

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="65"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2015"/> - * <input type="text" value="042"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Financial Industry Regulatory Authority
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"/>
			Rule		
Pilot <input type="checkbox"/>	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)(5)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(6)	<input checked="" type="checkbox"/> 19b-4(f)(3)

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 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

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

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

Proposed Rule Change Relating to the New Securities Trader Qualification Examination (Series 57)

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 * <input type="text" value="Victoria"/>	Last Name * <input type="text" value="Crane"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="victoria.crane@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8104"/>	Fax <input type="text" value="(202) 728-8264"/>

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 <input type="text" value="10/13/2015"/>	<input type="text" value="Senior Vice President and Deputy General Counsel"/>
By <input type="text" value="Patrice M. Gliniecki"/>	<input type="text" value="Patrice Gliniecki,"/>

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 *

Add Remove View

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 *

Add Remove View

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

Add Remove View

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

Add Remove View

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) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) the content outline and selection specifications for the new Securities Trader qualification examination (Series 57).² FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The Series 57 content outline is attached. The Series 57 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.³

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on September 19, 2014, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² FINRA also is establishing the Series 57 question bank. FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

³ 17 CFR 240.24b-2.

As discussed further below, FINRA is filing the proposed rule change for immediate effectiveness. FINRA will announce the implementation date of the proposed rule change in a Regulatory Notice, but FINRA intends for the effective date to be January 4, 2016.

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

(a) Purpose

Section 15A(g)(3) of the Act⁴ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules.

The Commission recently approved a proposed rule change to amend NASD Rule 1032(f) (Limited Representative – Equity Trader) to replace the Equity Trader registration category and qualification examination (Series 55) with the Securities Trader registration category and qualification examination (Series 57).⁵ The rule provides that each associated person of a member who is included within the definition of “representative” in NASD Rule 1031 (Registration Requirements) is required to register with FINRA as a Securities Trader if, with respect to transactions in equity (including

⁴ 15 U.S.C. 78o-3(g)(3).

⁵ See Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (Order Approving File No. SR-FINRA-2015-017) (“Approval Order”).

equity options), preferred or convertible debt securities effected otherwise than on a securities exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis or the direct supervision of such activities.⁶ In addition, NASD Rule 1032(f) provides that in order to register as a Securities Trader, an applicant must pass the Series 57 examination. The Series 57 examination will qualify an associated person to function as a Securities Trader. There is no prerequisite registration requirement for Securities Trader registration. An associated person registered as a Securities Trader will not be qualified to function in any other registered capacity, unless he or she is qualified and registered in that other registration category.⁷ For instance, a person registered as a Securities Trader will not be able to engage in any retail or institutional sales activities, unless he or she is qualified and registered in the appropriate registration category, such as a General Securities Representative.

In addition, the Commission approved amendments to NASD Rule 1022(a) (General Securities Principal) to establish a Securities Trader Principal registration category and require each associated person of a member who is included within the definition of “principal” in NASD Rule 1021 (Registration Requirements) with supervisory responsibility over the securities trading activities described in NASD Rule 1032(f), to qualify and register as a Securities Trader Principal.⁸ To qualify for

⁶ There is an exception from the Securities Trader registration requirement for any associated person of a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act of 1940 and that controls, is controlled by, or is under common control with the member.

⁷ See NASD Rule 1032(f).

⁸ See Approval Order, supra note 5.

registration as a Securities Trader Principal, an associated person must be registered as a Securities Trader and pass the General Securities Principal qualification examination (Series 24). An associated person registered as a Securities Trader Principal will not be eligible to register as a General Securities Principal unless the person passes the appropriate prerequisite examination for General Securities Principal registration, such as the Series 7 examination. In this regard, NASD Rule 1022(a) provides that a person qualified and registered as a Securities Trader Principal may only have supervisory responsibility over the activities specified in NASD Rule 1032(f), unless the person is separately qualified and registered in another appropriate principal registration category, such as the General Securities Principal registration category.

FINRA is expecting the national securities exchanges to file similar proposed rule changes to replace the Proprietary Trader qualification examination (Series 56) with the Series 57 examination in their respective registration rules relating to securities trading activities. Further, the Series 57 examination will replace the Series 56 examination for those exchange registration categories, such as the Proprietary Trader Principal registration category, where the Series 56 examination is currently an acceptable prerequisite.

FINRA developed the Series 57 examination in consultation with a committee of industry representatives and representatives of several exchanges. The examination is based on the current job functions of a Securities Trader and includes elements of the Series 55 and 56 examinations. The Series 57 content outline covers the laws, rules and regulations relevant to securities trading as well as the functions and associated tasks performed by a Securities Trader.

Series 57 Content Outline

The Series 57 content outline is divided into four major job functions that are performed by a Securities Trader. The following are the four major job functions, denoted Function 1 through 4, with the associated number of questions:

Function 1: Market Overview and Products, 22 questions;

Function 2: Engaging in Professional Conduct and Adhering to Regulatory Requirements, 12 questions;

Function 3: Trading Activities, 79 questions; and

Function 4: Maintaining Books and Records and Trade Reporting, 12 questions.

The number of questions assigned to each major job function reflects the key tasks performed by a Securities Trader.

Each function also includes specific tasks describing activities associated with performing that function. There are three tasks (1.1 – 1.3) associated with Function 1; two tasks (2.1 – 2.2) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; and two tasks (4.1 – 4.2) associated with Function 4.⁹ By way of example, one such task, Task 4.2, relates to creating, retaining, and reporting required records of orders and transactions.¹⁰ Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., in connection with Task 4.2, large trader ID and related reporting and monitoring requirements and order execution/routing information).¹¹ In addition, where applicable, the content outline lists the laws, rules and

⁹ See Exhibit 3a, Outline Pages 6 - 13.

¹⁰ See Exhibit 3a, Outline Page 13.

¹¹ See Exhibit 3a, Outline Page 13.

regulations a candidate is expected to know to perform each function and associated tasks.¹² These include applicable federal securities laws, as well as FINRA and other self-regulatory organization rules and regulations. FINRA conducted a job analysis study of Securities Traders, which included the use of a survey, in developing each function and associated tasks and the required knowledge set forth in the content outline. The functions and associated tasks reflect the day-to-day activities of a Securities Trader. The Series 57 selection specifications and question bank cover the topics in the content outline.

The content outline also includes sample questions¹³ and reference materials.¹⁴ In the preface, the content outline includes, among other things: (1) a table of contents; (2) details regarding the purpose of the examination; (3) eligibility requirements; (4) the application procedures; (5) information regarding the structure of the examination; (6) details regarding the development and maintenance of the content outline and examination; (7) information regarding the administration of the examination; (8) an explanation that the passing score is determined by FINRA based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals, using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring examinations; and (9) an explanation that each candidate will receive a score report at the end of the test session, which will indicate a pass or fail status and include a score profile

¹² See Exhibit 3a, Outline Pages 14 - 36.

¹³ See Exhibit 3a, Outline Page 37.

¹⁴ See Exhibit 3a, Outline Page 38.

listing the candidate's performance on each major content area covered on the examination.¹⁵

The number of questions on the Series 57 examination will be 125 scored multiple-choice questions,¹⁶ and candidates will have three hours and 45 minutes to complete the examination. The passing score will be 70 percent.

Availability of Content Outline

The Series 57 content outline is available on FINRA's website, at <http://www.finra.org/industry/qualification-exams>.

As noted above, FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the Series 57 examination on January 4, 2016. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁷ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public

¹⁵ See Exhibit 3a, Outline Pages 2 - 5.

¹⁶ Consistent with FINRA's practice of including "pretest" items on qualification examinations, which is designed to ensure that new examination items meet acceptable testing standards prior to use for scoring purposes, the examination includes 10 additional, unidentified pretest items that do not contribute towards the candidate's score. Therefore, the examination actually consists of 135 items, 125 of which are scored. The 10 pretest items are randomly distributed throughout the examination.

¹⁷ 15 U.S.C. 78o-3(b)(6).

interest, and Section 15A(g)(3) of the Act,¹⁸ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed rule change furthers these purposes by establishing the qualification examination that individuals, including associated persons of FINRA members, must pass to register and function as Securities Traders and Securities Trader Principals. The examination is intended to safeguard the investing public by helping to ensure that individuals registering as Securities Traders, as well as those responsible for the supervision of securities trading activities, are competent to perform their job functions.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The new examination aligns with the functions and associated tasks currently performed by associated persons engaged in securities trading and tests knowledge of the laws, rules, regulations and skills relevant to those functions and associated tasks.

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

Written comments were neither solicited nor received.

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 is effective upon filing pursuant to Section 19(b)(3) of

¹⁸ 15 U.S.C. 78o-3(g)(3).

the Act¹⁹ and paragraph (f)(6) of Rule 19b-4 thereunder,²⁰ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

In accordance with SEA Rule 19b-4(f)(6),²¹ FINRA submitted 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, or such shorter time as the Commission may designate, as specified in SEA Rule 19b-4(f)(6)(iii).²²

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3a. Content Outline for the Series 57 Examination.

¹⁹ 15 U.S.C. 78s(b)(3).

²⁰ 17 CFR 240.19b-4(f)(6).

²¹ 17 CFR 240.19b-4(f)(6).

²² 17 CFR 240.19b-4(f)(6)(iii).

Exhibit 3b. Selection Specifications for the Series 57 Examination.

FINRA has requested confidential treatment for the Series 57 selection specifications, and thus the specifications are omitted from this filing. The Series 57 selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.²³

Exhibit 3c. Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, Inc. from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000.

