

Required fields are shown with yellow backgrounds and asterisks.

Filing by EDGX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>
Section 806(e)(2) <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

EDGX Exchange, Inc. proposes to amend Rule 2.5 to outline the continuing education requirements for Series 56 licensees and its Fee Schedule to include fees for the Series 56 examination and its related continuing education requirements.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Jeffrey	Last Name * Rosenstock
Title * General Counsel	
E-mail * jrosenstock@directedge.com	
Telephone * (201) 942-8295	Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 08/06/2013	General Counsel
By Jeffrey S. Rosenstock	
(Name *)	



NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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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 \***

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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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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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, security-based swap submission, or advance notice 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 Change

(a) EDGX Exchange, Inc. (“EDGX” or the “Exchange”) proposes to amend: (1) Exchange Rule 2.5 to: (i) outline the continuing education requirements for Authorized Traders<sup>1</sup> of Members<sup>2</sup> registered solely as Proprietary Traders<sup>3</sup> by having successfully completed the Proprietary Trader Qualification Examination (“Series 56”); and (ii) make a clarifying change to the Interpretation and Policy .06; and (2) the fees and rebates applicable to Members of the Exchange pursuant to EDGX Rule 15.1(a) and (c) (“Fee Schedule”) to include fees for the Series 56 examination and its related continuing education requirements. The text of the proposed changes to Exchange Rule 2.5 is attached as Exhibit 5A. The proposed change to the Fee Schedule is attached as Exhibit 5B. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Securities Exchange Act of 1934 (the “Exchange Act” or “Act”).<sup>4</sup>

(b) The Exchange does not believe that the proposed rule change will have any direct or 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 Exchange submits the proposed rule change pursuant to authority delegated by the Board of Directors of the Exchange on April 27, 2010. Exchange staff will advise the Exchange’s Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change and, therefore, the Exchange’s internal procedures with respect to the proposed change are complete.

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<sup>1</sup> “Authorized Trader” is defined as “a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange’s trading facilities on behalf of his or her Member or Sponsored Participant.” See Exchange Rule 1.5(c).

<sup>2</sup> “Member” is defined as “any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange. A Member will have the status of a “Member” of the Exchange as that term is defined in Section 3(a)(3) of the Act.” See Exchange Rule 1.5(n).

<sup>3</sup> “Proprietary Trader” is defined under Interpretation and Policy .06(2) to Exchange Rule 2.5.

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

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

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 Change

(a) Purpose

The Exchange proposes to amend: (1) Rule 2.5 to: (i) outline the continuing education requirements for Authorized Traders of Members registered solely as Proprietary Traders by having successfully completed the Series 56 examination; and (ii) make a clarifying change to the Interpretation and Policy .06; and (2) its Fee Schedule to include fees for the Series 56 examination and its related continuing education requirements.

On February 1, 2012, the Exchange amended its rules to recognize a new category of limited representative registration for Proprietary Traders<sup>5</sup> by expanding its registration requirements to include the Series 56 examination as one of the applicable qualification examinations accepted by the Exchange.<sup>6</sup> The Series 56 examination program is administered by the Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange.

The Exchange permits the Series 56 examination for Proprietary Traders that engage solely in proprietary trading on the Exchange so long as certain conditions are met. First, the Member must be a proprietary trading firm.<sup>7</sup> Second, the Authorized

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<sup>5</sup> Interpretation and Policy .06(2) of Exchange Rule 2.5 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 Interpretation and Policy .06(1) of Exchange Rule 2.5.

<sup>6</sup> See Securities Exchange Act Release No. 66383 (February 10, 2012), 77 FR 9714 (February 17, 2012) (SR-EDGX-2012-04) (Notice of Filing and Immediate Effectiveness).

<sup>7</sup> If amended as proposed, Interpretation and Policy .06(1) of Exchange Rule 2.5 would define a proprietary trading firm as a firm that embodies the following characteristics: the Member is not required by Section 15(b)(8) of the Act to become a FINRA member; 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

Trader of a Member must be considered a Proprietary Trader. Interpretation and Policy .03 of Exchange Rule 2.5 identifies the Series 56 as an appropriate qualification examination for Proprietary Traders' limited representative registration.<sup>8</sup>

#### Series 56 Continuing Education Requirements

The Exchange now proposes to amend Interpretation and Policy .04 to Rule 2.5 to outline the continuing education requirements for Authorized Traders of Members registered solely as Proprietary Traders by having successfully completed the Series 56 examination. Like the Series 56 exam, FINRA is to administer the continuing education program on behalf of the Exchange. Proprietary Traders who hold the Series 56 registration pursuant to Interpretation and Policy .04 to Rule 2.5 would be required to complete the related continuing education administered by FINRA on behalf of the Exchange known as the S501. Authorized Traders of Members who hold the Series 7 registration would continue to complete the Regulatory Element for Continuing Education Requirement ("Regulatory Element") known as the S101.

