

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="303"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2019"/> - * <input type="text" value="009"/>	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)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 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 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 to Adopt Remaining Legacy NASD and Incorporated NYSE Rules as FINRA Rules

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="Kathryn"/>	Last Name * <input type="text" value="Moore"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="kathryn.moore@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8200"/>	Fax <input type="text" value="(202) 728-8972"/>

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="04/08/2019"/>	Senior Vice President and Deputy General Counsel
By <input type="text" value="Patrice M. Gliniecki"/>	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 *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act,” “Exchange Act,” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt the following NASD Rules as FINRA Rules in the consolidated FINRA rulebook without any substantive changes: (1) the NASD Rule 1010 Series (Membership Proceedings) into the FINRA Rule 1000 Series; (2) NASD Rule 1090 (Foreign Members) as FINRA Rule 1021; (3) NASD Rule 2340 (Customer Account Statements) as FINRA Rule 2231; (4) NASD Rule 2510 (Discretionary Accounts) as FINRA Rule 3260; (5) NASD Rule 3140 (Approval of Change in Exempt Status Under SEA Rule 15c3-3) as FINRA Rule 1020; (6) NASD Rule 3150 (Reporting Requirements for Clearing Firms) as FINRA Rule 4540; and (7) NASD Rule IM-3150 (Exemptive Relief) as Supplementary Material to FINRA Rule 4540. In addition, the proposed rule change would adopt the remaining Incorporated NYSE Rules and Interpretations in the consolidated FINRA rulebook without any substantive changes as a separate Temporary Dual FINRA-NYSE Member Rule Series. FINRA also proposes to delete four Incorporated NYSE Rule definitions (Incorporated NYSE Rules - Rule 4 (“Stock”), Rule 5 (“Bond”), Rule 9 (“Branch Office Manager”), and Rule 12 (“Business Day”)) that are not used in the FINRA rule set as well as Incorporated NYSE Rule 375 and related Interpretation. Finally, the proposed rule change would update cross-references and make other non-substantive changes within FINRA rules, due in part to the adoption of new consolidated FINRA rules.

¹ 15 U.S.C. 78s(b)(1).

The text of the proposed rule change is attached as Exhibit 5.

(b) Upon filing with the Commission and implementation by FINRA of the proposed rule change, the NASD and the Incorporated NYSE Rules and Interpretations listed in Exhibit 5 will be eliminated from the current FINRA rulebook.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be 30 days after the date of the filing.

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

(a) Purpose

As part of the process of completing a consolidated rulebook ("Consolidated FINRA Rulebook"),² FINRA is proposing to adopt the following NASD Rules as FINRA Rules in the Consolidated FINRA Rulebook without any substantive changes: (1) the

² The current FINRA rulebook consists of: (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from New York Stock Exchange LLC ("NYSE") ("Incorporated NYSE Rules") (together, the NASD Rules and Incorporated NYSE Rules are referred to as the "Transitional Rulebook"). While the NASD Rules generally apply to all FINRA members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE ("Dual Members"). The FINRA Rules apply to all FINRA members, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, see Information Notice, March 12, 2008 (Rulebook Consolidation Process).

NASD Rule 1010 Series (Membership Proceedings) into the FINRA Rule 1000 Series;³ (2) NASD Rule 1090 (Foreign Members) as FINRA Rule 1021; (3) NASD Rule 2340 (Customer Account Statements) as FINRA Rule 2231; (4) NASD Rule 2510 (Discretionary Accounts) as FINRA Rule 3260; (5) NASD Rule 3140 (Approval of Change in Exempt Status Under SEA Rule 15c3-3) as FINRA Rule 1020; (6) NASD Rule 3150 (Reporting Requirements for Clearing Firms) as FINRA Rule 4540; and (7) NASD Rule IM-3150 (Exemptive Relief) as Supplementary Material to FINRA Rule 4540. In addition, FINRA proposes to adopt the remaining Incorporated NYSE Rules and Interpretations in the Consolidated FINRA Rulebook without any substantive changes as a separate Temporary Dual FINRA-NYSE Member Rule Series. The Temporary Dual FINRA-NYSE Member Rule Series in the Consolidated FINRA Rulebook as the name suggests would apply solely to Dual Members.⁴ Finally, FINRA proposes to update cross-references and make other non-substantive changes within FINRA rules.

FINRA is proposing to transfer these remaining NASD Rules and Incorporated NYSE rules and Interpretations into the FINRA Consolidated Rulebook without any substantive changes at this time to eliminate the Transitional Rulebook and provide

³ The FINRA Rule 1000 Series exists in the FINRA rulebook and consists of FINRA Rule 1010. The proposed rule change amends FINRA Rule 1010 to update the rule cross reference by deleting the reference to NASD and updating the cross references to reflect the adoption of the consolidated FINRA registration rules. See also *infra* note 28.

⁴ See *supra* note 2.

greater clarity and regulatory efficiency to FINRA members.⁵ FINRA will continue to review the substance of the rules addressed in this proposed rule change and expects to propose substantive changes to some or all of the rules as part of future rulemakings.

Membership Rules

The proposed rule change would adopt the NASD Rule 1010 Series (Membership Proceedings) (collectively, the “MAP rules”) into the FINRA Rule 1000 Series without any substantive changes.⁶ The NASD Rule 1010 Series (Membership Proceedings) governs FINRA’s membership application process. Exchange Act Section 15A(b)(8) requires that FINRA establish rules providing a fair procedure for the denial of membership.⁷ FINRA’s MAP rules provide a means for FINRA, through its Membership Application Program (“MAP”), to assess the proposed business activities of its potential

⁵ Exhibit 4 presents the text of the proposed rule change with the changes marked against the existing NASD and Incorporated NYSE Rules and Interpretations to show the updated cross-references, deletions of references to NASD and similar changes. Exhibit 5 shows the text of the proposed rule change marked against the current rule text with the NASD rules show as deleted and the FINRA rules shown as new text.

⁶ FINRA previously solicited comment on a proposal to adopt the consolidated FINRA Rule 1000 Series that would have transferred the NASD Rule 1010 Series and Incorporated NYSE Rules 311, 312, 313, 321, 416 and related supplementary material and rule interpretations, and Incorporated NYSE Rule 401/03 Interpretations to FINRA rules with significant changes. See Regulatory Notices 10-01 (January 2010), 13-29 (September 2013) and 18-23 (July 2018). <C:\Users\adeolam\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\RMPE EONQ\FINRA> FINRA is separately developing changes to the MAP rules in connection with the retrospective review of this rule set. See Regulatory Notice 18-23 (July 26, 2018) (requesting comment on a proposal regarding the MAP rules).

In addition, the proposed rule change corrects rule cross-references in the MAP rules.

⁷ 15 U.S.C. 78o-3(b)(8).

and current member firms. FINRA evaluates an applicant's financial, operational, supervisory and compliance systems to ensure that each applicant meets the standards set forth in NASD Rule 1014.

NASD Rule 1011 (Definitions), proposed to be adopted as FINRA Rule 1011, sets forth the defined terms applicable to the membership application process. NASD Rule 1012 (General Provisions), proposed to be adopted as FINRA Rule 1012, sets forth the requirements for submitting membership applications and supporting documentation. The MAP rules require the filing of two distinct types of applications. One category is a new member application ("NMA") filed by an applicant seeking membership in FINRA, which is filed pursuant to NASD Rule 1013 (New Member Application and Interview), proposed to be adopted as FINRA Rule 1013. The other category is a continuing membership application ("CMA"), which is filed pursuant to NASD Rule 1017 (Application for Approval of Change in Ownership, Control or Business Operations), proposed to be adopted as FINRA Rule 1017. NASD IM-1011-1 (Safe Harbor for Business Expansions), proposed to be adopted as FINRA IM-1011-1, specifies the parameters for increases a member may make in the number of its associated persons involved in sales, offices or markets made that is measured on a rolling 12-month period. The incremental changes a member may make in these three categories are presumed not to be a "material change in business operations" (as defined in Rule 1011) and thus do not require the filing of a CMA.

NASD IM-1013-1 (Membership Waive-In Process for Certain New York Stock Exchange Member Organizations) and NASD IM-1013-2 (Membership Waive-In Process for Certain NYSE Alternext US LLC Member Organizations) – proposed to be

adopted as FINRA IM-1013-1 and FINRA IM-1013-2, respectively – set forth a streamlined application and review process for FINRA membership that applied to certain NYSE and NYSE American (formerly known as NYSE Alternext US) (“waived-in firms”).

To maintain the status quo for the waived-in firms, the proposed rule change would clarify that such firms would be subject to FINRA rules, other than FINRA Rules 1011 through 1016, 1019 through 1021, 2231, 3260 and 4540. With the exception of proposed FINRA Rule 1017, the proposed rule change would not require the waived-in firms to comply with the FINRA Rule 1000 Series, or FINRA Rules 2231, 3260 and 4540, because these FINRA rules will continue to have a corresponding Temporary Dual FINRA-NYSE Member rule to which the waived-in firms will be subject (namely Incorporated NYSE Rules 311, 312, 313, 408, 409, 416 and 416A and related interpretations). As the Temporary Dual FINRA-NYSE Member Rules are eliminated, these waived-in firms will become subject to the corresponding FINRA rule. In addition, as is the case today, if at any time a waived-in firm seeks to expand its business beyond the permitted floor activities, the firm must apply for and receive approval to engage in any such activity under proposed FINRA Rule 1017. Once approved, the firm must immediately comply with all FINRA rules.

All applications are evaluated to determine whether the applicant meets the 14 standards or criteria (e.g., completeness and accuracy of the application and supporting documentation, the acquisition of all requisite licenses and registrations, a sufficient level of net capital, the establishment of necessary contractual agreements and business

relationships, an adequate supervisory system) set forth in NASD Rule 1014 (Department Decision), proposed to be adopted as FINRA Rule 1014.

FINRA may grant in whole, in part (subject to restrictions), or deny an NMA or CMA. NASD Rule 1015 (Review by National Adjudicatory Council), proposed to be adopted as FINRA Rule 1015, permits an applicant to submit a request for a review by the National Adjudicatory Council of an adverse decision rendered on an NMA or CMA. NASD Rule 1016 (Discretionary Review by FINRA Board), proposed to be adopted as FINRA Rule 1016, also permits a Governor of the FINRA Board to call for a discretionary review of a membership proceeding. Finally, a person aggrieved by a final action of FINRA under the NASD Rule 1010 Series may apply for review by the SEC pursuant to NASD Rule 1019 (Application to Commission for Review), proposed to be adopted as FINRA Rule 1019.

Foreign Members

FINRA proposes to adopt NASD Rule 1090 (Foreign Members) as FINRA Rule 1021 without any substantive changes. NASD Rule 1090 provides that a member that does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the SEC and FINRA must agree to a set of requirements that are necessary to effectively regulate foreign members' compliance with applicable securities laws and regulations, and with applicable FINRA rules. Such requirements include, among others, preparing all reports and maintaining a general ledger chart of account in English and U.S. dollars and having an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of FINRA during examinations.

Customer Account Statements

FINRA proposes to adopt NASD Rule 2340 (Customer Account Statements) as FINRA Rule 2231 without any substantive changes.⁸ NASD Rule 2340 generally requires each general securities member to send account statements to customers at least once each calendar quarter containing a description of any securities positions, money balances or account activity in the accounts since the prior account statements were sent, except if carried on a Delivery versus Payment/Receive versus Payment basis. The rule also sets forth requirements for disclosure of values for unlisted or illiquid direct participation programs and real estate investment trusts.

Discretionary Accounts

FINRA proposes to adopt NASD Rule 2510 (Discretionary Accounts) as FINRA Rule 3260 without any substantive changes.⁹ NASD Rule 2510 addresses the obligations of members and associated persons that have discretionary power over a customer's account.¹⁰ The rule prohibits a firm and its agents or employees that have discretionary power over a customer's account from effecting any excessive transactions in view of the

⁸ FINRA previously filed a proposal with the SEC to adopt consolidated FINRA Rule 2231 that would have transferred NASD Rule 2340 and Incorporated NYSE Rule 409 (and its related interpretations) with significant changes, but such filing was subsequently withdrawn. See Securities Exchange Act Release No. 67588 (August 2, 2012), 77 FR 47470 (August 8, 2012) (Notice of Withdrawal of File No. SR-FINRA-2009-028). FINRA solicited comment on a revised proposal. See Regulatory Notice 14-35 (September 2014).

⁹ FINRA previously solicited comment to adopt consolidated FINRA Rule 3260 that would have transferred NASD Rule 2510 and Incorporated NYSE Rule 408 and Interpretation 408/01 and /02 with significant changes. See Regulatory Notices 09-63 (November 2009) and 15-22 (June 2015).

¹⁰ See also SEA Rule 15c1-7 (Discretionary Accounts).

financial resources and character of the account. The rule also provides that a member or registered representative may not exercise any discretionary power in such account unless the customer has given prior written authorization to a stated individual or individuals, and the account has been accepted in writing by the member or a designated partner, officer or manager of the member. In addition, a member or a designated partner, officer or manager must approve promptly in writing each discretionary order entered and review all discretionary accounts at frequent intervals to detect and prevent excessive transactions. The rule provides certain exceptions from its requirements.

Approval of Change in Exempt Status Under SEA Rule 15c3-3

FINRA proposes to adopt NASD Rule 3140 (Approval of Change in Exempt Status Under SEC Rule 15c3-3) as FINRA Rule 1020 without any substantive changes. NASD Rule 3140 provides that a member (as defined in paragraph (a)) operating pursuant to any exemptive provision in SEA Rule 15c3-3(k) shall not change its method of doing business in a manner which will change its exemptive status to a fully computing firm that is subject to all provisions of SEA Rule 15c3-3; or commence operations that will disqualify it for continued exemption under SEA Rule 15c3-3 without first having obtained the prior written approval of FINRA. The rule sets forth standards that FINRA staff considers in approving or denying such an application under the rule.

Reporting Requirement for Clearing Firms

FINRA proposes to adopt NASD Rule 3150 (Reporting Requirements for Clearing Firms) as FINRA Rule 4540 without any substantive changes. NASD Rule 3150 states that all clearing firms must report prescribed data to FINRA about the member and any member broker-dealers for which it clears. The member may report

through a third-party but such member remains responsible for the compliance with the rule. In addition, the proposed rule change would incorporate without substantive change the provisions regarding the requirement to distinguish between data pertaining to all proprietary and customer accounts of an introducing member and of any member for which the introducing member is acting as an intermediary.

FINRA proposes to adopt NASD IM-3150 (Exemptive Relief) as Supplementary Material to proposed FINRA Rule 4540 without any substantive changes. NASD IM-3150 sets forth the circumstances under which FINRA would generally grant an exemption to the clearing firm reporting requirement in NASD Rule 3150 (proposed to be adopted as FINRA Rule 4540). The provision further requires that a member report to FINRA any change in the operation or nature of its business such that it no longer qualifies for an exemption previously granted under the rule.

Incorporated NYSE Rules and Interpretations

FINRA incorporated a set of NYSE rules and interpretations as Incorporated NYSE Rules and Interpretations when NASD and the NYSE consolidated their member regulation operations to form FINRA.¹¹ Since that time, FINRA has been amending NASD Rules and Incorporated NYSE Rules and Interpretations to establish a single set of rules. Given that FINRA would like to proceed with the rulebook consolidation process expeditiously to eliminate the Transitional Rulebook and provide greater clarity and regulatory efficiency to FINRA members, FINRA is proposing to adopt the remaining Incorporated NYSE Rules and Interpretations, as listed below, as FINRA

¹¹ See Securities Exchange Act Release No. 56147 (July 26, 2007), 72 FR 42166 (August 1, 2007) (Order Approving File No. SR-NASD-2007-054).

Rules, without any substantive changes. The proposed rule change would retain the current numbering convention and add a “T” after the number to denote its placement in the Temporary Dual FINRA-NYSE Member Rule Series of the Consolidated FINRA Rulebook. FINRA also proposes to delete four Incorporated NYSE Rule definitions that are not used in the FINRA rule set as well as Incorporated NYSE Rule 375 and related Interpretation as discussed below. The Temporary Dual FINRA-NYSE Member Rule Series in the Consolidated FINRA Rulebook as the name suggests would apply solely to Dual Members. The proposed rule change would not impose any new requirements on any member firms.

- Incorporated NYSE Rule 1 (“The Exchange”) that defines the term “the Exchange” generally to mean the “New York Stock Exchange LLC” would be adopted as FINRA Rule 1T;
- Incorporated NYSE Rule 2 (“Member,” “Membership,” “Member Firm,” etc.) that defines these terms to mean a person who has been approved by the Exchange and, among others, includes a definition for “control” to mean a person who can direct or cause the direction of the management or policies of a person and sets thresholds for a presumption of control, would be adopted as FINRA Rule 2T;
- Incorporated NYSE Rule 3 (“Security”) that defines the term “security” the same as used in the Exchange Act would be adopted as FINRA Rule 3T;
- Incorporated Rule 6 (“Floor”) that defines the term “Floor” to mean the trading floor at the applicable addresses listed therein would be adopted as FINRA Rule 6T;

- Incorporated NYSE Rule 8 (“Delivery”) that defines the term “Delivery” to mean the delivery of securities on Exchange contracts would be adopted as FINRA Rule 8T;
- Incorporated NYSE Rule 11 (Effect of Definitions) that provides that the terms defined in Exchange Rules shall have the meaning specified therein would be adopted as FINRA Rule 11T;
- Incorporated NYSE Rule 311 (Formation and Approval of Membership Organization) that details the requirements to be approved as a member organization would be adopted as FINRA Rule 311T.¹²
- Incorporated NYSE Rule 312 (Changes Within Member Organizations) that requires member organizations to give notice to the Exchange in certain circumstances, including, without limitation, when there is a change of stockholdings of the member or a change in directors or officers would be adopted as FINRA Rule 312T.¹³
- Incorporated NYSE Rule 313 (Submission of Partnership Articles – Submission of Corporate Documents) that requires the submission of certain corporate and partnership documents to the Exchange would be adopted as FINRA Rule 313T.¹⁴

¹² See supra note 6.

¹³ See supra note 6.

¹⁴ See supra note 6.

- Incorporated NYSE Rule 321 (Formation or Acquisition of Subsidiaries) that requires approval for a member to form a subsidiary would be adopted as FINRA Rule 321T.¹⁵
- Incorporated NYSE Rule 408 (Discretionary Power in Customers' Accounts) that addresses the obligations of members that have discretionary power over customers' accounts would be adopted as FINRA Rule 408T;¹⁶
- Incorporated NYSE Rule 409 (Statements of Accounts to Customers) that requires a member to send customers statements of account would be adopted as FINRA Rule 409T;¹⁷
- Incorporated NYSE Rule 416 (Questionnaires and Reports) that requires members to submit reports as requested by the Exchange would be adopted as FINRA Rule 416T;
- Incorporated NYSE Rule 416A (Members and Member Organizations Profile Information Updates and Quarterly Certifications Via The Electronic Filing Platform) that requires that members supply to the Exchange's electronic filing platform certain profile information and certify to the Exchange quarterly, would be adopted as FINRA Rule 416AT;
- Incorporated NYSE Rule 435 (Miscellaneous Provisions) that provides that no member shall circulate rumors of a sensational character which might reasonably

¹⁵ See supra note 6.