²³ 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2015-042)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the New Securities Trader Qualification Examination (Series 57)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. 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

FINRA is filing the content outline and selection specifications for the new Securities Trader qualification examination (Series 57).⁴ FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

⁴ FINRA also is establishing the Series 57 question bank. FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank. See Letter to

The Series 57 content outline is attached. The Series 57 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.⁵

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

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

In its filing with the Commission, FINRA 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. FINRA 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

1. Purpose

Section 15A(g)(3) of the Act⁶ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of

Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

⁵ 17 CFR 240.24b-2.

⁶ 15 U.S.C. 78q-3(g)(3).

competence and knowledge, consistent with applicable registration requirements under FINRA rules.

The Commission recently approved a proposed rule change to amend NASD Rule 1032(f) (Limited Representative – Equity Trader) to replace the Equity Trader registration category and qualification examination (Series 55) with the Securities Trader registration category and qualification examination (Series 57).⁷ The rule provides that each associated person of a member who is included within the definition of “representative” in NASD Rule 1031 (Registration Requirements) is required to register with FINRA as a Securities Trader if, with respect to transactions in equity (including equity options), preferred or convertible debt securities effected otherwise than on a securities exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis or the direct supervision of such activities.⁸ In addition, NASD Rule 1032(f) provides that in order to register as a Securities Trader, an applicant must pass the Series 57 examination. The Series 57 examination will qualify an associated person to function as a Securities Trader. There is no prerequisite registration requirement for Securities Trader registration. An associated person registered as a Securities Trader will not be qualified to function in any other registered capacity, unless

⁷ See Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (Order Approving File No. SR-FINRA-2015-017) (“Approval Order”).

⁸ There is an exception from the Securities Trader registration requirement for any associated person of a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act of 1940 and that controls, is controlled by, or is under common control with the member.

he or she is qualified and registered in that other registration category.⁹ For instance, a person registered as a Securities Trader will not be able to engage in any retail or institutional sales activities, unless he or she is qualified and registered in the appropriate registration category, such as a General Securities Representative.

In addition, the Commission approved amendments to NASD Rule 1022(a) (General Securities Principal) to establish a Securities Trader Principal registration category and require each associated person of a member who is included within the definition of “principal” in NASD Rule 1021 (Registration Requirements) with supervisory responsibility over the securities trading activities described in NASD Rule 1032(f), to qualify and register as a Securities Trader Principal.¹⁰ To qualify for registration as a Securities Trader Principal, an associated person must be registered as a Securities Trader and pass the General Securities Principal qualification examination (Series 24). An associated person registered as a Securities Trader Principal will not be eligible to register as a General Securities Principal unless the person passes the appropriate prerequisite examination for General Securities Principal registration, such as the Series 7 examination. In this regard, NASD Rule 1022(a) provides that a person qualified and registered as a Securities Trader Principal may only have supervisory responsibility over the activities specified in NASD Rule 1032(f), unless the person is separately qualified and registered in another appropriate principal registration category, such as the General Securities Principal registration category.

⁹ See NASD Rule 1032(f).

¹⁰ See Approval Order, supra note 7.

FINRA is expecting the national securities exchanges to file similar proposed rule changes to replace the Proprietary Trader qualification examination (Series 56) with the Series 57 examination in their respective registration rules relating to securities trading activities. Further, the Series 57 examination will replace the Series 56 examination for those exchange registration categories, such as the Proprietary Trader Principal registration category, where the Series 56 examination is currently an acceptable prerequisite.

FINRA developed the Series 57 examination in consultation with a committee of industry representatives and representatives of several exchanges. The examination is based on the current job functions of a Securities Trader and includes elements of the Series 55 and 56 examinations. The Series 57 content outline covers the laws, rules and regulations relevant to securities trading as well as the functions and associated tasks performed by a Securities Trader.

Series 57 Content Outline

The Series 57 content outline is divided into four major job functions that are performed by a Securities Trader. The following are the four major job functions, denoted Function 1 through 4, with the associated number of questions:

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The number of questions assigned to each major job function reflects the key tasks performed by a Securities Trader.

Each function also includes specific tasks describing activities associated with performing that function. There are three tasks (1.1 – 1.3) associated with Function 1; two tasks (2.1 – 2.2) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; and two tasks (4.1 – 4.2) associated with Function 4.¹¹ By way of example, one such task, Task 4.2, relates to creating, retaining, and reporting required records of orders and transactions.¹² Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., in connection with Task 4.2, large trader ID and related reporting and monitoring requirements and order execution/routing information).¹³ In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks.¹⁴ These include applicable federal securities laws, as well as FINRA and other self-regulatory organization rules and regulations. FINRA conducted a job analysis study of Securities Traders, which included the use of a survey, in developing each function and associated tasks and the required knowledge set forth in the content outline. The functions and associated tasks reflect the day-to-day activities of a Securities Trader. The Series 57 selection specifications and question bank cover the topics in the content outline.

¹¹ See Exhibit 3a, Outline Pages 6 - 13.

¹² See Exhibit 3a, Outline Page 13.

¹³ See Exhibit 3a, Outline Page 13.

¹⁴ See Exhibit 3a, Outline Pages 14 - 36.

The content outline also includes sample questions¹⁵ and reference materials.¹⁶ In the preface, the content outline includes, among other things: (1) a table of contents; (2) details regarding the purpose of the examination; (3) eligibility requirements; (4) the application procedures; (5) information regarding the structure of the examination; (6) details regarding the development and maintenance of the content outline and examination; (7) information regarding the administration of the examination; (8) an explanation that the passing score is determined by FINRA based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals, using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring examinations; and (9) an explanation that each candidate will receive a score report at the end of the test session, which will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination.¹⁷

The number of questions on the Series 57 examination will be 125 scored multiple-choice questions,¹⁸ and candidates will have three hours and 45 minutes to

¹⁵ See Exhibit 3a, Outline Page 37.

¹⁶ See Exhibit 3a, Outline Page 38.

¹⁷ See Exhibit 3a, Outline Pages 2 - 5.

¹⁸ Consistent with FINRA's practice of including "pretest" items on qualification examinations, which is designed to ensure that new examination items meet acceptable testing standards prior to use for scoring purposes, the examination includes 10 additional, unidentified pretest items that do not contribute towards the candidate's score. Therefore, the examination actually consists of 135 items, 125 of which are scored. The 10 pretest items are randomly distributed throughout the examination.

complete the examination. The passing score will be 70 percent.

Availability of Content Outline

The Series 57 content outline is available on FINRA's website, at <http://www.finra.org/industry/qualification-exams>.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the Series 57 examination on January 4, 2016. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁹ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,²⁰ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed rule change furthers these purposes by establishing the qualification examination that individuals, including associated persons of FINRA members, must pass to register and function as Securities Traders and Securities Trader Principals. The examination is intended to safeguard the investing public by helping to ensure that individuals registering as Securities Traders, as well as those responsible for the supervision of securities trading activities, are competent to perform their job functions.

¹⁹ 15 U.S.C. 78o-3(b)(6).

²⁰ 15 U.S.C. 78o-3(g)(3).

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The new examination aligns with the functions and associated tasks currently performed by associated persons engaged in securities trading and tests knowledge of the laws, rules, regulations and skills relevant to those functions and associated tasks.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²¹ and Rule 19b-4(f)(6) thereunder.²²

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 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. Please include File Number SR-FINRA-2015-042 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2015-042. 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. 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-FINRA-2015-042 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.²³

Robert W. Errett
Deputy Secretary

²³ 17 CFR 200.30-3(a)(12).



Securities Trader Qualification Examination (Series 57)

Content Outline

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INTRODUCTION

The Series 57 exam is the Securities Trader Qualification Examination. The exam is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the Series 57 exam. The outline is intended to familiarize exam candidates with the range of subjects covered on the exam, as well as the depth of knowledge required. Sample items are also included to acquaint candidates with the types of multiple-choice items used on the exam. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam.

PURPOSE OF THE EXAM

The Series 57 exam is designed to assess the competency of entry-level Securities Traders. It is intended to safeguard the investing public by helping to ensure that Securities Traders are competent to perform their jobs. Given this purpose, the Series 57 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a Securities Trader. For more information about the permissible activities of a Securities Trader under FINRA rules, please see NASD Rule 1032(f), which is viewable in the FINRA Rule Manual through the following link: www.finra.org.

ELIGIBILITY REQUIREMENTS

The candidate must be associated with and sponsored by a FINRA member firm or other applicable self-regulatory organization (SRO) member firm to be eligible to take the Series 57 exam. There is no prerequisite requirement for this exam. For more information on eligibility requirements, please see NASD Rule 1032(f), which is viewable in the FINRA Rule Manual through the following link: www.finra.org, or other applicable SRO rules.

APPLICATION PROCEDURES

The FINRA member firm or other applicable SRO member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD®) and request the Securities Trader position on the Form U4.

STRUCTURE OF THE EXAM

The exam consists of 125 multiple-choice items, which are distributed among the four major content areas listed in the table below.

Job Functions and Number of Items by Job Function

Job Functions		Number of Items
Function 1	Market Overview and Products	22
Function 2	Engaging in Professional Conduct and Adhering to Regulatory Requirements	12
Function 3	Trading Activities	79
Function 4	Maintaining Books and Records and Trade Reporting	12
Total		125

DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM

The Series 57 content outline was developed based on the results of a job analysis study of Securities Traders. The job analysis process included collecting data about the job functions, tasks and required knowledge of Securities Traders from a wide variety of firms using numerous data collection techniques.