The Exchange also proposes to amend Interpretation and Policy .04 to Rule 2.5 to apply the same criteria to the S501 as it currently requires for the S101 as part of the Regulatory Element. First, like the Regulatory Element, the S501 must be completed within 120 days after the respective registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates. Second, Series 56 registrants who have not completed the S501 within the prescribed time frames will have their registrations deemed inactive until such time as such requirements have been satisfied. Any person whose registration has been deemed inactive shall cease all activities as a Proprietary Trader and will be prohibited from performing any duties and functioning in any capacity requiring registration. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is terminated may reactivate the registration only by reapplying for registration under the Exchange rules.

Similar to the requirements for the Regulatory Element,<sup>9</sup> a Proprietary Trader - Series 56 license holder will be required to re-satisfy the S501 where that person: (1) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Act; (2) is

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accounts; the Member does not, and will not have "customers"; and 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.

<sup>8</sup> For Authorized Traders of Members who do not engage solely in proprietary trading, the Exchange requires the General Securities Representative Examination ("Series 7") or equivalent foreign examination module approved by the Exchange as defined in Interpretation and Policy .05 of Exchange Rule 2.5. See Interpretation and Policy .03 of Exchange Rule 2.5.

<sup>9</sup> See Interpretation and Policy .04 of Exchange Rule 2.5.

subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or (3) is ordered as a sanction in a disciplinary action to retake the S501 by any securities governmental agency or self-regulatory organization.

Like the Regulatory Element, the retaking of the S501 must commence within 120 days of the Proprietary Trader - Series 56 license holder becoming subject to the statutory disqualification, in the case of (1) above, or the disciplinary action becoming final, in the case of (2) and (3) above. The date of the disciplinary action shall be treated as such person's new base date with the Exchange.

Any Proprietary Trader - Series 56 license holder who has terminated association with a Member and who has, within two years of the date of termination, become reassociated in a registered capacity with a Member shall satisfy the S501 at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity.

The Exchange proposes to include the Series 56 continuing education requirement in its rules to ensure Authorized Traders of Members maintain specified levels of competence and knowledge generally applicable to proprietary trading, thereby enhancing the quality of Authorized Traders on the Exchange. Thus, the codification of these requirements in the proposed amendments to Rule 2.5 makes clear to Members their requirements related to the Series 56 exam, including applicable continuing education requirements.

The Exchange proposes to implement the Series 56 continuing education program upon availability in WebCRD<sup>®</sup>, the central licensing and registration system operated by FINRA ("WebCRD").

#### Clarification to Interpretation and Policy .06 to Rule 2.5

The Exchange proposes to delete unnecessary language from Interpretation and Policy .06 to Rule 2.5. Currently, Interpretation and Policy .06(1) of Rule 2.5 defines a proprietary trading firm. As part of the definition, the Member must not be required by Section 15(b)(8) of the Act<sup>10</sup> to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Act.<sup>11</sup> The Exchange proposes to delete the requirement that the Member must also be a member of

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<sup>10</sup> 15 U.S.C. 78o(b)(8).

<sup>11</sup> 15 U.S.C. 78f(g).

another registered securities exchange. The proprietary trading firm need only be a current Exchange Member and not required to be a FINRA Member by Section 15(b)(8) of the Act.<sup>12</sup> Therefore, the Exchange proposes to delete this requirement from its rules.

#### Series 56 Exam and Continuing Education Fees

The Exchange proposes to add to its Fee Schedule a \$195 fee per person, per Series 56 examination and a \$60 per person, per session fee for the related continuing education. The Exchange's Fee Schedule does not currently set forth the fees applicable for the Series 7 and Regulatory Element as these programs are within FINRA's jurisdiction and collected by FINRA from its members. On the contrary, the Series 56 and its continuing education requirements apply to Members that are not required by Section 15(b)(8) of the Act<sup>13</sup> to become a FINRA member. Therefore, the Exchange proposes to include these fees in its Fee Schedule to make clear to Members the costs of the Series 56 exam and its related continuing education. However, Members would continue to submit the exam fee to FINRA, as well as the fee for continuing education.<sup>14</sup> The Exchange will not invoice or collect these fees.