¹⁶ See supra note 9.

¹⁷ See supra note 8.

be expected to affect market conditions on the Exchange would be adopted as FINRA Rule 435T.¹⁸

- Incorporated NYSE Rule Interpretation 311(b), (f) and (g) that provides guidance on whether officers may be part time, criteria for the principal place of business of the member, and use of titles and division identification would be adopted as FINRA Rule 311T(b), (f) and (g).¹⁹
- Incorporated NYSE Rule Interpretation 401/01 through /04 that requires members notify the Exchange prior to certain events, including among others, changes in business activities, liquidity problems or capital problems would be adopted as FINRA Rule 401T/01 through /04.²⁰
- Incorporated NYSE Rule Interpretation 408/01 and /02 that requires identification of discretionary orders and provides guidance for establishing automatic money market fund redemptions would be adopted as FINRA Rule 408T/01 and /02.²¹
- Incorporated NYSE Rule Interpretation 409/(a) and /(b) that dictates the disclosures that must be made in a customer account statement, including for externally held assets, and requirements for use of third party agents, logos,

¹⁸ FINRA previously solicited comment on a proposal to adopt consolidated FINRA Rule 2030 that would have transferred Incorporated NYSE Rule 435 and Rule Interpretation 435(5)/01 with significant changes. See Regulatory Notices 08-68 (November 2008) and 09-29 (June 2009).

¹⁹ See supra note 6.

²⁰ See supra note 6.

²¹ See supra note 9.

summary statements and holding foreign customer mail would be adopted as FINRA Rule 409T/(a) and /(b).²²

- Incorporated NYSE Interpretation 435(5)/01 that states that the responsibility to prohibit the circulation of rumors extends to all member personnel would be adopted as FINRA Rule 435(5)T/01.²³

FINRA proposes to delete the following Incorporated NYSE Rules - Rule 4 (“Stock”), Rule 5 (“Bond”), Rule 9 (“Branch Office Manager”), and Rule 12 (“Business Day”) as such definitions are not used in the Consolidated FINRA Rulebook or the remaining proposed Temporary Dual FINRA-NYSE Member Rule Series.

FINRA also proposes to delete Incorporated NYSE Rule 375 (Missing the Market) and Interpretation 375/01. Incorporated NYSE Rule 375 provides that a member or member organization that has accepted an order for execution and that, because of neglect to execute the order or otherwise, takes or supplies the securities that are the subject of the order for its own account, is not acting as a broker and shall not charge a commission, without the knowledge and consent of the customer. The purpose of this rule is to ensure that when a member misses the market and fails to execute a customer’s order timely or as agent, the customer is notified and does not pay a commission unless the customer affirmatively consents.

Incorporated NYSE Rule Interpretation 375/01 provides that, when a member or member organization has “missed the market” on a customer order, the customer should be contacted, informed of the circumstances, and given the choice of either having the

²² See supra note 8.

²³ See supra note 18.

order filled at the price that prevailed “as of” the time the market was missed, or executed at the present market price. If the customer elects to have the order filled at the “as of” price, the member may effect the transaction for the customer’s account on the floor of the NYSE²⁴ and make a cash price adjustment, or fill the customer’s order from the firm’s error account.²⁵ In both instances, the customer’s confirmation shall carry the “as of” legend. In contrast to Incorporated NYSE Rule 375, which is focused on commissions, Rule Interpretation 375/01 is focused on the execution price of orders where a member has missed the market.

FINRA proposes to eliminate Incorporated NYSE Rule 375 and Incorporated NYSE Rule Interpretation 375/01 because they address a narrow range of conduct, which occurs in the context of an exchange and specify the remedial steps that must be taken to fill customer orders under such circumstances. In general, this NYSE Rule and Interpretation were primarily aimed at addressing the limited context of a specialist taking orders for transactions on the exchange on an agency basis. FINRA believes, this rule and interpretation are not necessary in light of the existing FINRA rules discussed below that cover a broader range of activities even though the FINRA rules do not specify remedial steps. FINRA believes FINRA’s rules that establish a fairness standard both with respect to commission and execution prices provide adequate remedies.

Specifically, FINRA Rule 2121 (Fair Prices and Commissions) requires that members assess customers prices, service charges and commissions that are fair, whether

²⁴ See NYSE Rule 6 for the definition of the NYSE floor.

²⁵ When the transaction is effected through a firm error account, the firm no longer acts as agent, as it is trading from a firm account as principal.

acting as principal or agent. FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders) also prohibits a member from trading for its own proprietary account ahead of its customer order unless it immediately executes the customer order at the same or better price at which it traded for its own account. Additionally, Rule 5310 (Best Execution and Interpositioning) requires that a member exercise reasonable diligence to buy or sell so that the resultant price to the customer is as favorable as possible under prevailing market conditions.²⁶ Further, Supplementary Material .01 of Rule 5310 states that members must make every effort to execute a marketable customer order that it receives fully and promptly. As such, FINRA believes that the conduct encompassed by Incorporated NYSE Rule 375 and its accompanying interpretation is and will continue to be fully addressed by other FINRA rules, and the deletion of the Rule and its accompanying rule interpretation will increase regulatory efficiency by removing unnecessary provisions from the rules.²⁷

Cross-Reference and Technical Updates

²⁶ FINRA also believes that Incorporated NYSE Rule 375 and Incorporated NYSE Rule Interpretation 375/01 are functionally obsolete, because, to FINRA's knowledge, neither NYSE nor FINRA has ever charged a violation of either the rule or its interpretation.

²⁷ FINRA previously solicited comment on a proposal to adopt consolidated FINRA Rule 2121 that would have transferred NASD Rule 2440, NASD IM 2440-1, NASD IM-2440-2, Incorporated NYSE Rule 375 and related Interpretation to the FINRA rulebook with significant changes. See Regulatory Notices 11-08 (February 2011) and 13-07 (January 2013). FINRA transferred NASD Rule 2440 and its Interpretative Materials into the Consolidated FINRA Rulebook as FINRA Rule 2121 without material change. See Securities Exchange Act Release No. 72208 (May 21, 2014), 79 FR 30675 (May 28, 2014) (Notice of filing and Immediate Effectiveness of File No. SR-FINRA-2014-023).

The proposed rule change would update cross-references and make other non-substantive changes within FINRA rules, due in part to the adoption of new consolidated FINRA rules.

The proposed rule change would update rule cross-references to reflect the adoption of the consolidated FINRA registration rules. The SEC approved the new rules on July 7, 2017. As part of that rule filing, FINRA adopted with amendments the NASD and Incorporated NYSE rules relating to qualification and registration requirements as FINRA rules in the Consolidated FINRA Rulebook. FINRA also deleted in their entirety the NASD Rule 1000 Series relating to registration of Principals and Representatives, Incorporated NYSE Rules 10, 344, 345, 472, and Incorporated NYSE Rule Interpretations 10, 344 and 345.²⁸ The consolidated FINRA registration rules were implemented on October 1, 2018.²⁹ As such, the proposed rule change would update references to the new rule numbers in Section 4 (Fees) and Section 12 (Application and Annual Fees for Statutorily Disqualified Member Firms, Statutorily Disqualified Applicants for Membership and Member Firms Seeking to Associate with Statutorily Disqualified Individuals) of Schedule A to the By-Laws of the Corporation; and FINRA Rules 1010 (Electronic Filing Requirements for Uniform Forms), 2210 (Communications with the Public), 2241 (Research Analysts and Research Reports), 2370 (Securities Futures), 3170 (Tape Recording of Registered Persons by Certain Firms), 9217

²⁸ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

²⁹ See Regulatory Notice 17-30 (October 2017).

(Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)), 9610 (Application), 9620 (Decision), and 9630 (Appeal).

In addition, the proposed rule change would replace all references to NASD Rule 2340 in FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2310 (Direct Participation Programs), and 9610 (Application) with references to proposed FINRA Rule 2231. The proposed rule change would also replace the references to NASD Rule 3150 in FINRA Rule 9610 with a reference to proposed FINRA Rule 4540. The proposed rule change would replace the references to NASD Rule 2510 in FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2360 (Options), 2370 (Securities Futures), 4512 (Customer Account Information), 4515 (Approval and Documentation of Changes in Account Name or Designation) and 5121 (Public Offerings of Securities With Conflicts of Interest) with references to proposed FINRA Rule 3260. The proposed rule change would replace all references to NASD Rule 3140 in FINRA Rule 0150 and FINRA Rule 6630 (Applicability of FINRA Rules to Securities Previously Designated as PORTAL Securities) to a reference to proposed FINRA Rule 1020. The proposed rule change would replace all references to the NASD Rule 1010 Series in Rules 7410 (Definitions), 8313 (Release of Disciplinary Complaints, Decisions and Other Information), 9521 (Purpose and Definitions), 9522 (Initiation of Eligibility Proceeding; Member Regulation Consideration), and the Capital Acquisition Broker Rule 100 Series (Member Application and Associated Person Registration) to references to the proposed FINRA Rule 1000 Series. The proposed rule change would replace a reference to NASD Rule 1090 in Capital Acquisition Broker Rule 119 to a reference to proposed FINRA Rule 1021. The

proposed rule change would also update the references to the Incorporated NYSE Rules in FINRA Rule 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19b-1(c)(2)) with the proposed FINRA Temporary Dual FINRA-NYSE Member Rule Series numbers. The proposed rule change would update the cross-references in FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders) to reflect the renumbering of Rule 7440(b)(19) as 7440(b)(20).³⁰

The proposed rule change would correct a typographical error in FINRA Rule 7620A (FINRA/Nasdaq Trade Reporting Facility Reporting Fees). When Rule 7620A was amended pursuant to SR-FINRA-2018-042, Example 1 under Section II.4.B. inadvertently stated “As to Tape B, the Retail Participant would pay the uncapped discounted monthly charges applicable to Tier 1 its activity...” (emphasis added).³¹ The proposed rule change would delete “its” before the word “activity.”

The proposed rule change also would make technical changes to FINRA Rule 7640A (Data Products Offered By NASDAQ). Pursuant to SR-NASDAQ-2018-098, Nasdaq relocated its Rule 7000 Series (Equities Pricing) to the Equity 7 Pricing Schedule of the Nasdaq rulebook’s shell structure.³² As part of that proposed rule change, the Nasdaq rules referred to in paragraph (c) of FINRA Rule 7640A were renumbered.

³⁰ See Securities Exchange Act Release No. 77523 (April 5, 2016), 81 FR 21427 (April 11, 2016) (Order Approving File No. SR-FINRA-2016-006).

³¹ See Securities Exchange Act Release No. 84901 (December 20, 2018), 83 FR 67408 (December 28, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-042).

³² See Securities Exchange Act Release No. 84684 (November 29, 2018), 83 FR 62936 (December 6, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-NASDAQ-2018-098).

Specifically, Nasdaq Rule 7037 was renumbered as Equity 7 Pricing Schedule, Section 137; Nasdaq Rule 7039 was renumbered as Equity 7 Pricing Schedule, Section 139; and Nasdaq Rule 7047 was renumbered as Equity 7 Pricing Schedule, Section 147. The proposed rule change would make conforming changes to Rule 7640A(c) to update these references. The proposed rule change would also change “NASDAQ” to “Nasdaq” in the Rule’s title to conform to the rest of the Rule.

Finally, the proposed rule change would add a reference to FINRA Rule 2030 (Engaging in Distribution and Solicitation Activities with Government Entities) to FINRA Rule 9610 (Application). FINRA Rule 2030 authorizes FINRA to exempt a covered member from Rule 2030(a) and, therefore, should be included in the list of rules in FINRA Rule 9610.³³

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be 30 days after the date of the filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³⁴ 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. FINRA believes that the proposed rule change, which does not substantively

³³ See Securities Exchange Act Release No. 78683 (August 25, 2016), 81 FR 60051 (August 31, 2016) (Order Approving File No. SR-FINRA-2015-056).

³⁴ 15 U.S.C. 78o-3(b)(6).

change the rules, is consistent with the Act because it is being undertaken pursuant to the rulebook consolidation process, which is designed to provide additional clarity and regulatory efficiency to FINRA members by consolidating the applicable NASD Rules, Incorporated NYSE Rules and Interpretations, and FINRA rules into one rule set.

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. As noted above, the proposed rule change will not substantively change either the text or application of the rules. FINRA would like to proceed with the rulebook consolidation process expeditiously, which will provide additional clarity and regulatory efficiency to members.

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 with respect to the proposed rule change to transfer the above listed NASD Rules, Incorporated NYSE Rules and Interpretations into the Consolidated FINRA Rulebook without any substantive changes.³⁵

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)

³⁵ But see supra notes 6, 8, 9, 18 and 27.

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act³⁶ and paragraph (f)(6) of Rule 19b-4 thereunder,³⁷ 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. As noted above, the proposed rule change will not substantively change either the text or application of the rules. FINRA would like to proceed with the rulebook consolidation process expeditiously, which will provide additional clarity and regulatory efficiency to members.

In accordance with Rule 19b-4(f)(6),³⁸ 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 Rule 19b-4(f)(6)(iii) under the Act.³⁹

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.

³⁶ 15 U.S.C. 78s(b)(3).

³⁷ 17 CFR 240.19b-4(f)(6).

³⁸ 17 CFR 240.19b-4(f)(6).

³⁹ 17 CFR 240.19b-4(f)(6)(iii).

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 4. Text of the proposed rule change marked against the existing NASD rules.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2019-009)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Remaining Legacy NASD and Incorporated NYSE Rules as FINRA rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)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 proposing to adopt the following NASD Rules as FINRA Rules in the consolidated FINRA rulebook without any substantive changes: (1) the NASD Rule 1010 Series (Membership Proceedings) into the FINRA Rule 1000 Series; (2) NASD Rule 1090 (Foreign Members) as FINRA Rule 1021; (3) NASD Rule 2340 (Customer Account Statements) as FINRA Rule 2231; (4) NASD Rule 2510 (Discretionary Accounts) as

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

FINRA Rule 3260; (5) NASD Rule 3140 (Approval of Change in Exempt Status Under SEA Rule 15c3-3) as FINRA Rule 1020; (6) NASD Rule 3150 (Reporting Requirements for Clearing Firms) as FINRA Rule 4540; and (7) NASD Rule IM-3150 (Exemptive Relief) as Supplementary Material to FINRA Rule 4540. In addition, the proposed rule change would adopt the remaining Incorporated NYSE Rules and Interpretations in the consolidated FINRA rulebook without any substantive changes as a separate Temporary Dual FINRA-NYSE Member Rule Series. FINRA also proposes to delete four Incorporated NYSE Rule definitions (Incorporated NYSE Rules - Rule 4 (“Stock”), Rule 5 (“Bond”), Rule 9 (“Branch Office Manager”), and Rule 12 (“Business Day”)) that are not used in the FINRA rule set as well as Incorporated NYSE Rule 375 and related Interpretation. Finally, the proposed rule change would update cross-references and make other non-substantive changes within FINRA rules, due in part to the adoption of new consolidated FINRA rules.

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

As part of the process of completing a consolidated rulebook (“Consolidated FINRA Rulebook”),⁴ FINRA is proposing to adopt the following NASD Rules as FINRA Rules in the Consolidated FINRA Rulebook without any substantive changes: (1) the NASD Rule 1010 Series (Membership Proceedings) into the FINRA Rule 1000 Series;⁵ (2) NASD Rule 1090 (Foreign Members) as FINRA Rule 1021; (3) NASD Rule 2340 (Customer Account Statements) as FINRA Rule 2231; (4) NASD Rule 2510 (Discretionary Accounts) as FINRA Rule 3260; (5) NASD Rule 3140 (Approval of Change in Exempt Status Under SEA Rule 15c3-3) as FINRA Rule 1020; (6) NASD Rule 3150 (Reporting Requirements for Clearing Firms) as FINRA Rule 4540; and (7) NASD Rule IM-3150 (Exemptive Relief) as Supplementary Material to FINRA Rule 4540. In addition, FINRA proposes to adopt the remaining Incorporated NYSE Rules and Interpretations in the Consolidated FINRA Rulebook without any substantive

⁴ The current FINRA rulebook consists of: (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from New York Stock Exchange LLC (“NYSE”) (“Incorporated NYSE Rules”) (together, the NASD Rules and Incorporated NYSE Rules are referred to as the “Transitional Rulebook”). While the NASD Rules generally apply to all FINRA members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE (“Dual Members”). The FINRA Rules apply to all FINRA members, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, see Information Notice, March 12, 2008 (Rulebook Consolidation Process).

⁵ The FINRA Rule 1000 Series exists in the FINRA rulebook and consists of FINRA Rule 1010. The proposed rule change amends FINRA Rule 1010 to update the rule cross reference by deleting the reference to NASD and updating the cross references to reflect the adoption of the consolidated FINRA registration rules. See also infra note 30.

changes as a separate Temporary Dual FINRA-NYSE Member Rule Series. The Temporary Dual FINRA-NYSE Member Rule Series in the Consolidated FINRA Rulebook as the name suggests would apply solely to Dual Members.⁶ Finally, FINRA proposes to update cross-references and make other non-substantive changes within FINRA rules.

FINRA is proposing to transfer these remaining NASD Rules and Incorporated NYSE rules and Interpretations into the FINRA Consolidated Rulebook without any substantive changes at this time to eliminate the Transitional Rulebook and provide greater clarity and regulatory efficiency to FINRA members.⁷ FINRA will continue to review the substance of the rules addressed in this proposed rule change and expects to propose substantive changes to some or all of the rules as part of future rulemakings.

Membership Rules

The proposed rule change would adopt the NASD Rule 1010 Series (Membership Proceedings) (collectively, the “MAP rules”) into the FINRA Rule 1000 Series without any substantive changes.⁸ The NASD Rule 1010 Series (Membership Proceedings)

⁶ See supra note 4.

⁷ Exhibit 4 presents the text of the proposed rule change with the changes marked against the existing NASD and Incorporated NYSE Rules and Interpretations to show the updated cross-references, deletions of references to NASD and similar changes. Exhibit 5 shows the text of the proposed rule change marked against the current rule text with the NASD rules show as deleted and the FINRA rules shown as new text.

