committee member is representing. For purposes of this provision, a FINRA member is headquartered where it designates its main address on the member's Form BD. Members of the Regional Committees shall serve as panelists in disciplinary proceedings in accordance with the Rules of the Corporation. The Regional Committees shall consider and recommend policies and rule changes to the Board. The Regional Committees shall endeavor to educate FINRA members and other brokers and dealers in their respective districts as to the objects, purposes, and work of FINRA and FINRA Regulation in order to foster FINRA members' interest and cooperation. [A district created under Section 8.1 shall elect a District Committee pursuant to this Article. A District Committee shall consist of no fewer than five and no more than 20 members, unless otherwise provided by resolution of the Board. Subject to the limitation set forth in the immediately preceding sentence, the authorized number of members of a District Committee shall be determined from time to time by the Board; provided, however, that no decrease in the authorized number of members of a District Committee shall shorten the term of office of any member thereof.

Each District Committee member shall: (1) be associated with a FINRA member eligible to vote in the district for District Committee elections and registered in the capacity of a branch manager or principal or denoted as a corporate officer of the FINRA member; (2) work primarily from such FINRA member's principal office or a branch office that is located within the district where the member serves on a District Committee; and (3) represent and be directly elected by the applicable classification of FINRA members based on the size of the firm with which he or she is associated: Small Firm, Mid-Size Firm, or Large Firm as defined in these By-Laws. The Board shall determine the composition of District Committees based on firm size classifications (Small Firm, Mid-Size Firm, or Large Firm), taking into account the composition of the membership and the Board. Members of the District Committees shall serve as panelists in disciplinary proceedings in accordance with the Rules of the Corporation. The District Committees shall consider and recommend policies and rule changes to the Board. The District Committees shall endeavor to educate FINRA members and other brokers and dealers in their respective districts as to the objects, purposes, and work of FINRA and FINRA Regulation in order to foster FINRA members' interest and cooperation.]

(b) A member of a [District]Regional Committee may resign at any time upon giving Notice to the District Director. Any such resignation shall take effect upon receipt of such Notice or at any later time specified therein, provided that notice of resignation at a later date may be made immediately effective at the discretion of the Chief Executive Officer or his or her designee. The acceptance of such resignation shall not be necessary to make such resignation effective.

(c) In the event of the refusal, failure, neglect, or inability of a member of a [District]Regional Committee to discharge his or her duties, or for any cause affecting the best interests of FINRA Regulation, the sufficiency of which shall be decided by the [District]Regional Committee, the [District]Regional Committee may remove the member by the affirmative vote of two-thirds of the members of the [District]Regional Committee then in office and declare the [District]Regional Committee member's position vacant. The [District]Regional Committee shall notify the [District]Regional Committee member of his or her removal within seven days after the vote.

A [District]Regional Committee member who is removed may submit a written appeal of the removal to the Board within 30 days after the date he or she is notified of the removal. The Board may affirm, reverse, or modify the determination of the [District]Regional Committee. A vote of a majority of the Directors then in office shall be required to reverse or modify the action of the [District]Regional Committee.

(d) In the event of a vacancy in a [District]Regional Committee resulting from death, resignation, removal, or other cause, the Chief Executive Officer or his or her designee shall determine whether such vacancy shall be filled prior to the next regularly scheduled election of [District]Regional Committee members. In the event the Chief Executive Officer or his or her designee determines that a vacancy on a [District]Regional Committee should be filled, the vacancy shall be filled pursuant to Section 8.4.

Term of Office of [District]Regional Committee Members

Sec. 8.3 Each regularly elected member of a [District]Regional Committee shall hold office for a "full term" which is the later of three years or until a successor is elected

and qualified. Notwithstanding the term of office for a regularly elected [District]Regional Committee member, such member's term shall terminate sooner upon the member's death, resignation, or removal. There is no limit on the number of terms that may be served by a member of a [District]Regional Committee, except that a [District]Regional Committee member may [not] serve no more than two full terms consecutively.

