

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Form 19b-4 Information (required)

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Changes

(a) EDGX Exchange, Inc. (“EDGX” or the “Exchange”), proposes to amend its rules regarding registration, qualification and continuing education requirements for Authorized Traders of Members that engage solely in proprietary trading. EDGX proposes to amend Rules 2.3 and 11.4 and the Interpretations to Rule 2.5 to recognize a new category of limited representative registration for proprietary traders. The Exchange proposes to expand its registration requirements to include the Proprietary Traders Qualification Examination (“Series 56”) as one of the applicable qualification examinations as determined by the Exchange. The Exchange also proposes to permit Authorized Traders of Members who engage solely in proprietary trading to obtain the Series 56 license in order to effect transactions on the Exchange. In addition, the Exchange proposes to amend Rule 2.3 to make it substantially similar to the rules of the Financial Industry Regulatory Authority (“FINRA”) and other Self-Regulatory Organizations (“SROs”) to require Members to register two registered Principals.¹ The text of the proposed Proprietary Traders Qualification Examination Content Outline is attached as Exhibit 3 and the text of the proposed rule changes is attached as Exhibit 5. These documents are available on the Exchange’s website at www.directedge.com, at the Exchange’s principal office, and at the Public Reference Room of the Securities and Exchange Commission (the “SEC” or the “Commission”).

(b) The Exchange does not believe that the proposed rule changes 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 changes were 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 changes. Therefore, the Exchange's internal procedures with respect to the proposed changes are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule changes is:

¹ The Exchange notes that it will continue to require per Exchange Rule 2.3(c) that all Authorized Traders who are to function as Principals on the Exchange to be registered consistent with amended paragraph (c)(2) of Rule 2.3.

Thomas N. McManus
Chief Regulatory Officer
EDGX Exchange, Inc.
201-418-3471

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

(a) Purpose

Background

In July 2011, NASDAQ filed a proposed rule change with the Commission to recognize a new category of limited representative registration for proprietary traders.² In addition, in August 2011, NASDAQ filed a related proposed rule change to use the content outline for the Series 56 examination that would be applicable to proprietary traders.³

For the purposes of this category of limited representative registration, NASDAQ Rule 1011(o) defines a proprietary trading firm as a firm that embodies the following characteristics: the Member is not required by Section 15(b)(8) of the Exchange Act (the “Act”) to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Act; all funds used or proposed to be used by the Member for trading are the Member’s own capital, traded through the Member’s own accounts; the Member does not, and will not have “customers”;⁴ all Principals and Authorized Traders of the Member acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Member. In addition, NASDAQ Rule 1032(c) defines a proprietary trader as an Authorized Trader whose activities in the investment banking or securities business are limited solely to proprietary trading; passes an appropriate qualification examination; and is an associated person of a proprietary trading firm as defined in NASDAQ Rule 1011(o). NASDAQ Rule 1032(c) identifies the Series 56 as the appropriate qualification examination for proprietary traders’ limited representative registration. Furthermore, NASDAQ’s proposed category of limited representative registration expressly excludes those

² See Securities Exchange Release No. 64958 (July 25, 2011), 76 FR 45629 (July 29, 2011) (SR-NASDAQ-2011-095). See also Securities Exchange Release No. 65041 (August 5, 2011), 76 FR 49822 (August 11, 2011) (SR-NASDAQ-2011-107).

³ See Securities Exchange Release No. 65040 (August 5, 2011), 76 FR 49809 (August 11, 2011) (SR-NASDAQ-2011-108).

⁴ NASDAQ Rule 0120(g) states, “the term customer shall not include a broker or dealer.”

associated persons that deal with the public and states those associated persons should continue to register as General Securities Representatives after obtaining the Series 7 license.

NASDAQ worked with FINRA and certain other exchanges, many of which have recently enhanced their registration requirements to require the registration of associated persons,⁵ to develop the content outline and qualification examination for proprietary traders. The Series 56 examination program is shared by NASDAQ and the following SROs: Boston Options Exchange, C2 Options Exchange, Incorporated; Chicago Board Options Exchange, Incorporated (“CBOE”); Chicago Stock Exchange, Incorporated; International Securities Exchange, LLC (“ISE”); NASDAQ OMX BX, Inc.; NASDAQ OMX PHLX LLC; National Stock Exchange, Incorporated; New York Stock Exchange, LLC (“NYSE”); NYSE AMEX, Incorporated; and NYSE ARCA, Incorporated. Members of FINRA, NASDAQ and the SROs referenced above developed criteria for the Series 56 examination program, which CBOE filed with the SEC on June 17, 2011.⁶

Adoption of Series 56 by the Exchange

The Exchange believes the Series 56 will assist the Exchange in ensuring it has proper registration, qualification and continuing education requirements for associated persons of Members because the Series 56 examination was designed to test a candidate’s knowledge of proprietary trading in general and the industry rules applicable to trading of equity securities and listed options contracts. The Series 56 examination covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. While the Series 56 examination is primarily dedicated to topics related to proprietary trading, the Series 56 examination also covers some general concepts relating to customers.

The qualification examination consists of 100 multiple choice questions. Candidates have 150 minutes to complete the exam. The content outline, which the Exchange attached as Exhibit 3, describes the following topical sections comprising the examination: Personnel, Business Conduct and Recordkeeping and Reporting Requirements, 9 questions; Markets, Market Participants, Exchanges and SROs, 8 questions; Types and Characteristics of Securities and Investments, 20 questions; Trading Practices and Prohibited Acts, 50 questions;

⁵ See Securities Exchange Act Release Nos. 63843 (February 4, 2011), 76 FR 7884 (February 11, 2011) (SR-ISE-2011-155); and 63314 (November 12, 2010), 75 FR 70957 (November 9, 2010) (SR-CBOE-2010-084).

⁶ See supra note 3. See also Securities Exchange Act Release No. 64699 (June 17, 2011), 76 FR 36945 (June 23, 2011) (SR-CBOE-2011-056).

and Display, Execution, and Trading Systems, 13 questions. Representatives from the SROs mentioned above also intend to meet on a periodic basis to evaluate and update, as necessary, the Series 56 examination program.

In addition, NASDAQ and some other SROs have filed or will file similar proposals with the Commission to amend current rules to recognize a new category of limited representative registration for proprietary traders and to permit members engaged solely in proprietary trading to obtain the Series 56 license in order to effect trades on the applicable exchanges.⁷ The Exchange proposes to implement the Series 56 examination program upon availability in FINRA's Web CRD[®] system,⁸ notification to its Members and subject to the satisfaction of applicable continuing education requirements, as described in Interpretations .04 and .05 to Rule 2.5.

The Exchange believes that acceptance of the Series 56 qualification examination will benefit both the Exchange and the applicable proprietary traders affected by the proposal. Accordingly, pursuant to the amended rules, as proposed, the Exchange would recognize a new category of limited representative registration for proprietary traders. In addition, the Exchange would expand its registration, qualification and continuing education requirements to include the Series 56 examination as one of the applicable qualification examinations as determined by the Exchange. The Exchange would also permit Authorized Traders of Members who engage solely in proprietary trading to obtain the Series 56 license in order to effect transactions on the Exchange. The Exchange proposes to add Interpretation .06 to Rule 2.5 to incorporate the Series 56 qualification examination as a limited representative registration for proprietary traders, and proposes to identify the characteristics required to satisfy the Exchange's definition of a proprietary trading firm and a proprietary trader, which are modeled after NASDAQ's rules, as discussed above.

In addition, the Exchange proposes to amend Rule 2.3(c)(2) to make it substantially similar to the rules of FINRA and other SROs to require Members to register at least two registered Principals.⁹ The proposed amendment applies to firms seeking admission as Members and existing Members, and states that each Member, except a sole proprietorship or a proprietary trading firm with 25 or fewer Authorized Traders ("Limited Size Proprietary Firm"),¹⁰ shall have at least

⁷ See supra notes 2, 3, 5 and 6.

⁸ See www.finra.org/Industry/Compliance/Registration/CRD/

⁹ The Exchange proposes to communicate this amendment to Members by publishing an Information Circular on the Exchange's website. Existing Members shall receive additional time to satisfy this requirement.

¹⁰ The Exchange proposes to create an exception to Rule 2.3(c)(2) where a Limited

two officers or partners who are registered as Principals with respect to the Member's equities securities business and, at a minimum, one such Principal shall be the Member's Chief Compliance Officer ("CCO").

The Exchange proposes additional amendments to Rule 2.3(c)(3) and (4) to require Members to register a CCO and a Financial/Operations Principal ("FINOP") in order to make the Exchange's rules substantially similar to the rules of FINRA and other SROs. In addition, this more accurately reflects the heightened level of accountability inherent in the duty of overseeing compliance by a Member of the Exchange, and in the oversight and preparation of financial reports and the oversight of those employed in financial and operational capacities at each Member firm. The proposed amendments state each Member shall designate a CCO on the Schedule A of Form BD, and requires the individual designated as a CCO to register with the Exchange and pass the General Securities Principal Examination (Series 24). Similarly, the proposed amendments to Rule 2.3 require each Member subject to Rule 15c3-1 of the Securities and Exchange Act of 1934 (the "Act") to designate a FINOP, and requires the individual designated as a FINOP to successfully complete the Financial and Operations Principal Examination (Series 27), and register in that capacity with the Exchange as prescribed by the Exchange.

The Exchange proposes to make other ministerial amendments to Rule 2.3 to accommodate the placement of the proposed amendments outlined in this rule filing.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(c)(3)(B) of the Act.¹² Under that section, it is the Exchange's responsibility to prescribe standards of training, experience, and competence for Exchange Members and their associated persons, in particular, by offering an alternative qualification examination for proprietary traders that more closely reflects the practical knowledge that is a prerequisite to proprietary trading. Pursuant to this statutory obligation, the Exchange requests to recognize a new category of limited representative registration for proprietary traders and to permit Authorized Traders of Members who engage solely in proprietary trading to obtain the Series 56 license. The

Size Proprietary Firm must register at least one Principal with the Exchange. In addition, the Exchange may waive the two Principal requirement in situations that indicate conclusively that only one Principal associated with the Member should be required.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(c)(3)(B).

Exchange believes the Series 56 examination establishes that Authorized Traders of Members have attained specified levels of competence and knowledge generally applicable to proprietary trading.

The Exchange believes that the requirement that persons functioning in certain supervisory capacities, including CCO and a FINOP, be registered through the WebCRD[®] system and be subject to higher qualification standards appropriately reflects the enhanced responsibility of their roles and is consistent with the Act. The general requirement that Members must have a minimum of two Principals responsible for oversight of Member organization activity, who must be registered as such and pass a principal exam, should help the Exchange strengthen the regulation of its Member firms, and prepare those individuals for their responsibilities. The nature of the firm, however, may dictate that more than two Principals are needed to provide appropriate supervision. In addition, the requirement for each Member to have a CCO who must register and pass the Series 24 exam and a FINOP who must register and pass the Series 27 exam is appropriate based on the heightened level of accountability inherent in the duty of overseeing compliance by a Member of the Exchange, and in the oversight and preparation of financial reports and the oversight of those employed in financial and operational capacities at each Member firm.

The Exchange believes that this proposal will enhance its ability to ensure an effective supervisory structure for those conducting business on the Exchange. The requirements apply broadly and are intended to help close a regulatory gap which has resulted in varying registration, qualification, and supervision requirements across markets. The Exchange believes that the changes proposed to its rules will strengthen its regulatory structure and should enhance the ability of its Authorized Traders and Members to comply with the Exchange's rules as well as with the federal securities laws.

In addition, the Exchange believes that the proposed rule change is consistent with the principles of Section 11A(a)(1)(C)(ii) of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule will promote uniformity of regulation across markets, thus reducing opportunities for regulatory arbitrage. EDGX's proposed rule change helps ensure that all persons conducting a securities business through EDGX are appropriately supervised, as the Commission expects of all SROs.

The proposed changes are also consistent with Section 6(b)(5) of the Act,¹³ because they would promote just and equitable principles of trade, remove

¹³

15 U.S.C. 78f(b)(5).

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 enabling such persons to qualify for registration with the Exchange by offering an alternative qualification examination that specifically addresses industry topics

that establish the foundation for the regulatory and procedural knowledge necessary for such persons electing to register as Proprietary Traders. Similarly, including new requirements for Members to maintain at least two Principals, a CCO and a FINOP, harmonizes the Exchange's rules with substantially similar rules of FINRA and other SROs. Accordingly, the modifications to EDGX Rules 2.3 and 11.4 and the Interpretations to Rule 2.5 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 changes 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 Changes Received from Members, Participants or Others

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

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 Act¹⁴ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁵ The Exchange asserts that the proposed rule changes: (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

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4.

notice of its intent to file the proposed rule changes, along with a brief description and text of the proposed rule changes, at least five business days prior to the date of filing.¹⁶ For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “noncontroversial” rule change under paragraph (f)(6) of Rule 19b-4 because the Series 56 qualification examination has been adopted or will be adopted for use by NASDAQ and other SROs. The Series 56 examination also reflects a collaborative effort to adopt an appropriate qualification examination for a new registration category. In addition, the Exchange’s proposal to include new requirements for Members to maintain at least two Principals, a CCO and a FINOP, harmonizes the Exchange’s rules with substantially similar rules of FINRA and other SROs.

The rule changes as proposed will allow the Exchange to recognize a new category of limited representative registration for proprietary traders. The Exchange believes that Authorized Traders of Members who engage solely in proprietary trading, obtain the Series 56 license, 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.¹⁷ Waiver of this requirement will allow the Exchange to make the examination available as soon as possible to coincide with its availability on other exchanges.

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

As noted elsewhere in the filing, NASDAQ, CBOE and the ISE have filed similar proposals to recognize a new category of limited representative registration for proprietary traders.¹⁸ In addition, the Exchange’s proposal to include new requirements for Members to register at least two Principals, a CCO and a FINOP, harmonizes the Exchange’s rules with substantially similar rules of FINRA and other SROs.¹⁹

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

¹⁸ See supra notes 2, 3, 5 and 6.

¹⁹ See NASD Rules 1021(e) and 1022(a) – (b); NASDAQ Rules 1021(e) and 1022(a) – (b); and CBOE Rule 3.6A (b) and (c) and Interpretation and Policies .07 to CBOE Rule 3.6A.