The fees are designed to reflect the costs incurred in maintaining and developing the examination and continuing education program to ensure their content is and continues to be adequate in testing the competence and knowledge generally applicable to proprietary trading.

#### (b) Statutory Basis

##### Series 56 Continuing Education Requirements

The Exchange believes that its proposal to require continuing education for Authorized Traders of Members that hold the Proprietary Trader - Series 56 license is consistent with Section 6(b) of the Act,<sup>15</sup> in general, and furthers the objectives of Section 6(c)(3)(B) of the Act.<sup>16</sup> 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 continuing education program for Proprietary Traders that more closely reflects the practical knowledge that is

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<sup>12</sup> 15 U.S.C. 78o(b)(8).

<sup>13</sup> 15 U.S.C. 78o(b)(8).

<sup>14</sup> The Exchange notes that FINRA has historically collected the \$195 Series 56 examination fee on behalf of the Exchange to cover its cost of administering the Series 56 exam program.

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

<sup>16</sup> 15 U.S.C. 78f(c)(3)(B).

a pre-requisite for proprietary trading. Pursuant to this statutory obligation, the Exchange proposes to require Authorized Traders of Members that hold the Series 56 license to complete the related continuing education. The Exchange believes the Series 56 continuing education requirement would enable Authorized Traders of Members to maintain specified levels of competence and knowledge generally applicable to proprietary trading. Thus, the codification of these requirements in the proposed amendments to Rule 2.5 makes clear to Members their requirements related to the Series 56 exam, including applicable continuing education requirements, by codifying such requirements in the Exchange's rules.

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<sup>17</sup> 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.<sup>18</sup> The proposed rule change helps ensure that all persons conducting a securities business through the Exchange are appropriately registered and maintain specified levels of competence, as the Commission expects of all self-regulatory organizations.

#### Clarification to Interpretation and Policy .06 to Rule 2.5

The Exchange believes that the proposal to delete unnecessary language from Interpretation and Policy .06 to Rule 2.5 is consistent with Section 6(b) of the Act<sup>19</sup> and furthers the objectives of Section 6(b)(5) of the Act,<sup>20</sup> in that it is designed to 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 eliminating unnecessary confusion with respect to the Exchange's rules. The Exchange proposes to delete the requirement that the Member must also be a member of another registered securities exchange because it is superfluous.

#### Series 56 Exam and Continuing Education Fees

The Exchange also believes that the proposed examination and continuing education fees are consistent with the objectives of Section 6 of the Act,<sup>21</sup> in general, and

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<sup>17</sup> 15 U.S.C. 78k-1(a)(1)(C)(ii).

<sup>18</sup> See infra note 23.

<sup>19</sup> 15 U.S.C. 78f(b).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> 15 U.S.C. 78f.

further the objectives of Section 6(b)(4),<sup>22</sup> in particular, in that they are designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members. The Series 56 examination and continuing education fees are reasonably designed to allow FINRA to cover its cost of administering the Series 56 exam program on behalf of the Exchange. The fee for the Series 56 exam is greater than the fee for continuing education because the exam fee is also designed to cover the costs associated with developing not just the Series 56 exam, but also the related S501 continuing education program. The S501 continuing education fee is set to only cover the costs of administering the continuing education sessions. The Exchange notes that it will not invoice or collect funds from Members that are subject to these fees because these fees will be paid directly to FINRA. FINRA incurs costs in maintaining and developing the examination and continuing education program to ensure their content is and continues to be adequate in testing the competence and knowledge generally applicable to proprietary trading. Therefore, the Exchange believes it is reasonable and equitable to include these fees in its Fee Schedule to make clear to Members the costs of the Series 56 exam and its related continuing education requirement. The Exchange also believes these fees are reasonable because it understands that other exchanges will be assessing identical fees to be collected by FINRA for the Series 56 exam and continuing education program.<sup>23</sup> In addition, the Exchange believes these fees are not unfairly discriminatory in that they apply to all Members uniformly.

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

##### Series 56 Continuing Education Requirements

The Exchange does not believe that its proposal to require continuing education for Authorized Traders of Members that hold the Series 56 license will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended, because Proprietary Traders must hold a Series 56 license and complete the required continuing education regardless of the exchange with which they are registered. The proposed rule change will not impose any burden on intramarket competition as all Authorized Traders of Members that are Proprietary

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<sup>22</sup> 15 U.S.C. 78f(b)(4).