Under the guidance of FINRA staff, a committee of industry representatives (Committee) writes, reviews and validates all exam items to ensure and sustain the job relevance of the exam. Exam items are subject to multiple reviews prior to inclusion on the exam, and each item links directly to a component of the content outline. Items vary in difficulty and complexity. Each item has only one correct or best answer.

The bank of items changes frequently as a result of amendments to, or the introduction of, government and SRO rules and regulations, changes in industry practice, and the introduction of new products. Exam items and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure relevance to the functions of Securities Traders. **Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations as the exam is updated when new rules are introduced and when the rules are amended.**

Candidates should read and answer all items as they apply to exchange-listed standardized options unless an item specifically asks about conventional over-the-counter (OTC) options. Also, unless an item is specifically worded to the contrary, all items involving calculations exclude commissions and other transactions cost considerations.

ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to the exam. Each candidate's exam includes 10 additional, unidentified pretest items that do not contribute toward the candidate's score. The 10 items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 135 items (125 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 3 hours and 45 minutes to complete the exam.

The test administrator will provide white boards/dry erase markers and basic electronic calculators to candidates, who must return these materials to the test center administrator at the end of the testing session. Some exam items may involve calculations. Only calculators provided by the test center administrators are allowed for use during the exam.

Candidates are not permitted to bring any reference material to their testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered exams.

HOW THE EXAM IS SCORED

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals with the designated registration. For the Series 57 exam, the passing score is 70%. This passing score reflects the competency needed to hold the designated registration.

EQUATING OF TEST SCORES

All candidate test scores have been placed on a common scale using a statistical adjustment process known as equating. Equating scores to a common scale accounts for the slight variations in difficulty that may exist among the different sets of exam items that candidates receive. This allows for a fair comparison of scores and ensures that every candidate is held to the same passing standard regardless of which set of exam items he or she received.

CANDIDATES' EXAM RESULTS

On the day of the exam, candidates will receive a report of their exam results both on screen and in paper format at the end of their exam session. The score report will indicate pass/fail status and a score profile indicating performance based on each major content area covered on the exam. It is recommended that candidates who fail the exam review the information provided on the score report, as they may want to focus on the areas on which they performed poorly when preparing to retake the exam. For security reasons, the exam and individual items are not available for review after taking the exam.

SERIES 57 CONTENT OUTLINE

FUNCTION 1 – Market Overview and Products

1.1 Understanding the Structure of the Marketplace

- Regulatory and self-regulatory organizations (SROs)
 - Definition of an SRO
 - Regulatory framework
 - Jurisdiction
- Types of markets (*e.g.*, physical, electronic)
- Types of broker-dealers
- Business and economic cycles
- Role of Federal Reserve
 - The structure of the Federal Reserve
 - Monetary vs. fiscal policy
 - Open market activities and impact on economy
 - Different rates (*e.g.*, interest rate, discount rate, federal funds rate)
- Depositories and clearing facilities
- Priority of debtors' claims in bankruptcies
- Securities Investor Protection Corporation (SIPC) vs. Federal Deposit Insurance Corporation (FDIC)
- Blue Sky
- Offerings:
 - The role of investment banker
 - Public securities offering
 - Private securities offering
 - Initial public offering (IPO)
 - Secondary offering
 - Syndicates
 - Types of tombstones
 - Shelf registration
 - Prospectus delivery requirements

1.2 Understanding Types of Products

- Equities
 - Control and restricted securities (SEC Rule 144)
 - IPOs
 - Penny stocks
- Debt/fixed income
- Options
 - Basic option contracts (*e.g.*, call, put, long, short)
- Derivatives
- Money market instruments
- Alternative investments (*e.g.*, hedge funds, structured products)
- Limited partnerships
- Real estate investment trusts (REITs)

- Exchange traded products [e.g., exchange-traded funds (ETF), exchange-traded notes (ETN)]
- Depositary receipts and shares [e.g., American Depositary Receipt (ADR,) American Depositary Shares (ADS), Global Depositary Receipt (GDR), Global Depositary Shares (GDS)]
- Investment company securities (e.g., mutual funds, variable annuities)
- 529 college savings plans
- Investment risks (e.g., interest rate, liquidity, market)

1.3 Understanding Corporate Actions

- Dividends
- Stock splits and reverse stock splits
- Making adjustments for securities subject to corporate actions
- Processing customer instructions and special situations related to corporate actions
- Delivery of notices
- Corporate action deadlines
- Proxies and proxy voting

FUNCTION 2 – Engaging in Professional Conduct and Adhering to Regulatory Requirements

2.1 Adhering to Regulatory Requirements

- FINRA registration requirements
- SRO and state registration requirements
- Failing to register an associated person
- Reporting of certain events and information
 - Form U4 and U5 disclosures
 - FINRA Rule 4530 reporting
 - Criminal records, bankruptcies, judgments and liens
 - Outside business activities
 - Private securities transactions
 - Personal Securities Transactions
 - Dollar/value limits for gifts and gratuities and noncash compensation
 - Business entertainment
- Consequences of filing misleading information or omitting information
- Continuing education requirement (*e.g.*, firm element, regulatory element)
- Customer complaints
- Appropriate use of social media and electronic communications

2.2 Avoiding Prohibited Activities

- Restrictions for associated persons purchasing IPOs
- Use of manipulative, deceptive or other fraudulent devices
- Improper use of customers' securities or funds and prohibitions against guarantees and sharing in customer accounts
- Prohibition against paying commissions to unregistered persons
- Falsifying or withholding documents
- Prohibited activities related to maintenance of books and records (*e.g.*, falsifying records, improper maintenance/retention of records)

FUNCTION 3 – Trading Activities

3.1 Understanding General Trading Practices

3.1.1 Achieving Market Making Status

- Qualified block positioner
- Registration as a market maker
- Market participant identifiers (MPIDs)
- Net capital requirements
- Floor Brokers

3.1.2 Understanding Order Types

- Market
- Limit
- Stop
- Stop limit
- Contingent/Stipulation [e.g., Day, good-til-cancelled (GTC), immediate-or-cancel (IOC), fill-or-kill (FOK), all-or-none (AON)]
- Market not held
- Market-on-open (MOO), market-on-close (MOC)
- Reserve
- Bid-ask
- Long and short
- Buy and sell
- Naked and covered
- Bearish and bullish

3.1.3 Market Access

- DMA/sponsored access
- Credit and capital limits
- Pre-trade risk controls

3.1.4 Identifying and Handling Clearly Erroneous Transactions

3.1.5 Display, Execution, and Trading Systems

- Order entry parameters
- Trading rotations
- Alternative Display Facility (ADF)
- Regulation Alternative Trading System (ATS)

3.1.6 Identifying and Avoiding Prohibited Activities

- Insider trading
- Trading ahead of research reports
- Coordination/intimidation

- Painting the tape
- Pre-arranged trading
- Wash sales
- Spoofing
- Pump and dump
- Gaming

3.1.7 Clearance and Settlement

- Same day vs. regular way settlement
- Standard settlement time frames for various products

3.1.8 Disseminating Quotes and Trade Advertisements

- Quotation and trading halts
- Halt and imbalance crosses
- Trade volume advertising
- Publishing indications of interest
- Volatility trading pauses (VTPs)
- Offers at stated prices

3.2 Trading Specific Products

3.2.1 IPOs, Secondary Offerings and Safe Harbors

- Permitted and prohibited trading activities related to IPOs and secondary offerings
- Penalty bids
- Stabilizing bids
- Passive market making
- Required notifications related to IPOs and secondary offerings
- Trading within safe harbors

3.2.2 Non-listed and Penny Stocks

- Penny stocks
- Form 211
- Disclosure requirements
- Over-the-counter (OTC) quoting and trading
- OTC Bulletin Board (OTCBB)

3.2.3 Options Trading

- Options orders and types
 - Spread
 - Straddle
 - Combination
 - Index options (*e.g.*, VIX)
- Exercise and assignment
 - Tender of exercise notices
 - Assignment of exercise limits

- Position and exercise limits

3.2.4 Handling and Executing Short Sales

- Regulation SHO
- Locates and borrows
- Price test
- Close-out requirements
- Order marking
- Exemptions

3.3 Handling Customer Orders

3.3.1 Meeting Obligations to Customers Regarding Orders

- Market hours vs. pre- and post-market trading
- Best execution vs. due diligence
- Adjustment of orders
- Fair prices and commissions
- Net transactions
- Order marking

3.3.2 Identifying and Avoiding Prohibited Activities

- Front running
- Trading ahead of customer orders
- Use of manipulative or deceptive devices
- Prohibited transactions of investment advisers

3.3.3 Regulation NMS

- Order protection
- Display of customer limit orders

3.3.4 Managing Various Account Activities

- Account holder types and characteristics [e.g., individual, joint, corporate, trust, custodial, retirement IRA, 403b)]
- Account types (e.g., cash, margin)
 - Account approvals
 - Required disclosures
 - Margin, hypothecation and re-hypothecation
 - Margin-eligible/ineligible securities
 - Federal and FINRA margin requirements and margin calls (Regulation T)

3.3.5 Account Statements and Confirmations

- Types of information that appear on an account statement
- Time frame for providing account statements
- Types of information that appear on a confirmation
- Confirmation delivery requirements, including electronic confirmations

- Non-trade confirmations/third party activity notices
- Updating customer account records

3.3.6 Customer accounts and compliance considerations

- Anti-money laundering (AML) compliance
 - Structuring, layering and other money laundering activities
- Customer identification program (CIP) requirements
- “Know Your Customer” (KYC) obligations
- Office of Foreign Asset Control (OFAC) and the Specially Designated Nationals and Blocked Persons (SDNs) list
- Financial Crimes Enforcement Network (FinCEN)
- Suspicious activity reports (SARs)

FUNCTION 4 – Maintaining Books and Records and Trade Reporting

4.1 Reporting Trades to the Designated Reporting Facility

- Distinctions among reporting facilities
- Trade reporting requirements (*e.g.*, modifiers, timing, trade acceptance)

4.2 Creating, Retaining and Reporting Required Records of Orders and Transactions

- Large Trader ID and related reporting and monitoring requirements
- Order execution/routing information
- Order Audit Trail System (OATS)
- Consolidated Options Audit Trail System (COATS)
- OATS reporting obligations, including timing and required fields
- Books and records and pre-time stamping
- ATS Transparency

RULES AND REGULATIONS REFERENCES

This section provides a list of laws, rules and regulations that are associated with the functions described in the content outline. The list is provided to serve as a resource for some general concepts that will be tested on the exam, although not every function and associated task listed in the content outline has an associated law, rule or regulation.