9. Exhibits

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

Exhibit 3 – Text of Proposed Proprietary Traders Qualification Examination
Content Outline

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

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-EDGX-2012-04)

[Date]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend EDGX Rule 1.5(q)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 1, 2012, the EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission (the "SEC" or the "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

EDGX Exchange, Inc. ("EDGX" or the "Exchange"), proposes to amend its rules regarding registration, qualification and continuing education requirements for Authorized Traders of Members that engage solely in proprietary trading. EDGX proposes to amend Rules 2.3 and 11.4 and the Interpretations to Rule 2.5 to recognize a new category of limited representative registration for proprietary traders. The Exchange proposes to expand its registration requirements to include the Proprietary Traders Qualification Examination ("Series 56") as one of the applicable qualification examinations as determined by the Exchange. The Exchange also proposes to permit

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Authorized Traders of Members who engage solely in proprietary trading to obtain the Series 56 license in order to effect transactions on the Exchange. In addition, the Exchange proposes to amend Rule 2.3 to make it substantially similar to the rules of the Financial Industry Regulatory Authority (“FINRA”) and other Self-Regulatory Organizations (“SROs”) to require Members to register two registered Principals.³ The text of the proposed Proprietary Traders Qualification Examination Content Outline is attached as Exhibit 3 and the text of the proposed rule changes is attached as Exhibit 5. These documents are available on the Exchange’s website at www.directedge.com, at the Exchange’s principal office, and at the Public Reference Room of the Commission.

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 Exchange 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

Background

³ The Exchange notes that it will continue to require per Exchange Rule 2.3(c) that all Authorized Traders who are to function as Principals on the Exchange to be registered consistent with amended paragraph (c)(2) of Rule 2.3.

In July 2011, NASDAQ filed a proposed rule change with the Commission to recognize a new category of limited representative registration for proprietary traders.⁴ In addition, in August 2011, NASDAQ filed a related proposed rule change to use the content outline for the Series 56 examination that would be applicable to proprietary traders.⁵

For the purposes of this category of limited representative registration, NASDAQ Rule 1011(o) defines a proprietary trading firm as a firm that embodies the following characteristics: the Member is not required by Section 15(b)(8) of the Exchange Act (the “Act”) to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Act; all funds used or proposed to be used by the Member for trading are the Member’s own capital, traded through the Member’s own accounts; the Member does not, and will not have “customers”;⁶ all Principals and Authorized Traders of the Member acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Member. In addition, NASDAQ Rule 1032(c) defines a proprietary trader as an Authorized Trader whose activities in the investment banking or securities business are limited solely to proprietary trading; passes an appropriate qualification examination; and is an associated person of a proprietary trading firm as defined in NASDAQ Rule 1011(o). NASDAQ Rule 1032(c) identifies the Series 56 as the appropriate qualification examination for proprietary

⁴ See Securities Exchange Release No. 64958 (July 25, 2011), 76 FR 45629 (July 29, 2011) (SR-NASDAQ-2011-095). See also Securities Exchange Release No. 65041 (August 5, 2011), 76 FR 49822 (August 11, 2011) (SR-NASDAQ-2011-107).

⁵ See Securities Exchange Release No. 65040 (August 5, 2011), 76 FR 49809 (August 11, 2011) (SR-NASDAQ-2011-108).

⁶ NASDAQ Rule 0120(g) states, “the term customer shall not include a broker or dealer.”

traders' limited representative registration. Furthermore, NASDAQ's proposed category of limited representative registration expressly excludes those associated persons that deal with the public and states those associated persons should continue to register as General Securities Representatives after obtaining the Series 7 license.

NASDAQ worked with FINRA and certain other exchanges, many of which have recently enhanced their registration requirements to require the registration of associated persons,⁷ to develop the content outline and qualification examination for proprietary traders. The Series 56 examination program is shared by NASDAQ and the following SROs: Boston Options Exchange, C2 Options Exchange, Incorporated; Chicago Board Options Exchange, Incorporated ("CBOE"); Chicago Stock Exchange, Incorporated; International Securities Exchange, LLC ("ISE"); NASDAQ OMX BX, Inc.; NASDAQ OMX PHLX LLC; National Stock Exchange, Incorporated; New York Stock Exchange, LLC ("NYSE"); NYSE AMEX, Incorporated; and NYSE ARCA, Incorporated.

Members of FINRA, NASDAQ and the SROs referenced above developed criteria for the Series 56 examination program, which CBOE filed with the SEC on June 17, 2011.⁸

Adoption of Series 56 by the Exchange

The Exchange believes the Series 56 will assist the Exchange in ensuring it has proper registration, qualification and continuing education requirements for associated persons of Members because the Series 56 examination was designed to test a candidate's knowledge of proprietary trading in general and the industry rules applicable to trading of

⁷ See Securities Exchange Act Release Nos. 63843 (February 4, 2011), 76 FR 7884 (February 11, 2011) (SR-ISE-2011-155); and 63314 (November 12, 2010), 75 FR 70957 (November 9, 2010) (SR-CBOE-2010-084).

⁸ See supra note 3. See also Securities Exchange Act Release No. 64699 (June 17, 2011), 76 FR 36945 (June 23, 2011) (SR-CBOE-2011-056).

equity securities and listed options contracts. The Series 56 examination covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. While the Series 56 examination is primarily dedicated to topics related to proprietary trading, the Series 56 examination also covers some general concepts relating to customers.

The qualification examination consists of 100 multiple choice questions. Candidates have 150 minutes to complete the exam. The content outline, which the Exchange attached as Exhibit 3, describes the following topical sections comprising the examination: Personnel, Business Conduct and Recordkeeping and Reporting Requirements, 9 questions; Markets, Market Participants, Exchanges and SROs, 8 questions; Types and Characteristics of Securities and Investments, 20 questions; Trading Practices and Prohibited Acts, 50 questions; and Display, Execution, and Trading Systems, 13 questions. Representatives from the SROs mentioned above also intend to meet on a periodic basis to evaluate and update, as necessary, the Series 56 examination program.

In addition, NASDAQ and some other SROs have filed or will file similar proposals with the Commission to amend current rules to recognize a new category of limited representative registration for proprietary traders and to permit members engaged solely in proprietary trading to obtain the Series 56 license in order to effect trades on the applicable exchanges.⁹ The Exchange proposes to implement the Series 56 examination program upon availability in FINRA's Web CRD[®] system,¹⁰ notification to its Members

⁹ See supra notes 2, 3, 5 and 6.

¹⁰ See www.finra.org/Industry/Compliance/Registration/CRD/

and subject to the satisfaction of applicable continuing education requirements, as described in Interpretations .04 and .05 to Rule 2.5.

The Exchange believes that acceptance of the Series 56 qualification examination will benefit both the Exchange and the applicable proprietary traders affected by the proposal. Accordingly, pursuant to the amended rules, as proposed, the Exchange would recognize a new category of limited representative registration for proprietary traders. In addition, the Exchange would expand its registration, qualification and continuing education requirements to include the Series 56 examination as one of the applicable qualification examinations as determined by the Exchange. The Exchange would also permit Authorized Traders of Members who engage solely in proprietary trading to obtain the Series 56 license in order to effect transactions on the Exchange. The Exchange proposes to add Interpretation .06 to Rule 2.5 to incorporate the Series 56 qualification examination as a limited representative registration for proprietary traders, and proposes to identify the characteristics required to satisfy the Exchange's definition of a proprietary trading firm and a proprietary trader, which are modeled after NASDAQ's rules, as discussed above.

In addition, the Exchange proposes to amend Rule 2.3(c)(2) to make it substantially similar to the rules of FINRA and other SROs to require Members to register at least two registered Principals.¹¹ The proposed amendment applies to firms seeking admission as Members and existing Members, and states that each Member, except a sole proprietorship or a proprietary trading firm with 25 or fewer Authorized

¹¹ The Exchange proposes to communicate this amendment to Members by publishing an Information Circular on the Exchange's website. Existing Members shall receive additional time to satisfy this requirement.

Traders (“Limited Size Proprietary Firm”),¹² shall have at least two officers or partners who are registered as Principals with respect to the Member’s equities securities business and, at a minimum, one such Principal shall be the Member’s Chief Compliance Officer (“CCO”).

The Exchange proposes additional amendments to Rule 2.3(c)(3) and (4) to require Members to register a CCO and a Financial/Operations Principal (“FINOP”) in order to make the Exchange’s rules substantially similar to the rules of FINRA and other SROs. In addition, this more accurately reflects the heightened level of accountability inherent in the duty of overseeing compliance by a Member of the Exchange, and in the oversight and preparation of financial reports and the oversight of those employed in financial and operational capacities at each Member firm. The proposed amendments state each Member shall designate a CCO on the Schedule A of Form BD, and requires the individual designated as a CCO to register with the Exchange and pass the General Securities Principal Examination (Series 24). Similarly, the proposed amendments to Rule 2.3 require each Member subject to Rule 15c3-1 of the Act to designate a FINOP, and requires the individual designated as a FINOP to successfully complete the Financial and Operations Principal Examination (Series 27), and register in that capacity with the Exchange as prescribed by the Exchange.

The Exchange proposes to make other ministerial amendments to Rule 2.3 to accommodate the placement of the proposed amendments outlined in this rule filing.

Basis

¹² The Exchange proposes to create an exception to Rule 2.3(c)(2) where a Limited Size Proprietary Firm must register at least one Principal with the Exchange. In addition, the Exchange may waive the two Principal requirement in situations that indicate conclusively that only one Principal associated with the Member should be required.

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(c)(3)(B) of the Act.¹⁴ Under that section, it is the Exchange's responsibility to prescribe standards of training, experience, and competence for Exchange Members and their associated persons, in particular, by offering an alternative qualification examination for proprietary traders that more closely reflects the practical knowledge that is a pre-requisite to proprietary trading. Pursuant to this statutory obligation, the Exchange requests to recognize a new category of limited representative registration for proprietary traders and to permit Authorized Traders of Members who engage solely in proprietary trading to obtain the Series 56 license. The Exchange believes the Series 56 examination establishes that Authorized Traders of Members have attained specified levels of competence and knowledge generally applicable to proprietary trading.

The Exchange believes that the requirement that persons functioning in certain supervisory capacities, including CCO and a FINOP, be registered through the WebCRD[®] system and be subject to higher qualification standards appropriately reflects the enhanced responsibility of their roles and is consistent with the Act. The general requirement that Members must have a minimum of two Principals responsible for oversight of Member organization activity, who must be registered as such and pass a principal exam, should help the Exchange strengthen the regulation of its Member firms, and prepare those individuals for their responsibilities. The nature of the firm, however, may dictate that more than two Principals are needed to provide appropriate supervision. In addition, the requirement for each Member to have a CCO who must register and pass

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(c)(3)(B).

the Series 24 exam and a FINOP who must register and pass the Series 27 exam is appropriate based on the heightened level of accountability inherent in the duty of overseeing compliance by a Member of the Exchange, and in the oversight and preparation of financial reports and the oversight of those employed in financial and operational capacities at each Member firm.

The Exchange believes that this proposal will enhance its ability to ensure an effective supervisory structure for those conducting business on the Exchange. The requirements apply broadly and are intended to help close a regulatory gap which has resulted in varying registration, qualification, and supervision requirements across markets. The Exchange believes that the changes proposed to its rules will strengthen its regulatory structure and should enhance the ability of its Authorized Traders and Members to comply with the Exchange's rules as well as with the federal securities laws.

In addition, the Exchange believes that the proposed rule change is consistent with the principles of Section 11A(a)(1)(C)(ii) of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule will promote uniformity of regulation across markets, thus reducing opportunities for regulatory arbitrage. EDGX's proposed rule change helps ensure that all persons conducting a securities business through EDGX are appropriately supervised, as the Commission expects of all SROs.

The proposed changes are also consistent with Section 6(b)(5) of the Act,¹⁵ because they 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 enabling such persons to

¹⁵ 15 U.S.C. 78f(b)(5).

qualify for registration with the Exchange by offering an alternative qualification examination that specifically addresses industry topics that establish the foundation for the regulatory and procedural knowledge necessary for such persons electing to register as Proprietary Traders. Similarly, including new requirements for Members to maintain at least two Principals, a CCO and a FINOP, harmonizes the Exchange's rules with substantially similar rules of FINRA and other SROs. Accordingly, the modifications to EDGX Rules 2.3 and 11.4 and the Interpretations to Rule 2.5 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.

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 Act¹⁶ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁷ The Exchange asserts that the proposed rule changes: (1) will not significantly affect the protection of investors or the public interest; (2) will not impose any significant burden

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4.

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 changes, along with a brief description and text of the proposed rule changes, at least five business days prior to the date of filing.¹⁸ For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “noncontroversial” rule change under paragraph (f)(6) of Rule 19b-4 because the Series 56 qualification examination has been adopted or will be adopted for use by NASDAQ and other SROs. The Series 56 examination also reflects a collaborative effort to adopt an appropriate qualification examination for a new registration category. In addition, the Exchange’s proposal to include new requirements for Members to maintain at least two Principals, a CCO and a FINOP, harmonizes the Exchange’s rules with substantially similar rules of FINRA and other SROs.

The rule changes as proposed will allow the Exchange to recognize a new category of limited representative registration for proprietary traders. The Exchange believes that Authorized Traders of Members who engage solely in proprietary trading, obtain the Series 56 license, 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.¹⁹ Waiver of this requirement will allow

¹⁸ 17 CFR 240.19b-4(f)(6).

¹⁹ 17 CFR 240.19b-4(f)(6)(iii).

the Exchange to make the examination available as soon as possible to coincide with its availability on other exchanges.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form <http://www.sec.gov/rules/sro.shtml>; or
- Send an E-mail to rule-comments@sec.gov. Please include File No. SR-EDGX-2012-04 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.

All submissions should refer to File Number SR-EDGX-2012-04. 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-2012-04 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 Trading and Markets, pursuant to delegated authority.²⁰

Secretary

²⁰ 17 CFR 200.30-3(a)(12).