<sup>23</sup> The Exchange participates in the "Proprietary Traders Examination Committee" for the Series 56 exam and continuing education requirements with the other exchanges. Through this Committee, the Exchange believes that other exchanges will be submitting proposed rule changes with the Commission to adopt the same fees for the Series 56 exam and continuing education. The exchanges that participate on the Committee include: Chicago Board Options Exchange, Incorporated; C2 Options Exchange, Incorporated; Chicago Stock Exchange, Inc.; New York Stock Exchange LLC; NYSE Arca, Inc.; NYSE MKT, LLC; The NASDAQ Stock Market LLC; National Stock Exchange, Inc.; Nasdaq OMX BX, Inc.; Nasdaq OMX PHLX, LLC; BATS Y-Exchange, Inc.; BATS Exchange, Inc.; EDGA Exchange, Inc.; and the International Securities Exchange, LLC.

Traders are required to pass the Series 56 exam and complete the related continuing education as outlined in Exchange Rule 2.5.

#### Clarification to Interpretation and Policy .06 to Rule 2.5

The proposal to delete unnecessary language from Interpretation and Policy .06(1) to Rule 2.5 does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. This language is superfluous as the Exchange does not, in practice, require a proprietary trading firm to also be a member of another exchange.

#### Series 56 Exam and Continuing Education Fees

The Exchange also does not believe that the proposed examination and continuing education fees will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the fees would apply uniformly to all Members. In addition, the Exchange believes that its proposal would neither increase nor decrease intermarket competition because other exchanges will be assessing identical fees to be collected by FINRA for the Series 56 exam and continuing education program.

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

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

#### 6. Extension of Time Period for Commission Action

Not applicable.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)<sup>24</sup> of the Act and Rule 19b-4(f)(6)<sup>25</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public

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<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f)(6).

interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five (5) business days prior to the date of filing.<sup>26</sup>

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4<sup>27</sup> because requiring that Proprietary Traders holding the Series 56 license complete S501 continuing education and pay the applicable fees for the exam and continuing education will only benefit investors by ensuring that Proprietary Traders maintain a specified level of competence and knowledge applicable to proprietary trading. The Exchange notes that it already requires Authorized Traders to complete continuing education. This proposed rule change simply specifies the fees and continuing education requirements Authorized Traders and Proprietary Traders are subject to. In addition, the Exchange understands that other exchanges will be proposing the same fees and continuing education requirements for those engaged solely in proprietary trading.<sup>28</sup> Lastly, the proposal to delete unnecessary language from Interpretation and Policy .06(1) to Rule 2.5 is non-controversial because it simply seeks to remove superfluous and unnecessary language from the Exchange's rules. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>29</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>30</sup>

The Exchange further requests that the Commission waive the 30-day operative delay to allow for an operative date effective upon filing. Waiver of the operative delay would allow the Exchange to implement the proposed rule change without delay once the Series 56 exam fee, S501 continuing education program and related fee are available in WebCRD. In addition, waiver of the 30-day operative delay would enable the Exchange to remove unnecessary provision from its rules and notify its Members as soon as practicable of the upcoming fees and continuing education requirement so that they may prepare and timely register for sessions with FINRA via WebCRD.

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<sup>26</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>27</sup> 17 CFR 240.19b-4(f)(6).

<sup>28</sup> See supra note 23.

<sup>29</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>30</sup> 17 CFR 240.19b-4(f)(6).

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

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

This proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

(a) – (e) Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

(a) – (e) Not applicable.

11. Exhibits

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

Exhibit 5 – Text of the Proposed Rule Change.

## EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-EDGX-2013-31)

[Date]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 2.5 to Outline the Continuing Education Requirements for Series 56 Licensees and its Fee Schedule to Include Fees for the Series 56 Examination and its Related Continuing Education Requirements

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 6, 2013, EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend: (1) Exchange Rule 2.5 to: (i) outline the continuing education requirements for Authorized Traders<sup>3</sup> of Members<sup>4</sup> registered solely

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

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

<sup>3</sup> "Authorized Trader" is defined as "a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange's trading facilities on behalf of his or her Member or Sponsored Participant." See Exchange Rule 1.5(c).