⁸ FINRA previously solicited comment on a proposal to adopt the consolidated FINRA Rule 1000 Series that would have transferred the NASD Rule 1010 Series and Incorporated NYSE Rules 311, 312, 313, 321, 416 and related supplementary material and rule interpretations, and Incorporated NYSE Rule 401/03 Interpretations to FINRA rules with significant changes. See Regulatory Notices 10-01 (January 2010), 13-29 (September 2013) and 18-23 (July 2018).<C:\Users\adeolam\AppData\Local\Microsoft\Windows\INetCache\Content>.

governs FINRA’s membership application process. Exchange Act Section 15A(b)(8) requires that FINRA establish rules providing a fair procedure for the denial of membership.⁹ FINRA’s MAP rules provide a means for FINRA, through its Membership Application Program (“MAP”), to assess the proposed business activities of its potential and current member firms. FINRA evaluates an applicant’s financial, operational, supervisory and compliance systems to ensure that each applicant meets the standards set forth in NASD Rule 1014.

NASD Rule 1011 (Definitions), proposed to be adopted as FINRA Rule 1011, sets forth the defined terms applicable to the membership application process. NASD Rule 1012 (General Provisions), proposed to be adopted as FINRA Rule 1012, sets forth the requirements for submitting membership applications and supporting documentation. The MAP rules require the filing of two distinct types of applications. One category is a new member application (“NMA”) filed by an applicant seeking membership in FINRA, which is filed pursuant to NASD Rule 1013 (New Member Application and Interview), proposed to be adopted as FINRA Rule 1013. The other category is a continuing membership application (“CMA”), which is filed pursuant to NASD Rule 1017 (Application for Approval of Change in Ownership, Control or Business Operations), proposed to be adopted as FINRA Rule 1017. NASD IM-1011-1 (Safe Harbor for

[Outlook\RMPEEONQ\FINRA](#) FINRA is separately developing changes to the MAP rules in connection with the retrospective review of this rule set. See Regulatory Notice 18-23 (July 26, 2018) (requesting comment on a proposal regarding the MAP rules).

In addition, the proposed rule change corrects rule cross-references in the MAP rules.

⁹ 15 U.S.C. 78o-3(b)(8).

Business Expansions), proposed to be adopted as FINRA IM-1011-1, specifies the parameters for increases a member may make in the number of its associated persons involved in sales, offices or markets made that is measured on a rolling 12-month period. The incremental changes a member may make in these three categories are presumed not to be a “material change in business operations” (as defined in Rule 1011) and thus do not require the filing of a CMA.

NASD IM-1013-1 (Membership Waive-In Process for Certain New York Stock Exchange Member Organizations) and NASD IM-1013-2 (Membership Waive-In Process for Certain NYSE Alternext US LLC Member Organizations) – proposed to be adopted as FINRA IM-1013-1 and FINRA IM-1013-2, respectively – set forth a streamlined application and review process for FINRA membership that applied to certain NYSE and NYSE American (formerly known as NYSE Alternext US) (“waived-in firms”).

To maintain the status quo for the waived-in firms, the proposed rule change would clarify that such firms would be subject to FINRA rules, other than FINRA Rules 1011 through 1016, 1019 through 1021, 2231, 3260 and 4540. With the exception of proposed FINRA Rule 1017, the proposed rule change would not require the waived-in firms to comply with the FINRA Rule 1000 Series, or FINRA Rules 2231, 3260 and 4540, because these FINRA rules will continue to have a corresponding Temporary Dual FINRA-NYSE Member rule to which the waived-in firms will be subject (namely Incorporated NYSE Rules 311, 312, 313, 408, 409, 416 and 416A and related interpretations). As the Temporary Dual FINRA-NYSE Member Rules are eliminated, these waived-in firms will become subject to the corresponding FINRA rule. In addition,

as is the case today, if at any time a waived-in firm seeks to expand its business beyond the permitted floor activities, the firm must apply for and receive approval to engage in any such activity under proposed FINRA Rule 1017. Once approved, the firm must immediately comply with all FINRA rules.

All applications are evaluated to determine whether the applicant meets the 14 standards or criteria (e.g., completeness and accuracy of the application and supporting documentation, the acquisition of all requisite licenses and registrations, a sufficient level of net capital, the establishment of necessary contractual agreements and business relationships, an adequate supervisory system) set forth in NASD Rule 1014 (Department Decision), proposed to be adopted as FINRA Rule 1014.

FINRA may grant in whole, in part (subject to restrictions), or deny an NMA or CMA. NASD Rule 1015 (Review by National Adjudicatory Council), proposed to be adopted as FINRA Rule 1015, permits an applicant to submit a request for a review by the National Adjudicatory Council of an adverse decision rendered on an NMA or CMA. NASD Rule 1016 (Discretionary Review by FINRA Board), proposed to be adopted as FINRA Rule 1016, also permits a Governor of the FINRA Board to call for a discretionary review of a membership proceeding. Finally, a person aggrieved by a final action of FINRA under the NASD Rule 1010 Series may apply for review by the SEC pursuant to NASD Rule 1019 (Application to Commission for Review), proposed to be adopted as FINRA Rule 1019.

Foreign Members

FINRA proposes to adopt NASD Rule 1090 (Foreign Members) as FINRA Rule 1021 without any substantive changes. NASD Rule 1090 provides that a member that

does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the SEC and FINRA must agree to a set of requirements that are necessary to effectively regulate foreign members' compliance with applicable securities laws and regulations, and with applicable FINRA rules. Such requirements include, among others, preparing all reports and maintaining a general ledger chart of account in English and U.S. dollars and having an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of FINRA during examinations.

Customer Account Statements

FINRA proposes to adopt NASD Rule 2340 (Customer Account Statements) as FINRA Rule 2231 without any substantive changes.¹⁰ NASD Rule 2340 generally requires each general securities member to send account statements to customers at least once each calendar quarter containing a description of any securities positions, money balances or account activity in the accounts since the prior account statements were sent, except if carried on a Delivery versus Payment/Receive versus Payment basis. The rule also sets forth requirements for disclosure of values for unlisted or illiquid direct participation programs and real estate investment trusts.

¹⁰ FINRA previously filed a proposal with the SEC to adopt consolidated FINRA Rule 2231 that would have transferred NASD Rule 2340 and Incorporated NYSE Rule 409 (and its related interpretations) with significant changes, but such filing was subsequently withdrawn. See Securities Exchange Act Release No. 67588 (August 2, 2012), 77 FR 47470 (August 8, 2012) (Notice of Withdrawal of File No. SR-FINRA-2009-028). FINRA solicited comment on a revised proposal. See Regulatory Notice 14-35 (September 2014).

Discretionary Accounts

FINRA proposes to adopt NASD Rule 2510 (Discretionary Accounts) as FINRA Rule 3260 without any substantive changes.¹¹ NASD Rule 2510 addresses the obligations of members and associated persons that have discretionary power over a customer's account.¹² The rule prohibits a firm and its agents or employees that have discretionary power over a customer's account from effecting any excessive transactions in view of the financial resources and character of the account. The rule also provides that a member or registered representative may not exercise any discretionary power in such account unless the customer has given prior written authorization to a stated individual or individuals, and the account has been accepted in writing by the member or a designated partner, officer or manager of the member. In addition, a member or a designated partner, officer or manager must approve promptly in writing each discretionary order entered and review all discretionary accounts at frequent intervals to detect and prevent excessive transactions. The rule provides certain exceptions from its requirements.

Approval of Change in Exempt Status Under SEA Rule 15c3-3

FINRA proposes to adopt NASD Rule 3140 (Approval of Change in Exempt Status Under SEC Rule 15c3-3) as FINRA Rule 1020 without any substantive changes. NASD Rule 3140 provides that a member (as defined in paragraph (a)) operating pursuant to any exemptive provision in SEA Rule 15c3-3(k) shall not change its method

¹¹ FINRA previously solicited comment to adopt consolidated FINRA Rule 3260 that would have transferred NASD Rule 2510 and Incorporated NYSE Rule 408 and Interpretation 408/01 and /02 with significant changes. See Regulatory Notices 09-63 (November 2009) and 15-22 (June 2015).

¹² See also SEA Rule 15c1-7 (Discretionary Accounts).

of doing business in a manner which will change its exemptive status to a fully computing firm that is subject to all provisions of SEA Rule 15c3-3; or commence operations that will disqualify it for continued exemption under SEA Rule 15c3-3 without first having obtained the prior written approval of FINRA. The rule sets forth standards that FINRA staff considers in approving or denying such an application under the rule.

Reporting Requirement for Clearing Firms

FINRA proposes to adopt NASD Rule 3150 (Reporting Requirements for Clearing Firms) as FINRA Rule 4540 without any substantive changes. NASD Rule 3150 states that all clearing firms must report prescribed data to FINRA about the member and any member broker-dealers for which it clears. The member may report through a third-party but such member remains responsible for the compliance with the rule. In addition, the proposed rule change would incorporate without substantive change the provisions regarding the requirement to distinguish between data pertaining to all proprietary and customer accounts of an introducing member and of any member for which the introducing member is acting as an intermediary.

FINRA proposes to adopt NASD IM-3150 (Exemptive Relief) as Supplementary Material to proposed FINRA Rule 4540 without any substantive changes. NASD IM-3150 sets forth the circumstances under which FINRA would generally grant an exemption to the clearing firm reporting requirement in NASD Rule 3150 (proposed to be adopted as FINRA Rule 4540). The provision further requires that a member report to FINRA any change in the operation or nature of its business such that it no longer qualifies for an exemption previously granted under the rule.

Incorporated NYSE Rules and Interpretations

FINRA incorporated a set of NYSE rules and interpretations as Incorporated NYSE Rules and Interpretations when NASD and the NYSE consolidated their member regulation operations to form FINRA.¹³ Since that time, FINRA has been amending NASD Rules and Incorporated NYSE Rules and Interpretations to establish a single set of rules. Given that FINRA would like to proceed with the rulebook consolidation process expeditiously to eliminate the Transitional Rulebook and provide greater clarity and regulatory efficiency to FINRA members, FINRA is proposing to adopt the remaining Incorporated NYSE Rules and Interpretations, as listed below, as FINRA Rules, without any substantive changes. The proposed rule change would retain the current numbering convention and add a “T” after the number to denote its placement in the Temporary Dual FINRA-NYSE Member Rule Series of the Consolidated FINRA Rulebook. FINRA also proposes to delete four Incorporated NYSE Rule definitions that are not used in the FINRA rule set as well as Incorporated NYSE Rule 375 and related Interpretation as discussed below. The Temporary Dual FINRA-NYSE Member Rule Series in the Consolidated FINRA Rulebook as the name suggests would apply solely to Dual Members. The proposed rule change would not impose any new requirements on any member firms.

- Incorporated NYSE Rule 1 (“The Exchange”) that defines the term “the Exchange” generally to mean the “New York Stock Exchange LLC” would be adopted as FINRA Rule 1T;

¹³ See Securities Exchange Act Release No. 56147 (July 26, 2007), 72 FR 42166 (August 1, 2007) (Order Approving File No. SR-NASD-2007-054).

- Incorporated NYSE Rule 2 (“Member,” “Membership,” “Member Firm,” etc.) that defines these terms to mean a person who has been approved by the Exchange and, among others, includes a definition for “control” to mean a person who can direct or cause the direction of the management or policies of a person and sets thresholds for a presumption of control, would be adopted as FINRA Rule 2T;
- Incorporated NYSE Rule 3 (“Security”) that defines the term “security” the same as used in the Exchange Act would be adopted as FINRA Rule 3T;
- Incorporated Rule 6 (“Floor”) that defines the term “Floor” to mean the trading floor at the applicable addresses listed therein would be adopted as FINRA Rule 6T;
- Incorporated NYSE Rule 8 (“Delivery”) that defines the term “Delivery” to mean the delivery of securities on Exchange contracts would be adopted as FINRA Rule 8T;
- Incorporated NYSE Rule 11 (Effect of Definitions) that provides that the terms defined in Exchange Rules shall have the meaning specified therein would be adopted as FINRA Rule 11T;
- Incorporated NYSE Rule 311 (Formation and Approval of Membership Organization) that details the requirements to be approved as a member organization would be adopted as FINRA Rule 311T.¹⁴
- Incorporated NYSE Rule 312 (Changes Within Member Organizations) that requires member organizations to give notice to the Exchange in certain

¹⁴ See supra note 8.

circumstances, including, without limitation, when there is a change of stockholdings of the member or a change in directors or officers would be adopted as FINRA Rule 312T.¹⁵

- Incorporated NYSE Rule 313 (Submission of Partnership Articles – Submission of Corporate Documents) that requires the submission of certain corporate and partnership documents to the Exchange would be adopted as FINRA Rule 313T.¹⁶
- Incorporated NYSE Rule 321 (Formation or Acquisition of Subsidiaries) that requires approval for a member to form a subsidiary would be adopted as FINRA Rule 321T.¹⁷
- Incorporated NYSE Rule 408 (Discretionary Power in Customers' Accounts) that addresses the obligations of members that have discretionary power over customers' accounts would be adopted as FINRA Rule 408T;¹⁸
- Incorporated NYSE Rule 409 (Statements of Accounts to Customers) that requires a member to send customers statements of account would be adopted as FINRA Rule 409T;¹⁹

¹⁵ See supra note 8.

¹⁶ See supra note 8.

¹⁷ See supra note 8.

¹⁸ See supra note 11.

¹⁹ See supra note 8.

- Incorporated NYSE Rule 416 (Questionnaires and Reports) that requires members to submit reports as requested by the Exchange would be adopted as FINRA Rule 416T;
- Incorporated NYSE Rule 416A (Members and Member Organizations Profile Information Updates and Quarterly Certifications Via The Electronic Filing Platform) that requires that members supply to the Exchange's electronic filing platform certain profile information and certify to the Exchange quarterly, would be adopted as FINRA Rule 416AT;
- Incorporated NYSE Rule 435 (Miscellaneous Provisions) that provides that no member shall circulate rumors of a sensational character which might reasonably be expected to affect market conditions on the Exchange would be adopted as FINRA Rule 435T.²⁰
- Incorporated NYSE Rule Interpretation 311(b), (f) and (g) that provides guidance on whether officers may be part time, criteria for the principal place of business of the member, and use of titles and division identification would be adopted as FINRA Rule 311T(b), (f) and (g).²¹
- Incorporated NYSE Rule Interpretation 401/01 through /04 that requires members notify the Exchange prior to certain events, including among others,

²⁰ FINRA previously solicited comment on a proposal to adopt consolidated FINRA Rule 2030 that would have transferred Incorporated NYSE Rule 435 and Rule Interpretation 435(5)/01 with significant changes. See Regulatory Notices 08-68 (November 2008) and 09-29 (June 2009).

²¹ See supra note 8.

changes in business activities, liquidity problems or capital problems would be adopted as FINRA Rule 401T/01 through /04.²²

- Incorporated NYSE Rule Interpretation 408/01 and /02 that requires identification of discretionary orders and provides guidance for establishing automatic money market fund redemptions would be adopted as FINRA Rule 408T/01 and /02.²³
- Incorporated NYSE Rule Interpretation 409/(a) and /(b) that dictates the disclosures that must be made in a customer account statement, including for externally held assets, and requirements for use of third party agents, logos, summary statements and holding foreign customer mail would be adopted as FINRA Rule 409T/(a) and /(b).²⁴
- Incorporated NYSE Interpretation 435(5)/01 that states that the responsibility to prohibit the circulation of rumors extends to all member personnel would be adopted as FINRA Rule 435(5)T/01.²⁵

FINRA proposes to delete the following Incorporated NYSE Rules - Rule 4 (“Stock”), Rule 5 (“Bond”), Rule 9 (“Branch Office Manager”), and Rule 12 (“Business Day”) as such definitions are not used in the Consolidated FINRA Rulebook or the remaining proposed Temporary Dual FINRA-NYSE Member Rule Series.

²² See supra note 8.

²³ See supra note 11.

²⁴ See supra note 10.

²⁵ See supra note 20.

FINRA also proposes to delete Incorporated NYSE Rule 375 (Missing the Market) and Interpretation 375/01. Incorporated NYSE Rule 375 provides that a member or member organization that has accepted an order for execution and that, because of neglect to execute the order or otherwise, takes or supplies the securities that are the subject of the order for its own account, is not acting as a broker and shall not charge a commission, without the knowledge and consent of the customer. The purpose of this rule is to ensure that when a member misses the market and fails to execute a customer's order timely or as agent, the customer is notified and does not pay a commission unless the customer affirmatively consents.

Incorporated NYSE Rule Interpretation 375/01 provides that, when a member or member organization has "missed the market" on a customer order, the customer should be contacted, informed of the circumstances, and given the choice of either having the order filled at the price that prevailed "as of" the time the market was missed, or executed at the present market price. If the customer elects to have the order filled at the "as of" price, the member may effect the transaction for the customer's account on the floor of the NYSE²⁶ and make a cash price adjustment, or fill the customer's order from the firm's error account.²⁷ In both instances, the customer's confirmation shall carry the "as of" legend. In contrast to Incorporated NYSE Rule 375, which is focused on commissions, Rule Interpretation 375/01 is focused on the execution price of orders where a member has missed the market.

²⁶ See NYSE Rule 6 for the definition of the NYSE floor.

²⁷ When the transaction is effected through a firm error account, the firm no longer acts as agent, as it is trading from a firm account as principal.

FINRA proposes to eliminate Incorporated NYSE Rule 375 and Incorporated NYSE Rule Interpretation 375/01 because they address a narrow range of conduct, which occurs in the context of an exchange and specify the remedial steps that must be taken to fill customer orders under such circumstances. In general, this NYSE Rule and Interpretation were primarily aimed at addressing the limited context of a specialist taking orders for transactions on the exchange on an agency basis. FINRA believes, this rule and interpretation are not necessary in light of the existing FINRA rules discussed below that cover a broader range of activities even though the FINRA rules do not specify remedial steps. FINRA believes FINRA's rules that establish a fairness standard both with respect to commission and execution prices provide adequate remedies.

Specifically, FINRA Rule 2121 (Fair Prices and Commissions) requires that members assess customers prices, service charges and commissions that are fair, whether acting as principal or agent. FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders) also prohibits a member from trading for its own proprietary account ahead of its customer order unless it immediately executes the customer order at the same or better price at which it traded for its own account. Additionally, Rule 5310 (Best Execution and Interpositioning) requires that a member exercise reasonable diligence to buy or sell so that the resultant price to the customer is as favorable as possible under prevailing market conditions.²⁸ Further, Supplementary Material .01 of Rule 5310 states that members must make every effort to execute a marketable customer order that it receives fully and promptly. As such, FINRA believes that the conduct encompassed by

²⁸ FINRA also believes that Incorporated NYSE Rule 375 and Incorporated NYSE Rule Interpretation 375/01 are functionally obsolete, because, to FINRA's knowledge, neither NYSE nor FINRA has ever charged a violation of either the rule or its interpretation.

Incorporated NYSE Rule 375 and its accompanying interpretation is and will continue to be fully addressed by other FINRA rules, and the deletion of the Rule and its accompanying rule interpretation will increase regulatory efficiency by removing unnecessary provisions from the rules.²⁹

Cross-Reference and Technical Updates

The proposed rule change would update cross-references and make other non-substantive changes within FINRA rules, due in part to the adoption of new consolidated FINRA rules.