**Proprietary Traders
Qualification Examination
Content Outline**

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Introduction

The Proprietary Traders Qualification Examination (Series 56) is designed to test a candidate's knowledge of applicable products, securities markets, trading and reporting practices, investment strategies, and anti-fraud provisions as applicable to the role of a proprietary trader.

Study Outline

The Series 56 examination study outline is intended to be used as a reference for those individuals wishing to sit for the exam. The questions on the exam are derived from the information topics presented within this document, and are not rule specific with regards to one exchange or SRO organization. The rules and regulations listed in this outline are for reference purposes only. The examination is divided into five general areas, which are listed below, along with the corresponding number of points from each area.

Section	Description	Points
1	Personnel, Business Conduct, Recordkeeping and Reporting Requirements	9
2	Markets, Market Participants, Exchanges, and Self Regulatory Organizations	8
3	Types and Characteristics of Securities and Investments	20
4	Trading Practices and Prohibited Acts	50
5	Display, Execution, and Trading Systems	13
Total		100

Structure of the Examination

The examination is composed of 100 multiple-choice questions covering the materials in the following outline in accordance with the subject-matter distribution listed above. Candidates will be allowed 2 1/2 hours to complete the examination. At the completion of the examination, each candidate will receive an informational breakdown of their performance on each section and their overall score. The examination is a closed-book test and candidates will not be permitted to use any reference material during their testing session. Scratch paper and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification examinations.

To ensure that new questions meet acceptable testing standards prior to use, each examination includes 5 additional, unidentified "pre-test" questions that do not contribute towards the candidate's score. The 5 questions are randomly distributed throughout the examination. Therefore, each candidate takes a total of 105 questions, of which 100 questions are scored.

Application Procedures

A candidate's employing firm must file a Uniform Application for Securities Industry Registration or Transfer ("Form U-4") in the Central Registration Depository (Web CRD), and request the Series 56 examination on the Form U-4. In addition, there may also be SRO specific registration requirements that would need to be met before an individual may become fully registered as a proprietary trader.

1.0 Personnel, Business Conduct, and Recordkeeping and Reporting Requirements

- Understand SRO registration and continuing education requirements
 - Understand the requirements to amend Forms U-4 and U-5
 - Understand to rules regarding gifts and gratuities
 - Understand SRO filing requirements
-

1.1 Hiring, Qualifications and Continuing Education

1.1.1 Qualification and Registration Requirements

1.1.1.1 Registered Personnel

Persons required to be registered

Terminations

Form U-4

Form U-5

Requirements to amend forms

Fingerprinting

BOX Trading Rules

Chapter XI, Section 3 — Registration of representatives

Chapter XI, Section 4 — Termination of registered persons

Chapter XI, Section 8(b) — Branch offices

Chapter XI, Section 10 — Supervision of accounts

CBOE Rules

Rule 3.6A — Qualification and registration of trading permit holders
and associated persons

C2 Rules

Rule 3.4 — Qualification and registration

CHX Rules

Article 6, Rule 2 — Registration and termination

Article 6, Rule 3 — Training and examination of registrants

Article 6, Rule 4 — Employment of registered person

Article 6, Rule 5 — Supervision of registered persons and
branch and resident offices

ISE Rules

Rule 313 — Registration requirements

Rule 602 — Registration of representatives

Rule 603 — Termination of registered persons

Rule 607(b) — Branch offices

Rule 609 — Supervision of accounts

NASDAQ OMX PHLX Rules

Rule 604 — Registration and termination of registered persons

Rule 623 — Fingerprinting

NASDAQ Stock Market Rules

Rule 1030 — Registration of representatives

Rule 1031(e) — Notification of termination

NASDAQ OMX BX Rules

Rule 1030 — Registration of representatives

Rule 1031(e) — Notification of termination

NASDAQ Options Market Rules

Chapter XI-Section 3 — Registration of representatives

NSX Rules

Rule 2.4 — Restrictions interpretations and policies .01 and .02

Rule 2.5(b) — Application procedures for an ETP holder

Rule 2.6 — Revocation of an ETP or an associate with an ETP holder

NYSE Amex Rules

Rule 345 — Employees

Rule 346 — Limitations

Rule 347 — Controversies

Rule 351 — Reporting

Rule 920 — Registration and examination of options personnel

Rule 921NY — Registration of market makers

Rule 921.1NY — Market maker authorized traders

Rule 922NY — Trading by ATP holders on the floor

Rule 927NY — Specialists

Rule 931NY — Registration of floor brokers

NYSE Arca Rules

Rule 2.23 — Registration

Rule 6.33 — Registration of market makers

Rule 6.44 — Registration of floor brokers

Rule 7.20 — Registration of market makers

Rule 9.27 (a) — Registration of representatives

1.1.1.2 Registration of Proprietary Traders

Permissible and non-permissible activities

CBOE Rules

Rule 3.6A — Qualification and registration of trading permit holders

C2 Rules

Rule 3.4 — Qualification and registration

CHX Rules

Article 6, Rule 3 — Training and examination of registrants

ISE Rules

Rule 313 — Registration requirements

NSX Rules

Rule 2.4 — Interpretations and policies .01 and .02 written proficiency examination

NYSE Arca Rules

Rule 2.4 — Denial of or conditions to ETPs (equities)

Rule 2.5 — Denial of or conditions to OTPs (options)

1.1.2 Special Registration Review for Disciplinary History

1.1.2.1 Statutory Disqualification

BOX Trading Rules

Chapter III, Section 3(d)(iv) & (e) — Denial and conditions to participation

CHX Rules

Article 6, Rule 5(e) — Associated persons — Statutory disqualification

Article 6, Rule 5(f) — Participants and participant firms — Statutory disqualification

CBOE Rules

Rule 3.18 — Permit trading holders and associated persons who are or become subject to a statutory disqualification

C2 Rules

Rule 3.5 — Permit holders and persons associated with a permit holder who are or become subject to a statutory disqualification

ISE Rules

Rule 302(e)(4) & (f) — Denial of and conditions to becoming a member

NASDAQ OMX PHLX Rules

Rule 901 — Denial of and conditions to membership

NASDAQ Stock Market Rules

Rule 1002(b) — Ineligibility of certain persons for membership or association

NASDAQ OMX BX

Rule 1002(b) — Ineligibility of certain persons for membership or association

NSX Rules

Rule 2.4(a)(3) — Restrictions

NYSE Amex Rules

Rule 310 — Formation of or admission to member organization or membership owner

Rule 341B — Independent contractors

Rule 342 — Association of members, member organizations, and persons associated with member organizations

Rule 345 — Investigation

Rule 346 — Statutory disqualification

Rule 353 — Amex trading permit requirements

Rule 356 — Member organizations

NYSE Arca Rules

Rule 2.23 — Registration

Securities Exchange Act of 1934

Sec. 3(a)(39) — Definition of “statutory disqualification”

1.1.3 Reporting Requirements

BOX Trading Rules

Chapter III, Section 5 — Disciplinary actions by other organizations

Chapter XI, Section 4(a) — Termination of registered persons

Chapter XI, Section 4(b) — Termination of registered persons

CBOE Rules

Rule 4.9 — Disciplinary actions by other organizations

Rule 9.3(b) — Termination — Filing of U-5s

Rule 9.3(c) — Termination — Filing of amended U-5s

CHX Rules

Article 6, Rule 8 — Disciplinary actions by other organizations

Article 6, Rule 2.02 — Termination of registered persons — U-5 filing

ISE Rules

Rule 409 — Disciplinary action by other organizations

Rule 603(a) — Termination — Reporting of U-5s

Rule 603(b) — Termination — Filing of amended U-5s

NASDAQ OMX PHLX Rules

Rule 604(b) — Registration and termination of registered persons

NASDAQ Stock Market Rules

Rule 1140(e) — U-5 filing requirements

Rule 3070 — Reporting requirements

NASDAQ OMX BX Rules

Rule 1140(d) — U-5 filing requirements

Rule 3070 — Reporting requirements

NYSE Amex Rules

Rule 341, Commentary .09 — Termination of employment — Form U-5 filing

Rule 351 — Reporting

NYSE Arca Rules

Rule 2.17(c) — Termination-filing of an amended U-5

1.1.4 Continuing Education for Registered Persons

1.1.4.1 Regulatory Element

BOX Trading Rules

Chapter XI, Section 5(a) — Regulatory Element

CBOE Rules

Rule 9.3A(a) and (b) — Regulatory Element

CHX Rules

Article 6, Rule 11(a) — Regulatory Element

ISE Rules

Rule 604(a) — Regulatory Element

Rule 604(b) — In-house delivery of Regulatory Element

NASDAQ OMX PHLX Rules

Rule 640(a) — Regulatory Element

NASDAQ Stock Market Rules

Rule 1120(a) — Regulatory Element

NASDAQ OMX BX Rules

Rule 1120(a) — Regulatory Element

NYSE Amex Rules

Rule 341A(a) — Regulatory Element

Rule 345A — Continuing education

NYSE Arca Rules

Rule 9.27(c) — Regulatory Element

1.1.4.2 Firm Element

BOX Trading Rules

Chapter XI, Section 5(b) — Firm Element

CBOE Rules

Rule 9.3A(c) — Firm Element

CHX Rules

Article 6, Rule 11(b) — Firm Element

ISE Rules

Rule 604(c) — Firm Element

NASDAQ OMX PHLX Rules

Rule 640(b) — Firm Element

NASDAQ Stock Market Rules

Rule 1120(b) — Firm Element

NASDAQ OMX BX Rules

Rule 1120(b) — Firm Element

NYSE Amex Rules

Rule 341A(b) — Firm Element

Rule 345A — Continuing education

NYSE Arca Rules
Rule 2.23(d)(2) — Registration

1.2 Conduct of Associated and/or Registered Persons

1.2.1 Business Conduct

BOX Trading Rules

Chapter III, Section 4(f) — Prevention of the misuse of material non-public information

Chapter V, Section 18(f)(i) — The Price Improvement Period (“PIP”)

Chapter V, Section 27 — Supplementary material .01— complex orders

Chapter V, Section 29(s) — The universal price improvement period (“UPIP”)

Chapter VI, Section 5(c)(ii) and (c)(iii)(2)(b) — Obligations of market makers

Chapter VII, Section 1(j) and (l)(vi) — Exercise of options contracts

CBOE Rules

Rule 4.1 — Just and equitable principles of trade

CHX Rules

Article 8, Rule 1 — Adherence to all rules and bylaws

Article 8, Rule 2 — Acts detrimental to interest or welfare of exchange

Article 9, Rule 2 — Just and equitable trade principles

ISE Rules

Rule 400 — Just and equitable principles of trade

NASDAQ OMX PHLX Rules

Rule 707 — Just and equitable principles of trade

Rule 708 — Acts detrimental to the interest or welfare of the exchange

NASDAQ Stock Market Rules

Rule 2110 — Standards of commercial honor and principles of trade

NASDAQ OMX BX Rules

Rule 2110 — Standards of commercial honor and principles of trade

NASDAQ Options Market Rules

Chapter III — Business conduct

NSX Rules

Rule 3.1 — Business conduct of ETP holders

Rule 3.2 — Violations prohibited

NYSE Amex Rules

Rule 16 — Business conduct

Article V, Section 4(h) — Violation of constitution, rules or resolution - inequitable conduct

Rule 2010 — Just and equitable principles of trade

NYSE Arca Rules

Rule 6 — Business conduct

Rule 11 — Business conduct

Rule 11.2(b) — Just and equitable principles of trade

1.2.2 Gifts and Gratuities

BOX Trading Rules

BSE Grandfathered Rules

Chapter XX, Section 6 — Gratuities

CBOE Rules

Rule 4.4 — Gratuities

CHX Rules

Article 8, Rule 7 — Officers and employees of exchange and other industry participants

ISE Rules

Rule 406 — Gratuities

NASDAQ OMX Phlx Rules

Rule 707 — Commentary .02

NASDAQ Stock Market Rules

Rule 3060 — Influencing or rewarding employees of others

Rule 3090(c) — Transactions involving Nasdaq employees

NASDAQ OMX BX Rules

Rule 3060 — Influencing or rewarding employees of others

Rule 3090(c) — Transactions involving Nasdaq employees

NYSE Amex Rules

Rule 347 — Gratuities to employees of financial concerns

NYSE Arca Rules

Rule 11.11 — Disclosure of financial arrangements

1.2.3 Outside Business Activities

BOX Trading Rules

Chapter XI, Section 6 — Other affiliations of registered persons

CHX Rules

Article 3, Rule 8 — Limitation on interests in other organizations

Article 3, Rule 17 — Limitations on exchange personnel

NASDAQ Stock Market Rules

Rule 3030 — Outside business activities of an associated person

NASDAQ OMX BX Rules

Rule 3030 — Outside business activities of an associated person

NASDAQ Options Market Rules

Chapter XI, Sec 4 — Other affiliations of registered persons

NYSE Amex Rules

Rule 342 — Association of members, member organizations and persons associated with member organizations

Rule 346 — Limitations

NYSE Arca Rules

Rule 2.23(d) and (e) — Limitations — employment and association

1.2.4 Transactions with Other Professionals

BOX Trading Rules

Chapter XI, Section 19 — Transactions with certain public customers

CHX Rules

Article 8, Rule 6 — Prohibited accounts

ISE Rules

Rule 618 — Transactions of certain customers

NASDAQ OMX PHLX Rules

Rule 751 — Accounts of employees of members of participating organizations

Rule 783 — Financial arrangements

NASDAQ Options Market Rules

Chapter XI, Section 17 — Transactions of certain public customers

NSX Rules

Rule 2.10 — No Affiliation between exchange and any ETP holder

NYSE Amex Rules

Rule 407 — Transactions of employees

Rule 407A — Disclosure of member accounts

Rule 415 — Member's transactions with another member organization

Rule 3220 — Influencing or rewarding employees of others

NYSE Arca Rules

Rule 11.11 — Disclosure of financial arrangements

1.2.5 Sharing in Profits and Losses

BOX Trading Rules

Chapter XI, Section 20 — Guarantees

Chapter XI, Section 21 — Profit sharing

Chapter XI, Section 22 — Assuming losses

CHX Rules

Article 8, Rule 12 — Interest in customer accounts

ISE Rules

Rule 619 — Guarantees

Rule 620 — Profit sharing

Rule 621 — Assuming losses

NASDAQ OMX PHLX Rules

Rule 777 — Guarantees not permitted

NASDAQ Stock Market Rules

Rule 2460 — Payments for market making

NASDAQ OMX BX Rules

Rule 2460 — Payments for market making

NASDAQ Options Market Rules

Chapter XI — Section 19 — Profit-sharing

Chapter XI — Section 20 — Assuming losses

NSX Rules

Rule 3.18 — Prohibition against guarantees

- Rule 3.19 — Sharing in accounts; extent permissible
- NYSE Amex Rules
 - Rule 390 — Assumption of loss prohibited
 - Rule 2150 — Improper use of customers' securities or funds
- NYSE Arca Rules
 - Rule 9.1 — Sharing profits — Losses