The listing of laws, rules and regulations is intended to serve as a reference tool to aid candidates in studying to take the exam. The test questions will not require candidates to identify specific laws, rules or regulations. Instead, the candidate should know the definition, general characteristics and concepts associated with a particular law, rule or regulation. For example, an exam question will NOT ask the candidate to identify the specific FINRA rule number associated with trading halts (FINRA Rule 6120).

New laws, rules and regulations, as applicable, will be added to this reference list when associated definitions and general concepts are added to the content outline and examination. Similarly, laws, rules and regulations will be removed from this reference list at the time the associated definitions and general concepts are removed from the content outline and exam.

FUNCTION 1 – Market Overview and Products

1.1 Understanding the Structure of the Marketplace

BOX Rules

- Rule 2020 — Participant Eligibility and Registration
- Rule 2040 — Restrictions

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

CHX Rules

- Article 17 — Institutional Brokers
- Rule 1 — Registration and Appointment
- Rule 2 — Registration Procedures
- Rule 3 — Responsibilities

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

NYSE MKT (NYSE Amex Options)

- Rule 930NY — Floor Broker Defined
- Rule 931NY — Registration of Floor Brokers
- Rule 933NY — Responsibilities of Floor Brokers

NYSE Arca Rules

- Rule 6.43 — Options Floor Broker Defined
- Rule 6.44 — Registration of Floor Brokers
- Rule 6.46 — Responsibilities of Floor Brokers

Securities Act of 1933

- Section 6 — Registration of Securities and Signing of Registration Statement

Securities Act of 1933 Rules and Regulations

- Regulation C — Registration
- Regulation D — Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933

1.2 Understanding Types of Products

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

FUNCTION 2 – Engaging in Professional Conduct and Adhering to Regulatory Requirements

2.1 Adhering to Regulatory Requirements

FINRA Rules

- Rule 1250 — Continuing Education Requirement
- Rule 2310(c) — Direct Participation Programs
- Rule 2320(g)(4) — Variable Contracts of an Insurance Company
- Rule 3110(e) — Responsibility of Member to Investigate Applicants for Registration
- Rule 3220 — Influencing or Rewarding Employees of Others
- Rule 3270 — Outside Business Activities of Registered Persons
- Rule 3280 — Private Securities Transactions of an Associated Person
- Rule 4513 — Records of Written Customer Complaints
- Rule 4530 — Reporting Requirements
- Rule 5110(h) — Corporate Financing Rule – Underwriting Terms and Arrangements

NASD Rules

- Rule 1030 Series — Registration of Representatives
- Rule 2830(l)(5) — Investment Company Securities
- Rule 3050 — Transactions for or by Associated Persons

Securities Exchange Act of 1934 Rules

- Rule 17f-2 — Finger-Printing of Security Industry Personnel

2.2 Avoiding Prohibited Activities

FINRA Rules

- Rule 2010 — Standards of Commercial Honor and Principles of Trade
- Rule 2040 — Payments to Unregistered Persons

- Rule 2150 — Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Rule Sharing in Accounts
- Rule 3240 — Borrowing From or Lending to Customers
- Rule 6130 — Transactions Related to Initial Public Offerings

3.1.1 Achieving Market Making Status

BZX Rules

- Rule 11.5 — Registration of Market Makers
- Rule 11.6 — Obligations of Market Maker Authorized Traders
- Rule 11.7 — Registration of Market Makers in a Security
- Rule 11.8 — Obligations of Market Makers
- Rule 22.2 — Options Market Maker Registration
- Rule 22.3 — Continuing Options Market Maker Registration
- Rule 22.4 — Good Standing for Market Makers
- Rule 22.5 — Obligations of Market Makers
- Rule 22.6 — Market Maker Quotations
- Rule 22.7 — Securities Accounts and Orders of Market Makers
- Rule 22.10 — Limitations on Dealings

BYX Rules

- Rule 11.5 — Registration of Market Makers
- Rule 11.6 — Obligations of Market Maker Authorized Traders
- Rule 11.7 — Registration of Market Makers in a Security
- Rule 11.8 — Obligations of Market Makers

BOX Rules

- Rule 100(a)(30) — Definition of a Market Maker
- Rule 8000 — Market Maker Registration
- Rule 8010 — Qualifications Requirements for Market Maker Registration
- Rule 8020 — Good Standing for Market Makers
- Rule 8030 — Appointment of Market Makers
- Rule 8040 — Obligations of Market Makers
- Rule 8050 — Market Maker Quotations
- Rule 8060 — Securities Accounts and Orders of Market Makers
- Rule 8090 — Limitations on Dealings
- Rule 8100 — Standard Market Maker Protection Mechanism
- Rule 8110 — Advanced Market Maker Protection Mechanism

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

C2 Rules

Rule 8.1 — Initial Market Maker Registration

Rule 8.13 — Preferred Market Maker Program

CHX Rules

Article 16 — Market Makers

Rule 1 — Registration and Appointment

Rule 2 — Initial Registration Procedures

Rule 3 — Approval by the Exchange

Rule 5 — Identification of Securities Traded as a Market Maker

Rule 8 — Responsibilities

Rule 9 — Limitation on Dealings

Rule 10 — Reporting of Position Information

EDGA and EDGX Rules

Rule 11.17 — Registration of Market Makers

Rule 11.18 — Obligations of Market Maker Authorized Traders

Rule 11.19 — Registration of Market Makers in a Security

Rule 11.20 — Obligations of Market Makers

FINRA Rules

Rule 5250 — Payments for Market Making

Rule 6271 — Registration as an ADF Market Maker or ADF ECN

Rule 6275 — Withdrawal of Quotations

Rule 6480 — Multiple MPIDs for Quoting and Trading in OTC Equity Securities

MIAX Rules

Rule 600 — Registration of Market Makers

Rule 601 — Registered Option Traders

Rule 602 — Appointment of Market Makers

Rule 603 — Obligations of Market Makers

Rule 604 — Market Maker Quotations

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

Rule 4620 — Voluntary Termination of Registration

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 for 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

Nasdaq OMX BX Options 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

NYSE MKT Rules (NYSE Amex Options)

- Rule 920NY — Market Makers
- Rule 921NY— Registration of Market Makers
- Rule 925NY— Obligations of Market Makers
- Rule 927NY — Specialists
- Rule 927.4NY — E-Specialists

NYSE Arca Rules

- Rule 6.32 — Market Maker Defined (Options)
- Rule 6.33 — Registration of Market Makers (Options)
- Rule 6.37 — Obligations of Market Makers (Options)
- Rule 6.82 — Lead Market Makers (Options)
- Rule 7.20 — Registration of Market Makers (Equities)
- Rule 7.23 — Obligations of Market Makers (Equities)

Securities Exchange Act of 1934

- Section 3(a)(38) — Definition of a Market Maker

Securities Exchange Act of 1934 Rules

- Rule 3b-8 —Definitions of “Qualified OTC Market Maker,” “Qualified Third Market Maker” and “Qualified Block Positioner”

FUNCTION 3 – Trading Activities

3.1.2 Understanding Order Types

BZX Rules

- Rule 11.9 — Orders and Modifiers
- Rule 11.12 — Priority of Orders
- Rule 11.13 — Order Execution and Routing
- Rule 21.1 — Definitions
- Rule 21.8 — Order Display and Book Processing
- Rule 21.9 — Order Routing
- Rule 21.10 — Anonymity

BYX Rules

- Rule 11.9 — Orders and Modifiers
- Rule 11.12 — Priority of Orders
- Rule 11.13 — Order Execution and Routing

BOX Rules

- Rule 100(a)(44) — Definition of an Order
- Rule 7110 — Order Entry
- Rule 7240 — Complex Orders
- Rule 7270 — Block Orders

CBOE Rules

- Rule 6.53 — Certain Types of Orders Defined

C2 Rules

Rule 6.10 — Order Types Defined

CHX Rules

Article 1 — Rule 2 — Order Types, Modifiers, and Related Terms

EDGA and EDGX Rules

Rule 11.8 — Order Types

Rule 11.10 — Order Execution

Rule 11.11 — Routing to Away Trading Center

ISE Rules

Rule 715 — Types of Orders

Rule 722 — Complex Orders

MIAX Rules

Rule 100 — Definitions

Rule 513 — Submission of Orders and Clearance of Transactions

Rule 514 — Priority of Quotes and Orders

Rule 515 — Execution of Orders and Quotes

Rule 516 — Order Types Defined

Rule 517 — Quote Types Defined

Nasdaq OMX PHLX Rules

Rule 1066 — Certain Types of Floor-Based (Non-PHLX XL) Orders Defined

Rule 1080 — PHLX XL and PHLX II

Rule 3301A (PSX) — Order Types

Rule 3301B (PSX) — Order Attributes

Nasdaq Stock Market Rules

Rule 4702 — Order Types

Rule 4703 — Order Attributes

Nasdaq OMX BX Rules

Rule 4702 — Order Types

Rule 4703 — Order Attributes

Nasdaq Options Market Rules

Chapter VI — Section 1 — Definitions

Nasdaq OMX BX Options 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 MKT Rules