The proposed rule change would update rule cross-references to reflect the adoption of the consolidated FINRA registration rules. The SEC approved the new rules on July 7, 2017. As part of that rule filing, FINRA adopted with amendments the NASD and Incorporated NYSE rules relating to qualification and registration requirements as FINRA rules in the Consolidated FINRA Rulebook. FINRA also deleted in their entirety the NASD Rule 1000 Series relating to registration of Principals and Representatives, Incorporated NYSE Rules 10, 344, 345, 472, and Incorporated NYSE Rule Interpretations 10, 344 and 345.³⁰ The consolidated FINRA registration rules were

²⁹ FINRA previously solicited comment on a proposal to adopt consolidated FINRA Rule 2121 that would have transferred NASD Rule 2440, NASD IM 2440-1, NASD IM-2440-2, Incorporated NYSE Rule 375 and related Interpretation to the FINRA rulebook with significant changes. See Regulatory Notices 11-08 (February 2011) and 13-07 (January 2013). FINRA transferred NASD Rule 2440 and its Interpretative Materials into the Consolidated FINRA Rulebook as FINRA Rule 2121 without material change. See Securities Exchange Act Release No. 72208 (May 21, 2014), 79 FR 30675 (May 28, 2014) (Notice of filing and Immediate Effectiveness of File No. SR-FINRA-2014-023).

³⁰ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

implemented on October 1, 2018.³¹ As such, the proposed rule change would update references to the new rule numbers in Section 4 (Fees) and Section 12 (Application and Annual Fees for Statutorily Disqualified Member Firms, Statutorily Disqualified Applicants for Membership and Member Firms Seeking to Associate with Statutorily Disqualified Individuals) of Schedule A to the By-Laws of the Corporation; and FINRA Rules 1010 (Electronic Filing Requirements for Uniform Forms), 2210 (Communications with the Public), 2241 (Research Analysts and Research Reports), 2370 (Securities Futures), 3170 (Tape Recording of Registered Persons by Certain Firms), 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)), 9610 (Application), 9620 (Decision), and 9630 (Appeal).

In addition, the proposed rule change would replace all references to NASD Rule 2340 in FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2310 (Direct Participation Programs), and 9610 (Application) with references to proposed FINRA Rule 2231. The proposed rule change would also replace the references to NASD Rule 3150 in FINRA Rule 9610 with a reference to proposed FINRA Rule 4540. The proposed rule change would replace the references to NASD Rule 2510 in FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2360 (Options), 2370 (Securities Futures), 4512 (Customer Account Information), 4515 (Approval and Documentation of Changes in Account Name or Designation) and 5121 (Public Offerings of Securities With Conflicts of Interest) with references to proposed FINRA Rule 3260. The proposed rule change would replace all references to NASD Rule 3140 in FINRA Rule 0150 and FINRA Rule 6630

³¹ See Regulatory Notice 17-30 (October 2017).

(Applicability of FINRA Rules to Securities Previously Designated as PORTAL Securities) to a reference to proposed FINRA Rule 1020. The proposed rule change would replace all references to the NASD Rule 1010 Series in Rules 7410 (Definitions), 8313 (Release of Disciplinary Complaints, Decisions and Other Information), 9521 (Purpose and Definitions), 9522 (Initiation of Eligibility Proceeding; Member Regulation Consideration), and the Capital Acquisition Broker Rule 100 Series (Member Application and Associated Person Registration) to references to the proposed FINRA Rule 1000 Series. The proposed rule change would replace a reference to NASD Rule 1090 in Capital Acquisition Broker Rule 119 to a reference to proposed FINRA Rule 1021. The proposed rule change would also update the references to the Incorporated NYSE Rules in FINRA Rule 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19b-1(c)(2)) with the proposed FINRA Temporary Dual FINRA-NYSE Member Rule Series numbers. The proposed rule change would update the cross-references in FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders) to reflect the renumbering of Rule 7440(b)(19) as 7440(b)(20).³²

The proposed rule change would correct a typographical error in FINRA Rule 7620A (FINRA/Nasdaq Trade Reporting Facility Reporting Fees). When Rule 7620A was amended pursuant to SR-FINRA-2018-042, Example 1 under Section II.4.B. inadvertently stated “As to Tape B, the Retail Participant would pay the uncapped

³² See Securities Exchange Act Release No. 77523 (April 5, 2016), 81 FR 21427 (April 11, 2016) (Order Approving File No. SR-FINRA-2016-006).

discounted monthly charges applicable to Tier 1 its activity...” (emphasis added).³³ The proposed rule change would delete “its” before the word “activity.”

The proposed rule change also would make technical changes to FINRA Rule 7640A (Data Products Offered By NASDAQ). Pursuant to SR-NASDAQ-2018-098, Nasdaq relocated its Rule 7000 Series (Equities Pricing) to the Equity 7 Pricing Schedule of the Nasdaq rulebook’s shell structure.³⁴ As part of that proposed rule change, the Nasdaq rules referred to in paragraph (c) of FINRA Rule 7640A were renumbered. Specifically, Nasdaq Rule 7037 was renumbered as Equity 7 Pricing Schedule, Section 137; Nasdaq Rule 7039 was renumbered as Equity 7 Pricing Schedule, Section 139; and Nasdaq Rule 7047 was renumbered as Equity 7 Pricing Schedule, Section 147. The proposed rule change would make conforming changes to Rule 7640A(c) to update these references. The proposed rule change would also change “NASDAQ” to “Nasdaq” in the Rule’s title to conform to the rest of the Rule.

Finally, the proposed rule change would add a reference to FINRA Rule 2030 (Engaging in Distribution and Solicitation Activities with Government Entities) to FINRA Rule 9610 (Application). FINRA Rule 2030 authorizes FINRA to exempt a covered member from Rule 2030(a) and, therefore, should be included in the list of rules in FINRA Rule 9610.³⁵

³³ See Securities Exchange Act Release No. 84901 (December 20, 2018), 83 FR 67408 (December 28, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-042).

³⁴ See Securities Exchange Act Release No. 84684 (November 29, 2018), 83 FR 62936 (December 6, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-NASDAQ-2018-098).

³⁵ See Securities Exchange Act Release No. 78683 (August 25, 2016), 81 FR 60051 (August 31, 2016) (Order Approving File No. SR-FINRA-2015-056).

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be 30 days after the date of the filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³⁶ 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. FINRA believes that the proposed rule change, which does not substantively change the rules, is consistent with the Act because it is being undertaken pursuant to the rulebook consolidation process, which is designed to provide additional clarity and regulatory efficiency to FINRA members by consolidating the applicable NASD Rules, Incorporated NYSE Rules and Interpretations, and FINRA rules into one rule set.

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. As noted above, the proposed rule change will not substantively change either the text or application of the rules. FINRA would like to proceed with the rulebook consolidation process expeditiously, which will provide additional clarity and regulatory efficiency to members.

³⁶ 15 U.S.C. 78o-3(b)(6).

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 with respect to the proposed rule change to transfer the above listed NASD Rules, Incorporated NYSE Rules and Interpretations into the Consolidated FINRA Rulebook without any substantive changes.³⁷

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 Act³⁸ and Rule 19b-4(f)(6) thereunder.³⁹

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.

³⁷ But see supra notes 8, 10, 11, 20 and 29.

³⁸ 15 U.S.C. 78s(b)(3)(A).

³⁹ 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-2019-009 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-2019-009. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2019-009 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.⁴⁰

Robert W. Errett
Deputy Secretary

⁴⁰ 17 CFR 200.30-3(a)(12).

Exhibit 4

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

Text of Proposed FINRA Rules

(Marked to Show Changes from (1) NASD Rules 1010 Series to FINRA Rule 1000 Series; (2) NASD Rule 1090 to FINRA Rule 1021; (3) NASD Rule 2340 to FINRA Rule 2231; (4) NASD Rule 2510 to FINRA Rule 3260; (5) NASD Rule 3140 to FINRA Rule 1020; (6) NASD Rule 3150 and IM-3150 to FINRA Rule 4540; and (7) Incorporated NYSE Rules and Interpretations to Temporary Dual FINRA-NYSE member Rule Series. The above listed NASD Rules, Incorporated NYSE Rules and Interpretations, and associated Rule Series headings to be Deleted in their Entirety from the Transitional Rulebook. Also Marked to Show Changes to Schedule A to the By-Laws of the Corporation; the following FINRA Rules: 0150, 1010, 2210, 2241, 2310, 2360, 2370, 3170, 4512, 4515, 5121, 5320, 6630, 7410, 7620A, 7640A, 8313, 9217, 9521, 9522, 9610, 9620, 9630; and the Capital Acquisition Broker Rules)

* * * * *

Schedule A to the By-Laws of the Corporation

* * * * *

Section 4 — Fees

(a) through (b) No Change.

(c) The following fees shall be assessed to each individual who registers to take an examination as described below. These fees are in addition to the registration fee described in paragraph (b) and any other fees that the owner of an examination that FINRA administers may assess.

* * * * *

(1) Persons for whom any qualification examination is waived pursuant to Rule 1210.03[1070] shall be assessed as an application fee the examination fee for each qualification examination so waived.

(2) through (4) No Change.

(d) through (h) No Change.

* * * * *

Section 12 — Application and Annual Fees for Statutorily Disqualified Member Firms, Statutorily Disqualified Applicants for Membership and Member Firms Seeking to Associate with Statutorily Disqualified Individuals

(a) Any member firm, or applicant for membership under [NASD] Rule 1013 that is subject to a disqualification as set forth in Article III, Section 4 of the By-Laws of the Corporation (1) seeking to enter, or be continued in, membership; or (2) seeking to employ or continuing to employ as an associated person any individual who is subject to a disqualification from association with a member as set forth in Article III, Section 4 of the By-Laws of the Corporation shall, upon the filing of an application pursuant to Article III, Section 3, paragraph (d) of the By-Laws of the Corporation, pay to FINRA a fee of \$5,000.00. Any member firm whose application filed pursuant to Article III, Section 3, paragraph (d) of the By-Laws of the Corporation results in a full hearing for eligibility in FINRA pursuant to the Rule 9520 Series, shall pay to FINRA an additional fee of \$2,500.00.

(b) No Change.

* * * * *

FINRA RULES

* * * * *

0100. GENERAL STANDARDS

0150. Application of Rules to Exempted Securities Except Municipal Securities

(a) through (b) No Change.

(c) Unless otherwise indicated within a particular Rule, the following [FINRA and NASD] rules are applicable to transactions in, and business activities relating to, exempted securities, except municipal securities, conducted by members and associated persons: [FINRA]Rules 1020, 2010, 2020, 2060, 2111, 2122, 2150, 2210, 2211, 2212, 2231, 2232, 2261, 2268, 2269, 2320(g), 3110, 3210, 3220, 3260, 3270, 3280, 4120, 4130, 4210, 4311, 4330, 4360, 4510 Series, 4530, 5160, 5210, 5220, 5230, 5310, 5340, 6700 Series, 8110, 8120, 8210, 8310, 8311, 8312, 8320, 8330 and 9552[; NASD Rules 2340, 2510 and 3140].

(d) No Change.

* * * * *

1000. MEMBER APPLICATION AND ASSOCIATED PERSON

REGISTRATION

1010. Electronic Filing Requirements for Uniform Forms

(a) Filing Requirement

Except as provided in [NASD] Rule 1013(a)(2), all forms required to be filed by Article IV, Sections 1, 7, and 8, and Article V, Sections 2 and 3, of the FINRA By-Laws shall be filed through an electronic process or such other process FINRA may prescribe to the Central Registration Depository.

(b) through (c) No Change.

(d) Fingerprint Information

Upon filing an electronic Form U4 on behalf of a person applying for registration, a member shall promptly submit fingerprint information for that person. FINRA may make a registration effective pending receipt of the fingerprint information. If a member fails to submit the fingerprint information within 30 days after FINRA receives the electronic Form U4, the person's registration shall be deemed inactive. In such case, FINRA shall notify the member that the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. FINRA shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of the Rules 1210 and 1220 [NASD Rule 1020 Series and the NASD Rule 1030 Series]. Upon application and a showing of good cause, FINRA may extend the 30-day period.

(e) No Change.

••• **Supplementary Material:** -----

.01 through .04 No Change.

1011. Definitions

Unless otherwise provided, terms used in the Rule [1010]1000 Series shall have the meaning as defined in Rule [0120]0160.

(a) No Change.

(b) **"Associated Person"**

The term "Associated Person" means: (1) a natural person registered under [NASD]FINRA [R]rules; or (2) a sole proprietor, or any partner, officer, director, branch

manager of the Applicant, or any person occupying a similar status or performing similar functions; (3) any company, government or political subdivision or agency or instrumentality of a government controlled by or controlling the Applicant; (4) any employee of the Applicant, except any person whose functions are solely clerical or ministerial; (5) any person directly or indirectly controlling the Applicant whether or not such person is registered or exempt from registration under the FINRA By-Laws or [NASD]FINRA [R]rules; (6) any person engaged in investment banking or securities business controlled directly or indirectly by the Applicant whether such person is registered or exempt from registration under the FINRA By-Laws or [NASD]FINRA [R]rules; or (7) any person who will be or is anticipated to be a person described in (1) through (6) above.

(c) through (g) No Change.

(h) "FINRA Regulation Board"

The term "FINRA Regulation Board" means the Board of Directors of FINRA Regulation.

(i) through (j) No Change.

(k) "material change in business operations"

The term "material change in business operations" includes, but is not limited to:

(1) through (2) No Change.

(3) adding business activities that require a higher minimum net capital under SE[C]A Rule 15c3-1;

(l) through (m) No Change.

(n) "Subcommittee"

The term "Subcommittee" means a subcommittee of the National Adjudicatory Council that is constituted pursuant to Rule 1015 to conduct a review of a Department decision issued under the Rule [1010]1000 Series.

IM-1011-1. Safe Harbor for Business Expansions

This interpretive material concerns the types of business expansions that will not require a member to submit a Rule 1017 application to obtain FINRA's approval of the expansion. This safe harbor applies to: (1) firms that do not have a membership agreement, and (2) firms that have a membership agreement that does not contain a restriction on the factors listed below.

The safe harbor is not available to a member that has a membership agreement that contains a specific restriction as to one or more of the factors listed below. In that case, the agreement takes precedence because FINRA has determined that a particular restriction should apply as to one or more of the factors, and FINRA has issued a decision with a rationale for that restriction. Similarly, the safe harbor also does not apply if the member has a membership agreement that permits expansion beyond the limits set forth below (e.g., an Applicant requests and obtains approval for [ten]10 registered representatives in the first six months with an additional [ten]10 registered representatives in the next year); in such case, FINRA has specifically considered the firm's expansion plans and approved them.

The safe harbor is not available to any member that has disciplinary history. For purposes of this Interpretation, "disciplinary history" means a finding of a violation by the member or a principal of the member in the past five years by the [Securities and Exchange Commission]SEC, a self-regulatory organization, or a foreign financial

regulatory authority of one or more of the following provisions (or a comparable foreign provision) or rules or regulations thereunder: violations of the types enumerated in Section 15(b)(4)(E) and Section 15(c) of the [Securities] Exchange Act [of 1934; Section 15(c) of the Securities Exchange Act of 1934]; Section 17(a) of the Securities Act [of 1933]; SE[C]A Rules 10b-5 and 15g-1 through 15g-9; [NASD]FINRA Rules [2110]2010 (only if the finding of a violation is for unauthorized trading, churning, conversion, material misrepresentations or omissions to a customer, front[-]running, trading ahead of research reports or excessive markups), [2120]2020, [2310]2111, [2330]2150, 4330, [3010]3110 (failure to supervise only), [3310]5210, and [3330]5230; and MSRB Rules G-19, G-30, and G-37(b) [&and (c)], and all predecessor NASD rules to such FINRA rules.

For those firms to which the safe harbor is available, the following types of expansions are presumed not to be a material change in business operations and therefore do not require a Rule 1017 application. For any expansion beyond these limits, a member should contact its district office prior to implementing the change to determine whether the proposed expansion requires an application under Rule 1017. Expansions in each area are measured on a rolling 12-month basis; members are required to keep records of increases in personnel, offices, and markets to determine whether they are within the safe harbor.

"Associated Persons involved in sales" includes all Associated Persons, whether or not registered, who are involved in sales activities with public customers, including sales assistants and cold callers, but excludes clerical, back office, and trading personnel who are not involved in sales activities.

<i>Number of Associated Persons Involved in Sales</i>	<i>Safe Harbor—Increase Permitted Within One Year Period Without Rule 1017 Application</i>
1 – 10	10 persons
11 or more	10 persons or a 30 percent increase, whichever is greater
<i>Number of Offices (registered or unregistered)</i>	
1 – 5	3 offices
6 or more	3 offices or a 30 percent increase, whichever is greater
<i>Number of Markets Made</i>	
1 – 10	10 markets
11 or more	10 markets or a 30 percent increase, whichever is greater

1012. General Provisions

(a) Filing by Applicant or Service by FINRA

(1) through (2) No Change.

(3) Except where FINRA has otherwise prescribed an electronic or alternative filing process, an Applicant may file an application or any document or information requested under the Rule [1010]1000 Series by first-class mail, overnight courier, or hand delivery. If the Department and the Applicant agree, the Applicant also may file a requested document or information by facsimile.

(4) FINRA shall serve a notice or decision issued under the Rule [1010]1000 Series by first-class mail on the Applicant or its counsel, unless a Rule specifies a different method of service.

(5) For purposes of the Rule [1010]1000 Series, service by FINRA or filing by an Applicant shall be deemed complete as follows:

(A) through (E) No Change.

(b) Lapse of Application

(1) Absent a showing of good cause, an application filed under Rule 1013 or 1017 shall lapse if an Applicant fails to:

(A) No Change.

(B) appear at or otherwise participate in a scheduled membership interview pursuant to Rule 1013(b) or 1017([f]g); or

(C) file an executed membership agreement under Rule 1014(d) or Rule 1017([g]h)(4) within 25 days after service of the agreement, or within such other period agreed to by the Department and the Applicant.

(2) No Change.

(c) Ex Parte Communications

(1) No Change.

(2) Unless on notice and opportunity for an Applicant and Interested FINRA Staff to participate, or to the extent required for the disposition of ex parte matters as authorized by [NASD]FINRA [R]rules:

(A) an Applicant, a counsel or representative of an Applicant, or an Interested FINRA Staff shall not make or knowingly cause to be made an ex parte communication relevant to the merits of a membership proceeding under the Rule [1010]1000 Series to a Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or a FINRA employee who is participating or advising in a decision of such a person with respect to that proceeding; and

(B) No Change.

(3) No Change.