1.3 Disciplinary Proceedings and Arbitration/Mediation

1.3.1 Investigations, Sanctions and Disciplinary Proceedings

1.3.1.1 Investigations

- Obligation to produce records
- Submission of written testimony
- Submission to on-the-record interviews

1.3.1.2 SRO disciplinary panels and committees

- Operational aspects of panels and committees
- Sanctions

BOX Trading Rules

- Chapter XI, Section 7 — Discipline, suspension, expulsion of registered persons

- Chapter X — Minor rule violations

BSE Grandfathered Rules

- Chapter XXX — Disciplining of members and denial of membership

CBOE Rules

- Rule 17.1 — Disciplinary jurisdiction
- Rule 17.2 — Complaint and investigation
- Rule 17.3 — Expedited proceeding
- Rule 17.4 — Charges
- Rule 17.7 — Summary proceedings
- Rule 17.8 — Offers of settlement
- Rule 17.11 — Judgment and sanction

CHX Rules

- Article 12, Rule 1 — Investigation and charges
- Article 12, Rule 2 — Summary procedure
- Article 12, Rule 3 — Admission of charges
- Article 12, Rule 4 — Hearing procedure
- Article 12, Rule 5 — Review
- Article 12, Rule 6 — Effective date or judgment
- Article 12, Rule 7 — Disciplinary jurisdiction
- Article 12, Rule 8 — Minor rule violations
- Article 12, Rule 10 — Pending proceedings

ISE Rules

- Chapter 16 — Discipline

- NASDAQ OMX PHLX Rules
 - Rule 960 — Disciplinary rules
- NASDAQ Stock Market Rules
 - Rule 8000 Series — Investigations and sanctions
 - NASDAQ Bylaws — Article IX — Section 2 – Disciplinary proceedings
- NASDAQ OMX BX Rules
 - Rule 8000 Series — Investigations and sanctions
- NASDAQ Options Market Rules
 - Chapter X — Discipline and summary suspensions
- NSX Rules
 - Chapter 8 — Discipline
- NYSE Amex Rules
 - Rule 475 — Prohibition or limitation
 - Rule 476 — Disciplinary proceedings
 - Rule 476A — Minor rule violations
 - Rule 477 — Retention of jurisdiction
- NYSE Arca Rules
 - Rule 10 — Disciplinary proceedings and appeals

1.4 Arbitration and Mediation Procedures

- BOX Trading Rules
 - BSE Grandfathered Rules
 - Chapter XXXII — Arbitration
- CBOE Rules
 - Chapter XVIII — Arbitration
- CHX Rules
 - Article 14 — Arbitration
- ISE Rules
 - Chapter 18 — Arbitration
- NASDAQ OMX PHLX Rules
 - Rule 950 — Arbitration
- NASDAQ Stock Market Rules
 - Rule 10000 Series — Code of arbitration procedure
- NASDAQ OMX BX Rules
 - Rule 10000 Series — Code of arbitration procedure
- NSX Rules
 - Chapter 9 — Arbitration
- NYSE Amex Rules
 - Rule 600 — Arbitration
- NYSE Arca Rules
 - Rule 12 — Arbitration

1.5 Recordkeeping and Reporting Requirements

1.5.1 Books and Records

BOX Trading Rules

Chapter VIII, Section 1 — Maintenance, retention and furnishing of books, records and other information

CBOE Rules

Rule 15.1 — Maintenance, retention and furnishing of books, records and other information

CHX Rules

Article 11, Rule 1 — Furnishing of records

Article 11, Rule 2 — Maintenance of books and records

Article 11, Rule 3 — Records of orders and executions

Article 11, Rule 4 — Participant communications

ISE Rules

Rule 1400 — Maintenance, retention and furnishing of books

NASDAQ Stock Market Rules

Rule 3110(a) — Books and records requirements

NASDAQ OMX BX Rules

Rule 760 — Maintenance, retention and furnishing of books records and other information

NASDAQ Options Market Rules

Chapter IX — Section 1 — Maintenance, retention and furnishing of books and records and other information

NSX Rules

Rule 4.1 — Requirements

Rule 4.2 — Furnishing of records

Rule 4.3 — Record of written complaints

Rule 5.3 — Records

NYSE Amex Rules

Rule 31 — Requests for books, papers, records or testimony

Rule 153 — Record of orders

Rule 302 — Provisions with respect to books of account

Rule 324 — Books and records

Rule 410 — Books and records

Rule 440 — Books and records

Rule 922(b) — Maintenance of customer records

NYSE Arca Rules

Rule 11.16(a) — Books and records

Securities Exchange Act of 1934

Rule 17a-3 — Records to be made by certain exchange members, brokers and dealers

Rule 17a-4 — Records to be preserved by certain exchange members, brokers, and dealers

Rule 17a-5 — Reports to be made by certain brokers and dealers

Rule 17a-8 — Financial record keeping and reporting of currency and foreign transactions

Rule 17f-1 — Requirements for reporting and inquiry with respect to missing, lost, counterfeit or stolen securities

2.0

Markets, Market Participants, Exchanges, and Self Regulatory Organizations (SROs)

- Understand how financial markets function
 - Understand the regulatory structure of the marketplace
 - Understand the differences between different types of markets
 - Understand the roles and responsibilities of market participants
-

2.1 Overview of U.S. Securities Markets and Exchanges

2.1.1 Auction Market

2.1.2 NASDAQ Market Center – Execution Services

2.1.3 Over-the-Counter Securities

2.1.4 Third Market

Off-exchange trading in exchange listed securities

Consolidated tape reporting requirement

2.1.5 Bulletin Board

2.2 Other Facilities

Automated Display Facility (ADF)

ECNs

2.3 Securities and Exchange Commission (SEC)

2.3.1 Securities Exchange Act of 1934 – Regulation of exchanges, brokers and dealers and SEC rules thereunder

Section 3 (a) –Definitions of broker, dealer, security, investment contract, statutory disqualification

Section 4 – Securities and Exchange Commission

Section 6 – National Securities Exchanges

Section 15A – Registered securities associations

Rule 17f-2 – Finger-printing of security industry personnel

2.3.2 Investment Company Act of 1940

Section 2 – General definitions

Section 3 – Definition of investment company

Section 4 – Classification of investment companies

Section 5 – Sub-classification of management companies

Section 6 – Exemptions

Section 8 — Registration of investment companies

2.4 Self Regulatory Organizations (SROs) and Exchanges

2.4.1 NYSE Euronext Inc

New York Stock Exchange LLC (NYSE)

NYSE Amex LLC (NYSE Amex)

NYSE Arca Inc. (NYSE Arca)

2.4.2 Chicago Stock Exchange (CHX)

2.4.3 National Stock Exchange (NSX)

2.4.4 Chicago Board Options Exchange (CBOE)

2.4.5 CBOE Stock Exchange (CBSX)

2.4.6 C2 Options Exchange, Incorporated

2.4.7 The NASDAQ OMX Group

The NASDAQ Stock Market

NASDAQ Options Market

NASDAQ OMX BX (including Boston Options Exchange – BOX)

NASDAQ OMX PHLX (including PSX)

2.4.8 International Securities Exchange (ISE)

2.4.9 BATS Exchange

2.4.10 Direct Edge

2.4.11 Financial Industry Regulatory Authority (FINRA)

2.4.12 Options Clearing Corporation

2.4.13 Depository Trust and Clearing Corporation

2.5 Market Participants

2.5.1 Market Makers

Designated market maker

Lead market maker

Primary or preferred market maker

Floor based market maker

Remote market maker

Competing market maker
Specialists/electronic specialists

CBOE Rules

Rule 8.1 — Market-maker defined
Rule 8.2 — Registration of market-makers
Rule 8.7 — Obligations of market-makers
Rule 8.13 — Preferred market-maker program
Rule 8.14 — Index hybrid trading system classes market-maker participants
Rule 8.15 — Lead market-makers and supplemental market-makers in hybrid 3.0 Classes
Rule 8.15A — Lead market-makers in hybrid classes
Rule 8.80 — Designated primary market-makers – DPM defined
Rule 8.81 — DPM designees
Rule 8.83 — Approval to act as DPM
Rule 8.85 — DPM obligations
Rule 8.92 — Electronic DPM program
Rule 8.93 — E-DPM obligations

C2 Rules

Rule 8.1 — Initial market maker registration
Rule 8.13 — Preferred market maker program

CBSX Rules

Rule 53.20 — CBSX remote market maker defined
Rule 53.50 — CBSX DPM defined
Rule 53.51 — CBSX LMM defined

NASDAQ OMX PHLX Rules

Rule 1014 — Obligations and restrictions applicable to specialists and registered options traders

NASDAQ Stock Market Rules

Rule 4612 — Registration as a Nasdaq market maker
Rule 4613 — Market maker obligations

NASDAQ OMX BX Rules

Rule 4612 — Registration as an equities market maker
Rule 4613 — Market maker obligations

NASDAQ Options Market Rules

Chapter VII, Section 2 — Market maker registration
Chapter VII, Section 3 — Continuing market maker registration
Chapter VII, Section 4 — Good standing of market makers
Chapter VII, Section 5 — Obligations of market makers
Chapter VII, Section 6 — Market maker quotations
Chapter VII, Section 7 — Securities accounts and orders of market makers

2.5.1.1 Securities Exchange Act of 1934 and SEC Rules Thereunder

Section 3 — Certain definitions under the Act
Section 3(a)(38) — Market maker
Rule 3b-8 — Qualified block positioned

2.5.2 Floor Brokers

2.5.2.1 Types of Brokers

Solicitation

Executing

Facilitation

CBOE Rules

Rule 6.70 — Floor broker defined

Rule 6.71 — Registration of floor brokers

Rule 6.73 — Responsibilities of floor brokers

Rule 7.3 — Designation of order book officials

Rule 7.12 — PAR official

CBSX Rules

Rule 53.60 — CBSX broker defined

NASDAQ OMX PHLX Rules

Rule 155 — General responsibility of floor brokers

Rule 1060 — Floor broker defined

Rule 1061 — Registration of floor brokers

Rule 1063 — Responsibilities of floor brokers

2.5.3 Proprietary Traders

CBOE Rules

Rule 3.6A — Qualification and registration of trading permit holders and associated persons

CHX Rules

Article 6, Rule 3 — Training and examination of registrants

ISE Rules

Rule 313 — Registration requirements

NYSE Arca Options

Rule 2.5 — Denial of or conditions to OTPs

NYSE Arca Equities

Rule 2.4 — Denial of or conditions to ETPs

3.0

Types and Characteristics of Securities and Investments

- Understand terms and definitions of equity securities, types of equity products, investment strategies, and underlying risks
 - Understand terms and definitions of options products, investment strategies, and underlying risks
 - Understand how to calculate profit, loss, and breakeven points of various strategies
 - Understand the implications of corporate actions such as splits, mergers, dividends and their effect
-

3.1 Equity Securities

3.1.1 Common Stock

3.1.1.1 Ownership in a corporation

3.1.1.2 Rights of stockholders
Limited liability
Proportionate ownership
Transfer rights

3.1.1.3 Dividends
Record date
Payable date
Cash
Stock
Ex-dividend date

3.1.1.4 Voting Rights
Statutory voting rights
Cumulative voting rights
Contingent voting rights of preferred stockholders
Proxies
Voting trusts
Trustee
Voting trust certificates
Beneficial interests
Non-voting common stock

- 3.1.1.5 Corporate Actions
 - Splits
 - Reverse splits
 - Spin-offs
 - Tender offers

- 3.1.1.6 Contract Adjustments
 - BOX Trading Rules
 - Chapter IV, Section 7 — Adjustments
 - CBOE Rules
 - Rule 5.7 — Adjustments
 - ISE Rules
 - Rule 505 — Adjustments
 - NASDAQ Options Market Rules
 - Chapter IV — Section 7 — Adjustments

- 3.1.1.7 Stock terms and definitions
 - Authorized stock
 - Reasons for authorizing more stock than that issued
 - Issued stock
 - Outstanding stock
 - Treasury stock
 - Reasons for reacquiring issued stock
 - Par value
 - Stated value
 - Stock certificates
 - Escrow receipt
 - Transfer agent
 - Registrar
 - Endorsements
 - Transfer procedures

- 3.1.2 Preferred Stock**

- 3.1.2.1 Dividends
 - Preference over common
 - Dividend stated as percentage of par
 - Dividend stated in dollars per share
 - Adjustable/variable rates of return
 - Right to dividend
 - Auction rate

- 3.1.2.2 Asset preference of preferred over common

3.1.2.3 Classes of preferred and degree of preference

3.1.2.4 Types of preferred stock

- Cumulative
- Non-cumulative
- Participating
- Non-participating
- Convertible
- Perpetual
- Limited
- Delayed
- Callable
- Adjustable rate
- Sinking fund provisions

3.1.3 Rights

3.1.3.1 Definition and purpose

3.1.3.2 Rights terms

- Stock appreciation rights (SAR)
- Employee stock options

3.1.3.3 Origination and issuance

- Value of subscription rights
- Disposition of rights
- Terms of offering

3.1.3.4 Exercise of rights

3.1.4 Warrants

CSBX Rules

- Rule 54.4 — Transactions in warrants

- Rule 54.5 — Position, exercise and reportable limits in warrants

- Rule 54.6 — Special requirements for stock index warrants, currency index warrants and currency warrants

NASDAQ Stock Market Rules

- Rule 2840 Series — Trading in index warrants, currency index warrants and currency warrants

