

1. Text of the Proposed Rule Change

- (a) EDGX Exchange, Inc. (“EDGX” or the “Exchange”), proposes to amend Rules 2.5 and 11.4 to permit qualification and registration of Authorized Traders of Members pursuant to certain foreign examination modules equivalent to the Series 7 examination. The Exchange also proposes to make a technical amendment to Rule 2.3. The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange’s website at [www.directedge.com](http://www.directedge.com), at the Exchange’s principal office, and at the Public Reference Room of the Commission.
- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on April 27, 2010. Exchange staff will advise the EDGX Exchange Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change. Therefore, the Exchange's internal procedures with respect to the proposed change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric W. Hess  
General Counsel  
EDGX Exchange  
201-942-8239

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Exchange Rules 2.5 and 11.4 both state that the Series 7 is required for registration with the Exchange as an Authorized Trader. The purpose of the proposed rule change is to expand the types of exams that may satisfy the Exchange’s Series 7 requirement by recognizing foreign examination modules equivalent to the Series 7 examination.

The proposal would reduce duplicative qualification standards that foreign registered representatives encounter to qualify as a U.S. general securities registered representative. For example, the examination modules for the U.K. (Series 17) and Canada (Series 37/38) currently are accepted as equivalent to the U.S. Series 7 by the NYSE, the Financial Industry Regulatory Authority (“FINRA”), the NASDAQ Stock Market, NYSE AlterNext US, NYSE Arca, the Chicago Board Options Exchange (“CBOE”), and the BATS Exchange, Inc. (“BATS”).<sup>1</sup>

The Series 17 version, the United Kingdom - Limited General Securities Registered Representative Examination, is for U.K. registrants who have successfully completed the basic exam of the U.K. and who are in good standing with the Financial Services Authority (“FSA”). Essentially, this modified Series 7 examination deletes those substantive sections of the standard Series 7 that overlap with the FSA examination. The Series 17 is a 100 question examination, is 120 minutes in duration, and deals with U.S. securities laws, regulations, sales practices and special products drawn from the standard Series 7 examination.

The Series 37 version is for Canadian registrants who have successfully completed the basic core module of the CSI Global Education (“CSI”, formerly the Canadian Securities Institute) program. The Series 38 version is for Canadian registrants who, in addition to having successfully completed the basic core module of the CSI program, have also successfully completed the Canadian option and futures program. Both the Series 37 and 38 share topics and test questions with the parent Series 7 program but cover only subject matter that is not covered, or not covered in sufficient detail, on the Canadian qualification examination. The Series 37 has 90 questions and is 150 minutes in duration, while the Series 38, an abbreviated version of the series 37, has only 45 questions and is 75 minutes in duration. Forty-five questions pertaining to options from the series 37 were omitted from the Series 38.

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<sup>1</sup> See, e.g., Securities Exchange Act Release No. 27967 (May 1, 1990), 55 FR 19124 (May 8, 1990) (approving File No. SR-NYSE-89-22, Series 17); Securities Exchange Act Release No. 36629, International Series Release No. 909 (Dec. 21, 1995), 60 FR 67385, corrected, Securities Exchange Act Release No. 36629A, International Series Release No. 909A (Jan. 4, 1996), 61 FR 744 (Jan. 10, 1996) (approving File No. SR-NYSE-95-29, Series 37 and Series 38); Securities Exchange Act Release No. 36825 (Feb. 9, 1996), 61 FR 6052 (approving File No. SR-NASD-96-04, Series 37 and 38); Securities Exchange Act Release No. 38274 (February 12, 1997), 62 FR 7485 (approving File No. SR-CBOE-97-04, Series 17, 37 and 38); Securities Exchange Act Release No. 38921 (August 11, 1997), 62 FR 44023 (approving File No. SR-AMEX-97-26, Series 17, 37 and 38); see also NASD Rule 1032(a)(2)(B) and (C); NASDAQ Rule 1032(a)(2)(B) and (C); Securities Exchange Act Release No. 59292 (January 23, 2009), 74 FR 5690 (January 30, 2009) (approving File No. SR-BATS-2009-003).