<sup>4</sup> "Member" is defined as "any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the

as Proprietary Traders<sup>5</sup> by having successfully completed the Proprietary Trader Qualification Examination (“Series 56”); and (ii) make a clarifying change to the Interpretation and Policy .06; and (2) the fees and rebates applicable to Members of the Exchange pursuant to EDGX Rule 15.1(a) and (c) (“Fee Schedule”) to include fees for the Series 56 examination and its related continuing education requirements. All of the changes described herein are applicable to EDGX Members. The text of the proposed rule change is available on the Exchange’s Internet website at [www.directedge.com](http://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 self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend: (1) Rule 2.5 to: (i) outline the continuing education requirements for Authorized Traders of Members registered solely as

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Exchange. A Member will have the status of a “Member” of the Exchange as that term is defined in Section 3(a)(3) of the Act.” See Exchange Rule 1.5(n).

<sup>5</sup> “Proprietary Trader” is defined under Interpretation and Policy .06(2) to Exchange Rule 2.5.

Proprietary Traders by having successfully completed the Series 56 examination; and (ii) make a clarifying change to the Interpretation and Policy .06; and (2) its Fee Schedule to include fees for the Series 56 examination and its related continuing education requirements.

On February 1, 2012, the Exchange amended its rules to recognize a new category of limited representative registration for Proprietary Traders<sup>6</sup> by expanding its registration requirements to include the Series 56 examination as one of the applicable qualification examinations accepted by the Exchange.<sup>7</sup> The Series 56 examination program is administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange.

The Exchange permits the Series 56 examination for Proprietary Traders that engage solely in proprietary trading on the Exchange so long as certain conditions are met. First, the Member must be a proprietary trading firm.<sup>8</sup> Second, the Authorized

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<sup>6</sup> Interpretation and Policy .06(2) of Exchange Rule 2.5 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 Interpretation and Policy .06(1) of Exchange Rule 2.5.

<sup>7</sup> See Securities Exchange Act Release No. 66383 (February 10, 2012), 77 FR 9714 (February 17, 2012) (SR-EDGX-2012-04) (Notice of Filing and Immediate Effectiveness).

<sup>8</sup> If amended as proposed, Interpretation and Policy .06(1) of Exchange Rule 2.5 would define a proprietary trading firm as a firm that embodies the following characteristics: the Member is not required by Section 15(b)(8) of the Act to become a FINRA member; 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”; and 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.

Trader of a Member must be considered a Proprietary Trader. Interpretation and Policy .03 of Exchange Rule 2.5 identifies the Series 56 as an appropriate qualification examination for Proprietary Traders' limited representative registration.<sup>9</sup>

#### Series 56 Continuing Education Requirements

The Exchange now proposes to amend Interpretation and Policy .04 to Rule 2.5 to outline the continuing education requirements for Authorized Traders of Members registered solely as Proprietary Traders by having successfully completed the Series 56 examination. Like the Series 56 exam, FINRA is to administer the continuing education program on behalf of the Exchange. Proprietary Traders who hold the Series 56 registration pursuant to Interpretation and Policy .04 to Rule 2.5 would be required to complete the related continuing education administered by FINRA on behalf of the Exchange known as the S501. Authorized Traders of Members who hold the Series 7 registration would continue to complete the Regulatory Element for Continuing Education Requirement ("Regulatory Element") known as the S101.

The Exchange also proposes to amend Interpretation and Policy .04 to Rule 2.5 to apply the same criteria to the S501 as it currently requires for the S101 as part of the Regulatory Element. First, like the Regulatory Element, the S501 must be completed within 120 days after the respective registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates. Second, Series 56 registrants who have not completed the S501 within the

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<sup>9</sup> For Authorized Traders of Members who do not engage solely in proprietary trading, the Exchange requires the General Securities Representative Examination ("Series 7") or equivalent foreign examination module approved by the Exchange as defined in Interpretation and Policy .05 of Exchange Rule 2.5. See Interpretation and Policy .03 of Exchange Rule 2.5.

prescribed time frames will have their registrations deemed inactive until such time as such requirements have been satisfied. Any person whose registration has been deemed inactive shall cease all activities as a Proprietary Trader and will be prohibited from performing any duties and functioning in any capacity requiring registration. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is terminated may reactivate the registration only by reapplying for registration under the Exchange rules.

Similar to the requirements for the Regulatory Element,<sup>10</sup> a Proprietary Trader - Series 56 license holder will be required to re-satisfy the S501 where that person: (1) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Act; (2) is subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or (3) is ordered as a sanction in a disciplinary action to retake the S501 by any securities governmental agency or self-regulatory organization.

Like the Regulatory Element, the retaking of the S501 must commence within 120 days of the Proprietary Trader - Series 56 license holder becoming subject to the statutory disqualification, in the case of (1) above, or the disciplinary action becoming final, in the case of (2) and (3) above. The date of the disciplinary action shall be treated as such person's new base date with the Exchange.