- Rule 2850 — Position limits

- Rule 2851 — Exercise limits

- Rule 2852 — Reporting requirements

NASDAQ OMX BX Rules

Rule 2840 — Trading in index warrants, currency index warrants and currency warrants

Rule 2850 — Position limits

Rule 2851 — Exercise limits

Rule 2852 — Reporting requirements

NYSE Arca Equities Rules

Rule 8, Section 1 — Trading in warrants, index warrants and currency warrants

3.1.4.1 Definition and purpose

3.1.4.2 Origination and purpose
Origination of warrants

3.1.4.3 Valuation and exercise of warrants
Exercise terms
Valuation of warrants
Warrant leverage
Relationship of underlying stock
Anti-dilution agreement
Expiration

3.1.5 Exchange Traded Funds (ETFs)

Creating
Redeeming
Narrow versus broad based
Guilds (GLDs)

3.1.6 Exchange Traded Notes (ETNs)**3.1.7 American Depositary Receipts (ADRs), American Depositary Shares (ADSs), Global Depositary Receipts (GDRs), and Global Depositary Shares (GDSs)**

3.1.7.1 Definition and purpose
Sponsored vs. non-sponsored

3.1.7.2 Origin and nature of ADRs, ADSs, GDRs and GDSs

3.1.7.3 Duties of the issuing/depository bank
Converts and distributes cash dividend in U.S. currency
Converts and distributes rights offerings
Distributes information on non-U.S. corporate developments

3.1.7.4 Shareholders' rights to demand delivery of the underlying shares

3.1.7.5 Relationship to ordinary shares

3.1.8 International Securities

3.1.8.1 Securities denominated in foreign currency versus those denominated in U.S. dollars

3.1.8.2 Relationship to ADRs, ADSs, GDRs and GDSs

3.1.9 Initial Public Offerings

3.1.9.1 Registration of securities

Securities Act of 1933

Section 6 — Registration of securities

Regulation C — Registration

Regulation D — Offer and sale of securities without registration

3.1.9.2 Offer and sale of new issue securities — indications of interest

3.1.9.3 Stabilization

Maintained by managing underwriter in aftermarket at or below public offering price

Syndicate penalty bid

Purpose

Stabilizing bids

Pre-effective bids

Syndicate covering transactions

NASDAQ Stock Market Rules

Rule 4614 — Stabilizing bids

Rule 4624 — Penalty bids and syndicate covering transactions

NASDAQ OMX BX Rules

Rule 4614 — Stabilizing bids

Rule 4624 — Penalty bids and syndicate covering transactions

3.1.9.4 Hot Issues

3.1.9.5 SEC Regulation M

Rule 100 — Definitions

Rule 101 — Activities by distribution participants

Rule 102 — Activities by issuers and selling security holders during a distribution

Rule 104 — Stabilizing transactions and other activities in connection with an offering

Rule 105 — Short selling in connection with a public offering

3.1.10 Penny Stock Rules

SEC Exchange Act of 1934

Section 3(a)(51) — Definition of penny stock

Rule 3a51-1 — Penny stock

Rule 15g-1 — Exemptions for certain transactions

Confirmations and other disclosures

Rule 15g-3 — Broker or dealer disclosure of quotations and other information relating to the penny stock market

Rule 15g-8 — Sales of escrowed securities of blank check companies

3.2 Listed Options

3.2.1 Equity Options

Underlying securities

Selection/withdrawal process

Exercise style

American

European

Expiration cycles

Daily, weekly, monthly, quarterly

Cycles vary

Long-term equity anticipation securities (LEAPs)

Strike price intervals

Dependent upon the price of the stock

Adjustment to option terms

Cash dividends

Stock dividends

Stock splits

Spin-offs

Premiums

Premium increments

Factors affecting option premiums

Expiration date

Gamma

Delta

Vega

BOX Trading Rules

Chapter I, Section 1— Definitions

Chapter IV, Section 4 — Withdrawal of approval of underlying securities

Chapter IV, Section 6 — Series of options contracts open for trading

CBOE Rules

Rule 1.1— Definitions

ISE Rules

- Chapter 1 — Definitions

- Rule 503 — Withdrawal of approval of underlying securities

- Rule 504 — Series of options contracts open for trading

NASDAQ OMX PHLX Rules

- Rule 1000 — Applicability, definitions and references

- Rule 1010 — Withdrawal of approval of underlying securities

- Rule 1012.05(a) — Series of options open for trading

NASDAQ Options Market Rules

- Chapter I — Section 1 — Definitions

- Chapter IV — Securities traded on NASDAQ options market

NYSE Amex Rules

- Rule 900NY — Rules principally applicable to trading of options contracts

NYSE Arca Rules

- Rule 6.1 — Rules principally applicable to trading of option contracts

3.2.2 Index Options

- Broad-based index

- Narrow-based index

- Industry-based or sector-based index

- Exercise style

- By cash payment on the next business day

- Settlement amount is the difference between strike price and index closing value

- Expiration cycles

- Cycles vary

- LEAPs

- Flexible Exchange Options (FLEX)

- Strike price intervals

- Premium increments

- Expiration date

- Exercise style

- European

- American

BOX Trading Rules

- Chapter XIV — Index rules

CBOE Rules

- Chapter XXIV — Index options

ISE Rules

- Chapter 20 — Index options

NASDAQ OMX PHLX Rules

- Rule 1000A — Trading of options on indices

- Rule 1107A — Trading of options on indices

- NASDAQ Options Market Rules
 - Chapter XIV — Index option rules
- NSX Rules
 - Rule 12.9 — Index options
- NYSE Amex Rules
 - Rule 900C — Stock index options
- NYSE Arca Rules
 - Rule 5.10 — Index options

3.2.3 Exchange Traded Fund (ETFs) Options

3.2.4 Foreign Currency Options

- Contract sizes
- Expiration cycles
- Expiration date
- Settlement style
 - American style
 - European style
- Trading hours
- Strike price intervals
- Premium increments

ISE Rules

- Chapter 22 — Rate-modified foreign currency options rules

NASDAQ OMX PHLX Rules

- Rule 1000(b)(13) — Definitions — Foreign currency

- Rule 1012(a)(ii) — Foreign currency options series

- Rule 1016 — Block transactions in foreign currency options

NYSE Arca Rules

- Rule 5.75 — Series of foreign currency options open for trading

3.3 Types of orders

- Market
- Limit
- Stipulation
 - Day
 - GTC
- Market not held
- Stop limit
- Spread
- Straddle
- Combination
- Contingency
- Immediate-or-cancel/Fill-and-kill
- At-the-close
- Manual

All-or-none
Reserve
Fill-or-kill
Discretionary
ISOs
On open
Complex
Stop loss

BOX Trading Rules

Chapter V, Section 4 — Order entry

Chapter V, Section 27 — Complex orders

CBOE Rules

Rule 6.53 — Certain types of orders defined

C2 Rules

Rule 6.10 — Order types defined

CBSX Rules

Rule 51.8 — Types of orders handled

CHX Rules

Article 1 — Rule 2 — Order types and conditions

ISE Rules

Rule 715 — Types of orders

Rule 722 — Complex orders

NASDAQ OMX PHLX Rules

Rule 1066 — Certain types of orders defined

Rule 1080 — PHLX XL and PHLX II

Rule 3305 (PSX) — Order entry parameters

NASDAQ Stock Market Rules

Rule 4755 — Order entry parameters

NASDAQ OMX BX Rules

Rule 4755 — Order entry parameters

NASDAQ Options Market Rules

Chapter VI — Section 1 — Definitions

NSX Rules

Rule 11.11 — Orders and modifiers

Rule 11.14 — Priority of orders

Rule 11.15 — Order execution

NYSE Amex Rules

Rule 900.3NY — Orders defined

NYSE Arca Rules

Rule 6.62 — Certain types of orders defined

Rule 7.31 — Orders and modifiers

3.4 Strategy Investment Posture for Various Market Scenarios

3.4.1 Equities

- Long
- Short sales
- Dividend

3.4.2 Options

3.4.2.1 Strategies for Using Puts or Calls

- Call buying strategies
 - Alternative to buying the underlying security
 - To lock-in a purchase price
 - To hedge a short sale
- Put buying strategies
 - To hedge a long position
 - Alternative to short sale
- Covered call writing concepts
 - Increase yield
 - Hedge a position
- Put writing concepts
 - Increase income
 - Acquire stocks below current prices
- Types of Spread
 - Bull spread
 - Bear spread
 - Time spread
 - Diagonal spread
 - Variable spread
 - Butterfly spread
 - Box spread
 - Condor spread
 - Iron Butterfly spread
- Straddle
 - In-the-money
 - Out-of-the-money
- Collars
- Naked calls
- Short equity call
- Strangle

3.4.2.2 Strategies Based on Market Outlook

Neutral

- Covered call writing (at market)
- Straddle writing
- Combination writing

Bullish

- Covered call writing (above market)
- Uncovered put writing
- Call purchasing
- Long stock/long put
- Bull spreading

Bearish

- Uncovered call writing
- Put purchasing
- Bear spreading

3.4.2.3 Other Strategy Considerations

Synthetic positions

- Long stock/short call = short put
- Short stock/long call = long put
- Short stock/short put = short call
- Long call/short put = long stock
- Long stock/long put = long call
- Short call/long put = short stock

3.4.2.4 Hedging with Futures

- Equity strategies
- Market neutrals
- Equity long/short
- Fundamental long/short
- Paired equities

3.5 Calculation of Profit, Loss, and Break-even

3.5.1 Ability to calculate profit, loss, and break-even limits, and amounts at expiration of aggregate positions relative to movements in the underlying security - percentage return (loss)

Limits will fluctuate from time of recommendation to time of close-out or expiration

4.0

Trading Practices and Prohibited Activities

- **Understand written supervisory procedures, application, and adherence thereto**
 - **Understand the mechanics and ramifications of the tendering of exercise notices for options; exercise by exception and same day exercise**
 - **Understand the effect of exercise prior to ex-dividend date**
 - **Understand OCC assignment procedure and firm/market maker assignment**
 - **Understand the compliance requirements for delivery, payment, and settlement**
 - **Understand relevant position/exercise limits**
 - **Understand reporting related to position limits**
-

4.1 Supervisory Procedures

Written policies and procedures

Maintain appropriate documentation in accordance with proper procedures

4.1.1 SRO Rules Regarding Supervisory Procedures

BOX Trading Rules

Chapter III, Section 1— Adherence to law

Chapter XI, Section 2 — Registration of options principals

Chapter XI, Section 9 — Opening of accounts

Chapter XI, Section 8 — Branch offices

Chapter XI, Section 10 — Supervision of accounts

CBOE Rules

Rule 4.2 — Adherence to law

Rule 15.8 — Risk analysis of market maker accounts

Rule 15A — Risk analysis of portfolio margin accounts

CHX Rules

Article 6 — Registration, supervision and training

ISE Rules

Rule 401 — Adherence to law

Rule 601 — Registration of options principals

Rule 608 — Opening of accounts

Rule 607 — Branch offices

Rule 609 — Supervision of accounts

NASDAQ OMX PHLX Rules

Rule 748 — Supervision

Rule 761 — Supervisory procedures

Rule 1025 — Supervision of accounts

NASDAQ Stock Market Rules

Rule 3010 — Supervision

Rule 3012 — Supervisory control system

NASDAQ OMX BX Rules

Rule 3010 — Supervision
Rule 3012 — Supervisory control system

NASDAQ Options Market Rules

Chapter XI — Section 8 — Supervision of accounts

NSX Rules

Rule 5.1 — Written procedures
Rule 5.2 — Responsibility of ETP holders
Rule 5.3 — Records
Rule 5.4 — Review of activities and annual inspection
Rule 5.7 — Annual certification of compliance and supervisory processes

NYSE Amex Rules

Rule 921(g) — Written procedures
Rule 922(a) — Duty to supervise, designation of supervisory personnel
Rule 922 — Commentary .01 — Supervision of accounts
Rule 991 — Communications to customers

NYSE Arca Rules

Rule 9.1(c) — Office supervision
Rule 11.18 — Supervision

4.1.2 Options Price Reporting Authority

4.2 Applicable Federal Regulations

4.2.1 Securities Exchange Act of 1934

4.2.1.1 Section 3 — Definitions and Application of Title

Exchange
Member
Broker
Dealer
Issuer
Security
Equity security
Buy-Purchase
Sale-sell
Clearing agency

4.2.1.2 Section 9 – Prohibition Against Manipulation of Security Prices

Section 9(a)(1) — Misleading appearance of active trading

Section 9(a)(2) — Inducing purchase of sale by others

Section 9(a)(3) — Dissemination of information as to rise or fall of securities prices

Section 9(a)(4) — Making false or misleading statements

Section 9(a)(5) — Dissemination of information for consideration

Section 9(a)(6) — Pegging, fixing or stabilizing prices

Section 9(b) — Options disclosure document

Section 9(e) — Liability for unlawful acts or transactions

4.2.1.3 Section 10(b)—Use or Employment of Deceptive Devices

Rule 10b-3 — Employment of manipulative and deceptive devices by brokers or dealers

Rule 10b-5 — Employment of manipulative and deceptive devices

Rule 10b-18 — Purchases of certain equity securities by the issuer and others

4.2.1.4 Regulation 14E — Tender offers

Rule 14e-4 — Prohibited transactions in connection with partial tender offers

4.2.1.5 Regulation FD — Fair disclosure

Requirement that when an issuer discloses material nonpublic information to certain persons (such as, securities market professionals and holders of the issuer's securities who may well trade on the basis of the information), it must make public disclosure of that information