Filling of Vacancies on [District]Regional Committees

Sec. 8.4 In the event of a vacancy on a [District]Regional Committee prior to the expiration of the [District]Regional Committee member's term of office, and where the Chief Executive Officer or his or her designee determines, pursuant to Section 8.2(d), that such vacancy should be filled, or in the event of a newly created membership on a [District]Regional Committee by virtue of an increase in the authorized number of members thereof, the [District]Regional Committee shall appoint by majority vote an individual who meets the qualification requirements of Section 8.2(a) to fill a vacancy [, including meeting the requirement of representing the applicable firm size classification (Small Firm, Mid-Size Firm, or Large Firm) to fill the vacancy or newly created membership. If the District Committee is unable to identify or appoint an individual meeting the requirement of representing the applicable firm size classification, it may appoint for that vacancy an individual who otherwise meets the qualification requirements of Section 8.2(a) associated with a firm having another firm size classification]. The appointment by the [District]Regional Committee shall be effective until the next regularly scheduled election, and until such [District]Regional Committee member's successor is elected and qualified. Following the next regularly

scheduled election, in the event of a vacancy, the newly elected [District]Regional Committee member shall serve only the duration of the departed [District]Regional Committee member's term, and in the event of a newly created membership, the newly elected [District]Regional Committee member shall serve only the duration of the term for such class of membership.

Meetings of [District]Regional Committees

Sec. 8.5 Meetings of a [District]Regional Committee shall be held [jointly with the other District Committees] in its region, as identified in Schedule A to these By-Laws, at such times and places, upon such notice, and in accordance with such procedures as the Chief Executive Officer or his or her designee in his or her discretion may determine. A quorum of a [District]Regional Committee shall consist of a majority of its members, and any action taken by a majority present at any meeting at which a quorum is present, except as otherwise provided in these By-Laws, shall constitute the action of the Committee. Any or all members of a [District]Regional Committee may participate in any such meeting by means of conference telephone or other communications equipment by means of which all participants can communicate with each other, and such participation shall constitute presence in person at the meeting. Action by a [District]Regional Committee may be taken by consent in writing or by electronic transmission in lieu of a meeting, in which case any action taken by a majority of the Committee shall constitute the action of the Committee.

Expenses of [~~District~~]Regional Committees

Sec. 8.6 Funds to meet the regular expenses of each [~~District~~]Regional Committee shall be provided by the Board, and all such expenses shall be subject to the approval of the Board.

Solicitation of Candidates and Secretary's Notice to FINRA Members

Sec. 8.7 The Secretary of FINRA Regulation shall give a Notice of the upcoming election to FINRA members and the Executive Representatives of FINRA members describing the election procedures and stating that FINRA members may submit names of [~~District~~]Regional Committee member candidates for their districts for consideration to the Secretary of FINRA Regulation.

Self-Nomination of Candidates and Vacancy Appointments

Sec. 8.8 (a) An individual who meets the qualification requirements of Section 8.2(a) wishing to be considered for election to the [~~District~~]Regional Committee shall deliver a written Notice to the Secretary of FINRA Regulation within 30 calendar days after the Secretary of FINRA Regulation gives the Notice of the upcoming elections pursuant to Section 8.7. The Secretary of FINRA Regulation shall make a written record of the time and date of the receipt of each Notice from a qualified individual, and designate that individual as a candidate.

(b) In the event that no candidate is designated for a particular [~~District~~]Regional Committee vacancy, the Chief Executive Officer or his or her designee shall appoint an individual who meets the qualification requirements of Section 8.2(a)[, including representing the applicable firm size classification (Small Firm, Mid-Size Firm or Large Firm),] to fill that vacancy for a full term. [If the Chief Executive Office or his or her

designee is unable to identify or appoint an individual meeting the requirement of representing the applicable firm size classification, he or she may appoint for that vacancy an individual who otherwise meets the qualification requirements of Section 8.2(a) associated with a firm having another firm size classification.]

FINRA Members Eligible to Vote

Sec. 8.9 A FINRA member that is headquartered in the district shall be eligible to cast one vote through the FINRA member's Executive Representative for each position to be filled in the election representing that district on the Regional Committee. For purposes of this provision, a FINRA member is headquartered where it designates its main address on the member's Form BD.

[A FINRA member that has its principal office or one or more registered branch offices in the district shall be eligible to cast one vote through the FINRA member's Executive Representative for each position representing its firm size classification (Small Firm, Mid-Size Firm, or Large Firm) on the District Committee to be filled in the election.]