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<sup>10</sup> See Interpretation and Policy .04 of Exchange Rule 2.5.

Any Proprietary Trader - Series 56 license holder who has terminated association with a Member and who has, within two years of the date of termination, become reassociated in a registered capacity with a Member shall satisfy the S501 at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity.

The Exchange proposes to include the Series 56 continuing education requirement in its rules to ensure Authorized Traders of Members maintain specified levels of competence and knowledge generally applicable to proprietary trading, thereby enhancing the quality of Authorized Traders on the Exchange. Thus, the codification of these requirements in the proposed amendments to Rule 2.5 makes clear to Members their requirements related to the Series 56 exam, including applicable continuing education requirements.

The Exchange proposes to implement the Series 56 continuing education program upon availability in WebCRD<sup>®</sup>, the central licensing and registration system operated by FINRA (“WebCRD”).

Clarification to Interpretation and Policy .06 to Rule 2.5

The Exchange proposes to delete unnecessary language from Interpretation and Policy .06 to Rule 2.5. Currently, Interpretation and Policy .06(1) of Rule 2.5 defines a proprietary trading firm. As part of the definition, the Member must not be required by Section 15(b)(8) of the Act<sup>11</sup> to become a FINRA member but is a member of another

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<sup>11</sup> 15 U.S.C. 78o(b)(8).

registered securities exchange not registered solely under Section 6(g) of the Act.<sup>12</sup> The Exchange proposes to delete the requirement that the Member must also be a member of another registered securities exchange. The proprietary trading firm need only be a current Exchange Member and not required to be a FINRA Member by Section 15(b)(8) of the Act.<sup>13</sup> Therefore, the Exchange proposes to delete this requirement from its rules.

#### Series 56 Exam and Continuing Education Fees

The Exchange proposes to add to its Fee Schedule a \$195 fee per person, per Series 56 examination and a \$60 per person, per session fee for the related continuing education. The Exchange's Fee Schedule does not currently set forth the fees applicable for the Series 7 and Regulatory Element as these programs are within FINRA's jurisdiction and collected by FINRA from its members. On the contrary, the Series 56 and its continuing education requirements apply to Members that are not required by Section 15(b)(8) of the Act<sup>14</sup> to become a FINRA member. Therefore, the Exchange proposes to include these fees in its Fee Schedule to make clear to Members the costs of the Series 56 exam and its related continuing education. However, Members would continue to submit the exam fee to FINRA, as well as the fee for continuing education.<sup>15</sup> The Exchange will not invoice or collect these fees.

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<sup>12</sup> 15 U.S.C. 78f(g).

<sup>13</sup> 15 U.S.C. 78o(b)(8).

<sup>14</sup> 15 U.S.C. 78o(b)(8).

<sup>15</sup> The Exchange notes that FINRA has historically collected the \$195 Series 56 examination fee on behalf of the Exchange to cover its cost of administering the Series 56 exam program.

The fees are designed to reflect the costs incurred in maintaining and developing the examination and continuing education program to ensure their content is and continues to be adequate in testing the competence and knowledge generally applicable to proprietary trading.

2. Statutory Basis

Series 56 Continuing Education Requirements

The Exchange believes that its proposal to require continuing education for Authorized Traders of Members that hold the Proprietary Trader - Series 56 license is consistent with Section 6(b) of the Act,<sup>16</sup> in general, and furthers the objectives of Section 6(c)(3)(B) of the Act.<sup>17</sup> 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 continuing education program for Proprietary Traders that more closely reflects the practical knowledge that is a pre-requisite for proprietary trading. Pursuant to this statutory obligation, the Exchange proposes to require Authorized Traders of Members that hold the Series 56 license to complete the related continuing education. The Exchange believes the Series 56 continuing education requirement would enable Authorized Traders of Members to maintain specified levels of competence and knowledge generally applicable to proprietary trading. Thus, the codification of these requirements in the proposed amendments to Rule 2.5 makes clear to Members their requirements related to the Series

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<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(c)(3)(B).

56 exam, including applicable continuing education requirements, by codifying such requirements in the Exchange's rules.

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<sup>18</sup> 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.<sup>19</sup> The proposed rule change helps ensure that all persons conducting a securities business through the Exchange are appropriately registered and maintain specified levels of competence, as the Commission expects of all self-regulatory organizations.