Rule 900.3NY — Orders Defined

NYSE Arca Rules

Rule 6.62 — Certain Types of Orders Defined

Rule 7.31 — Orders and Modifiers

3.1.3 Market Access

Securities Exchange Act of 1934 Rules

Rule 15c3-5 — Risk Management Controls for Brokers or Dealers With Market Access

3.1.4 Identifying and Handling Clearly Erroneous Transactions

BZX Rules

Rule 11.17 — Clearly Erroneous Executions

Rule 20.6 — Nullification and Adjustment of Option Transactions Including Obvious Errors

BYX Rules

Rule 11.17 — Clearly Erroneous Executions

BOX Rules

Rule 7180 — Transaction Price Binding

Rule 7170 — Nullification and Adjustment of Options Transactions including Obvious Errors

Rule 7180 — Transaction Price Binding

CBOE Rules

Rule 6.25 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.52 — Price Binding Despite Erroneous Report

Rule 6.60 — Unmatched Trade Reports

Rule 6.61 — Reconciliation and Resolution of Unmatched Trades

CHX Rules

Article 20 — Rule 9 — Cancellations or Adjustment of Bona Fide Error Trades

Article 20 — Rule 10 — Handling of Clearly Erroneous Transactions

C2 Rules

Rule 6.15 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.16 — Price Binding Despite Erroneous Report

EDGA and EDGX Rules

Rule 11.15 — Clearly Erroneous Executions

FINRA Rule 11890 Series — Clearly Erroneous Transactions

ISE Rules

Rule 719 — Transaction Price Binding

MIAX Rules

Rule 521 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 522 — Price Binding Despite Erroneous Report

Nasdaq OMX PHLX Rules

Rule 128 — Price of Execution Binding

Rule 1092 — Nullification and Adjustment of Options Transactions Including Obvious 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 Q Options Market Rules

Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Chapter VI — Section 13 — Transaction Price Binding

Nasdaq OMX BX Options Rules

Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Chapter VI — Section 13 — Transaction Price Binding

NSX Rules

Rule 11.19 — Clearly Erroneous Executions

NYSE MKT Rules

Rule 958NY — Price Binding Despite Erroneous Report

Rule 970 — Comparison of Option Transactions Excluded from Clearance

NYSE Arca Rules

Rule 6.21 — Resolution of Un-Compared Trades

Rule 6.70 — Price Binding Despite Erroneous Report

3.1.5 Display, Execution, and Trading Systems

BZX Rules

Rule 2.11 — BATS Trading, Inc. as Outbound Router

Rule 2.12 — BATS Trading, Inc. as Inbound Router

Rule 11.8 — Obligations of Market Makers

Rule 11.9 — Orders and Modifiers

Rule 11.11 — Price Variations

Rule 11.12 — Priority of Orders

Rule 11.13 — Order Execution and Routing

Rule 11.15 — Clearance and Settlement; Anonymity

Rule 11.20 — Locking or Crossing Quotations in NMS Stocks

Rule 11.23 — Auctions

Rule 11.24 — Opening Process for Non-BATS Listed Securities

Rule 20.4 — Resumption of Trading After a Halt

Rule 21.3 — Units of Trading

Rule 21.4 — Meaning of Premium Quotes and Orders

Rule 21.5 — Minimum Increments

Rule 21.6 — Entry of Orders

Rule 21.7 — Market Opening Procedures

Rule 21.8 — Order Display and Book Processing

Rule 21.9 — Order Routing

Rule 21.10 — Anonymity

Rule 22.5 — Obligations of Market Makers

Rule 27.2 — Order Protection

BYX Rules

Rule 2.11 — BATS Trading, Inc. as Outbound Router

Rule 2.12 — BATS Trading, Inc. as Inbound Router

Rule 11.8 — Obligations of Market Makers

Rule 11.9 — Orders and Modifiers

Rule 11.11 — Price Variations

Rule 11.12 — Priority of Orders

Rule 11.13 — Order Execution and Routing

Rule 11.15 — Clearance and Settlement; Anonymity

Rule 11.20 — Locking or Crossing Quotations in NMS Stocks

BOX Rules

Rule 8100 — Standard Market Maker Protection Mechanism

Rule 15010 — Order Protection

Rule 15020 — Locked and Crossed Markets

CBOE Rules

Rule 6.24 — Required Order Information

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 8.15 — Lead Market-Makers and Supplemental Market-Makers in Hybrid 3.0 Classes

Rule 8.87 — Participation Entitlements of DPMs and E-DPM

Rule 8.85 — DPM Obligations

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 6.10 — Order Types Defined

Rule 6.11 — Openings (And Sometimes Closings)

Rule 6.40 — Contract Made on Acceptance of Bid or Offer

Rule 8.5 — Obligations of Market-Makers

Rule 8.6 — Market-Maker Firm Quotes

CHX Rules

Article 1 — Rule 2 — Order Types, Modifiers, and Related Terms

Article 16 — Rule 8 — Responsibilities

Article 20 — Rule 3 — Firm Orders

Article 20 — Rule 4 — Eligible Orders

Article 20 — Rule 5 — Prevention of Trade Throughs

Article 20 — Rule 6 — Locked and Crossed Markets

EDGA and EDGX Rules

Rule 2.11 — BATS Trading, Inc. as Outbound Router

Rule 2.12 — BATS Trading, Inc. as Inbound Router

Rule 11.8 — Order Types

Rule 11.9 — Priority of Orders

Rule 11.10 — Order Execution

Rule 11.13 — Clearance and Settlement; Anonymity

FINRA Alternative Display Facility (ADF) Rule 6200 Series

Rule 6210 — General

Rule 6220 — Definitions

Rule 6230 — Use of Alternative Display Facility Data Systems

Rule 6240 — Prohibition from Locking or Crossing Quotations in NMS Stocks

Rule 6250 — Quote and Order Access Requirements

Rule 6260 — Review of Direct or Indirect Access Complaints

Rule 6270 Series — Quoting and Trading in ADF-Eligible Securities

Rule 6273 — Normal Business Hours

ISE Rules

- Rule 701 — Trading Rotations
- Rule 711 — Acceptance of Quotes and Orders
- Rule 712(a) — Order Identification
- Rule 713 — Priority of Quotes and Orders
- Rule 717 — Limitations on Orders
- Rule 803 — Obligations of Market Makers
- Rule 803(c) — Primary Market Makers
- Rule 1901 — Order Protection
- Rule 1902 — Locked and Crossed Markets

MIAX Rules

- Rule 501 — Day and Hours of Business
- Rule 503 — Openings on the Exchange
- Rule 504 — Trading Halts
- Rule 515 — Execution of Orders and Quotes
- Rule 529 — Order Routing to Other Exchanges
- Rule 1400 — Definitions
- Rule 1401 — Order Protection
- Rule 1402 — Locked and Crossed Markets

Nasdaq OMX PHLX Rules

- Rule 1014 — Obligations and Restrictions Applicable to Specialists and Registered Options Traders
- Rule 1017 — Openings in Options
- Rule 1047 — Trading Rotations, Halts and Suspensions
- Rule 1080 — PHLX XL and PHLX XL II
- Rule 1082 — Firm Quotations
- Rule 1083 — Order Protection; Locked and Crossed Markets
- Rule 3213 (PSX) — Market Making Obligations
- Rule 3301A — Order Types
- Rule 3301B — Order Attributes
- Rule 3302 (PSX) — Opening Process
- Rule 3306 (PSX) — Entry and Display of Quotes and Orders
- Rule 3310 (PSX) — Anonymity

Nasdaq Stock Market Rules

- Rule 4613 — Market Maker Obligations
- Rule 4702 — Order Types
- Rule 4703 — Order Attributes
- Rule 4752 — Opening Process
- Rule 4753 — Nasdaq Halt Cross
- Rule 4754 — Nasdaq Closing Cross
- Rule 4756 — Entry and Display of Quotes and Orders
- Rule 4757 — Book Processing
- Rule 4758 — Order Routing
- Rule 4760 — Anonymity

Nasdaq OMX BX Rules

- Rule 4702 — Order Types
- Rule 4703 — Order Attributes
- Rule 4752 — Opening Process; Opening and Closing Price
- Rule 4756 — Entry and Display of Quotes and Orders