(d) Recusal or Disqualification

A Governor or a member of the National Adjudicatory Council or a Subcommittee thereof shall not participate in a matter governed by the Rule [1010]1000 Series as to which that person has a conflict of interest or bias, or if circumstances otherwise exist where his or her fairness might reasonably be questioned. In such a case, the person shall recuse himself or shall be disqualified as follows:

(1) through (2) No Change.

(e) Computation of Time

(1) Calendar Day

In the Rule [1010]1000 Series, "day" means calendar day.

(2) Formula

In computing a period of time under the Rule [1010]1000 Series, the day of the act, event, default, or lapse from which the period of time designated begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday, or Federal holiday, in which event the period runs until the end of the next day that is not a Saturday, Sunday, or Federal holiday. Intermediate Saturdays, Sundays, and Federal holidays shall be excluded from the computation when the period prescribed is [ten]10 days or less.

1013. New Member Application and Interview

(a) Filing of Application

(1) How to File

An Applicant for FINRA membership shall file its application with the Department in the manner prescribed by FINRA [with the Department of Member Regulation ("the Department")]. An Applicant shall submit an application that includes:

(A) through (B) No Change.

(C) an original FINRA-approved fingerprint card for each Associated Person who will be subject to SE[C]A Rule 17f-2;

(D) No Change.

(E) a detailed business plan that adequately and comprehensively describes all material aspects of the business that will be, or are reasonably anticipated to be, performed at and after the initiation of business operations, including future business expansion plans, if any, and includes:

(i) No Change.

(ii) a monthly projection of income and expenses, with a supporting rationale, for the first [twelve]12 months of operations;

(iii) No Change.

(iv) the intended location of the Applicant's principal place of business and all other offices, if any, whether or not such offices would be required to be registered under [NASD]FINRA [R]rules, and the names of the persons who will be in charge of each office;

(v) through (x) No Change.

(xi) any other activity that the Applicant may engage in that reasonably could have a material impact on net capital within the first [twelve]12 months of business operations; and

(xii) No Change.

(F) through (G) No Change.

(H) documentation of any of the following events, unless the event has been reported to the Central Registration Depository:

(i) a regulatory action against or investigation of the Applicant or an Associated Person by the [Commission]SEC, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization that is pending, adjudicated, or settled;

(ii) through (v) No Change.

(I) through (M) No Change.

(N) a description of the Applicant's supervisory system and a copy of its written supervisory procedures, internal operating procedures (including operational and internal controls), internal inspections plan, written approval process, and qualifications investigations required by Rule [3010]3110;

(O) through (P) No Change.

(Q) a copy of the Applicant's written training plan to comply with Firm Element continuing education requirements described in Rule

[1120]1240(b), including the name of the Associated Person responsible for implementation; and

(R) No Change.

(2) Uniform Registration Forms

Upon approval of the Applicant's FINRA Member Firm Account Administrator Entitlement Form, the Applicant shall submit its Forms U4 for each Associated Person who is required to be registered under [NASD]FINRA [R]rules, any amendments to its Forms BD or U4, and any Form U5 electronically via Web CRD.

(3) through (5) No Change.

(b) No Change.

IM-1013-1. Membership Waive-In Process for Certain New York Stock Exchange Member Organizations

This Interpretive Material sets forth a membership waive-in process for certain New York Stock Exchange ("NYSE") member organizations to become members of FINRA as part of the consolidation of the member firm regulatory functions of NASD and NYSE Regulation, Inc. ("NYSE Regulation"). It applies to firms that, as of July 25, 2007, (1) are approved NYSE member organizations or (2) have submitted an application to become an NYSE member organization and are subsequently approved for NYSE membership (together "NYSE-only member organizations"), provided that such firms were not also NASD members as of July 30, 2007. Such firms are eligible to automatically become FINRA members and to automatically register all associated persons whose registrations are approved with NYSE in registration categories

recognized by FINRA upon submission to [FINRA's Member Regulation Department ("the Department")] the Department of a signed waive-in membership application ("Waive-In Application") with the following information:

(1) through (5) No Change.

(6) Representations that the NYSE applicant's Uniform Application for Broker-Dealer Registration (Form BD) will be amended as needed to keep current and accurate; that all individual and entity registrations with FINRA will be kept current; and that all information and statements contained in the Waive-In Application are current, true and complete.

The Department shall review the Waive-In Application within three [(3)] business days of receipt and, if complete, issue a letter notifying the applicant that it has been approved for membership. The Membership Agreement shall become effective on the date of such notification letter.

Firms admitted pursuant to this Interpretive Material shall be subject to the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and [the consolidated] FINRA rules, other than FINRA Rules 1011 through 1016, 1019 through 1021, 2231, 3260 and 4540[and the NYSE rules incorporated by FINRA], provided that their securities business is limited to floor brokerage on the NYSE, or routing away to other markets orders that are ancillary to their core floor business under NYSE Rule 70.40 ("permitted floor activities"). If an NYSE-only member organization admitted pursuant to this Interpretive Material seeks to expand its business operations to include any activities other than the permitted floor activities, such firm must apply for and receive approval to engage in such business activity pursuant to [NASD] Rule 1017.

Upon approval of such business expansion, the firm shall be subject to [all NASD rules, in addition to the consolidated FINRA rules and those NYSE rules incorporated by] the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and all FINRA rules.

Pursuant to IM-Section 4(b)(1) and (e) to Schedule A of the FINRA By-Laws, a firm applying to waive in for membership pursuant to this Interpretive Material shall not be assessed certain registration and application fees set forth in Sections 4(b)(1) and (e) to Schedule A of the FINRA By-Laws.

IM-1013-2. Membership Waive-In Process for Certain NYSE [Alternext US]American LLC Member Organizations

This Interpretive Material sets forth a membership waive-in process for certain NYSE [Alternext US]American LLC ("NYSE [Alternext]American") member organizations to become members of FINRA as part of the acquisition by NYSE Euronext of the Amex Membership Corporation. It applies to any NYSE [Alternext]American member organization that (i) holds a valid 86 Trinity Permit as of the date such firm transfers its equities operations to the NYSE [Alternext]American Trading Systems and (ii) is not currently a FINRA member. Such firms are eligible to automatically become FINRA members and to automatically register all associated persons whose registrations are approved with NYSE [Alternext]American in registration categories recognized by FINRA upon submission to [FINRA's Member Regulation Department ("the Department")] the Department of a signed waive-in membership application ("Waive-In Application") with the following information:

(1) through (5) No Change.

(6) Representations that the NYSE [Alternext]American applicant's Uniform Application for Broker-Dealer Registration (Form BD) will be amended as needed to keep current and accurate; that all individual and entity registrations with FINRA will be kept current; and that all information and statements contained in the Waive-In Application are current, true and complete.

The Department shall review the Waive-In Application within three [(3)] business days of receipt and, if complete, issue a letter notifying the applicant that it has been approved for membership. The Membership Agreement shall become effective on the date of such notification letter.

Firms admitted pursuant to this Interpretive Material shall be member organizations of both NYSE and NYSE [Alternext]American and as such are subject to [the consolidated] FINRA rules (provided that firms admitted to FINRA membership under IM-1013-1 also are subject to [the consolidated] FINRA rules), other than FINRA Rules 1011 through 1016, 1019 through 1021, 2231, 3260 and 4540, [the NYSE rules incorporated by FINRA,] the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and the [NASD]FINRA Rule 8000 and Rule 9000 Series, provided that their NYSE or NYSE [Alternext]American securities business is limited to floor-based activities in either NYSE-traded or NYSE [Alternext]American-traded securities, or routing away to other markets orders that are ancillary to their core NYSE or NYSE [Alternext]American floor business under NYSE Rule 70.40 or NYSE [Alternext]American Equities Rule 70.40 ("permitted floor activities"). If a firm admitted pursuant to this Interpretive Material seeks to expand its business operations to include any activities other than the permitted floor activities or makes changes to its securities

business that would otherwise require FINRA membership, such firm must apply for and receive approval to engage in such business activity pursuant to [NASD] Rule 1017.

Upon approval of such business expansion, the firm shall be subject to [all NASD rules, in addition to the consolidated FINRA rules and those NYSE rules incorporated by] the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and all FINRA rules.

Pursuant to IM-Section 4(b)(1) and (e) to Schedule A of the FINRA By-Laws, a firm applying to waive in for membership pursuant to this Interpretive Material shall not be assessed certain registration and application fees set forth in Sections 4(b)(1) and (e) to Schedule A of the FINRA By-Laws.

1014. Department Decision

(a) Standards for Admission

After considering the application, the membership interview, other information and documents provided by the Applicant, other information and documents obtained by the Department, and the public interest and the protection of investors, the Department shall determine whether the Applicant meets each of the following standards:

(1) through (2) No Change.

(3) The Applicant and its Associated Persons are capable of complying with the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules, including observing high standards of commercial honor and just and equitable principles of trade. In determining whether this standard is met, the Department shall take into consideration whether:

(A) a state or federal authority or self-regulatory organization has taken permanent or temporary adverse action with respect to a registration

or licensing determination regarding the Applicant or an Associated Person;

(B) an Applicant's or Associated Person's record reflects a sales practice event, a pending arbitration, or a pending private civil action;

(C) an Applicant or Associated Person is the subject of a pending, adjudicated, or settled regulatory action or investigation by the [Commission]SEC, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization; an adjudicated, or settled investment-related private civil action for damages or an injunction; or a criminal action (other than a minor traffic violation) that is pending, adjudicated, or that has resulted in a guilty or no contest plea or an Applicant, its control persons, principals, registered representatives, other Associated Persons, any lender of 5[%] percent or more of the Applicant's net capital, and any other member with respect to which these persons were a control person or a 5[%] percent lender of its net capital is subject to unpaid arbitration awards, other adjudicated customer awards, or unpaid arbitration settlements;

(D) through (F) No Change.

(4) The Applicant has established all contractual or other arrangements and business relationships with banks, clearing corporations, service bureaus, or others necessary to:

(A) No Change.

(B) comply with the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules.

(5) The Applicant has or has adequate plans to obtain facilities that are sufficient to:

(A) No Change.

(B) comply with the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules.

(6) The communications and operational systems that the Applicant intends to employ for the purpose of conducting business with customers and other members are adequate and provide reasonably for business continuity in each area set forth in Rule 1013(a)([2]1)(E)(xii);

(7) The Applicant is capable of maintaining a level of net capital in excess of the minimum net capital requirements set forth in SE[C]A Rule 15c3-1 adequate to support the Applicant's intended business operations on a continuing basis, based on information filed under Rule 1013(b)(5). The Department may impose a reasonably determined higher net capital requirement for the initiation of operations after considering:

(A) the amount of net capital sufficient to avoid early warning level reporting requirements, such as SE[C]A Rule 17a-11;

(B) the amount of capital necessary to meet expenses net of revenues for at least [twelve]12 months, based on reliable projections agreed to by the Applicant and the Department;

(C) through (E) No Change.

(F) any other activity that the Applicant will engage in that reasonably could have a material impact on net capital within the first [twelve]12 months of business operations.

(8) The Applicant has financial controls to ensure compliance with the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules.

(9) No Change.

(10) The Applicant has a supervisory system, including written supervisory procedures, internal operating procedures (including operational and internal controls), and compliance procedures designed to prevent and detect, to the extent practicable, violations of the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules. In evaluating the adequacy of a supervisory system, the Department shall consider the overall nature and scope of the Applicant's intended business operations and shall consider whether:

(A) No Change.

(B) the Applicant has identified specific Associated Persons to supervise and discharge each of the functions in the Applicant's business plan, and to supervise each of the Applicant's intended offices, whether or not such offices are required to be registered under [NASD]FINRA [R]rules;

(C) through (I) No Change.

(J) any other condition that will have a material impact on the Applicant's ability to detect and prevent violations of the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules.

(11) No Change.

(12) The Applicant has completed a training needs assessment and has a written training plan that complies with the continuing education requirements imposed by the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules.

(13) FINRA does not possess any information indicating that the Applicant may circumvent, evade, or otherwise avoid compliance with the federal securities laws, the rules and regulations thereunder, or [NASD]FINRA [R]rules.

(14) The application and all supporting documents otherwise are consistent with the federal securities laws, the rules and regulations thereunder, and [NASD]FINRA [R]rules.

(b) through (d) No Change.

(e) Service and Effectiveness of Decision

The Department shall serve its decision and the membership agreement on the Applicant in accordance with Rule 1012. The decision shall become effective upon service and shall remain in effect during the pendency of any review until a decision constituting final action of FINRA is issued under Rule 1015 or 1016, unless otherwise directed by the National Adjudicatory Council, the FINRA Board, or the [Commission]SEC.

(f) Effectiveness of Restriction

A restriction imposed under this Rule shall remain in effect and bind the Applicant and all successors to the ownership or control of the Applicant unless:

(1) No Change.

(2) stayed by the National Adjudicatory Council, the FINRA Board, or the [Commission]SEC.

(g) No Change.

1015. Review by National Adjudicatory Council

(a) through (i) No Change.

(j) Decision

(1) through (2) No Change.

(3) Issuance of Decision After Expiration of Call for Review Periods

The National Adjudicatory Council shall provide its proposed written decision to the FINRA Board. The FINRA Board may call the membership proceeding for review pursuant to Rule 1016. If the FINRA Board does not call the membership proceeding for review, the proposed written decision of the National Adjudicatory Council shall become final. The National Adjudicatory Council shall serve the Applicant with a written notice specifying the date on which the call for review period expired and stating that the final written decision will be served within 15 days after such date. The National Adjudicatory Council shall serve its final written decision within 15 days after the date on which the call for review period expired. The decision shall constitute the final action of FINRA for purposes of SE[C]A Rule 19d-3, unless the National Adjudicatory Council remands the membership proceeding.

(4) No Change.

1016. Discretionary Review by FINRA Board

(a) through (d) No Change.

(e) Issuance of Decision

The FINRA Board shall serve its written decision on the Applicant within 15 days after the meeting at which it conducted its review. The decision shall constitute the final action of FINRA for purposes of SE[C]A Rule 19d-3, unless the FINRA Board remands the membership proceeding.

1017. Application for Approval of Change in Ownership, Control, or Business Operations

(a) Events Requiring Application

A member shall file an application for approval of any of the following changes to its ownership, control, or business operations:

(1) through (2) No Change.

(3) direct or indirect acquisitions or transfers of 25[%] percent or more in the aggregate of the member's assets or any asset, business or line of operation that generates revenues [comprising] composing 25[%] percent or more in the aggregate of the member's earnings measured on a rolling 36-month basis, unless both the seller and acquirer are members of the New York Stock Exchange, Inc.;

(4) through (5) No Change.

(b) Filing and Content of Application

(1) The member shall file the application with the Department in the manner prescribed by FINRA [with the Department of Member Regulation ("the Department")].

(2) No Change.

(c) through (f) No Change.

(g) Membership Interview

(1) through (3) No Change.

(4) During the membership interview, the Department shall review the application and the considerations for the Department's decision set forth in paragraph ([g]h)(1) with the Applicant's representative or representatives. The Department shall provide to the Applicant's representative or representatives any information or document that the Department has obtained from the Central Registration Depository or a source other than the Applicant and upon which the Department intends to base its decision under paragraph ([g]h). If the Department receives such information or document after the membership interview or decides to base its decision on such information after the membership interview, the Department shall promptly serve the information or document and an explanation thereof on the Applicant.

(h) No Change.

(i) Service and Effectiveness of Decision

The Department shall serve its decision on the Applicant in accordance with Rule 1012. The decision shall become effective upon service and shall remain in effect during the pendency of any review until a decision constituting final action of FINRA is issued

under Rule 1015 or 1016, unless otherwise directed by the National Adjudicatory Council, the FINRA Board, or the [Commission]SEC.

(j) No Change.

(k) Removal or Modification of Restriction on Department's Initiative

The Department shall modify or remove a restriction on its own initiative if the Department determines such action is appropriate in light of the considerations set forth in paragraph ([g]h)(1). The Department shall notify the member in writing of the Department's determination and inform the member that it may apply for further modification or removal of a restriction by filing an application under paragraph (a).

(l) No Change.

1018. Reserved

1019. Application to [Commission] the SEC for Review

A person aggrieved by final action of FINRA under the Rule [1010]1000 Series may apply for review by the [Commission]SEC pursuant to Section 19(d)(2) of the Exchange Act. The filing of an application for review shall not stay the effectiveness of a decision constituting final action of FINRA, unless the [Commission]SEC otherwise orders.

[3140]1020. Approval of Change in Exempt Status Under SE[C]A Rule 15c3-3

(a) Application — For the purposes of this Rule, the term "member" shall be limited to any member of [the Association]FINRA who is subject to SE[C]A Rule 15c3-3 and is not designated to another self-regulatory organization by the Commission for financial responsibility pursuant to Section 17 of the Exchange Act and SE[C]A Rule

17d-1 promulgated thereunder. Further, the term shall not be applicable to any member that is subject to Section 402.2(c) of the rules of the Treasury Department.

(b) A member operating pursuant to any exemptive provision as contained in subparagraph (k) of SE[C]A Rule 15c3-3 [under the Act (Rule 15c3-3)], shall not change its method of doing business in a manner which will change its exemptive status from that governed by subparagraph (k)(1) or (k)(2)(ii) to that governed by subparagraph (k)(2)(i); or from subparagraph (k)(1), (k)(2)(i) or (k)(2)(ii) to a fully computing firm that is subject to all provisions of SEA Rule 15c3-3; or commence operations that will disqualify it for continued exemption under SEA Rule 15c3-3 without first having obtained the prior written approval of [the Association]FINRA.

(c) In making the determination as to whether to approve, deny in whole or in part an application made pursuant to paragraph (b), [the Association]FINRA [staff] shall consider among other things the type of business in which the member is engaged, the training, experience and qualifications of persons associated with the member, the member's procedures for safeguarding customer funds and securities, the member's overall financial and operational condition and any other information deemed relevant in the particular circumstances and the time these measures would remain in effect.

[1090]1021. Foreign Members

A member which does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the [Commission]SEC and [the Association]FINRA must:

(a) prepare all such reports, and maintain a general ledger chart of account and any description thereof, in English and U.S. dollars;

(b) reimburse [the Association]FINRA for any expenses incurred in connection with examinations of the member to the extent that such expenses exceed the cost of examining a member located within the continental United States in the geographic location most distant from the District Office of appropriate jurisdiction;

(c) ensure the availability of an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of [the Association]FINRA during examinations; and

(d) utilize, either directly or indirectly, the services of a broker[/]-dealer registered with the [Commission]SEC, a bank or a clearing agency registered with the [Commission]SEC located in the United States in clearing all transactions involving members of [the Association]FINRA, except where both parties to a transaction agree otherwise.

* * * * *

2200. COMMUNICATIONS AND DISCLOSURES

2210. Communications with the Public

(a) No Change.

(b) Approval, Review and Recordkeeping

(1) Retail Communications

(A) No Change.