Clarification to Interpretation and Policy .06 to Rule 2.5

The Exchange believes that the proposal to delete unnecessary language from Interpretation and Policy .06 to Rule 2.5 is consistent with Section 6(b) of the Act<sup>20</sup> and furthers the objectives of Section 6(b)(5) of the Act,<sup>21</sup> in that it is designed to 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 eliminating unnecessary confusion with respect to the Exchange's rules. The Exchange proposes to delete the requirement that the Member

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<sup>18</sup> 15 U.S.C. 78k-1(a)(1)(C)(ii).

<sup>19</sup> See infra note 24.

<sup>20</sup> 15 U.S.C. 78f(b).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

must also be a member of another registered securities exchange because it is superfluous.

Series 56 Exam and Continuing Education Fees

The Exchange also believes that the proposed examination and continuing education fees are consistent with the objectives of Section 6 of the Act,<sup>22</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>23</sup> in particular, in that they are designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members. The Series 56 examination and continuing education fees are reasonably designed to allow FINRA to cover its cost of administering the Series 56 exam program on behalf of the Exchange. The fee for the Series 56 exam is greater than the fee for continuing education because the exam fee is also designed to cover the costs associated with developing not just the Series 56 exam, but also the related S501 continuing education program. The S501 continuing education fee is set to only cover the costs of administering the continuing education sessions. The Exchange notes that it will not invoice or collect funds from Members that are subject to these fees because these fees will be paid directly to FINRA. FINRA incurs costs in maintaining and developing the examination and continuing education program to ensure their content is and continues to be adequate in testing the competence and knowledge generally applicable to proprietary trading. Therefore, the Exchange believes it is reasonable and equitable to include these fees in its Fee Schedule to make clear to Members the costs of the Series 56 exam and its related continuing education requirement. The Exchange also believes these fees are

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<sup>22</sup> 15 U.S.C. 78f.

<sup>23</sup> 15 U.S.C. 78f(b)(4).

reasonable because it understands that other exchanges will be assessing identical fees to be collected by FINRA for the Series 56 exam and continuing education program.<sup>24</sup> In addition, the Exchange believes these fees are not unfairly discriminatory in that they apply to all Members uniformly.

B. Self-Regulatory Organization's Statement on Burden on Competition  
Series 56 Continuing Education Requirements

The Exchange does not believe that its proposal to require continuing education for Authorized Traders of Members that hold the Series 56 license will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended, because Proprietary Traders must hold a Series 56 license and complete the required continuing education regardless of the exchange with which they are registered. The proposed rule change will not impose any burden on intramarket competition as all Authorized Traders of Members that are Proprietary Traders are required to pass the Series 56 exam and complete the related continuing education as outlined in Exchange Rule 2.5.

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<sup>24</sup> The Exchange participates in the "Proprietary Traders Examination Committee" for the Series 56 exam and continuing education requirements with the other exchanges. Through this Committee, the Exchange believes that other exchanges will be submitting proposed rule changes with the Commission to adopt the same fees for the Series 56 exam and continuing education. The exchanges that participate on the Committee include: Chicago Board Options Exchange, Incorporated; C2 Options Exchange, Incorporated; Chicago Stock Exchange, Inc.; New York Stock Exchange LLC; NYSE Arca, Inc.; NYSE MKT, LLC; The NASDAQ Stock Market LLC; National Stock Exchange, Inc.; Nasdaq OMX BX, Inc.; Nasdaq OMX PHLX, LLC; BATS Y-Exchange, Inc.; BATS Exchange, Inc.; EDGA Exchange, Inc.; and the International Securities Exchange, LLC.

Clarification to Interpretation and Policy .06 to Rule 2.5

The proposal to delete unnecessary language from Interpretation and Policy .06(1) to Rule 2.5 does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. This language is superfluous as the Exchange does not, in practice, require a proprietary trading firm to also be a member of another exchange.

Series 56 Exam and Continuing Education Fees

The Exchange also does not believe that the proposed examination and continuing education fees will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the fees would apply uniformly to all Members. In addition, the Exchange believes that its proposal would neither increase nor decrease intermarket competition because other exchanges will be assessing identical fees to be collected by FINRA for the Series 56 exam and continuing education program.