The Exchange wishes to give U.K. and Canadian registered representatives the same advantage they have at other exchanges by eliminating duplicative examinations. The Exchange believes that acceptance of these examinations will benefit both the Exchange and the foreign representatives affected by the proposal. Accordingly, pursuant to the amended rules, as proposed, the Exchange would approve the examination modules for the U.K. (Series 17) and Canada (Series 37/38) as equivalent foreign examination modules.<sup>2</sup> The Exchange has added Interpretation .05 to Rule 2.5 to define what it means to have passed an equivalent foreign examination module.

#### Technical Amendment to Rule 2.3(c)

The Exchange proposes to amend Rule 2.3 to clarify that all Authorized Traders who are to function as Principals on the Exchange shall be registered as Principals with the Exchange consistent with paragraph (e) of Rule 2.3, which requires that there be at least one such Principal registered.

#### (b) Statutory Basis

The statutory basis for the Exchange's acceptance of these foreign examination modules lies in Section 6(c)(3)(B) of the Securities Exchange Act of 1934 (the "Act").<sup>3</sup> Under that section, it is the Exchange's responsibility to prescribe standards of training, experience, and competence for persons associated with Exchange Members. Pursuant to this statutory obligation, the Exchange has adopted examinations that are administered by other self-regulatory organizations to establish that Authorized Traders of Exchange Members have attained specified levels of competence and knowledge.

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<sup>2</sup> The Exchange notes that the U.K. (Series 17) and Canada (Series 37/38) represent foreign examination modules that allow persons in good standing with the securities regulators of their respective countries to qualify as general securities registered representatives (equivalent to Series 7 registrants) by successfully completing certain modified general securities representative examinations which were developed, along with others for other foreign jurisdictions, by the New York Stock Exchange ("NYSE") more than 10 years ago.

<sup>3</sup> 15 U.S. C. 78f(c)(3)(B).

The rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>4</sup> Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>5</sup> because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest, by helping foreign representatives to qualify for registration with the Exchange by reducing duplicative qualification requirements. Accordingly, the modifications to EDGX Rules 2.5 and 11.4 promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>6</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>7</sup> The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, (3) and will not become operative for 30 days

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<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4.

from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.<sup>8</sup> Also, as described below, the Exchange believes that the proposed rule change is consistent with the procedures of other self-regulatory organizations. For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “noncontroversial” rule change under paragraph (f)(6) of Rule 19b-4.

The rule change as proposed will allow the Exchange to recognize proficiency examinations already recognized by multiple other self-regulatory organizations. The Exchange believes that foreign representatives who have passed foreign examination modules equivalent to the Series 7 examination, are registered with other self-regulatory organizations, and wish to register with EDGX would be disadvantaged by having to wait for the proposed rule changes to become operative. Accordingly, because the Exchange believes that implementation of the standards proposed in this filing is important to its maintenance of a fair and orderly market and is non-controversial, the Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>9</sup> Waiver of this requirement is consistent with the protection of investors and the public interest for the reasons described above.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

As noted elsewhere in the filing, at least seven other self-regulatory organizations currently accept certain foreign examination modules as equivalent to the Series 7 examination as satisfactory proficiency examinations. Although such self-regulatory organizations have implemented their rules related to such requirements in different ways, the rule change proposed by this filing will allow the Exchange to also recognize such examinations.

9. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5 – Text of Proposed EDGX Rules 2.3, 2.5, and 11.4.

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<sup>8</sup> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> 17 CFR 240.19b-4(f)(6)(iii).