(B) The requirements of paragraph (b)(1)(A) may be met by a Supervisory Analyst approved pursuant to Rule 1220(a)(14) [NYSE Rule 344] with respect to: (i) research reports on debt and equity securities as described in Rules 2241(a)(11) and 2242(a)(3); (ii) retail communications

as described in Rules 2241(a)(11)(A) and 2242(a)(3)(A); and (iii) other research communications, provided that the Supervisory Analyst has technical expertise in the particular product area. A Supervisory Analyst may not approve a retail communication that requires a separate registration unless the Supervisory Analyst also has such other registration.

(C) through (F) No Change.

(2) through (4) No Change.

(c) through (g) No Change.

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2230. Customer Account Statements and Confirmations

[2340]2231. Customer Account Statements

(a) No Change.

(b) Delivery Versus Payment/Receive Versus Payment (DVP/RVP) Accounts

Quarterly account statements need not be sent to a customer pursuant to paragraph

(a) of this Rule if:

(1) through (3) No Change.

(4) the customer consents to the suspension of such statements in writing.

The member must maintain such consents in a manner consistent with Rule

[3110]4512 and SE[C]A Rule 17a-4;

(5) No Change.

(6) the member undertakes to promptly reinstate the delivery of such statements to the customer upon request.

Nothing in this Rule shall be seen to qualify or condition the obligations of a member under SE[C]A Rule 15c3-[2]3(j)(1) concerning quarterly notices of free credit balances on statements.

(c) DPP and Unlisted REIT Securities

A general securities member shall include in a customer account statement a per share estimated value of a direct participation program (DPP) or unlisted real estate investment trust (REIT) security, developed in a manner reasonably designed to ensure that the per share estimated value is reliable, and the disclosures in paragraph (c)(2) as applicable.

(1) For purposes of this paragraph (c), a per share estimated value for a DPP or REIT security will be deemed to have been developed in a manner reasonably designed to ensure that it is reliable if the member uses one of the following per share estimated value methodologies.

(A) No Change

(B) Appraised Value

At any time, the member may include a per share estimated value reflecting an appraised valuation disclosed in the Issuer Report, which, in the case of DPPs subject to the Investment Company Act [of 1940] (“1940 Act”), shall be consistent with the valuation requirements of the 1940 Act and the rules thereunder or, in the case of all other DPPs and REITs, shall be:

(i) through (ii) No Change.

(2) No Change.

(d) Definitions

For purposes of this Rule, the following terms will have the stated meanings:

(1) No Change.

(2) a “general securities member” refers to any member that conducts a general securities business and is required to calculate its net capital pursuant to the provisions of SE[C]A Rule 15c3-1(a). Notwithstanding the foregoing definition, a member that does not carry customer accounts and does not hold customer funds or securities is exempt from the provisions of this section.

(3) “direct participation program” or “direct participation program security” refers to the publicly issued equity securities of a direct participation program as defined in [FINRA] Rule 2310 (including limited liability companies), but does not include securities listed on a national securities exchange or any program registered as a commodity pool with the Commodity Futures Trading Commission.

(4) No Change.

(5) “annual report” means the most recent annual report of the DPP or REIT distributed to investors pursuant Section 13(a) of the Exchange Act.

(6) No Change.

(e) Exemptions

Pursuant to the Rule 9600 Series, [NASD]FINRA may exempt any member from the provisions of this Rule for good cause shown.

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2240. CONFLICTS OF INTEREST

2241. Research Analysts and Research Reports

(a) through (g) No Change.

(h) Distribution of Third-Party Research Reports

(1) Subject to paragraph (h)(5), a registered principal or supervisory analyst approved pursuant to Rule 1220(a)(14) [Incorporated NYSE Rule 344] must review for compliance with the applicable provisions of paragraph (h) and approve by signature or initial all third-party research reports distributed by a member.

(2) through (7) No Change.

(i) through (j) No Change.

••• Supplementary Material: -----

.01 through .10 No Change.

* * * * *

2300. SPECIAL PRODUCTS

2310. Direct Participation Programs

(a) No Change.

(b) Requirements

(1) Application

No member or person associated with a member shall participate in a public offering of a direct participation program, a limited partnership rollup transaction or, where expressly provided below, a real estate investment trust as

defined in [NASD Rule 2340]Rule 2231(d)(4) (“REIT”), except in accordance with this paragraph (b).

(2) through (6) No Change.

(c) through (d) No Change.

* * * * *

2360. Options

(a) No Change.

(b) Requirements

(1) through (17) No Change.

(18) Discretionary Accounts

(A) Authorization and Approval

(i) No member or person associated with a member shall exercise any discretionary power with respect to trading in option contracts in a customer's account, or accept orders for option contracts for an account from a person other than the customer, except in compliance with the provisions of [NASD] Rule [2510]3260 and unless:

a. The written authorization of the customer required by [NASD] Rule [2510]3260 shall specifically authorize options trading in the account; and

b. No Change.

(ii) through (iii) No Change.

(B) through (C) No Change.

(19) through (24) No Change.

(c) No Change.

••• **Supplementary Material:** -----

.01 through .03 No Change.

2370. Securities Futures

(a) No Change.

(b) Requirements

(1) No Change.

(2) Definitions

(A) No Change.

(B) The term "principal qualified to supervise security futures activities" means a Registered Options Principal who, consistent with Rule 1220(a)[NASD Rule 1022], has either completed a firm-element continuing education requirement that addresses security futures and a principal's responsibilities for security futures or has passed a revised qualification examination for Registered Options Principals that covers security futures, or a Limited Principal-General Securities Sales Supervisor who, consistent with Rule 1220(a)[NASD Rule 1022], has either completed a firm-element continuing education requirement that addresses security futures and a principal's responsibilities for security futures or has passed a revised qualification examination for Limited Principal-General Securities Sales Supervisor.

(3) through (17) No Change.

(18) Discretionary Accounts

(A) Authorization and Approval

(i) No member or person associated with a member shall exercise any discretionary power with respect to trading in security futures in a customer's account, or accept orders for security futures for an account from a person other than the customer, except in compliance with the provisions of [NASD] Rule [2510]3260 and unless:

a. The written authorization of the customer required by [NASD] Rule [2510]3260 shall specifically authorize security futures trading in the account; and

b. No Change.

(ii) through (iii) No Change.

(B) through (C) No Change.

(19) through (25) No Change.

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3000. SUPERVISION AND RESONSIBILITIES RELATING TO ASSOCIATED PERSONS

3100. SUPERVISORY RESPONSIBILITIES

* * * * *

3170. Tape Recording of Registered Persons by Certain Firms

(a) Definitions

(1) For purposes of this Rule, the term "registered person" means any person registered with FINRA as a representative, principal, or assistant representative pursuant to [the NASD Rule 1000 Series,] the FINRA Rule 1200 Series[,] or Municipal Securities Rulemaking Board (MSRB) Rule G-3.

(2) through (5) No Change.

(b) through (d) No Change.

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3200. RESPONSIBILITIES RELATED TO ASSOCIATED PERSONS

* * * * *

[2510]3260. Discretionary Accounts

(a) No Change.

(b) Authorization and Acceptance of Account

No member or registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the member, as evidenced in writing by the member or the partner, officer or manager, duly designated by the member, in accordance with Rule [3010]3110.

(c) No Change.

(d) Exceptions

This Rule shall not apply to:

(1) discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed, except that the authority to exercise time and price discretion

will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined in Rule [3110(c)(4)]4512(c), pursuant to valid Good-Till-Cancelled instructions issued on a "not-held" basis. Any exercise of time and price discretion must be reflected on the order ticket;

(2) No Change.

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4000. FINANCIAL AND OPERATIONAL RULES

* * * * *

4500. BOOKS, RECORDS AND REPORTS

* * * * *

4512. Customer Account Information

(a) Each member shall maintain the following information:

(1) through (2) No Change.

(3) for discretionary accounts, in addition to compliance with subparagraph (1) and, to the extent applicable, subparagraph (2) above, and [NASD] Rule [2510(b)]3260, the member shall maintain a record of the dated, manual signature of each named, natural person authorized to exercise discretion in the account. This recordkeeping requirement shall not apply to investment discretion granted by a customer as to the price at which or the time to execute an order given by a customer for the purchase or sale of a definite dollar amount or

quantity of a specified security. Nothing in this Rule shall be construed as allowing members to maintain discretionary accounts or exercise discretion in such accounts except to the extent permitted under the federal securities laws.

(b) through (c) No Change.

••• **Supplementary Material:** -----

.01 through .06 No Change.

* * * * *

4515. Approval and Documentation of Changes in Account Name or Designation

Before any customer order is executed, there must be placed upon the order form or other similar record of the member for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a qualified and registered principal designated by the member. Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the member. The essential facts relied upon by the person approving the change must be documented in writing and preserved for the period of time and accessibility specified in SEA Rule 17a-4(b). With respect to any change that takes place prior to execution of the trade, the required approval and documentation must take place prior to execution.

••• **Supplementary Material:** -----

.01 Allocations of Orders Made by Investment Advisers. Members may accept orders from investment advisers as described below and allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, provided that members receive specific account designations or customer names from such investment advisers by noon of the next business day following the trading session. This exception only applies where there is more than one customer for any particular order.

In addition, this exception applies to: (a) outside investment advisers; and (b) associated persons of a member who provide investment advisory services on behalf of a member acting as an investment adviser. However, in either instance, the investment adviser must be one who is registered under the Investment Advisers Act or who, but for Investment Advisers Act Section 203(b) or 203A, would be required to register under the Investment Advisers Act. It does not apply to accounts handled by individual registered representatives of members who otherwise exercise discretionary authority over accounts pursuant to [NASD] Rule [2510]3260. Nothing in this Rule or Supplementary Material may be construed as allowing a member knowingly to facilitate the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser's intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.

* * * * *

[3150]4540. Reporting Requirements for Clearing Firms

(a) Each member that is a clearing firm or self-clearing firm shall be required to report to [NASD]FINRA in such format as [NASD]FINRA may require, prescribed data pertaining to the member and any member broker-dealer for which it clears. A clearing firm or self-clearing firm may enter into an agreement with a third party pursuant to which the third party agrees to fulfill the obligations of a clearing firm or self-clearing firm under this Rule. Notwithstanding the existence of such an agreement, each clearing firm or self-clearing firm remains responsible for complying with the requirements of this Rule.

(b) Each member that is a clearing firm is required to report prescribed data to [NASD]FINRA under this Rule in such a manner as to enable [NASD]FINRA to distinguish between data pertaining to all proprietary and customer accounts of an introducing member and data pertaining to all proprietary and customer accounts of any member for which the introducing member is acting as an intermediary in obtaining clearing services from a clearing firm. The reporting requirements of this paragraph (b) shall apply to the proprietary and customer accounts of members that have established an intermediary clearing arrangement with an introducing member on or after February 20, 2006.

(c) Pursuant to the Rule 9600 Series, [NASD]FINRA may in exceptional and unusual circumstances, taking into consideration all relevant factors, exempt a member or class of members unconditionally or on specified terms from any or all of the provisions of this Rule that it deems appropriate.

••• Supplementary Material: -----

[IM-3150. Exemptive Relief]

(a) Upon written request for exemptive relief pursuant to the Rule 9600 Series, [NASD]FINRA generally will grant an exemption from the reporting requirements of Rule [3150]4540 to a self-clearing firm that:

(1) No Change.

(2) conducts an institutional business that settles transactions on an RVP/DVP basis, provided that such exemption from reporting shall apply only with respect to such institutional business unless [NASD]FINRA determines that any other remaining business otherwise qualifies for an exemption under this [IM-3150]Supplementary Material or is de minimis in nature; or

(3) No Change.

(b) Upon written request for exemptive relief pursuant to the Rule 9600 Series, [NASD]FINRA also generally will grant an exemption to a clearing firm with respect to one or more of the introducing firms for which it clears if the introducing firm meets one of the above-stated grounds for exemptive relief.

(c) Any self-clearing firm that, due to a change in the facts pertaining to the operation and nature of its business or the operation and nature of the business of a firm for which it clears, as applicable, no longer qualifies for an exemption previously granted by [NASD]FINRA from the reporting requirements of Rule [3150]4540 must promptly report such change in circumstances to [NASD]FINRA, [Department of Member Regulation,] and commence compliance with the reporting requirements of Rule [3150]4540.

* * * * *

5000. SECURITIES OFFERING AND TRADING STANDARDS AND PRACTICES

5100. SECURITIES OFFERINGS, UNDERWRITING AND COMPENSATION

* * * * *

5121. Public Offerings of Securities With Conflicts of Interest

(a) through (b) No Change.

(c) Discretionary Accounts

Notwithstanding [NASD] Rule [2510]3260, no member that has a conflict of interest may sell to a discretionary account any security with respect to which the conflict exists, unless the member has received specific written approval of the transaction from the account holder and retains documentation of the approval in its records.

(d) through (f) No Change.

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5300. HANDLING OF CUSTOMER ORDERS

* * * * *

5320. Prohibition Against Trading Ahead of Customer Orders

(a) through (b) No Change.

••• Supplementary Material: -----

.01 No Change.

.02 No-Knowledge Exception

(a) through (b) No Change.

(c) If a member implements and utilizes appropriate information barriers in reliance on this exception, the member must uniquely identify such information barriers as prescribed in Rule 7440(b)(20[19]).

.03 through .08 No Change.

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6600. OTC REPORTING FACILITY

* * * * *

6630. Applicability of FINRA Rules to Securities Previously Designated as PORTAL Securities

(a) The following are specifically applicable to transactions and business activities relating to securities that, prior to October 26, 2009, had been designated by The Nasdaq Stock Market LLC for inclusion in the PORTAL Market ("PORTAL securities"):

(1) [FINRA] Rules 0130, 0140, 2010, 2020, 2111, 2121, 2232, 2251, 2261, 2262, 2269, 5310, and 8210;

(2) No Change.

(3) [FINRA] Rules 0190, 5210, 5220, and Supplementary Material to Rule 2121.

(b) The following are specifically applicable to transactions and business activities relating to PORTAL securities, with the exceptions specified below:

(1) [FINRA] Rules 2150 and 4330; and

(2) No Change.

(c) The following are applicable to members and persons associated with members regardless of whether the member participates in transactions in PORTAL securities:

(1) [FINRA] Rules 0110, 0120, and 0160.

(2) [NASD Rule 3140 and FINRA]Rules 1020, 2210, 3210, 3220, 3270, 3280, 4120, 4360, and 5260.

(d) The following are not applicable to transactions and business activities relating to PORTAL securities:

(1) [FINRA] Rules 2310, 2320, 2341, 2360, 4210, 4320, 4560, 5110, 5130, and 5141.

* * * * *

7400. ORDER AUDIT TRAIL SYSTEM

7410. Definitions

For purposes of the Rule 7400 Series:

(a) through (n) No Change.

(o) "Reporting Member" shall mean a member that receives or originates an order and has an obligation to record and report information under Rules 7440 and 7450.

(1) No Change.

(2) A member shall not be considered a Reporting Member in connection with an order if:

(A) the member was approved as a member pursuant to [NASD] IM-1013-1 or [NASD] IM-1013-2;

(B) the member operates consistent with [NASD] IM-1013-1 or [NASD] IM-1013-2, including limiting its business operations to

"permitted floor activities," as that term is defined in [NASD] IM-1013-1 and [NASD] IM-1013-2; and

(C) No Change.

(p) No Change.

* * * * *

7600A. DATA PRODUCTS AND CHARGES FOR FINRA/NASDAQ TRADE REPORTING FACILITY SERVICES

* * * * *

7620A. FINRA/Nasdaq Trade Reporting Facility Reporting Fees

The following charges shall be paid by participants and, in certain instances, Retail Participants for use of the FINRA/Nasdaq Trade Reporting Facility. In the case of trades where the same market participant is on both sides of a trade report, applicable fees assessed on a "per side" basis will be assessed once, rather than twice, and the market participant will be assessed applicable Trade Report Fees as the Executing Party side only. For avoidance of doubt, if a market participant reports trades to both the FINRA/Nasdaq Trade Reporting Facility Carteret and the FINRA/Nasdaq Trade Reporting Facility Chicago during a given month, then the participant's aggregate reporting volume on both FINRA/Nasdaq Trade Reporting Facilities will be considered for the purpose of determining whether and to what extent the following charges or caps apply to the participant during that month.

I. No Change
II. Non-Comparison/Accept (Non-Match/Compare) Trade

Report Fees and Caps on Trade Report Fees

A participant shall pay the following fees for reporting non-comparison/accept (non-match/compare) trades to the FINRA/Nasdaq Trade Reporting Facility, on a per trade report basis, unless the participant qualifies for a cap on such fees during a given month, as set forth below, in which case the participant will pay fees for each trade it reports during the month up to the amount of the cap.

To the extent that a participant's activity on the FINRA/Nasdaq Trade Reporting Facility qualifies it for more than one special pricing program during a given month, then the participant will automatically receive the benefit of the lowest fee applicable to such activity.

1. through 3. No Change.

4. Non-Media/Contra Party Fees and Cap

Monthly Charge	Maximum Monthly Charge if Capped
(\$0.013) x (Number of NonMedia/Contra Party Reports During the Month)	(\$0.013) x 5,000 for Tape A, B or C x (Number of Trading Days During the Month)

Monthly Charge for Retail Participants	Maximum Monthly Charge for Retail Participants if Capped
(Either (\$0.013) or (the applicable discounted rate set forth in paragraph C below)) x (Number of Non-Media/Contra Party Reports During the Month)	See II.B and II.C below to determine applicable capped charges.
A. No Change.	
<p>B. Retail Participant Contra Party Activity Fee Discounts and Cap</p> <p>A Retail Participant shall be entitled to the following special tiered pricing on its Contra Party activity to the extent that it achieves, during a given month, a qualifying volume of average daily Contra Party executions in a particular Tape (Media, Non-Media, or both). Within each Tape, qualifying Retail Participants will receive a volume-based discount on their monthly uncapped</p>	

Contra Party activity charges relative to the standard rate.

Monthly fees for a Retail Participant's qualifying Contra Party activity for each Tape will be capped at a maximum monthly amount that is specific to the applicable Tier, as set forth below.