Rule 4760 — Anonymity

Nasdaq Options Market Rules

Chapter VI — Section 7 — Entry and Display of Orders

Chapter VI — Section 8 — Nasdaq Opening and Halt Cross

Chapter VI — Section 11 — Order Routing

Chapter VI — Section 12 — Anonymity

Chapter VII — Section 5 — Obligations of Market Makers

Chapter XII — Options Order Protection and Locked and Crossed Markets Rules

Nasdaq OMX BX Options Rules

Chapter VI — Section 7 — Entry and Display of Orders

Chapter VI — Section 8 — BX Opening and Halt Cross

Chapter VI — Section 11 — Order Routing

Chapter VII — Section 5 — Obligations of Market Makers

Chapter XII — Options Order Protection and Locked and Crossed Market Rules

NSX Rules

Rule 12.10 — Best Execution

Rule 12.11 — Trading Suspensions

NYSE Arca Rules

Rule 6.62 — Certain Types of Orders Defined

Rule 6.64 — OX Opening Process

Rule 6.67 — Order Format and System Entry Requirements

Rule 6.76 — Order Ranking and Display

Rule 6.76A — Order Execution — OX

Rule 6.94 — Order Protection

Rule 6.95 — Locked and Crossed Markets

Rule 7.35 — Auctions (Equities)

Rule 7.36 — Order Ranking and Display

NYSE MKT Rules

Rule 900.3NY — Orders Defined

Rule 935NY — Order Exposure Requirements

Rule 952NY — Opening Process

Rule 955NY — Order Format and System Entry Requirements

Rule 964NY — Display, Priority and Order Allocation - Trading Systems

Rule 991NY — Order Protection

Rule 992NY — Locked and Crossed Markets

SEC Market Regulations

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

3.1.6 Identifying and Avoiding Prohibited Activities

FINRA Rules

Rule 5230 — Payments Involving Publications that Influence the Market Price of a Security

Rule 5280 — Trading Ahead of Research Reports

Rule 5240 — Anti-Intimidation/Coordination

Rule 5290 — Order Entry and Execution Practices

Rule 2020 — Use of Manipulative, Deceptive or Other Fraudulent Devices

Securities Exchange Act of 1934

Section 9 – Prohibition Against Manipulation of Security Prices

Section 15(g) — Registration and Regulation of Brokers and Dealers (policies and procedures to be developed by broker-dealers to prevent misuse of material, non-public information)

Securities Exchange Act of 1934 Rules

Rule 10b-5 — Employment of Manipulative and Deceptive Devices

Rule 10b5-2 — Duties of Trust or Confidence in Misappropriation Insider Trading Cases

3.1.7 Clearance and Settlement

BZX Rules

Rule 11.15 — Clearance and Settlement; Anonymity

Rule 13.1 — Comparison and Settlement Requirements

Rule 13.2 — Failure to Deliver and Failure to Receive

Rule 23.3 — Delivery and Payment

BYX Rules

Rule 11.15 — Clearance and Settlement; Anonymity

Rule 13.1 — Comparison and Settlement Requirements

Rule 13.2 — Failure to Deliver and Failure to Receive

BOX Rules

Rule 7200 — Submission for Clearance

CBOE Rules

Rule 6.50 — Submission for Clearance

CHX Rules

Article 21 — Clearance and Settlement

EDGA and EDGX Rules

Rule 11.13 — Clearance and Settlement; Anonymity

Rule 13.1 — Comparison and Settlement Requirements

FINRA Rules

Rules 6274/6350A/6350B — Clearance and Settlement

Uniform Practice Codes

Rule 11130 — When, As and If Issued/Distributed Contracts

Rule 11140 — Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”

Rule 11320 — Dates of Delivery

ISE Rules

Rule 1102 — Delivery and Payment

MIAX Rules

Rule 513 — Submission of Orders and Clearance of Transactions

Rule 606 — Trade Reporting and Comparison

Rule 702 — Delivery and Payment

Rule 804 — Automated Submission of Trade Data

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

Nasdaq OMX BX Options 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 MKT Rule

- 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 6.26 — Delivery and Payment

Securities Exchange Act of 1934 Rules

- Rule 15c6-1 — Settlement Cycle

3.1.8 Disseminating Quotes and Trade Advertisements

BZX Rules

- Rule 11.18 — Trading Halts Due to Extraordinary Market Volatility
- Rule 20.3 — Trading Halts
- Rule 20.4 — Resumption of Trading After a Halt
- Rule 20.5 — Unusual Market Conditions

BYX Rules

- Rule 11.18 — Trading Halts Due to Extraordinary Market Volatility

BOX Rules

- Rule 6080(c) — Instituting Halts and Suspensions
- Rule 7060 — Acceptances of Quotes and Orders
- Rule 7080 — Trading Halts
- Rule 7090 — 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 6.3C — Individual Stock Trading Pause Due to Extraordinary Market Volatility
- Rule 6.6 — Unusual Market Conditions
- Rule 24.7 — Trading Halts, Suspensions, or Primary Market Closure

C2 Rules

Rule 6.32 — Trading Halts

Rule 6.33 — Authority to Take Action Under Emergency Conditions

CHX Rules

Article 1, Rule 2 — Order Types, Modifiers, and Related Terms

Article 16, Rule 8 — Responsibilities

Article 20, Rule 2 — Trading Halts Due to Extraordinary Market Volatility

Article 20, Rule 2A — Limit Up-Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility

Article 20, Rule 4 — Eligible Orders

Article 20, Rule 8 — Operation of the Matching Engine

Article 20, Rule 10 — Handling of Clearly Erroneous Transactions

EDGA and EDGX Rules

Rule 11.16 — Trading Halts Due to Extraordinary Market Volatility

FINRA Rules

Rule 5210 — Publication of Transactions and Quotations

Rule 5220 — Offers at Stated Prices

Rule 5260 — Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts

Rule 6120 — Trading Halts

Rule 6121 — Trading Halts Due to Extraordinary Market Volatility

Rule 6190 — Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility

Rule 6272 (ADF) — Character of Quotations

Rules 6277/6360A/6360B — Suspension and Termination of Quotations by FINRA Action

Rule 6440 — Trading and Quotation Halt in OTC Equity Securities

ISE Rules

Rule 702 — Trading Halts

Rule 703 — Trading Halts Due to Extraordinary Market Volatility

Rule 703A — Trading During Limit Up-Limit Down States in Underlying Securities

MIAX Rules

Rule 504 — Trading Halts

Rule 523 — Authority to Act Under Emergency Conditions

Rule 530 — Limit Up-Limit Down

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) — Limit Up-Limit Down Plan and Trading Halts on PSX

Nasdaq Stock Market Rules

Rule 4120 — Limit Up-Limit Down Plan and Trading Halts

Rule 4121 — Trading Halts Due to Extraordinary Market Volatility

Rule 4753 — Nasdaq Halt Cross

Nasdaq OMX BX Rules

Rule 4120 — Limit Up-Limit Down Plan and Trading Halts

Rule 4121 — Trading Halts Due to Extraordinary Market Volatility

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

Nasdaq OMX BX Options 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 MKT Rules

Rule 953NY — Trading Halts and Suspensions

Rule 953.1NY — Limit-Up and Limit-Down During Extraordinary Market Volatility

NYSE Arca Rules

Rule 6.65 — Trading Halts and Suspensions

Rule 7.11 — Limit Up and Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility

SEC Market Regulations

Regulation NMS

Rule 602 — Dissemination of Quotations in NMS Securities

Rule 610 — Access to Quotations

3.2.1 IPOs, Secondary Offerings and Safe Harbors

FINRA Rules

Rule 5131 — New Issue Allocations and Distributions

Rule 5190(e) — Notice of Penalty Bids and Syndicate Covering Transactions in OTC Equity Securities

Rule 6130 — Transactions Related to Initial Public Offerings

Rule 6435 — Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M

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 4619 — Withdrawal of Quotations

Rule 4624 — Penalty Bids and Syndicate Covering Transactions

Securities Exchange Act of 1934

Section 5 — Transactions on Unregistered Exchanges

Securities Exchange Act of 1934 Rules

Rule 10b5-1 — Trading “On The Basis Of” Material Non-Public Information in Insider Trading Cases

Rule 10b-18 — Purchases of Certain Equity Securities By the Issuer and Others

SEC Market Regulations

Regulation M

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 Sales in Connection With a Public Offering
- Securities Act of 1933 Rules and Regulations
 - Regulation D — Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933
 - Rule 144 — Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters
 - Rule 144A — Private Resales of Securities to Institutions
 - Rule 145 — Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets

3.2.2. Non-Listed and Penny Stocks

FINRA Rules

- Rule 6140 — Other Trading Practices
- Rule 6400 Series — Quoting and Trading in OTC Equity Securities
 - Rule 6410 — General
 - Rule 6420 — Definitions
 - Rule 6432 — Compliance with the Information Requirements of SEA Rule 15c2-11
 - Rule 6433 — Minimum Quotation Size Requirements for OTC Equity Securities
 - Rule 6434 — Minimum Pricing Increment for OTC Equity Securities
 - Rule 6437 — Prohibition from Locking or Crossing Quotations in OTC Equity Securities
 - Rule 6438 — Displaying Priced Quotations in Multiple Quotation Mediums
 - Rule 6460 — Display of Customer Limit Orders
- Rule 6500 Series — OTC Bulletin Board Service
 - Rule 6510 — Applicability
 - Rule 6520 — Operation of the Service
 - Rule 6530 — OTCBB-Eligible Securities
 - Rule 6540 — Requirements Applicable to Market Makers

Securities Exchange Act of 1934

- Section 3(a)(51) — Definition of Penny Stock

Securities Exchange Act of 1934 Rules

- Rule 15c2-11 — Initiation or Resumption of Quotations Without Specified Information
- Rule 15g-1 — Exemptions for Certain Transactions
- Rule 15g-3 — Broker or Dealer Disclosure of Quotations and Other Information Relating to the Penny Stock Market
- Rule 15g-4 — Disclosure of Compensation to Brokers or Dealers
- Rule 15g-5 — Disclosure of Compensation to Associated Persons in Connection With Penny Stock Transactions
- Rule 15g-8 — Sales of Escrowed Securities of Blank Check Companies