Enhancement of existing prohibitions against insider trading

4.3 Prohibited Activities

4.3.1 Anti-Manipulation Rules

BOX Trading Rules

Chapter II, Section 3 — Rumors

Chapter V, Section 1(b)(vi) — Access to and conduct on the BOX market

CBOE Rules

Rule 4.7 — Manipulation

CHX Rules

Article 9 — Rule 9 — Fictitious transactions

Article 9 — Rule 11 — Price manipulation

Article 9 — Rule 12 — Manipulative operations

ISE Rules

Rule 405 — Manipulation

NASDAQ OMX PHLX Rules

Rule 782 — Manipulative operations

NASDAQ Stock Market

Rule 2120 — Use of manipulative, deceptive or other fraudulent devices

NASDAQ OMX BX Rules

Rule 2120 — Use of manipulative, deceptive or other fraudulent devices

NSX Rules

Rule 12.1 — Market manipulation

Rule 12.2 — Fictitious transactions

Rule 12.3 — Excessive sales by and ETP holder

Rule 12.4 — Manipulative transactions

Rule 12.5 — Dissemination of false information

Rule 12.8 — Influencing the consolidated tape

NYSE Amex Rules

Rule 4 — Manipulation

NYSE Arca Rules

Rule 11.5 — Manipulation

Securities Exchange Act of 1934

Rule 15c1-2 — Fraud and misrepresentation

Rule 15c1-3 — Misrepresentation by brokers, dealers and municipal
Securities dealers as to registration

Regulation M — Anti-manipulation Rules Concerning Securities Offerings

Rule 101 — Activities by distribution participants

Rule 102 — Activities by issuers and selling security holders during a
distribution

Rule 103 — NASDAQ passive market making

Rule 104 — Stabilizing and other activities in connection with an offering

Rule 105 — Short selling in connection with a public offering

4.3.2 Anti-Money Laundering Rules

BOX Trading Rules

Chapter VIII, Section 7 — Anti-money laundering compliance program

CBOE Rules

Rule 4.20 — Anti-money laundering compliance program

CHX Rules

Article 6, Rule 12 — Anti-money laundering compliance program

ISE Rules

Rule 420 — Anti-money laundering compliance program

NASDAQ OMX PHLX Rules

Rule 757 — Anti-money laundering compliance program

NASDAQ Stock Market Rules

Rule 3011 — Anti-money laundering compliance program

NASDAQ OMX BX Rules

Rule 3011 — Anti-money laundering compliance program

NASDAQ Options Market Rules

Chapter IX — Section 7 — Anti-money laundering compliance program

NSX Rules

Rule 5.6 — Anti-money laundering compliance program

NYSE Amex Rules

Rule 432 — Anti-money laundering compliance program

NYSE Arca Rules

Rule 6.17 — Anti-money laundering compliance program

Rule 11.19 — Anti-money laundering compliance program

4.3.3 Insider Trading

BOX Trading Rules

Chapter III, Section 4 — Prevention of the misuse of material, non-public information

CBOE Rules

Rule 4.18 — Prevention of misuse of material, nonpublic information

C2 Rules

Rule 6.55 — Trading on knowledge of imminent undisclosed solicited transaction

CHX Rules

Article 9, Rule 17 — Personal selling and purchasing prohibited

Insider Trading and Securities Fraud Enforcement Act of 1988

Section 3 — Civil penalties of controlling persons for illegal insider trading by controlled persons

ISE Rules

Rule 408 — Prevention of the misuse of material, nonpublic information

NASDAQ OMX PHLX Rules

Rule 761 — Supervisory procedures relating to Insider Trading and Securities Fraud Enforcement Act of 1988

NASDAQ Options Market Rules

Chapter III — Section 4 — Prevention of misuse of material non-public information

NSX Rules

Rule 5.5 — Chinese Wall procedures

NYSE Amex Rules

Rule 4 — Manipulation

NYSE Arca Rules

Rule 6.3 — Prevention of the misuse of material, non-public information

Rule 11.3 — Prevention of misuse of material, non-public information

Securities Exchange Act of 1934

Section 15(f) — Registration and regulation of brokers and dealers —
Written policies and procedures relating to misuse of material, non-public information

Rule 10b-5 — Employment of manipulative and deceptive devices

Rule 10b5-1 — Trading on the basis of material nonpublic information in insider trading cases

Rule 10b5-2 — Duties of trust or confidence in misappropriation insider trading cases

4.3.4 Anti-Competitive Trading Practices

Collusion

Price/size/spread convention

Intimidation

Harassment

CBOE Rules

Rule 4.19 — Prohibition against harrassment

NASDAQ Stock Market Rules

IM-2110-5 — Anti-intimidation/coordination

NASDAQ OMX BX Rules

IM-2110-5 — Anti-intimidation/coordination

NASDAQ OMX PHLX Rules

Rule 707.01 — Just and equitable principles of trade

NYSE Arca Rules

Rule 11.2 — Prohibited acts

NYSE Amex Rules

Rule 16 — Business conduct

4.3.5 Additional Prohibited Activities

Front running

Marking-the-close

Painting-the-tape

Spreading market rumors

Wash sale rules

Information barriers

Breach of information barriers

Lack of information barriers

Trade shredding

Pre-arranged trading

Trading ahead

BOX Trading Rules

Chapter III, Section 3 — Rumors

CBOE Rules

Rule 4.7 — Manipulation

Rule 4.8 — Rumors

Rule 6.73 — Responsibilities of floor brokers

CHX Rules

- Article 8, Rule 2 — Acts detrimental to interest or welfare of exchange
- Article 8, Rule 3 — Fraudulent acts
- Article 9, Rule 2 — Just and equitable trade principles
- Article 9, Rule 9 — Fictitious transactions
- Article 9, Rule 10 — Pre-arranged trades
- Article 9, Rule 11 — Price manipulation
- Article 9, Rule 12 — Manipulative operations

ISE Rules

- Rule 400 — Just and equitable principles of trade
- Rule 405 — Manipulation
- Rule 408 — Prevention of the misuse of material, non-public information
- Rule 810 — Limitations in dealings

NASDAQ OMX PHLX Rules

- Rule 707.02 — Just and equitable principles of trade

NASDAQ Stock Market Rules

- Rule 2110 — Standards of commercial honor and principles of trade
- IM-2110-2 — Trading ahead of customer limit orders (Manning interpretation)
- IM-2110-3 — Front running policy
- Rule 2111 — Trading ahead of customer market orders

- Rule 3351 — Trading practices

NASDAQ OMX BX Rules

- Rule 2110 — Standards of commercial honor and principles of trade
- IM-2110-2 — Trading ahead of customer limit orders (Manning interpretation)
- Rule 2111 — Trading ahead of customer market orders

NASDAQ Options Market Rules

- Chapter III, Section 3 — Rumors

NSX Rules

- Rule 5.5 — Chinese wall procedures
- Rule 12.5 — Consumer priority

NYSE Amex Rules

- Rule 3 — General prohibitions
- Rule 995NY — Prohibited conduct

NYSE Arca Rules

- Rule 11.4 — Rumors
- Rule 11.5 — Manipulation
- Rule 11.6 — Front-running of block transactions

4.3.6 Short Sales and Mandatory Buy-Ins

CBSX Rules

Rule 53.5 — Long, short, and short exempt sales

CHX Rules

Article 9, Rule 23 — Short sales

NASDAQ OMX PHLX Rules

Rule 455 — Short sales

NASDAQ Stock Market Rules

Rule 11810 Series — Buying-in

NASDAQ OMX BX Rules

Rule 4763 — Short sale price test pursuant to Rule 201 of Regulation SHO

Rule 11810 Series — Buying-in

NSX Rules

Rule 11.21 — Short sales

NYSE Amex Rules

Rule 7 — Short sales

NYSE Arca Rules

Rule 7.16 — Short sales

Securities Exchange Act of 1934

Rule 15c3-3(h) — Customer protection — Reserves and custody of securities

4.3.6.1 Regulation SHO — Short Sales

Aggregation unit requirements

Marking requirements

Locate requirements

Close-out requirements

Short sale trading restrictions

Threshold securities

Regulation SHO

Rule 200 — Definition of “short sale” and marking requirements

Rule 201 — Circuit breakers

Rule 203 — Borrowing and delivery requirements

Rule 204 — Close-out requirement

4.4 Trading Practices

4.4.1 Terms and Definitions

- Program trading
- Best execution
- Allocation of trades
- Unlisted Trading Privilege (UTP)
- Priority
 - Price
 - Time
 - Customer
 - Pro rata
- Do-Not-Trade Lists

BOX Trading Rules

- Chapter V, Section 14 — Order entry
- Chapter V, Section 16 — Execution and price/time priority
- Chapter V, Section 17 — Customer orders and order flow providers

CBOE Rules

- Rule 6.24 — Required order information
- Rule 6.45 — Priority of bids and offers — Allocation of trades
- Rule 8.51 — Firm disseminated market quotes
- Rule 8.87 — Participation entitlements of DPMS and e-DPMs

C2 Rules

- Rule 6.12 — Order execution and priority

CBSX Rules

- Rule 52.1 — Matching algorithm/priority

CHX Rules

- Article 22, Rule 5 — Unlisted trading privileges
- Article 17, Rule 3 — Institutional broker responsibilities

ISE Rules

- Rule 713 — Priority of quotes and orders

NSX Rules

- Rule 1.5 — Definitions
- Rule 11.11 — Orders and modifiers
- Rule 11.14 — Priority of orders
- Rule 11.15 — Order executions

NYSE Amex Rules

- Rule 964NY — Display, priority and order allocation

NYSE Arca Rules

- Rule 6.76 — Order ranking and display
- Rule 6.76A — Order execution

4.4.2 Position and Exercise Limits

Hedge exemptions

Delta hedging

BOX Trading Rules

Chapter III, Section 7 — Position limits

Chapter III, Section 9 — Exercise limits

Chapter XIV, Section 5 — Position limits for broad-based index options

Chapter XIV, Section 6 — Position limits for industry index options

Chapter XIV, Section 8 — Exercise limits

Chapter XIV, Section 13 — Exercise of American style index options

CBOE Rules

Rule 4.11 — Position limits

Rule 4.12 — Exercise limits

Rule 24.4 — Position limits for broad-based index options

Rule 24.4A — Position limits for industry index options

Rule 24.5 — Exercise limits

Rule 24.18 — Exercise of American style index options

ISE Rules

Rule 412 — Position limits

Rule 414 — Exercise limits

Rule 2004 — Position limits for broad-based index options

Rule 2005 — Position limits for industry index options

Rule 2007 — Exercise limits

Rule 2012 — Exercise of American style index options

Rule 2208 — Position limits for foreign currency options

Rule 2209 — Exercise limits for foreign currency options

NASDAQ OMX PHLX Rules

Rule 1001 — Position limits

Rule 1001A — Position limits — options on indices

Rule 1002 — Exercise limits

Rule 1002A — Exercise limits (index options)

NASDAQ Options Market Rules

Chapter III — Section 7 — Position limits

Chapter III — Section 8 — Exemptions

Chapter III — Section 9 — Exercise limits

Chapter III — Section 10 — Reports

NYSE Amex Rules

Rule 904 — Position limits

Rule 904C — Position limits — Stock index options

Rule 904D — Position limits — T-Bill options

Rule 904D — Exercise limits — T-Bill options

Rule 905 — Exercise limits

Rule 905C — Exercise limits — Stock index options

Rule 906G — Position limits — Flexible exchange options

Rule 907G — Exercise limits — Flexible exchange options

Rule 980 — Exercise of options contracts

NYSE Arca Rules

Rule 6.8(a) — Options trading, position limits

Rule 6.9 — Options trading, exercise limits

Rule 6.11 — Exercise of options contracts

4.4.3 Cabinet trading

Supervision of specialist/OBO

.01 per lot

Time priority

Not reported to vendors

Off-floor accommodations

BOX Trading Rules

Chapter V, Section 28 — Accommodation liquidations (cabinet trades)

CBOE Rules

Rule 6.54 — Accommodation liquidations

ISE Rules

Rule 718 — Accommodation transactions (cabinet trades)

NASDAQ OMX PHLX Rules

Rule 1059 — Accommodation transactions

NYSE Amex Rules

Rule 968NY— Cabinet trades (accommodation transactions)

NYSE Arca Rules

Rule 6.80 — Accommodation transactions (cabinet trades)

4.5 Regulation NMS — Regulation of the National Market System

Rule 600 — NMS security designation and definitions

Rule 602 — Dissemination of quotations in NMS securities

Rule 604 — Display of customer limit orders

Specialist and OTC market makers

Rule 605 — Disclosure of order execution information

Rule 606 — Disclosure of order routing information

Rule 610 — Access to quotations

Rule 611 — Order protection rule
Rule 612 — Minimum price increments

4.6 Third Party Trades

Step out
Give-up (clearing)
Prime broker

4.7 Exercise/Assignment of Options

4.7.1 Tender of Exercise Notices

Equity options
Effect of exercise prior to ex-dividend date
Time limitations
Same day exercise
Exercise by exception
Index options
Foreign currency options

BOX Trading Rules
Chapter VII, Section 1 — Exercise of options contracts
CBOE Rules
Rule 11.1 — Exercise of option contracts
ISE Rules
Rule 1100 — Exercise of option contracts
NASDAQ OMX PHLX Rules
Rule 1042 — Exercise of equity option contracts
Rule 1042A — Exercise of option contracts — Options on indices
NASDAQ Options Market Rules
Chapter VIII — Section 1 — Exercise of option contracts
NSX Rules
Rule 12.9 — Options
NYSE Amex Rules
Rule 980 — Exercise of options contracts
NYSE Arca Rules
Rule 5.24 — Exercise of options contracts

4.7.2 Assignment of Exercise Notices

Effect of assignment on ex-dividend date of equities
OCC assignment procedure
Firm/market maker/customer assignment
Acceptable procedures for allocating customer assignments
Allocation methods
Delivery and payment /settlement date
Work papers and documentary materials regarding assignment notices