Example 1: If in a given month with 20 trading days, a Retail Participant achieves an average daily execution volume on the FINRA/Nasdaq Trade Reporting Facility of 150,000 Media/Contra Party trades in Tape A, 20,000 Media/Contra Party Trades in Tape B, and 400,000 Media/Contra Party Trades in Tape C, then the Retail Participant would be entitled to receive the special Media/Contra Party pricing set forth in paragraph 3 above with respect to its activity in Tape A (Tier 2), Tape B (Tier 1) and Tape C (Tier 4). As to Tape A, the Retail Participant would pay the uncapped discounted monthly charges applicable to Tier 2 ($(\$0.0072) \times (\text{the number of Media/Contra Party trades in Tape A during the month } (150,000)) \times (20 \text{ trading days}) = \$21,600$). As to Tape B, the Retail Participant would pay the uncapped discounted monthly charges applicable to Tier 1 [its] activity, which would be $\$4,800 ((\$0.12) \times (\text{the number of Media/Contra Party trades in Tape B during the month } (20,000)) \times (20 \text{ trading days}))$. As to Tape C, the Retail Participant would pay the lesser of the uncapped discounted monthly charges

applicable to Tier 4 ($(\$0.005) \times$ (the number of Media/Contra Party trades in Tape C during the month (400,000)) \times (20 trading days) = \$40,000) or the Tier 4 cap (\$32,000), which would be \$32,000. Assuming that these Contra media transactions comprised all of the Retail Participant's activity on the FINRA/Nasdaq Trade Reporting Facility, then the Retail Participant's total fees for such activity would be \$58,400.

Tier	Daily Average Number of Executions During the Month Needed to Qualify for Tier	Discounted Rate (Relative to Standard Rate) to be Used to Calculate Monthly Charge, If Uncapped	Maximum Monthly Charge, If Capped
Tape A			
1	50,000- 100,000	\$0.0120	n/a
2	100,001-	\$0.0072	n/a

	200,000		
3	200,001- 300,000	\$0.0052	n/a
4	>300,000	\$0.0050	\$32,000
Tape B			
1	15,000- 30,000	\$0.0120	n/a
2	30,001- 60,000	\$0.0072	n/a
3	60,001- 100,000	\$0.0052	n/a
4	>100,000	\$0.0050	\$11,000
Tape C			
1	50,000- 100,000	\$0.0120	n/a
2	100,001- 200,000	\$0.0072	n/a
3	200,001-	\$0.0052	n/a

	300,000		
4	>300,000	\$0.0050	\$32,000
C. through E. No Change.			
III. through IV. No Change.			

••• Supplementary Material: -----

No Change.

* * * * *

7640A. Data Products Offered by [NASDAQ] Nasdaq

(a) through (b) No Change.

(c) The following data products offered by Nasdaq pursuant to Nasdaq rules use covered market data:

(1) Nasdaq FilterView Service under Nasdaq [Rule 7037] Equity 7 Pricing Schedule, Section 137;

(2) Nasdaq Last Sale and Nasdaq Last Sale Plus Data Feeds under Nasdaq [Rule 7039] Equity 7 Pricing Schedule, Section 139; and

(3) Nasdaq Basic under Nasdaq [Rule 7047] Equity 7 Pricing Schedule, Section 147.

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8300. SANCTIONS

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8313. Release of Disciplinary Complaints, Decisions and Other Information

(a) General Standards

(1) through (3) No Change.

(4) FINRA shall release to the public a copy of, and at FINRA's discretion information with respect to, any decision issued by FINRA pursuant to [NASD] Rule 1015 and [NASD] Rule 1016. Copies of, and information with respect to, such decisions shall be released to the public in redacted form; provided, however, in its discretion, the National Adjudicatory Council or the FINRA Board may determine to release such decisions and information in unredacted form.

(5) through (6) No Change.

(b) through (e) No Change.

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9000. CODE OF PROCEDURE

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9200. DISCIPLINARY PROCEEDINGS

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9217. Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)

Any member of FINRA that is also a member of the New York Stock Exchange LLC ("NYSE") ("Dual Member") (including any persons affiliated with such member) may be subject to a fine under Rule 9216(b) with respect to any rule or By-Law provision listed in this Rule that applies to such member or person. However, any Dual Member that was not also a member of NASD as of July 30, 2007 and that does not engage in any activities that otherwise would require it to be a FINRA member (and its affiliated

persons that are not otherwise subject to NASD rules) shall only be subject to a fine under Rule 9216(b) with respect to the following rules or By-Law provisions listed in this Rule: any FINRA By-Law or Schedule to the By-Laws, FINRA rule, SEA rule, or NYSE rule.

Any member of FINRA that is not also a member of the NYSE (and its associated persons that are not otherwise subject to NYSE rules) may be subject to a fine under Rule 9216(b) with respect to any rule or By-Laws provision listed in this Rule, with the exception of the NYSE rules.

- Article IV of the FINRA By-Laws — Failure to timely submit amendments to Form BD.

- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U4.

- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U5.

- Schedule A. Sec. 1(b) of the FINRA By-Laws — Failure to make accurate payment of Trading Activity Fee.

- Rule 1210.04 — Failure to timely register.

- Rule 124[5]0 — Failure to comply with the continuing education requirements.

- Rules 2210, 2211, 2212, 2213, 2215, and 2216 — Communications with the public.

- Rule 2220 — Options Communications.

- Rule 2251(a) — Failure to timely forward proxy and other issuer-related materials.

- Rule 2266 — Failure to provide written notification of availability of SIPC information at account opening or annually thereafter.
- Rule 2360(b)(3) and (b)(4) — Failure to comply with options position and exercise limits.
- Rule 2360(b)(5) — Failure to report options positions.
- Rule 2360(b)(23) — Failure to comply with contrary exercise advice procedures.
- Rule 3110 — Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217.
- Rule 3160(a)(1), (3), (4) and (5) — Standards of conduct for conducting broker-dealer services on or off the premises of a financial institution pursuant to a networking arrangement, but excluding the networking agreement requirements.
- Rule 3170 — Failure to timely file reports pursuant to the Taping Rule.
- Rule 3210 — Failure to obtain consent of employer member, or give notification to executing member.
- Rule 4311(b) — Failure to obtain approval of carrying agreement.
- Rule 4360(b) — Failure to maintain adequate fidelity bond coverage.
- Rule 4370(a), (b), (c), (e) and (f) — Requirements to create, maintain and update a written business continuity plan and disclosure of such to customers.
- Rule 4510 Series — Failure to keep and preserve books, accounts, records, memoranda, and correspondence in conformance with all applicable laws, rules, regulations and statements of policy promulgated thereunder, and with FINRA rules.

- Rule 4517 — Failure to report, review or update executive representative designation and contact information.
- Rule 4521(d) — Failure to submit reports of cash and margin account balances.
- Rule 4524 — Failure to timely file or filing of incomplete reports or information.
- Rule 4530 — Failure to timely file reports.
- Rule 4560 — Failure to timely file reports of short positions on Form NS-1.
- Rule 4590 — Failure to synchronize business clocks used for recording date and time as required by applicable FINRA By-laws and rules.
- Rule 5110(b) — Failure to timely file or filing of incomplete documents or information.
- Rule 5121(a) — Failure to prominently disclose conflict of interest.
- Rule 5121(b)(2) — Failure to give timely notification of termination or settlement of public offering, or failure to file net capital computation.
- Rule 5122(b)(2) — Failure to timely file private placement documents.
- Rule 5190 — Failure to give timely notification of participation in offerings.
- Rules 6282, 6380A, 6380B, 6550, 6622, 6730, 7130, 7160, 7230A, 7230B, 7260A, 7260B, 7330, and 7360 — Transaction reporting in equity and debt securities.
- Rules 6181 and 6623 — Failure to timely report transactions in NMS, OTC and restricted equity securities.
- Rules 6182 and 6624 — Failure to accurately mark short sale transactions in NMS and OTC equity securities.

- Rule 6250 — Failure to comply with quote and order access requirements for FINRA's Alternative Display Facility.
- Rule 6760 — Failure to give timely or complete notification concerning offerings of TRACE-Eligible Securities.
- Rules 7440 and 7450 — Failure to submit data in accordance with the Order Audit Trail System ("OATS").
- Rules 8211 and 8213 — Failure to submit trading data as requested.
- Rule 11870 — Failure to abide by Customer Account Transfer Contracts.
- [• NASD Rules 1021(d)— Failure to timely register.]
- Failure to provide or update contact information as required by FINRA [or NASD] rules.
- Rule 311T(b)(5) — Failure of a member organization to have individuals responsible and qualified for the positions of Financial Principal, Operations Principal, Compliance Official, Branch Office Manager and Supervisory Analyst.
- Rules 312T(a), (b) and (c), 313T— Reporting rule violations.
- Rule 312T(i) — Failure to obtain approval rule violations.
- Rule 408T(a) — Requirement that written authorization be obtained for discretionary power in a customer's account.
- Rule 416AT — Failure to promptly provide or promptly update required membership profile information through the Electronic Filing Platform ("EFP"), or failure to electronically certify that required membership profile information is complete and accurate.
- SEA Rules 17a-3(a) and 17a-4 — Record retention rule violations.
- SEA Rule 10b-10 — Confirmation of Transactions.

- SEA Rule 17a-5 — Failure to timely file FOCUS reports and annual audit reports.
- SEA Rule 17a-10 — Failure to timely file Schedule I.
- Rule 200(g) of SEC Regulation SHO — Failure to accurately mark sell orders of equity securities.
- Rule 602(b)(5) of SEC Regulation NMS — Failure to properly update published quotations in certain Electronic Communication Networks ("ECNs").
- Rule 604 of SEC Regulation NMS — Failure to properly display limit orders.
- Rule 605(a)(1) and (3) of SEC Regulation NMS — Failure to timely report or provide complete order execution information.
- Rule 606 of SEC Regulation NMS — Failure to timely disclose or provide complete order routing information.
- MSRB Rule A-12(c) and (f) — Failure to timely pay annual fee and failure to designate and update electronic mail contact information for communications with MSRB.
- MSRB Rules G-2 and G-3 (b)(ii)(D) and (c)(ii)(D) — Failure to timely register.
- MSRB Rule G-3(i) — Failure to comply with the continuing education requirements.
- MSRB Rule G-6 — Failure to maintain adequate fidelity bond coverage.
- MSRB Rules G-8 and G-9 — Record retention rule violations.
- MSRB Rule G-10(a) — Failure to deliver investor brochure to customers promptly.
- MSRB Rule G-12 — Failure to abide by uniform practice rules.

- MSRB Rule G-14 — Failure to submit reports.
- MSRB Rule G-21 — Advertising.
- MSRB Rule G-27(c) — Failure to maintain adequate written supervisory

procedures where the underlying conduct is subject to Rule 9217.

- MSRB Rule G-32 — Failure to timely submit reports.
- MSRB Rule G-37 — Failure to timely submit reports for political contributions.

[• NYSE Rules 312(a), (b) and (c), 313, 345.12, and 345.17 — Reporting rule violations.]

[• NYSE Rule 312(i) — Failure to obtain approval rule violations.]

[• NYSE Rules 311(b)(5) and 344 — Failure of a member organization to have individuals responsible and qualified for the positions of Financial Principal, Operations Principal, Compliance Official, Branch Office Manager and Supervisory Analyst.]

[• NYSE Rule 345(a) — Failure of a member organization to have individuals responsible and qualified for the positions of Securities Lending Supervisor and Securities Trader Supervisor.]

[• NYSE Rule 408(a) — Requirement that written authorization be obtained for discretionary power in a customer's account.]

[• NYSE Rule 416A — Failure to promptly provide or promptly update required membership profile information through the Electronic Filing Platform ("EFP"), or failure to electronically certify that required membership profile information is complete and accurate.]

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9500. OTHER PROCEEDINGS

9520. Eligibility Proceedings

9521. Purpose and Definitions

(a) No Change.

(b) Definitions

(1) through (3) No Change.

(4) The term "sponsoring member" means the member or applicant for membership pursuant to [NASD] Rule 1013 that is sponsoring the association or continued association of a disqualified person to be admitted, readmitted, or permitted to continue in association.

9522. Initiation of Eligibility Proceeding; Member Regulation Consideration

(a) Initiation by FINRA

(1) Issuance of Notice of Disqualification or Ineligibility

If FINRA staff has reason to believe that a disqualification exists or that a member or person associated with a member otherwise fails to meet the eligibility requirements of FINRA, FINRA staff shall issue a written notice to the member or applicant for membership under [NASD] Rule 1013. The notice shall specify the grounds for such disqualification or ineligibility. FINRA staff shall not issue such written notice to members or applicants for membership under [NASD] Rule 1013 with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, unless the member or applicant for membership under [NASD] Rule 1013 is required to file an application pursuant

to a Regulatory Notice entitled "Eligibility Proceedings: Amendments to FINRA Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualifications" (the "SD Regulatory Notice").

(2) No Change.

(3) Notice Regarding an Associated Person

A notice issued regarding a disqualified person to a member or applicant for membership under [NASD] Rule 1013 shall state that such member or applicant for membership may file an application on behalf of itself and such person or, in the case of a matter set forth in Rule 9522(e)(1), a written request for relief, within ten business days after service of the notice. If the member fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall be revoked, unless the Department of Member Regulation grants an extension for good cause shown.

(4) No Change.

(b) Obligation of Member to Initiate Proceeding

(1) A member shall file an application or, in the case of a matter set forth in Rule 9522(e)(1), a written request for relief, with RAD, if the member determines prior to receiving a notice under paragraph (a) that:

(A) No Change.

(B) a person associated with such member or whose association is proposed by an applicant for membership under [NASD] Rule 1013 has become a disqualified person; or

(C) the member or applicant for membership under [NASD] Rule 1013 wishes to sponsor the association of a person who is a disqualified person.

(2) No Change.

(c) through (e) No Change.

* * * * *

9600. PROCEDURES FOR EXEMPTIONS

9610. Application

(a) Where to File

A member seeking exemptive relief as permitted under [NASD Rules 1021, 1050, 1070, 2340, or 3150, or] Rules 1210, 1220, 2030, 2114, 2210, 2231, 2241, 2242, 2310, 2359, 2360, 3170, 4210, 4311, 4320, 4360, 4540, 5110, 5121, 5122, 5123, 5130, 5131, 6183, 6625, 6731, 6732, 7470, 8211, 8213, 11870, or 11900, or Municipal Securities Rulemaking Board Rule G-37 shall file a written application with the appropriate department or staff of FINRA.

(b) through (c) No Change.

9620. Decision

After considering an application, FINRA staff shall issue a written decision setting forth its findings and conclusions. The decision shall be served on the Applicant pursuant to Rules 9132 and 9134, except with respect to written decisions for exemptive relief under [NASD Rule 1070] Rule 1210.03 (Qualification Examinations and Waivers of [Requirements]Examinations), which shall be served on the Applicant electronically.

After the decision is served on the Applicant, the application and decision may be publicly available.

9630. Appeal

(a) Notice

An Applicant may file a written notice of appeal within 15 calendar days after service of a decision issued under Rule 9620. The notice of appeal shall be filed with the Office of General Counsel of FINRA, with a copy of the notice also provided to the appropriate department or staff of FINRA. The notice of appeal shall contain a brief statement of the findings and conclusions as to which exception is taken. Appeals of decisions issued by FINRA staff pursuant to Rule 9620 shall be decided by the National Adjudicatory Council, except with respect to exemptive relief under [NASD Rule 1070] Rule 1210.03 (Qualification Examinations and Waivers of [Requirements]Examinations), which shall be decided by the Waiver Subcommittee of the National Adjudicatory Council. If the Applicant does not want the decision on the appeal to be publicly available in whole or in part, the Applicant also shall include in its notice of appeal a detailed statement, including supporting facts, showing good cause for treating the decision as confidential in whole or in part. The notice of appeal shall be signed by the Applicant.

(b) through (c) No Change.

(d) Oral Argument

(1) No Change.

(2) With respect to exemptive relief requested under [NASD Rule 1070] Rule 1210.03, the Waiver Subcommittee of the National Adjudicatory Council

may order oral argument and consider any new evidence if the Applicant can show good cause for not including it in its application.

(e) Decision

(1) No Change.

(2) With respect to exemptive relief requested under [NASD Rule 1070] Rule 1210.03, after considering all matters on appeal, the Waiver Subcommittee of the National Adjudicatory Council shall affirm, modify, or reverse the decision issued under Rule 9620. The Waiver Subcommittee shall issue a written decision setting forth its findings and conclusions and serve the decision on the Applicant. The decision shall be served pursuant to Rules 9132 and 9134. The decision shall be effective upon service and shall constitute final action of FINRA. The Waiver Subcommittee shall retain the discretion to refer the appeal to the National Adjudicatory Council, in which case the National Adjudicatory Council shall act on such appeal pursuant to its authority under this 9600 Series.

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Temporary Dual FINRA-NYSE Member Rule Series

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The Temporary Dual FINRA-NYSE Member Rule Series (formerly Incorporated NYSE Rules and Incorporated NYSE Rule Interpretations)

[FINRA is incorporating into its rulebook the rules of New York Stock Exchange LLC ("NYSE") listed below (the "Incorporated NYSE Rules"). The Incorporated NYSE

Rules] will apply solely to those members of FINRA that are also members of NYSE on or after July 30, 2007 ("Dual Members"), until such time as FINRA adopts a consolidated rulebook applicable to all of its members. The Incorporated NYSE Rules] The Temporary Dual FINRA-NYSE Member Rule Series will apply to the same categories of persons to which they apply as of July 30, 2007. [In applying the Incorporated NYSE Rules to Dual Members, FINRA also is incorporating the related interpretive positions set forth in the NYSE Rule Interpretations Handbook and NYSE Information Memos.]

RULES

Rule 1T. "The Exchange"

The term "the Exchange," when used with reference to the administration of any rule, means the New York Stock Exchange LLC or the officer, employee, person, entity or committee to whom appropriate authority to administer such rule has been delegated by the Exchange.

Unless otherwise indicated in the rule, the terms Board, Board of Directors, Chairman, Chairman of the Board, Chief Executive Officer, or CEO refer to the Board, Board of Directors, Chairman, Chairman of the Board, Chief Executive Officer and CEO of the Exchange.

Rule 2T. "Member," "Membership," "Member Firm," etc.

(a) The term "member," when used to denote a natural person approved by the Exchange, means a natural person associated with a member organization who has been approved by the Exchange and designated by such member organization to effect transactions on the floor of the Exchange or any facility thereof.

(b)

(i) The term “member organization” means a registered broker or dealer (unless exempt pursuant to the Securities Exchange Act of 1934) that is a member of the Financial Industry Regulatory Authority (“FINRA”) and approved by the Exchange and authorized to designate an associated natural person to effect transactions on the floor of the Exchange or any facility thereof. This term shall include a natural person so registered, approved and licensed who directly effects transactions on the floor of the Exchange or any facility thereof.

(ii) The term "member organization" also includes a registered broker or dealer that is a member of FINRA, which does not own a trading license and agrees to be regulated by the Exchange as a member organization and which the Exchange has agreed to regulate.

(iii) The term “member organization” includes “member firm” and “member corporation.”

(c) The term “approved person” means a person, other than a member, principal executive or employee of a member organization who controls a member organization or is engaged in a securities or kindred business that is controlled by, or under common control with a member or member organization who has been approved by the Exchange as an approved person.

(d) The term “person” shall mean a natural person, corporation, limited liability company, partnership, association, joint stock company, trust, fund or any organized group of persons whether incorporated or not.