Administrative Support

Sec. 8.10 The Secretary of FINRA Regulation shall provide administrative support to all candidates, according to procedures published by the Secretary. Any candidate may also send communications to FINRA members eligible to vote in the district [based on the firm size classification (Small Firm, Mid-Size Firm, or Large Firm)] at the candidate's own expense, provided that such communications clearly state that they represent the opinions of the candidate. Except as provided in this Article,

FINRA Regulation, the Board, any committee, and FINRA Regulation staff shall not provide any other administrative support to a candidate in the election.

Ballots

Sec. 8.11 No Change.

Vote Qualification List

Sec. 8.12 Eligibility to vote in a district-level election shall be based on FINRA's membership records as of a date selected by the Secretary of FINRA Regulation that is not more than 30 days before the date of mailing of the ballot. The Secretary of FINRA Regulation shall prepare a list of FINRA members[in each firm size classification (Small Firm, Mid-Size Firm, or Large Firm)] eligible to vote in the district, their mailing addresses, and their Executive Representatives, which shall be used for vote qualification purposes, and shall provide the applicable list to candidates upon request.

Ballots Returned As Undelivered

Sec. 8.13 No Change.

General Procedures for Qualification and Accounting of Ballots

Sec. 8.14 After the close of the voting period, the Independent Agent shall tabulate the ballots and notify the Secretary of FINRA Regulation of the voting results for each [District]Regional Committee position subject to election within 14 calendar days after the return date specified on the ballot pursuant to Section 8.11.

Ballots Set Aside

Sec. 8.15 No Change.

Invalid Ballots

Sec. 8.16 No Change.

Election Results

Sec. 8.17 The Independent Agent shall count the votes received for each candidate in a district. The district-level candidates for the office of member of the [District]Regional Committee receiving the largest number of votes cast by FINRA members eligible to vote in the district for the office shall be declared elected such that the number [and firm size classification (Small Firm, Mid-Size Firm, or Large Firm)]of candidates declared elected corresponds to the number [and firm size classification]of positions on the [District]Regional Committee subject to the district-level election. In the event of a tie, there shall be a run-off election. The Secretary of FINRA Regulation shall notify the Board of the election results. The notification shall state the number of votes received by each candidate [in each firm size classification] and the number of ballots set aside.

Extensions of Time and Additional Procedures

Sec. 8.18 No Change.

Definitions

Sec. 8.19 No Change.

ARTICLE IX

COMPENSATION

Compensation of Board, Council, and Committee Members

Sec. 9.1 The Board may provide for reasonable compensation of the Chair of the Board, the Directors, National Adjudicatory Council members, and the members of any committee of the Board or any [District]Regional Committee. The Board may also

provide for reimbursement of reasonable expenses incurred by such persons in connection with the business of FINRA Regulation.

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9000. CODE OF PROCEDURE

9100. APPLICATION AND PURPOSE

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9120. Definitions

(a) through (f) No Change.

(g) "District Committee"

The term "District Committee" means a former district committee elected pursuant to the FINRA Regulation By-Laws or a resolution of the FINRA Regulation Board.

(h) through (x) No Change.

(y) "Primary [District]Regional Committee"

The term "Primary [District]Regional Committee" means, in a disciplinary proceeding under the Rule 9200 Series, the [District]Regional Committee designated by the Chief Hearing Officer pursuant to Rule 9232 to provide one or more of the Panelists to a Hearing Panel or, if applicable, to an Extended Hearing Panel, for such disciplinary proceeding.

(z) "Regional Committee"

The term "Regional Committee" means a regional committee elected pursuant to the FINRA Regulation By-Laws or a resolution of the FINRA Regulation Board.

(z) through (cc) renumbered as (aa) through (dd).

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9200. DISCIPLINARY PROCEEDINGS

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9230. Appointment of Hearing Panel, Extended Hearing Panel

9231. Appointment by the Chief Hearing Officer of Hearing Panel or Extended Hearing Panel or Replacement Hearing Officer

(a) No Change.