BOX Trading Rules

Chapter VII, Section 2 — Allocation of exercise notices

Chapter VII, Section 3 — Delivery and payment

CBOE Rules

Rule 11.2 — Allocation of exercise notices

Rule 11.3 — Delivery and payment

ISE Rules

Rule 1101 — Allocation of exercise notices

Rule 1102 — Delivery and payment

NASDAQ OMX PHLX Rules

Rule 1043 — Allocation of exercise notices

Rule 1044 — Delivery and payment

NASDAQ Options Market Rules

Chapter VIII — Section 2 — Allocation of exercise notices

Chapter VIII — Section 3 — Delivery and payment

NYSE Amex Rules

Rule 981 — Allocation of exercise notices

Rule 982 — Delivery and payment

NYSE Arca Rules

Rule 6.25 — Allocation of exercise assignment

4.8 Clearance, Transaction Review, and Settlement Procedures**4.8.1 Clearance and Settlement****BOX Trading Rules**

Chapter V, Section 23(a) — Submission for clearance

CBOE Rules

Rule 6.50 — Submission for clearance

Rule 6.51 — Reporting duties

Rule 6.58 — Submission of trade information to the Exchange

C2 Rules

Rule 6.31 — Rules reporting of matched trades to clearing corporation

Rule 6.37 — Reporting of trade information

CHX Rules

Article 21 — Clearance and settlement

ISE Rules

Rule 712(b) — Clearance of transactions

NASDAQ OMX PHLX Rules

Rule 1051 — General comparison and clearance rule

Rule 3218 (PSX) — Clearance and settlement

NASDAQ Stock Market Rules

Rule 4618 — Clearance and settlement

NASDAQ OMX BX Rules

Rule 4618 — Clearance and settlement

NASDAQ Options Market Plus

Chapter VI — Section 15 — Submission for clearance

NYSE Amex Rules

Rule 960 — General comparison and clearance rule

NYSE Arca Rules

Rule 6.14 — General comparison and clearance rule

Rule 6.79 — Submission for clearance

Rule 7.14 — Clearance and settlement

Rule 7.41 — Clearance and settlement

Securities and Exchange Commission Rules

Rule 15c6-1 — Settlement cycle

4.8.2 Leverage and Associated Risk

Risk based haircuts

Portfolio margining

4.8.3 Account Designations

Position transferring

Customer/market maker/firm capital treatment

Joint back office (JBO)

CBOE Rules

Rule 6.49A — Transfer of positions

CHX Rules

Article 7 — Rule 3A — Joint back office participants

NASDAQ OMX PHLX Rules

Rule 703 (a)(vi) — Financial responsibility and reporting

NASDAQ Options Market Rules

Chapter XIII, Section 5 — Joint back office participants

Chapter VII, Section 9 — Financial requirements for market makers

4.9 Transaction Review

Position adjustments

Trade adjustments form

Unmatched adjustment report

Types of errors

Account type errors (firm/customer)

Trade type error (open/close)

Clearly erroneous trades

Obvious error

Daily position reports

Trade blotters

BOX Trading Rules

Chapter V, Section 21 — Transaction price binding

CBOE Rules

Rule 6.25 — Nullification and adjustment of options transactions

Rule 6.52 — Price binding despite erroneous report

Rule 6.60 — Unmatched trade reports

Rule 6.61 — Reconciliation and resolution of unmatched trades

C2 Rules

Rule 6.15 — Obvious error and catastrophic errors

Rule 6.1.6 — Price binding despite erroneous report

CBSX Rules

Rule 52.4 — Clearly erroneous policy

CHX Rules

Article 20 — Rule 9 — Cancellation of transactions

Article 20 — Rule 10 — Handling of clearly erroneous transactions

ISE Rules

Rule 719 — Transaction price binding

NASDAQ OMX PHLX Rules

Rule 128 — Price of execution binding

Rule 1092 — Obvious errors and catastrophic errors

Rule 3312 (PSX) — Clearly erroneous transactions

NASDAQ Stock Market Rules

Rule 11890 — Clearly erroneous transactions

NASDAQ OMX BX Rules

Rule 11890 — Clearly erroneous transactions

NASDAQ Options Market Rules

Chapter V — Section 6 — Obvious error

Chapter VI — Section 13 — Transaction price binding

NSX Rules

Rule 11.19 — Clearly Erroneous Executions

NYSE Amex Rules

Rule 958NY — Price binding despite erroneous report

Rule 970 — Comparison of option transactions excluded from clearance

NYSE Arca Rules

Rule 6.70 — Price binding despite erroneous report

4.10 Order Tickets**BOX Trading Rules**

Chapter III, Section 4 — Automated submission of trade data

CBOE Rules

Rule 6.2.4 — Required order information

CHX Rules

Article 11 — Rule 1 — Furnishing of records

Article 11 — Rule 2 — Maintenance of books and records

Article 11 — Rule 3 — Records of orders and executions

Article 11 — Rule 4 — Participant communications

ISE Rules

Rule 1404 — Automated submission of trade data

NASDAQ OMX PHLX Rules

Rule 3404 — Recording of order information

Rule 3405 — Order data transmission requirements

NASDAQ Stock Market Rules

Rule 6954 — Recording of information

NASDAQ OMX BX Rules

Rule 6954 — Recording of information

NASDAQ Options Market Rules

Chapter IX, Section 4 - Automated submission of trade data

Chapter V, Section 7 – Audit Trail

NSX Rules

Rule 3.8 — The prompt receipt and delivery of securities

Rule 4.2 — Furnishing of records

NYSE Amex Rules

Rule 924(d) — Record of transactions

Rule 957NY — Reporting duties

NYSE Arca Rules

Rule 6.68 — Record of orders

Rule 6.69 — Reporting duties

Securities Exchange Act of 1934

Rule 17a-3 — Records to be made by certain exchange members, brokers,
and dealers

4.11 Settlement Practices

4.11.1 Settlement and Delivery Requirements

Fails-to-deliver

Cash settlement

BOX Trading Rules

Chapter VII, Section 3 — Delivery and payment

CBOE Rules

Rule 11.3 — Delivery and payment

CHX Rules

Article 21 — Clearance and settlement

ISE Rules

Rule 1102 — Delivery and payment

NASDAQ OMX PHLX Rules

Rule 1044 — Delivery and payment

Rule 3218 (PSX) — Clearance and settlement

NASDAQ Stock Market Rules

Rule 4618 — Clearance and settlement

Rule 11300 Series — Delivery of securities

NASDAQ OMX BX Rules

Rule 4618 — Clearance and settlement

NASDAQ Options Market Rules

Chapter VIII — Section 3 — Delivery and payment

NSX Rules

Rule 11.17 — Clearance and settlement

Rule 13.1 — Comparison and settlement requirements

Rule 13.2 — Failure to deliver and failure to receive

NYSE Amex Rules

Rule 765 — Assignment by member organizations

Rule 774 — Signature guarantee

Rule 775 — Legal assignments

Rule 776 — Book-entry settlement of transactions

Rule 831 — Buyer entitled to dividend

Rule 882 — Due-bills on failures to deliver

Rule 982 — Delivery and payment

NYSE Arca Rules

Rule 3.7 — Assignment

Rule 6.26 — Settlement and payment

4.11.2 Clearance Procedures

OCC

DTCC

NSCC

OCC By-Laws

Article V — Clearance of exchange transactions

OCC Rules

Chapter IV — Trade reporting and matching

Chapter V — Daily cash settlement

Chapter IX — Delivery of underlying securities and payment

5.0

Display, Execution and Trading Systems

- Understand priority of orders
 - Understand time priority
 - Understand the correct input and handling of orders
 - Understand settlement procedures
 - Understand off-floor accommodations and the necessary reporting obligations
 - Understand when and why a trading rotation and fast markets will be utilized
-

5.1 Order Entry Parameters

BOX Trading Rules

Chapter V, Section 14 — Order entry

Chapter V, Section 15 — Audit trail

CBOE Rules

Rule 6.53 — Certain types of orders defined

Rule 6.53C — Complex orders on the hybrid system

C2 Rules

Rule 6.10 — Order types defined

ISE Rules

Rule 712(a) — Order identification

NASDAQ OMX PHLX Rules

Rule 1080 — PHLX XL and PHLX XL II

Rule 3305 (PSX) — Order entry parameters

NASDAQ Stock Market Rules

Rule 4755 — Order entry parameters

NASDAQ OMX BX Rules

Rule 4755 — Order entry parameters

NASDAQ Options Market Rules

Chapter VI — Section 7 — Entry and display of orders

NYSE Amex Rules

Rule 955NY — Order format and system entry requirements

NYSE Arca Rules

Rule 6.67 — Order format and system entry requirements

5.1.1 Entry and Display of Quotes and Orders

- Entry of quotes and orders
- Display of quotes and orders
- Non-displayed orders
- Quoting obligations of market makers
- Handling of large orders
 - Reserve size
- Trading in actual shares
 - Round lots
 - Odd lots
 - Mixed lots
- Locked and crossed markets

BOX Trading Rules

- Chapter VI, Section 5 — Obligations of market makers
- Chapter XII — Order protection; locked and crossed markets

CBOE Rules

- Rule 6.13 — CBOE hybrid system automatic execution feature
- Rule 6.41 — Meaning of premium bids and offers
- Rule 6.42 — Minimum increments for bids and offers
- Rule 6.43 — Manner of bidding and offering
- Rule 8.51 — Firm disseminated market quotes
- Rule 8.7 — Obligations of market-makers
- Rule 8.18 — Quote risk monitor mechanism
- Rule 8.85 — DPM obligations
- Rule 6.81 — Order protection
- Rule 6.82 — Locked and crossed markets

C2 Rules

- Rule 6.2 — Unit of trading
- Rule 6.3 — Meaning of premium bids and offers
- Rule 6.4 — Minimum increments for bids and offers
- Rule 6.50 — Contract made on acceptance of bid or offer
- Rule 8.5 — Obligations of market-makers
- Rule 8.6 — Market-maker firm quotes

CBSX Rules

- Rule 52.6 — Processing of round lot orders
- Rule 52.7 — Sweeping – Trading through away markets
- Rule 52.8 — Processing of odd lots
- Rule 52.12 — Locking or crossing quotations in NMS stocks
- Rule 52.13 — Firm quotations

CHX Rules

- Article 20 — Rule 4 — Eligible orders
- Article 20 — Rule 5 — Prevention of trade throughs

Article 20 — Rule 6 — Locked and crossed markets

ISE Rules

- Rule 711—Acceptance of quotes and orders
- Rule 713 — Priority of quotes and orders
- Rule 717 — Limitations on orders
- Rule 803 — Obligations of market makers
- Rule 904 — Market maker quotes and orders
- Rule 1901 — Order protection
- Rule 1902 — Locked and crossed markets

NASDAQ OMX PHLX Rules

- Rule 1014 — Obligations and restrictions applicable to registered options traders and specialists
- Rule 1082 — Firm quotations
- Rule 1083 — Order protection; locked and crossed markets
- Rule 3213 (PSX) — Orders and locked and crossed markets
- Rule 3306 (PSX) — Entry and display of orders

NASDAQ Stock Market Rules

- Rule 4613 — Market maker obligations
- Rule 4756 — Entry and display of quotes and orders

NASDAQ OMX BX Rules

- Rule 4756 — Entry and display of quotes and orders

NASDAQ Options Market Rules

- Chapter VI, Section 7 — Entry and display of orders
- Chapter VII — Section 5 — Obligations of market makers
- Chapter XII — Options order protection and locked and crossed markets

NYSE Amex Rules

- Rule 935NY— Order exposure requirements
- Rule 964NY — Display, priority and order allocation

NYSE Arca Rules

- Rule 6.76 — Order taking and display
- Rule 6.95 — Locked and crossed markets
- Rule 7.36 — Order ranking and display

5.1.2 Trading Rotation

Opening

Closing

Business day prior to expiration

Intra-day

Re-open after halt

BOX Trading Rules

Chapter V, Section 9 — Opening the market

Chapter XIV, Section 9 — Trading sessions

CBOE Rules

Rule 6.2 — Trading rotations

Rule 6.2B — Hybrid Opening System (“HOSS”)

C2 Rules

Rule 6.11 — Openings (and sometimes closings)

CBSX Rules

Rule 52.2 — Opening procedures

ISE Rules

Rule 701 — Trading rotations

NASDAQ OMX PHLX Rules

Rule 1017 — Openings in options

Rule 1047 — Trading rotations, halts and suspensions

Rule 3302 (PSX) — Opening process

NASDAQ Stock Market Rules

Rule 4752 — Opening Process

Rule 4753 — NASDAQ halt and imbalance crosses

Rule 4754 — NASDAQ closing cross

NASDAQ OMX BX Rules

Rule 4752 — Opening Process

NASDAQ Options Market Rules

Chapter VI — Section 8 — NASDAQ opening cross

NSX Rules

Rule 12.10 — Best execution

Rule 12.11 — Trading suspensions

NYSE Amex Rules

Rule 952NY — Trading auctions

NYSE Arca Rules

Rule 6.64 — Trading auctions

5.1.3 Fast Markets and Trading Halts

BOX Trading Rules

Chapter V, Section 10 — Trading halts

Chapter V, Section 11 — Resumption of trading after a halt

Chapter V, Section 12 — Trading halts due to extraordinary market volatility

CBOE Rules

Rule 6.3 — Trading halts

Rule 6.3B — Market-wide trading halts due to extraordinary market volatility

Rule 6.6 — Unusual market conditions

C2 Rules

Rule 6.32 — Trading halts

Rule 6.33 — Authority to take action under emergency conditions

CBSX Rules

Rule 52.3 — Unusual market conditions

CHX Rules

Article 20 — Rule 2 — Trading halts due to extraordinary market volatility

ISE Rules

Rule 702 — Trading halts

Rule 703 — Trading halts due to extraordinary market volatility

NASDAQ OMX PHLX Rules

Rule 133 — Trading halts due to extraordinary market volatility

Rule 136 — Trading halts in certain exchange traded funds

Rule 1047 — Trading rotations, halts and suspensions

Rule 1047A (index options) — Trading rotations, halts or re-openings

Rule 1080 — PHLX XL and PHLX II

Rule 3100 (PSX) — Trading halts on PSX

NASDAQ Stock Market Rules

Rule 4120 — Trading halts

Rule 4121 — Market closings

NASDAQ OMX BX Rules

Rule 4120 — Trading halts

Rule 4121 — Market closings

NASDAQ Options Market Rules

Chapter V — Section 3 — Trading halts

Chapter V — Section 4 — Resumption of trading after a halt

Chapter V — Section 5 — Unusual market conditions

NSX Rules

Rule 11.20 — Trading halts and pauses

NYSE Amex Rules

Rule 953NY — Trading halts and suspensions

NYSE Arca Rules

Rule 6.65 — Trading halts and suspensions

5.1.4 Book Processing

Quote decrementation

Order execution algorithm

Price/time

CBOE Rules

Rule 6.45 — Priority of bids and offers — Allocation of trades

Rule 6.81 — Order protection

Rule 7.4 — Obligations for orders

Rule 7.7 — Displaying bids and offers in the book

ISE Rules

Rule 713 — Priority of bids and offers

NASDAQ OMX PHLX Rules

Rule 1014 — Restrictions and obligations applicable to specialists and registered options traders