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

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

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)<sup>25</sup> of the Act and Rule 19b-4(f)(6)<sup>26</sup> thereunder. The proposed rule change effects a change

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<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five (5) business days prior to the date of filing.<sup>27</sup>

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4<sup>28</sup> because requiring that Proprietary Traders holding the Series 56 license complete S501 continuing education and pay the applicable fees for the exam and continuing education will only benefit investors by ensuring that Proprietary Traders maintain a specified level of competence and knowledge applicable to proprietary trading. The Exchange notes that it already requires Authorized Traders to complete continuing education. This proposed rule change simply specifies the fees and continuing education requirements Authorized Traders and Proprietary Traders are

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<sup>26</sup> 17 CFR 240.19b-4(f)(6).

<sup>27</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>28</sup> 17 CFR 240.19b-4(f)(6).

subject to. In addition, the Exchange understands that other exchanges will be proposing the same fees and continuing education requirements for those engaged solely in proprietary trading.<sup>29</sup> Lastly, the proposal to delete unnecessary language from Interpretation and Policy .06(1) to Rule 2.5 is non-controversial because it simply seeks to remove superfluous and unnecessary language from the Exchange's rules.

Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>30</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>31</sup>

The Exchange further requests that the Commission waive the 30-day operative delay to allow for an operative date effective upon filing. Waiver of the operative delay would allow the Exchange to implement the proposed rule change without delay once the Series 56 exam fee, S501 continuing education program and related fee are available in WebCRD. In addition, waiver of the 30-day operative delay would enable the Exchange to remove unnecessary provision from its rules and notify its Members as soon as practicable of the upcoming fees and continuing education requirement so that they may prepare and timely register for sessions with FINRA via WebCRD.

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

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<sup>29</sup> See supra note 24.

<sup>30</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>31</sup> 17 CFR 240.19b-4(f)(6).

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGX-2013-31 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-EDGX-2013-31. 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 Commission's Internet website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the 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-2013-31 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>32</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5A**

Proposed new language is underlined; proposed deletions are marked by [brackets].

Rules of EDGX Exchange, Inc.

**Rule 2.5. Restrictions**

(a) – (e) No change.

**Interpretations and Policies**

.01 - .03 No change.

.04 The Exchange requires the Regulatory Element of the Continuing Education Requirement (the “Regulatory Element”) for all persons engaged or to be engaged in the equities securities business of a Member who are to function as Principals or Authorized Traders of Members; or such other continuing education administered by FINRA on behalf of the Exchange for Authorized Traders of Members registered solely as proprietary traders as defined in .06 below (together with Regulatory Element, “Continuing Education”).

**(1) Requirements**

No Member shall permit any Authorized Trader or Principal to continue to, and no Authorized Trader or Principal shall continue to, perform his or her respective duties on behalf of such Member unless such person has complied with the requirements of this Interpretation .04. Each Authorized Trader or Principal shall complete the [Regulatory Element of the] Continuing Education requirement [(the “Regulatory Element”)] on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the [Regulatory Element] Continuing Education requirement must be completed within 120 days after the respective registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule. The content of the [Regulatory Element] Continuing Education requirement shall be determined by the Exchange and shall be appropriate to either the registered representative or principal status of persons subject to this Interpretation.

**(2) Failure to Complete**

Unless otherwise determined by the Exchange, any Authorized Traders or Principals who have not completed the [Regulatory Element] Continuing Education requirement within the prescribed time frames will have their registrations deemed inactive until such time as such requirements have been satisfied. Any person whose registration has been deemed inactive under this Interpretation shall cease all activities as an Authorized Trader or Principal and is prohibited from performing any duties and functioning in any capacity requiring registration. A registration that is inactive for a period of two years will be administratively terminated. A person whose

registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of these Rules. The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the [Regulatory Element] Continuing Education requirement.

### (3) Disciplinary Actions

Unless otherwise determined by the Exchange, an Authorized Trader or Principal will be required to re-satisfy the [Regulatory Element] Continuing Education requirement in the event such person:

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

(B) is subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to retake the [Regulatory Element] Continuing Education requirement by any securities governmental agency or self-regulatory organization.

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

### (4) Reassociation in a Registered Capacity

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

.05 No change.

.06 The Exchange[s] 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 contactors 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.

**EXHIBIT 5B**

Proposed new language is underlined; proposed deletions are marked by [brackets].

**EDGX Exchange Fee Schedule – Effective August 5, 2013**  
**Download in pdf format.**

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Effective upon the operative date of SR-EDGX-2013-31

Licensing and Continuing Education

<u>Proprietary Trader</u>	<u>Fee</u>
<u>Series 56 Exam</u>	<u>\$195</u>
<u>S501 Continuing Education</u>	<u>\$60 per session</u>

\* Fees for the Series 56 exam and S501 continuing education sessions are to be paid directly to FINRA

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