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-EDGX-2010-15)

[Date]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing of Proposed Rule Change to Amend EDGX Rules 2.5 and 11.4 to permit qualification and registration of Authorized Traders of Members pursuant to certain foreign examination modules equivalent to the Series 7 examination

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 27, 2010, the EDGX Exchange, Inc. (the "Exchange" or the "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rules 2.5 and 11.4 to permit qualification and registration of Authorized Traders of Members pursuant to certain foreign examination modules equivalent to the Series 7 examination. The Exchange also proposes to make a technical amendment to Rule 2.3. The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange's website at [www.directedge.com](http://www.directedge.com), at the Exchange's principal office, and at the Public Reference Room of the Commission.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Purpose – Exchange Rules 2.5 and 11.4 both state that the Series 7 is required for registration with the Exchange as an Authorized Trader. The purpose of the proposed rule change is to expand the types of exams that may satisfy the Exchange's Series 7 requirement by recognizing foreign examination modules equivalent to the Series 7 examination.

The proposal would reduce duplicative qualification standards that foreign registered representatives encounter to qualify as a U.S. general securities registered representative. For example, the examination modules for the U.K. (Series 17) and Canada (Series 37/38) currently are accepted as equivalent to the U.S. Series 7 by the NYSE, the Financial Industry Regulatory Authority ("FINRA"), the NASDAQ Stock Market, NYSE AlterNext US, NYSE Arca, the Chicago Board Options Exchange ("CBOE"), and the BATS Exchange, Inc. ("BATS").<sup>3</sup>

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<sup>3</sup> See, e.g., Securities Exchange Act Release No. 27967 (May 1, 1990), 55 FR 19124 (May 8, 1990) (approving File No. SR-NYSE-89-22, Series 17); Securities Exchange Act Release No. 36629, International Series Release No. 909 (Dec. 21, 1995), 60 FR 67385, corrected, Securities Exchange Act Release No. 36629A,

The Series 17 version, the United Kingdom - Limited General Securities Registered Representative Examination, is for U.K. registrants who have successfully completed the basic exam of the U.K. and who are in good standing with the Financial Services Authority (“FSA”). Essentially, this modified Series 7 examination deletes those substantive sections of the standard Series 7 that overlap with the FSA examination. The Series 17 is a 100 question examination, is 120 minutes in duration, and deals with U.S. securities laws, regulations, sales practices and special products drawn from the standard Series 7 examination.

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45 questions and is 75 minutes in duration. Forty-five questions pertaining to options from the series 37 were omitted from the Series 38.

The Exchange wishes to give U.K. and Canadian registered representatives the same advantage they have at other exchanges by eliminating duplicative examinations. The Exchange believes that acceptance of these examinations will benefit both the Exchange and the foreign representatives affected by the proposal. Accordingly, pursuant to the amended rules, as proposed, the Exchange would approve the examination modules for the U.K. (Series 17) and Canada (Series 37/38) as equivalent foreign examination modules.<sup>4</sup> The Exchange has added Interpretation .05 to Rule 2.5 to define what it means to have passed an equivalent foreign examination module.

#### Technical Amendment to Rule 2.3(c)

The Exchange proposes to amend Rule 2.3 to clarify that all Authorized Traders who are to function as Principals on the Exchange shall be registered as Principals with the Exchange consistent with paragraph (e) of Rule 2.3, which requires that there be at least one such Principal registered.

#### Basis

The statutory basis for the Exchange's acceptance of these foreign examination modules lies in Section 6(c)(3)(B) of the Act.<sup>5</sup> Under that section, it is the Exchange's

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<sup>4</sup> The Exchange notes that the U.K. (Series 17) and Canada (Series 37/38) represent foreign examination modules that allow persons in good standing with the securities regulators of their respective countries to qualify as general securities registered representatives (equivalent to Series 7 registrants) by successfully completing certain modified general securities representative examinations which were developed, along with others for other foreign jurisdictions, by the New York Stock Exchange ("NYSE") more than 10 years ago.

<sup>5</sup> 15 U.S. C. 78f(c)(3)(B).

responsibility to prescribe standards of training, experience, and competence for persons associated with Exchange Members. Pursuant to this statutory obligation, the Exchange has adopted examinations that are administered by other self-regulatory organizations to establish that Authorized Traders of Exchange Members have attained specified levels of competence and knowledge.

The rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>6</sup> Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>7</sup> because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest, by helping foreign representatives to qualify for registration with the Exchange by reducing duplicative qualification requirements. Accordingly, the modifications to EDGX Rules 2.5 and 11.4 promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system.

B. Self-Regulatory Organization's  
Statement on Burden on Competition

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

C. Self-Regulatory Organization's Statement on  
Comments on the Proposed Rule Change  
Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule  
Change and Timing for Commission Action

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>8</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>9</sup> The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.<sup>10</sup> Also, as described below, the Exchange believes that the proposed rule change is consistent with the procedures of other self-regulatory organizations. For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “noncontroversial” rule change under paragraph (f)(6) of Rule 19b-4.

The rule change as proposed will allow the Exchange to recognize proficiency

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4.

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

examinations already recognized by multiple other self-regulatory organizations. The Exchange believes that foreign representatives who have passed foreign examination modules equivalent to the Series 7 examination, are registered with other self-regulatory organizations, and wish to register with EDGX would be disadvantaged by having to wait for the proposed rule changes to become operative. Accordingly, because the Exchange believes that implementation of the standards proposed in this filing is important to its maintenance of a fair and orderly market and is non-controversial, the Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>11</sup> Waiver of this requirement is consistent with the protection of investors and the public interest for the reasons described above.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form <http://www.sec.gov/rules/sro.shtml>; or
- Send an E-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-EDGX-2010-15 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

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<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

All submissions should refer to File Number SR-EDGX-2010-15. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commissions Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-EDGX-2010-15 and should be submitted by [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

Secretary

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<sup>12</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5

Additions: Underlined

Deletions: [Bracketed]

## Rule 2.3. Member Eligibility &amp; Registration

(a) – (b) No change

(c) All Principals Must Be Registered

All Authorized Traders who are to function as Principals on the Exchange shall be registered as Principals with the Exchange consistent with paragraph (e) below. Before their registration can become effective, they shall pass the applicable qualification examination for Principals as determined by the Exchange. A Member shall not maintain a principal registration with the Exchange for any person: (1) who is no longer functioning as a Principal, or (2) where the sole purpose is to avoid the examination requirement prescribed below. A Member shall not make application for the registration of any person as Principal where there is no intent to employ such person in the Member's equities securities business. Any person whose registration has been revoked or whose most recent registration as a Principal has been terminated for a period of two years or longer immediately preceding the date of receipt by the Exchange of a new application shall be required to pass a new qualification examination for Principals as determined by the Exchange.

(d) – (f) No change

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## Rule 2.5. Restrictions

(a)- (e) No change

## Interpretations and Policies

.01 - .02 No change

.03 The Exchange requires the General Securities Representative Examination (“Series 7”) or equivalent foreign examination module approved by the Exchange as defined in .05, below, in qualifying persons seeking registration as general securities representatives,

including as Authorized Traders on behalf of Members. The Exchange uses the Form U-4 as part of its procedure for registration and oversight of Member personnel.

(1) – (4) No change

.04 No change

(1)- (4) No change

.05 The Exchange considers an “equivalent foreign examination module” to include:

(A) those requirements that enable a person to be authorized or approved to conduct business in accordance with the requirements of The Financial Services Authority and passing the Modified General Securities Representative Qualification Examination; or

(B) those requirements that enable a person to be registered and in good standing as a representative with any Canada stock exchange, or with a securities regulator of any Canadian Province or Territory, or with the Investment Dealers Association of Canada, and completion of the training course of the Canadian Securities Institute, and passing the Canada Module of the General Securities Registered Representative Examination.

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#### Rule 11.4. Authorized Traders

(a)-(d) No change

(e) To be eligible for registration as an AT of a Member a person must successfully complete the General Securities Representative Examination (Series 7) or equivalent foreign examination module approved by the Exchange as defined in Interpretation .05 to Rule 2.5 and any other training and/or certification programs as may be required by the Exchange.