Rule 1019 — Precedence accorded to orders entrusted to specialists

Rule 1080 — PHLX XL and PHLX XL II

Rule 1082 — Firm quotations

NASDAQ Stock Market Rules

Rule 4757 — Book processing

NASDAQ Options Market

Chapter VI, Sec. 10 — Book processing

NASDAQ OMX BX Rules

Rule 4757 — Book processing

NYSE Amex Rules

Rule 964NY — Display, priority and order allocation

NYSE Arca Rules

Rule 6.75 — Priority and order allocation procedures

Rule 6.76 — Order ranking and display

5.1.5 Market Hours

Normal Business Hours

Pre-market hours

Extended hours

BOX Trading Rules

Chapter V, Section 3 — Days and hours of business

Chapter XIV, Section 9 — Trading sessions

CBOE Rules

Rule 6.1 — Days and hours of business

C2 Rules

Rule 6.1 — Days and hours of business

CBSX Rules

Rule 51.2 — Days and hours of business

CHX Rules

Article 20, Rule 1 — Trading sessions

ISE Rules

Rule 700 — Days and hours of business

NASDAQ OMX PHLX Rules

Rule 101 — Hours

Rule 3217 (PSX) — Normal business hours

NASDAQ Stock Market Rules

Rule 4617 — Normal business hours

NASDAQ OMX BX Rules

Rule 4617 — Normal business hours

NASDAQ Options Market Rules

Chapter XIV — Section 10 — Trading sessions

NSX Rules

Rule 11.1 — Hours of trading

NYSE Amex Rules

Rule 901NY — Trading sessions

NYSE Arca Rules

Rule 5.20 — Trading sessions

Rule 5.79 — Trading sessions

Rule 7.1 — Trading sessions

Rule 7.1 — Hours of business

Rule 7.34 — Trading sessions

5.1.6 Order Routing

BOX Trading Rules

Chapter XII, Section 5 — Order routing to away exchanges

CBOE Rules

Rule 6.53 — Certain types of orders defined

Rule 6.53C — Complex orders on the hybrid system

C2 Rules

Rule 6.10 — Order types defined

CBSX Rules

Rule 52.10 — Order routing to other trading centers

CHX Rules

Article 1, Rule 2 — Order types and conditions

ISE Rules

Rule 803(c)(2) — Obligations of primary market makers

NASDAQ OMX PHLX Rules

Rule 1080(m)

NASDAQ Stock Market Rules

Rule 4758 — Order routing

NASDAQ Options Market Rules

Chapter VI — Section 11 — Order routing

NYSE Amex Rules

Rule 900.3NY — Orders defined

NYSE Arca Rules

Rule 6.62 — Certain types of orders defined

Rule 6.76A — Order execution

5.1.7 Anonymity

CBOE Rules

Rule 7.8 — Disclosure of orders

NASDAQ OMX PHLX Rules

Rule 3310 (PSX) — Anonymity

NASDAQ Stock Market Rules

Rule 4760 — Anonymity

NASDAQ OMX BX Rules

Rule 4760 — Anonymity

NASDAQ Options Market

Chapter VI, Section 12 — Anonymity

5.1.8 Adjustment of Open Quotes and/or Orders

CBOE Rules

Rule 6.25 — Nullification and adjustment of options transactions

C2 Rules

Rule 6.15 — Obvious error and catastrophic errors

Rule 6.16 — Price binding despite erroneous report

NASDAQ OMX PHLX Rules

Rule 1038 — Open orders on “ex” date

Rule 1092 — Obvious and catastrophic errors

NASDAQ Stock Market Rules

Rule 4761 — Adjustment of open quotes and/or orders

NASDAQ OMX BX Rules

Rule 3220 — Adjustment of open orders

NASDAQ Options Market Rules

Chapter IV, Section 7 — Adjustments

Chapter V, Section 6 — Obvious errors

NYSE Amex Rules

Rule 132 — Price adjustment of open orders of “ex” date

NYSE Arca Rules

Rule 6.12 — Open orders on “ex” date

5.2 Alternative Trading Systems

CBOE Rules

Rule 8.15 — Lead market-makers and supplemental market-makers in hybrid 3.0 classes

Rule 6.16 — Back-up trading arrangements

Rule 6.17 — Authority to take action under emergency conditions

Rule 6.18 — Disaster recovery facility

5.2.1 SEC Regulation ATS

Rule 300 — Definitions

Rule 301 — Requirements for alternative trading systems

Rule 302 — Recordkeeping requirements for alternative trading systems

Rule 303 — Record preservation requirements for alternative trading systems

5.3 Trade Reporting Facilities

5.3.1 Function of the Trade Reporting Facility

5.3.2 Trade Reporting Participation Requirements

Mandatory participation for clearing agency members

Participant obligations

Access

System participant obligations

Clearing broker obligations

5.3.3 When and How Transactions are Reported

Hours for trade reporting

Capacity

5.3.4 Which Party Reports a Transaction

Executing party standards

5.3.5 Information to be Reported**5.3.6 Procedures for Reporting Price and Volume**

BOX Trading Rules

Chapter V, Section 3 — Days and hours of business

CBOE Rules

Rule 6.1— Days and hours of business

Rule 6.52 — Reporting duties

Rule 6.58 — Submission of trade Information to the exchange

C2 Rules

Rule 6.1 — Days and hours of business

Rule 6.37 — Reporting of trade information

CHX Rules

Article 11, Rule 3 — Records of orders and executions

Article 11, Rule 4 — Participant communications

NSX Rules

Rule 11.16 — Trade execution and reporting

5.3.7 Trade Report Processing

Trade-by-trade match

Trade acceptance

Aggregate volume match

T+N trade processing

CBOE Rules

Rule 6.50 — Submission for clearance

Rule 6.60 — Unmatched trade reports

Rule 6.61 — Reconciliation and resolution of unmatched trades

Rule 6.63 — Reporting of matched trades to clearing corporation

C2 Rules

Rule 6.37 — Reporting of trade information

5.3.8 Order Audit Trail System (OATS)

NASDAQ OMX PHLX Rules

Rule 3400 (PSX) — Order Audit Trail System

NASDAQ Stock Market Rules

Rule 6950 — Order Audit Trail System

NASDAQ OMX BX Rules

Rule 6950 — Order Audit Trail System

5.3.9 Consolidated Options Audit Trail (COATS)

5.3.10 Best Execution and Inter-positioning

CBOE Rules

Rule 6.45 — Priority of bids and offers — Allocation of trades

Rule 6.81 — Order protection

Rule 6.82 — Locked and crossed markets

Rule 8.51 — Firm disseminated market quotes

C2 Rules

Rule 6.12 — Order execution and priority

Rule 6.50 — Order exposure requirement

Section E – Inter-market linkage

NASDAQ OMX PHLX Rules

Rule 764 — Best execution and inter-positioning

NASDAQ Stock Market Rules

Rule 2320 — Best execution and inter-positioning

NASDAQ OMX BX Rules

Rule 2320 — Best execution and inter-positioning

NSX Rules

Rule 12.6 — Customer policy

Rule 12.10 — Best execution

NYSE Amex Rules

Rule 995NY — Prohibited conduct

NYSE Arca Rules

Rule 6.47— Crossing orders

Rule 6.2 — Prohibited acts

5.3.11 Prohibition on Payments for Market Making

Payment for order flow

Liquidity rebates

Rebates for market making

5.3.12 Order Entry and Execution Practices

CBOE Rules

Rule 6.24 — Required order information

Rule 6.25 — Nullification and adjustment of options transactions

Rule 6.45 — Priority of bids and offers – Allocation of trades

Rule 6.45A — Priority and allocation of equity option trades on the CBOE hybrid system

Rule 6.45B — Priority and allocation of trades in index options and options on ETFs on the CBOE hybrid system

Rule 6.74 — Crossing orders

Rule 6.74A — Automated Improvement Mechanism (AIM)

Rule 6.74B — Solicitation auction mechanism

Rule 6.9 — Solicited transactions

Rule 8.87 — Participation entitlements of DPMs and e-DPM

C2 Rules

- Rule 6.12 — Order execution and priority
- Rule 6.13 — Complex order execution
- Rule 6.14 — SAL
- Rule 6.15 — Obvious error and catastrophic error
- Rule 6.50 — Order exposure requirement
- Rule 6.51 — Automated Improvement Mechanism (AIM)
- Rule 6.52 — Solicitation auction mechanism

ISE Rules

- Rule 711 — Acceptance of quotes and orders
- Rule 713 — Priority of quotes and orders
- Rule 717 — Limitations on orders

NASDAQ OMX PHLX Rules

- Rule 1080 — PHLX XL and PHLX XL II
- Rule 3305 (PSX) — Order entry parameters

NASDAQ Stock Market Rules

- Rule 3380 — Order entry and execution practices

NASDAQ OMX BX Rules

- Rule 3380 — Order entry and execution practices

NASDAQ Options Market Rules

- Chapter VI, Section 6 — Acceptance of quotes and orders
- Chapter VI, Section 10 — Book processing

NSX Rules

- Rule 11.11 — Orders and modifiers
- Rule 11.13 — Proprietary and agency orders; modes of order interaction
- Rule 11.14 — Priority of orders
- Rule 11.15 — Order execution

NYSE Amex Rules

- Rule 955NY — Order format and system entry requirements

NYSE Arca Equities Rules

- Rule 7.32 — Order entry

NYSE Arca Options Rules

- Rule 6.67 — Order format and system entry requirements

Exhibit 5

Additions: Underlined

Deletions: [Bracketed]

Rule 2.3. Member Eligibility & Registration

(a) No change

(b) Registration Requirements

Except as provided in paragraph ([f]d), below, all Authorized Traders shall be registered with the Exchange. Before their registration can become effective, they shall pass the applicable qualification examination as determined by the Exchange. A Member shall not maintain a registration with the Exchange for any person: (1) who is not an Authorized Trader, 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 Authorized Trader where there is no intent to employ such person in the Member's equities securities business.

Any Authorized Trader whose registration has been revoked or whose most recent registration has been terminated for a period of two (2) 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 as determined by the Exchange.

(c) [All Principals Must Be Registered] Registration of Principals

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 General Securities Principal Examination ("Series 24") [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)] (1) Application for Principal Status

[(1)](A) An Authorized Trader whose duties are changed so as to require registration as a Principal shall be allowed a period of 90 calendar days following such change to pass the appropriate qualification examination for Principals as determined by the Exchange. Upon elevation, the Member shall submit to the Exchange an amended Uniform Application for Securities Industry Registration or Transfer ("Form U-4") and the applicable fees. In no event

may a person function as a Principal beyond the initial 90 calendar day period following the change in his or her duties without having successfully passed the appropriate qualification examination.

[(2)](B) Any person not presently associated with a Member as an Authorized Trader seeking registration as a Principal shall submit the appropriate application for registration and any required registration and examination fees. Such person shall be allowed a period of 90 days after all applicable prerequisites are fulfilled to pass the appropriate qualification examination for Principals as determined by the Exchange. In no event may a person previously unregistered in any capacity applying for principal status function as a Principal until fully qualified.

[(e)] (2) Requirement of [One] Two Registered Principals for Members

[All] Each Member[s], except a sole proprietorship or a proprietary trading firm, as defined in Interpretation .06 of Rule 2.5, with 25 or fewer Authorized Traders (“Limited Size Proprietary Firm”), shall have at least [one] two officers or partners who [is] are registered as [a] Principals with respect to the Member's equities securities business and, at a minimum, one such Principal shall be the Member's C[c]hief C[c]ompliance O[o]fficer. This requirement applies to persons seeking admission as Members and existing Members.

Sole proprietorships and Limited Size Proprietary Firms shall register at least one Principal with the Exchange. In addition, the Exchange may waive the two Principal requirement in situations that indicate conclusively that only one Principal associated with the Member should be required.

(3) Chief Compliance Officer

Each Member shall designate a Chief Compliance Officer on Schedule A of Form BD. An individual designated as a Chief Compliance Officer is required to register with the Exchange and pass the Series 24 exam.

(4) Financial/Operations Principal

Each Member subject to Exchange Act Rule 15c3-1 shall designate a Financial/Operations Principal. The duties of the Financial/Operations Principal shall include taking appropriate actions to assure that the Member complies with applicable financial and operations requirements under the Exchange Rules and the Exchange Act, including but not limited to, those requirements relating to the submission of financial reports and the maintenance of books and records. Each Financial/Operations Principal is required to have successfully completed the Financial and Operations Principal Examination (“Series 27”). Each Financial/Operations Principal designated by the Member shall be registered in that capacity with the Exchange. A Financial/Operations Principal of a Member may be a full-time employee or independent contractor.

[(f)](d) Persons Exempt from Registration.

(1) – (3) 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 an 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; or the Exchange requires the Proprietary Traders Qualification Examination (“Series 56”) as a limited representative registration for proprietary traders as defined in .06, below. 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

.05 No change

.06 The Exchanges permits the Series 56 examination for proprietary traders that engage solely in proprietary trading on the Exchange, subject to the following conditions:

(1) For the purposes of this Rule, a Member shall be considered a proprietary trading firm if the Member has the following characteristics:

- (A) The Member is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act;
- (B) All funds used or proposed to be used by the Member are the Member’s own capital, traded through the Member’s own accounts;
- (C) The Member does not, and will not, have “customers,” where customer shall not include a broker or dealer; and
- (D) All Principals and Authorized Traders registered on behalf of the Member acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Member.

(2) For the purposes of this Rule, an Authorized Trader of a Member shall be considered a proprietary trader if:

- (A) His/her activities in the investment banking or securities business are limited solely to proprietary trading;
- (B) He/she passes the Series 56; and
- (C) He/she is an associated person of a proprietary trading firm as defined in Interpretation .06(1) to Rule 2.5.

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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), the Series 56, or an 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.

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