(b) Hearing Panel

The Hearing Panel shall be composed of a Hearing Officer and two Panelists, except as provided in paragraph (e) and in Rule 9234(a), (c), (d), or (e). The Hearing Officer shall serve as the chair of the Hearing Panel. Each Panelist shall be associated with a member of FINRA or retired therefrom.

(1) Except as provided in subparagraph (2) below, the Chief Hearing Officer shall select as a Panelist a person who:

(A) [currently serves or] previously served on a District Committee;

(B) currently serves or previously served on a Regional Committee;

(B) through (E) renumbered as (C) through (F).

(2) No Change.

(c) through (e) No Change.

9232. Criteria for Selection of Panelists and Replacement Panelists

(a) Chief Hearing Officer Selection Alternatives

Following a determination of whether a Hearing Panel or an Extended Hearing Panel should be appointed, the Chief Hearing Officer shall determine:

(1) which [~~District~~]Regional Committee shall be the Primary [~~District~~]Regional Committee from which Panelists may be selected; and

(2) whether one of the Panelists may be selected from the Market Regulation Committee.

(b) No Change.

(c) Criteria for Designation of Primary [~~District~~]Regional Committee

The Chief Hearing Officer shall designate a [~~District~~] Regional Committee as the Primary [~~District~~] Regional Committee based upon relevant facts and circumstances of the case, including but not limited to:

(1) the location of a Respondent's principal office if the Respondent is or was a member firm;

(2) the location of a Respondent's office at the time of the alleged misconduct if the Respondent is or was an associated person;

(3) the location of the office of a member or an associated person, or a former member or associated person, where the alleged misconduct occurred;

(4) the location of witnesses at the time of the filing of the complaint, especially the location of witnesses who are or were customers of a Respondent;

(5) the location, at the time of the alleged misconduct, of the main, branch, or other office in which supervisory personnel, who are or were responsible for the supervision of a Respondent, were employed; and

(6) the location, at the time of the alleged misconduct, of the main, branch, or other office in which supervisory personnel, who are or were responsible for the supervision of the office, division, function, or segment of the member where the alleged misconduct occurred, were employed.

(d) Criteria for Appointment of a Panelist

After the Chief Hearing Officer designates the Primary [District]Regional Committee, the Chief Hearing Officer shall select Panelists from the current members of the Primary [District] Regional Committee, the other categories of persons eligible to serve as Panelists as set forth in Rule 9231(b)(1)(A) through (E[E]) or, if applicable, in Rule 9231(c), who are located in the same geographic area as the Primary [District]Regional Committee, and, if applicable, from the current or former members of the Market Regulation Committee, based upon the following criteria:

- (1) expertise;
- (2) the absence of any conflict of interest or bias, and any appearance thereof;
- (3) availability; and,
- (4) the frequency with which a person has served as a Panelist on a Hearing Panel or an Extended Hearing Panel during the past two years, favoring the selection of a person as a Panelist who has never served or served infrequently as a Panelist during the period.

(e) Appointment of Panelists from Other than Primary [District]Regional Committee

Designation of the Primary [District]Regional Committee does not preclude the Chief Hearing Officer from selecting one or more Panelists from other categories of eligible Panelists if the Chief Hearing Officer determines that one or more persons from other categories of eligible Panelists more clearly meet the criteria of paragraph (d)(1) through (4) and the public interest or the administration of FINRA's regulatory and enforcement program would be enhanced by the selection of such Panelists.

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9800. TEMPORARY AND PERMANENT CEASE AND DESIST ORDERS

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9820. Appointment of Hearing Officer and Hearing Panel

(a) As soon as practicable after the Department of Enforcement or the Department of Market Regulation files a copy of the notice initiating a TCDO Proceeding or a PCDO Proceeding with the Office of Hearing Officers, the Chief Hearing Officer shall assign a Hearing Officer to preside over the proceeding. The Chief Hearing Officer shall appoint two Panelists to serve on a Hearing Panel with the Hearing Officer. Each Panelist shall be associated with a member of FINRA or retired therefrom. The Chief Hearing Officer shall select as a Panelist a person who:

(1) [currently serves or] previously served on a District Committee;

(2) currently serves or previously served on a Regional Committee;

(2) through (5) renumbered as (3) through (6).

(b) No Change.

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