3.2.3 Options Trading

BZX Rules

- Chapter XVI — General Provisions — BATS Options
- Chapter XIX — Securities Traded on BATS Options
- Chapter XXIX — Index Rules
 - Rule 23.1 — Exercise of Options Contracts
 - Rule 23.2 — Allocation of Exercise Notices
 - Rule 23.3 — Delivery and Payment

BOX Rules

- Rule 6010 — Definitions
- Rule 6060 — Exemption from Position Limits
- Rule 6070 — Exercise Limits
- Rule 9010 — Allocation of Exercise Notices
- Rule 9020 — Delivery and Payment

CBOE Rules

- Rule 4.11 — Position Limits
- Rule 4.12 — Exercise Limits
- Rule 4.13 — Reports Related to Position Limits
- Rule 6.53 — Certain Types of Orders Defined
- Rule 11.1 — Exercise of Option Contracts
- Rule 11.2 — Allocation of Exercise Notices
- Rule 11.3 — Delivery and Payment
- Rule 24.4 — Position Limits for Broad-Based Index Options
- Rule 24.4A — Position Limits for Industry Index Options
- Rule 24.4B — Position Limits for Options on Micro Narrow-Based Indexes as Defined Under Rule 24.2(d)
- Rule 24.4C — Position Limits for Individual Stock or ETF Volatility Index Options
- Rule 24.5 — Exercise Limits
- Rule 24A.7 — Position Limits and Reporting Requirements
- Rule 24A.8 — Exercise Limits
- Rule 24B.7 — Position Limits and Reporting Requirements
- Rule 24B.8 — Exercise Limits

ISE Rules

- Chapter 1 — Definitions
- Chapter 20 — Index Rules
- Chapter 22 — Rate-Modified Foreign Currency Options Rules
- Rule 503 — Withdrawal of Approval of Underlying Securities
- Rule 504 — Series of Options Contracts Open for Trading
- Rule 1100 — Exercise of Option Contracts
- Rule 1101 — Allocation of Exercise Notices
- Rule 1102 — Delivery and Payment

MIAX Rules

- Rule 100 — Definitions
- Rule 402 — Criteria for Underlying Securities
- Rule 403 — Withdrawal of Approval of Underlying Securities
- Rule 404 — Series of Option Contracts Open for Trading
- Rule 700 — Exercise of Option Contracts
- Rule 701 — Allocation of Exercise Notices
- Rule 702 — Delivery and Payment

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

Nasdaq OMX BX Options Rules

- Chapter I — Section 1 — Definitions
- Chapter IV — Securities Traded on BX Options
- Chapter VIII — Section 1 — Exercise of Option Contracts
- Chapter VIII — Section 2 — Allocation of Exercise Notices
- Chapter VIII — Section 3 — Delivery and Payment
- Chapter XIV — Index Rules

Nasdaq OMX PHLX Rules

- Rule 1000 — Applicability, Definitions and References
- Rule 1000A — Applicability and Definitions
- Rule 1010 — Withdrawal of Approval of Underlying Securities of Options
- Rule 1012.05(a) — Series of Options Open for Trading
- Rule 1042 — Exercise of Equity Option Contracts
- Rule 1042A — Exercise of Option Contracts
- Rule 1043 — Allocation of Exercise Notices
- Rule 1044 — Delivery and Payment

Nasdaq Options Market Rules

- Chapter I — Section 1 — Definitions
- Chapter IV — Securities Traded on Nasdaq Options Market
- Chapter VIII — Section 1 — Exercise of Option Contracts
- Chapter VIII — Section 2 — Allocation of Exercise Notices
- Chapter VIII — Section 3 — Delivery and Payment
- Chapter XIV — Index Rules

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

NSX Rules

- Rule 12.9 — Options

NYSE Arca Options Rules

- Rule 5, Section 3 — Stock Index Options
- Rule 5.75 — Series of Foreign Currency Options Open for Trading
- Rule 6.1 — Rules Principally Applicable to Trading of Option Contracts
- Rule 6.4 — Series of Options Open for Trading

NYSE Mkt Rules

- Rule 900NY — Rules Principally Applicable to Trading of Options Contracts
- Section 11 — Stock Index Options
- Rule 903 — Series of Options Open for Trading
- Rule 980 — Exercise of Options Contracts
- Rule 981 — Allocation of Exercise Notices
- Rule 982 — Delivery and Payment

NYSE Arca Rules

- Rule 5.24 — Exercise of Options Contracts
- Rule 6.25 — Allocation of Exercise Assignment Notices
- Rule 6.26 — Delivery and Payment

3.2.4 Handling and Executing Short Sales

FINRA Rules 6182 and 6624 — Trade Reporting of Short Sales
SEC Market Regulations

Regulation SHO

Rule 200 — Definition of “Short Sale” and Marking Requirements

Rule 201 — Circuit Breaker

Rule 203 — Borrowing and Delivery Requirements

Rule 204 — Close-Out Requirement

3.3.1 Meeting Obligations to Customers Regarding Orders

BZX Rules

Rule 11.1 — Hours of Trading and Trading Days

Rule 19.7 — Adjustments

Rule 20.6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 21.2 — Days and Hours of Business

Rule 29.10 — Trading Sessions

BYX Rules

Rule 11.1 — Hours of Trading and Trading Days

BOX Rules

Rule 5060 — Adjustments

Rule 6080 — Trading Sessions – Days and Hours of Business

Rule 7130 — Execution and Price/Time Priority

CBOE Rules

Rule 5.7 — Adjustments

Rule 6.1 — Days and Hours of Business

Rule 6.25 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.52 — Price Binding Despite Erroneous Report

C2 Rules

Rule 6.1 — Days and Hours of Business

Rule 6.15 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.16 — Price Binding Despite Erroneous Report

CHX Rules

Article 20, Rule 1 — Trading Sessions

ISE Rules

Rule 505 — Adjustments

Rule 700 — Days and Hours of Business

EDGA and EDGX Rules

Rule 11.1— Hours of Trading and Trading Days

FINRA Rules

Rule 2010 — Standards of Commercial Honor and Principles of Trade

Rule 2121 — Fair Prices and Commissions

Rule 2124 — Net Transactions with Customers

Rule 2265 — Extended Hours Trading Risk Disclosure

Rule 5310 — Best Execution and Interpositioning

Rule 5330 — Adjustment of Orders

Rule 5350 — Stop Orders

Rule 6140 — Other Trading Practices

MIAX Rules

Rule 405 — Adjustments

Rule 501 — Day and Hours of Business

Rule 521 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Nasdaq Options Market Rules

Chapter IV — Section 7 — Adjustments

Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Chapter XIV — Section 10 — Trading Sessions

Nasdaq OMX BX Rules

Rule 3220 — Adjustment of Open Orders

Rule 4617 — Normal Business Hours

Nasdaq OMX BX Options Rules

Chapter IV — Section 7 — Adjustments

Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Chapter XIV — Section 10 — Trading Sessions

Nasdaq OMX PHLX Rules

Rule 101 — Hours of Business

Rule 1092 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 3217 (PSX) — Normal Business Hours

Nasdaq Stock Market Rules

Rule 4617 — Normal Business Hours

Rule 4761 — Corporate Actions Related to a Dividend, Payment or Distribution

NSX Rules

Rule 11.1 — Hours of Trading

NYSE Arca Rules

Rule 6.4(b) and (c) — Adjustments

NYSE MKT Rules

Rule 901NY — Trading Sessions

Rule 903(d) and (f) — Adjustments

NYSE Arca Rules

Rule 5.20 — Trading Sessions

Rule 5.79 — Trading Sessions

Rule 6.12 — Open Orders on “Ex-Date”

Rule 7.1 — Trading Sessions

Rule 7.34 — Trading Sessions

3.3.2 Identifying and Avoiding Prohibited Activities

CHX Rules

Article 9 — General Trading Rules

FINRA Rules

Rule 2020 — Use of Manipulative, Deceptive or Other Fraudulent Devices

Rule 5270 — Front Running of Block Transactions

Rule 5320 — Prohibition Against Trading Ahead of Customer Orders

Investment Advisers Act of 1940

Section 206 — Prohibited Transactions by Investment Advisers

3.3.3 Regulation NMS

SEC Market Regulations

Regulation NMS — Regulation of the National Market System

Rule 600 — NMS Security Designation and Definitions

Rule 604 — Display of Customer Limit Orders

Rule 611 — Order Protection Rule

Rule 612 — Minimum Price Increments

3.3.5 Account Statements and Confirmations

FINRA Rule 2232 — Customer Confirmations

NASD Rule 2340 — Customer Account Statements

3.3.6 Customer Accounts and Compliance Considerations

FINRA Rules

2090 — Know Your Customer

3310 — Anti-Money Laundering Compliance Program

FUNCTION 4 – Maintaining Books and Records and Trade Reporting

4.1 Reporting Trades to the Designated Reporting Facility

BZX Rules

Rule 11.14 — Trade Execution and Reporting

Rule 21.3 — Units of Trading

BYX Rules

Rule 11.14 — Trade Execution and Reporting

BOX Rules

Rule 7120 — Audit Trail

C2 Rules

Rule 6.38 — Reporting of Trade Information

CHX Rules

Article 21 — Rule 1 — Trade Reporting With a Qualified Clearing Agency

Article 21 — Rule 6 — Submission of Clearing Information for Transaction Executed Off-Exchange

EDGA and EDGX Rules

Rule 11.12 — Trade Execution and Reporting

FINRA Rules

Rule 6110 — Trading Otherwise than on an Exchange

Rule 6160 — Multiple MPIDs for Trade Reporting Facility Participants

Rule 6170 — Primary and Additional MPIDs for Alternative Display Facility Participants

Rule 6181 — Timely Transaction Reporting

Rule 6183 — Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

Rule 6280 and 7100 Series — Transaction Reporting/Alternative Display Facility

Rule 6281 — Reporting Transactions in ADF-Eligible Securities

Rule 6282 — Transactions Reported by Members to the Alternative Display Facility (ADF)

Rule 7110 — Definitions

Rule 7120 — Trade Reporting Participation Requirements

Rule 7130 — Trade Report Input

Rule 7140 — Trade Report Processing

Rule 7150 — Obligation to Honor Trades

Rule 7160 — Audit Trail Requirements

Rule 6300A/7200A Series and 6300B/7200B Series — FINRA/Nasdaq Trade Reporting Facility and
FINRA/NYSE Trade Reporting Facility

Rule 6310A/6300B — General

Rule 6320A/6320B — Definitions

Rule 6380A/6380B — Transaction Reporting

Rule 7210A/7210B — Definitions

Rule 7220A/7220B — Trade Reporting Participation Requirements

Rule 7230A/7230B — Trade Report Input

Rule 7240A/7240B — Trade Report Processing

Rule 7250A/7250B — Obligation to Honor Trades

Rule 7260A/7260B — Audit Trail Requirements

Rule 7270A/7270B — Violation of Reporting Rules

Rule 6550 — Transaction Reporting (OTCBB)

Rule 6600 Series — OTC Reporting Facility

Rule 6610 — General

Rule 6621 — Definitions

Rule 6622 — Transaction Reporting

Rule 6623 — Timely Transaction Reporting

Rule 6625 — Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

Rule 7300 Series — OTC Reporting Facility

Rule 7310 — Definitions

Rule 7320 — Trade Reporting Participation Requirements

Rule 7330 — Trade Report Input

Rule 7340 — Trade Report Processing

Rule 7350 — Obligation to Honor Trades

Rule 7360 — Audit Trail Requirements

Rule 7370 — Violation of Reporting Rules

MIAX Rules

Rule 513 — Submission of Orders and Clearance of Transactions

Rule 524 — Reporting of Matched Trades to Clearing Corporation

4.2 Creating, Retaining, and Reporting Required Records of Orders and Transactions

BZX Rules

Rule 11.14 — Trade Execution and Reporting

BYX Rules

Rule 11.14 — Trade Execution and Reporting

BOX Rules

Rule 7020 — Days and Hours of Business

Rule 10000 — Maintenance, Retention and Furnishing of Books, Records and Other Information

CBOE Rules

Rule 4.13 — Reports Related to Position Limits

Rule 6.1 — Days and Hours of Business

Rule 6.51 — Reporting Duties

Rule 6.58 — Submission of Trade Information to the Exchange

Rule 15.1 — Maintenance, Retention and Furnishing of Books, Records and Other Information

C2 Rules

Rule 6.1 — Days and Hours of Business

Rule 6.38 — Reporting of Trade Information CHX Rules

Article 11, Rule 3 — Records of Orders and Executions

Article 11, Rule 4 — Participant Communications

EDGA and EDGX Rules

Rule 11.12 — Trade Execution and Reporting

FINRA Rules

Rule 4511 — Books and Records Requirements; General Requirements

Rule 4552 — Alternative Trading Systems — Trading Information for Securities Executed Within the
Alternative Trading System

Rule 5340 — Pre-Time Stamping

Rule 7400 Series — Order Audit Trail System (OATS)

Rule 7410 — Definitions

Rule 7420 — Applicability

Rule 7430 — Synchronization of Member Business Clocks

Rule 7440 — Recording of Order Information

Rule 7450 — Order Data Transmission Requirements

Rule 7460 — Violation of Order Audit Trail System Rule

NSX Rules

Rule 11.16 — Trade Execution and Reporting

NYSE MKT Rules

Rule 957NY — Reporting Duties

NYSE Arca Rules

Rule 6.69 — Reporting Duties

Securities Exchange Act of 1934 Rules

13h-1 — Large Trader Reporting

17a-3 — Records to Be Made By Certain Exchange Members, Brokers and Dealers

SEC Market Regulations

Regulation NMS

Rule 605 — Disclosure of Order Execution Information

Rule 606 — Disclosure of Order Routing Information

SAMPLE ITEMS

The following sample items are included to provide an introduction to the basic formats of multiple-choice items used on the exam. The sample items do not reflect the difficulty level of actual exam items. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so their performance on the exam will better reflect their knowledge of the areas tested. An asterisk indicates the correct answer to each sample item.

Closed-Stem: The stem (the part that poses the question) is a complete sentence and thus concludes with a question mark. The options (answer choices) may be complete or incomplete sentences.

Example: Which of the following transactions is considered manipulative or deceptive?

- (A) Circulating a quotation that is not bona fide*
- (B) Refusing to accept limit orders from all customers
- (C) Appending "bid wanted" to a quote in a thinly traded security
- (D) Updating a market maker quote to reflect new customer orders

Open-Stem (Sentence Completion): The stem is an incomplete statement, and the options represent conclusions to the sentence.

Example: A put is considered out-of-the-money when the market price of the underlying security is:

- (A) equal to or higher than the strike price.*
- (B) lower than the strike price.
- (C) lower than the strike price less the premium.
- (D) higher than the strike price less the premium.

Except or Not: "Except" or "not" is used when the task is to select the response option that is an exception to the principle or rule stated in the stem. In such cases, the stem may be open or closed.

Example: Which of the following does **not** settle T+3?

- (A) NYSE securities
- (B) Exchange-traded funds (ETFs)
- (C) Options*
- (D) OTC Bulletin Board (OTCBB) securities

REFERENCES

Listed below are government and SRO websites that provide information about rules and regulations and other information candidates may find useful in preparing for the exam. In addition to information about rules, the SRO may publish glossaries of terms, explanations of securities products, and compliance procedures. Candidates are encouraged to refer to the SRO websites for information memos or regulatory notices concerning amendments to rules and the announcement of new rules that may relate to the exam. Candidates can purchase copies of federal securities laws and SEC rules and regulations through the network of federal government printing offices. However, some of this information may be available on the SRO and pertinent federal government (*e.g.*, the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam. FINRA produces only the content outline and is not involved with, nor does it endorse, any particular course of study.

BATS Exchange
www.batstrading.com

BOX Options Exchange
www.boxexchange.com

Chicago Board Options Exchange
www.cboe.com

CHX Chicago Exchange
www.chx.com

**Financial Industry Regulatory Authority
(FINRA)**
www.finra.org

International Securities Exchange
www.ise.com

Miami / MIAX Options
www.miaxoptions.com

National Stock Exchange
www.nsx.com

NYSE
www.nyse.com

Nasdaq Stock Market
www.nasdaq.com

Options Clearing Corporation
www.theocc.com
The Options Industry Council
www.888options.com

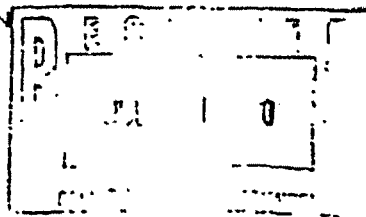
**Securities and Exchange Commission
Office of Investor Education and Advocacy**
www.sec.gov

**Securities Industry/Regulatory Council
on Continuing Education**
www.cecouncil.com



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



July 24, 2000

Mr. Alden S. Adkins
Senior Vice President & General Counsel
NASD Regulation, Inc.
1735 K Street, N. W.
Washington, D.C. 20006-1500

Re: Procedure for Filings Relating to Qualification Examinations

Dear Mr. Adkins: ^{Alden}

I am writing to inform you of a change in the filing requirements for proposed rule changes involving qualification examinations for associated persons. In the past, the Division required the SROs to file question banks for new examinations for Commission approval pursuant to Section 19(b)(2) of the Exchange Act. The Division also required SROs to file questions being added to the question bank for Commission approval.

The Division has decided that it is no longer necessary for SROs to file new exam question banks for Commission approval under Section 19(b)(2). In the future, any new examinations should be filed as non-controversial rule changes for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder. As you know, Rule 19b-4(f)(6) requires the SRO to give notice to the Commission of its intent to file a proposed rule change five days before doing so. During the five days prior to filing, the Division will determine if the proposed rule change is appropriately filed as non-controversial. To assist us in our analysis, please include a complete description of the examination in your rule filing. For example, the proposed rule change should address who will be required to take the exam, what information the exam will cover, the time allotted for each section, the weight assigned to each topic, the effective date of the exam requirement, and any other information that would be helpful to us in determining whether the proposal should become effective on filing. Also, pursuant to Rule 19b-4(f)(6), the rule change should be designated as effecting a change that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition and, by its terms, does not become operative for 30 days after the date of the filing.

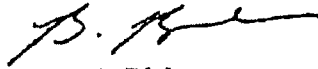
Alden S. Adkins

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Filings to modify an existing examination should be submitted as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration or enforcement of an existing rule..." pursuant to Section 19(b)(3)(A) of the Exchange Act.

Our goal in changing these procedures is to expedite the effectiveness of proposed rule changes involving examination requirements for persons associated with SRO members. Please contact Kathy England, Assistant Director, at 202-942-0154, or Karl Varner, Special Counsel, at 202-942-7125, if you have any questions.

Sincerely,



Belinda Blaine
Associate Director