(e) The term “control” means the power to direct or cause the direction of the management or policies of a person whether through ownership of securities, by contract or otherwise. A person shall be presumed to control another person if such person, directly or indirectly,

(i) has the right to vote 25 percent or more of the voting securities,

(ii) is entitled to receive 25 percent or more of the net profits, or

(iii) is a director, general partner or principal executive (or person occupying a similar status or performing similar functions) of the other person.

Any person who does not so own voting securities, participate in profits or function as a director, general partner or principal executive of another person shall be presumed not to control such other person. Any presumption may be rebutted by evidence, but shall continue until a determination to the contrary has been made by the Exchange.

(f) The term “engaged in a securities or kindred business” shall mean transacting business generally as a broker or dealer in securities, including but not limited to, servicing customer accounts or introducing them to another person.

(g) The term “State” shall mean any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other possession of the United States.

(i) The term “Designated Market Maker” (“DMM”) shall mean an individual member, officer, partner, employee or associated person of a Designated Market Maker Unit who is approved by the Exchange to act in the capacity of a DMM.

(j) The term “DMM unit” is a member organization or unit within a member organization that has been approved to act as a DMM unit under Rule 98.

Rule 3T. “Security”

The term “security” or “securities” shall have the meaning given those terms in the Securities Exchange Act of 1934, as amended, and the General Rules and Regulations thereunder.

[Rule 4. “Stock”]

Entire text deleted.

[Rule 5. “Bond”]

Entire text deleted.

Rule 6T. “Floor”

The term “Floor” means the trading Floor of the Exchange and the premises immediately adjacent thereto, such as the various entrances and lobbies of the 11 Wall Street, 18 New Street, 8 Broad Street, 12 Broad Street and 18 Broad Street Buildings, and also means the telephone facilities available in these locations.

Rule 8T. “Delivery”

The term “delivery” means the delivery of securities on Exchange contracts, unless otherwise stated.

[Rule 9. “Branch Office Manager”]

Entire text deleted.

Rule 11T. Effect of Definitions

Unless the context requires otherwise, the terms defined in Exchange Rules shall, for all purposes of the Exchange Rules, have the meanings therein specified.

[Rule 12. “Business Day”]

Entire text deleted.

Rule 311T. Formation and Approval of Member Organizations

(a) Any person who proposes to form a member organization and any member organization which proposes to admit therein any approved person shall notify the Exchange in writing before any such formation or admission and shall submit such information as may be required by the Rules of the Exchange. No such member organization shall become or remain a member organization unless all persons required to be approved are so approved and execute such agreements with the Exchange as the Rules of the Exchange may prescribe.

(b) The Board of Directors shall not approve a partnership or corporation as a member organization unless:

(1) each director of such corporation is a member, principal executive or an approved person; and

(2) every person who controls such corporation is a member, principal executive or approved person; and

(3) every natural person who is a general partner in such partnership is a member or principal executive and every other person who controls such partnership is a member, principal executive or approved person; and

(4) every person who engages in a securities or kindred business and is controlled by or under common control with such partnership or corporation is an approved person; and

(5) The Board of Directors of such corporation designates "principal executives"; and

(6) such partnership or corporation complies with such additional requirements as the rules of the Exchange may prescribe.

(7) every employee who is associated as a member with such member organization is designated with a title, such as vice president, consistent with his responsibilities and the usage of titles within such organization.

(c) In the case of existing corporations making application to become member corporations, there shall be submitted to the Exchange:

(1) A certified list of all holders of record of each class of stock, giving the name and address of the holder and the number of shares of each class of such stock held;

(2) A certified list of all persons who are to become members, principal executives, directors or approved persons,

(3) A certified list of all persons designated as principal executives of the corporation.

In the case of corporations proposed to be organized, similar information shall be submitted to the Exchange.

(d) The approval of a corporation as a member corporation constitutes only a revocable privilege and confers on the corporation no right or interest of any nature whatsoever to continue as a member corporation.

(e) No member corporation shall issue any publicly held security in the form of non-voting common stock unless the Exchange determines that the non-voting common stock has normal and appropriate preferences which entitle it to be regarded as preferred stock.

(f) Every member firm shall be a partnership and every member corporation shall be a corporation created or organized under the laws of, and shall maintain its principal place of business in, the United States or any State thereof. The Exchange may, in its discretion, and on such terms and conditions as the Exchange may prescribe, approve as a member organization entities that have characteristics essentially similar to corporations, partnerships, or both. Such entities, and persons associated therewith shall, upon approval, be fully, formally and effectively subject to the jurisdiction, and to the Rules of the Exchange to the same extent and degree as are any other member organization and person associated therewith.

(g) Each member organization shall execute and file with the Exchange a written agreement in a form acceptable to the Exchange evidencing

(1) the authority of any member who is an officer or employee of such member organization to transact business on the Floor on behalf of such member organization, and

(2) such member organization's responsibility and obligation with respect to any contract entered into on the Floor by any such member.

••• Supplementary Material: -----

.10 Rescinded effective February 15, 1979. (See Exchange Rule 351 for reporting requirements.)

.11 Application

The papers required to be submitted prior to approval of the formation or admission of a member organization are as follows:

(1) Letter giving name and address of proposed or existing organization, date of proposed formation or admission, and names of all proposed or present officers and other parties required to be approved by the Exchange under Rule 311T and Exchange Rule[s] 304 [and 311]; and

(2) individually executed applications by all parties whose approval by the Exchange is required.

The papers required to be submitted prior to approval of the admission to an existing member organization of any party requiring the approval of the Exchange under Rule 311T and Exchange Rule[s] 304 [and 311], are as follows:

(1) Letter stating name of such proposed party and proposed date of admission to member organization; and

(2) an individually executed application by such proposed party.

.12 Authorization and Statement of Understanding

Each member organization, or proposed member organization, must submit the following authorization and statement of understanding executed by each natural person requiring the approval of the Exchange under Exchange Rule 304:

"In connection with my current application, I authorize the New York Stock Exchange, Inc. and any agent acting on its behalf, to conduct an investigation of my character, credit worthiness, ability, business activities, educational background, previous employment and reasons for termination thereof.

"I authorize and request any and all of my former employers, and any other person to furnish to the Exchange, and any agent acting on its behalf, any

information that they may have concerning my character, credit worthiness, ability, business activities, educational background, general reputation, previous employment and reasons for termination thereof . . . Moreover, I hereby release each such employer and each such other person from any and all liability of whatsoever nature by reason of furnishing such information to the Exchange and any agent acting on its behalf.

"Further, I recognize that I will be the subject of an investigative report ordered by the Exchange and acknowledge that I have been informed of my right to request information from the Exchange concerning the nature and scope of the investigation requested."

.13 Agreement with the Exchange

Each member corporation and each member and approved person of the corporation must agree with the Exchange that if any person required to be approved by the Exchange as a member or approved person fails or ceases to be so approved, the corporation may be deprived by the Exchange of all the privileges of a member corporation unless the corporation redeems or converts the stock held by such person as required under Exchange Rule 312.

.14 Partnership agreements

For information regarding the submission of copies of proposed partnership articles, see ¶2313.10.

.15 Corporate documents

For information regarding the submission of copies of proposed or existing corporate documents and other agreements, see ¶2313.20.

.16 Filing With Agent

Any filing or submission required under this rule which is made with a properly authorized agent acting on behalf of the Exchange shall for purposes of this rule be deemed to be a filing with the Exchange.

Rule 312T. Changes Within Member Organizations

(a) Each member organization, shall promptly give to the Exchange notice in writing on such form as may be required by the Exchange (1) on Form U-5, of the death, retirement, or other termination of any party required to be approved under the Rules of the Exchange, (2) of the dissolution of the member organization.

(b) In addition, in the case of a member corporation, such member corporation shall give written notice (1) of any material change in the stockholdings of any member, principal executive or approved person of such member corporation, (2) of any proposed change in the directors or officers, or (3) of any proposed change in the charter, certificate of incorporation, by-laws or other documents on file with the Exchange, or (4) of the failure to comply with all the conditions of approval specified in Exchange Rule 311.

(c) Each member, principal executive and approved person of a member corporation shall promptly notify his member corporation of any material acquisition or disposition of shares of stock of such corporation.

(d) Whenever a person who is required to be approved by the Board as a member, principal executive or approved person fails or ceases to be so approved, each member corporation shall promptly redeem or convert to a fixed income security such of its outstanding voting stock as may be necessary to reduce such party's ownership of voting stock in the member corporation below that level which enables such party to exercise controlling influence over the management or policies of such member corporation.

(e) Unless permitted by the Exchange in order to protect investors and the public interest or to facilitate the administration of the Exchange, no person shall be a member or principal executive in a member organization unless all persons required to be approved by the Exchange are so approved.

(f) Reserved.

(g) A member corporation shall not without the prior written approval of the Exchange:

(1) In any way amend its charter, certificate of incorporation or by-laws.

(2) Issue any bonds, notes or other instruments evidencing funded indebtedness of the corporation except pursuant to the terms and provisions of such security or of any agreement between the member corporation and the holder of such security, which agreement has been previously filed with and approved by the Exchange.

(3) Amend, modify or cancel any agreement made by it or any of its stockholders relating to the management of the corporation or the issue or transfer

of securities of the corporation (other than agreements relating to ordinary securities and commodities transactions).

The Exchange will approve any action described in (1), (2) or (3) above unless it determines that such action will impair the financial responsibility or operational capability of the member corporation.

(h) Reserved.

(i) In order to ensure the continued financial responsibility and operational capability of a member corporation, the Exchange may require such member corporation to file with the Exchange a written report showing the use made by the member organization of the proceeds of any offering of any security issued by such member organization.

(j) No stock shall be issued by a member corporation except for cash or such other consideration as the Exchange determines will not impair the financial responsibility or operational capability of such member corporation.

Rule 313T. Submission of Partnership Articles—Submission of Corporate Documents

(a) All partnership articles and all amendments thereto shall be submitted and be acceptable to the Exchange prior to becoming effective.

(b) The charter or certificate of incorporation and all amendments thereto, the by-laws and all amendments thereto, forms of stock certificates and any and all agreements or other documents and amendments thereto relating to the business or affairs of the member corporation between a member corporation and any of its stockholders or between any of the members, principal executives or approved persons of a member

corporation other than agreements relating to ordinary securities and commodities transactions shall be submitted to and be acceptable to the Exchange prior to becoming effective.

(c) Any prospectus or other offering circular prepared by a member corporation and used in connection with the offering of any security issued by it shall, prior to such use, be submitted by such corporation to the Exchange.

(d) Reserved.

(e) Each member corporation shall, at such times as may be required by the Exchange, submit to the Exchange through its chief executive officer a certified list of its members, principal executives and approved persons showing to the best of his knowledge and belief the number of shares of each class of stock of such corporation held of record or beneficially or both by each such party.

(f) Each member corporation shall, through its chief executive officer, submit to the Exchange at such times as the Exchange may require an affidavit listing to the best of his knowledge and belief the name of each party directly or indirectly beneficially owning 1% or more of the outstanding voting stock of such member corporation and showing the percentage of such ownership.

••• **Supplementary Material:** -----

Information Regarding Partnership Articles

.10 Submission of partnership agreements

Drafts of partnership articles or of changes in partnership articles proposed to be entered into in connection with the formation of a firm or the admission of a new partner should be submitted to Regulation & Surveillance at least one week in advance of the

date on which the application will be acted upon by the Board of Directors. Drafts of other changes to be made in partnership articles should be submitted in advance of their effective date.

The Exchange requires that a signed, photostatic or conformed copy of all partnership articles, including any amendments and supplements thereto, as executed, be filed with the Exchange.

(See ¶2311 for procedure to be followed regarding approval of partners and partnerships.)

.11 Withdrawal of capital

The partnership articles of each member firm shall contain provisions that without the prior written approval of the Exchange the capital contribution of any partner may not be withdrawn on less than six months' written notice of withdrawal given no sooner than six months after such contribution was first made. Each member firm shall promptly notify the Exchange of the receipt of any notice of withdrawal of any part of a partner's capital contribution or if any withdrawal is not made because prohibited under the provisions of Securities and Exchange Commission Rule 15c3-1 (see 15c3-1(e)).

.12 Deceased Partner's Interest in Continuing Firm

I. The Exchange cannot, upon a partner's death, regard his interest as continuing to be part of the net capital of the continuing or successor firm unless the partnership articles of the firm contain specific and legally adequate provisions to the effect that the claim of the personal representative of a deceased partner to the partner's interest in the firm shall be subordinated to the claims of all present or future creditors of the continuing

firm (or any successor firm) arising out of matters occurring subsequent to the partner's death.

If it is the desire and intent of the partners of any firm that the interest of a deceased partner shall be considered, without interruption after his death, as a part of the capital of the continuing or successor firm for a specified period, the partnership articles should effectively provide in substance:

(1) That the payment of the deceased partner's interest in the firm to his estate can be deferred for a stated period; and

(2) that until such payment, the interest of the deceased partner shall remain at the risk of the business of the continuing or successor firm and shall be considered as capital of such firm in the same manner and to the same extent as capital contributed by a limited partner; and

(3) that any claim of the personal representative of the deceased partner to such interest shall be subordinated in right of payment and subject to the prior payment or provision for payment in full of claims of all present and future creditors of the continuing firm (or successor firm) arising out of any matters occurring before the end of the stated period.

II. If it is the desire of the partners to have a deceased partner's capital continued for a stated period immediately following his death, with the option in his personal representative to continue it for a longer period under the provisions of the deceased partner's Will, it is suggested that the stated period in the partnership agreement be made sufficiently long as to permit the conditions discussed below with respect to testamentary provisions to be complied with.

Provisions in a deceased partner's Will (as distinguished from those in a partnership agreement) providing that the personal representative shall or may become a limited partner in the firm or subordinate the claims of the estate to decedent's interest to the claims of firm creditors who become such after the decedent's death, with respect to the Exchange's determination whether or not to allow a deceased partner's capital interest in computing the net capital of the firm will depend on the facts and circumstances of each case as they exist at the time of such determination. However, in no case will such testamentary provisions be considered as effective in connection with the Exchange's computation of net capital unless at least the following conditions are met:

(1) The Will must contain provisions specifically authorizing the personal representative of the deceased partner either to continue the decedent's capital interest in the firm as limited capital, or otherwise to subordinate the estate's claims against the firm to the claims of creditors of the firm.

(2) The Exchange must be furnished with a satisfactory opinion of counsel to the estate, to the effect that (A) the Will is valid and in full force and effect, (B) the named personal representative is duly qualified and is the executor administering the Will, (C) the personal representative is authorized by the Will to make or continue a capital contribution to the firm, (D) if the personal representative is a partner of, or otherwise interested in, the firm, said representative is authorized by the Will to deal with the estate for his own benefit, (E) all claims of present and future creditors and beneficiaries of the Estate and their successors are subordinate to the claims of all present and future creditors of the firm and its successors.

(3) The personal representative of the decedent must have taken appropriate action either to become a limited partner in the firm or to subordinate the capital interest of the deceased partner as indicated above.

III. It is recommended that member firms consult their own counsel with respect to the advisability of incorporating in their partnership articles provisions of the sort discussed in this Section. Any member firm which decides to adopt such provisions should submit the proposed provisions, in draft form, to the Exchange. Such member firm will then be advised whether, upon the adoption of such provisions and in the event of the death of a partner, the Exchange will be in a position to consider his interest in the firm as part of its net capital for the specified period following his death.

Information Regarding Member Corporations

.20 Submission by proposed member corporations of certificate of incorporation, by-laws and other corporate documents

Existing corporations shall promptly submit certified copies (to the extent possible) of the documents referred to in Rule 313T(b) and corporations to be formed shall submit drafts thereof, prior to the time they become effective, to Regulation & Surveillance. Upon the formation of a corporation or when an amendment to any of such documents becomes effective, a duly certified copy of the certificate of incorporation and by-laws shall be filed with Regulation & Surveillance and signed, photostatic or conformed copies of the other documents shall be so filed.

(See ¶2311 for procedure to be followed regarding approval of corporations.)

There shall also be submitted an opinion of counsel in form and substance satisfactory to the Exchange stating, among other things, that the corporation is duly organized and existing and that its stock is validly issued and outstanding and that the restrictions and provisions required by the Exchange on the transfer, issuance, conversion and redemption of its stock have been made legally effective.

(See .23, below, for restrictions on corporations not incorporated under laws of the State of New York.)

.21 Provisions concerning disposition of stock

The certificate of incorporation of a member corporation may contain provisions that the corporation or its stockholders, or both, may have a prior right to purchase the stock of any stockholder upon such terms and conditions as may be specified therein.

The Exchange will expect a member corporation, either through its certificate of incorporation or separate agreements, to be in a position at all times to comply with the provisions of Rule 312T(d).

Each stock certificate of a member corporation shall carry on its face a statement of any such provisions or a full summary thereof.

.22 Provisions concerning redemption or conversion

Each certificate of incorporation of a member corporation shall contain provisions authorizing the corporation to redeem or convert to a fixed income security all or any part of the outstanding shares of voting stock of such member corporation owned by any person required to be approved by the Board of Directors of the Exchange as a member or approved person who fails or ceases to be so approved as may be necessary to reduce such party's ownership of voting stock in the member corporation below that level which

enables such party to exercise controlling influence over the management or policies of such member corporation.

If the certificate of incorporation of a member corporation subject to Exchange Rule 325 provides that a stockholder may compel the redemption of his stock such certificate must provide that without the prior written approval of the Exchange, the redemption may only be effected on a date not less than six months after receipt by the member corporation of a written request for redemption given no sooner than six months after the date of the original issuance of such shares (or any predecessor shares). Each member corporation shall promptly notify the Exchange of the receipt of any request for redemption of any stock or if any redemption is not made because prohibited under the provisions of Securities and Exchange Commission Rule 15c3-1 (See 15c3-1(e)).

Each stock certificate of a member corporation shall carry on its face a statement of the restrictions in SEC Rule 15c3-1(e) relating to the redemption of stock or a full summary thereof.

.23 Restrictions on corporations

Corporations not organized under the laws of the State of New York shall effectively subject themselves to the following restrictions and the opinion of counsel submitted to the Exchange at the time the corporation applies for approval as a member corporation shall set forth the extent to which the following restrictions have been made legally effective:

No dividend shall be declared or paid which shall impair the capital of the corporation nor shall any distribution of assets be made to any stockholder unless the

value of the assets of the corporation remaining after such payment or distribution is at least equal to the aggregate of its debts and liabilities, including capital.

Rule 321T. Formation or Acquisition of Subsidiaries

No member organization may, without the prior written approval of the Exchange, form or acquire a subsidiary company. The member organization shall require such subsidiary to comply with the following provisions.

••• **Supplementary Material:** -----

Information Regarding Subsidiary Companies of Member Organizations

.10 Definition of subsidiary

For purposes of this rule, the term "subsidiary" means an entity engaged in a securities or kindred business that is controlled by a member organization within the meaning of Exchange Rule 2. However, control shall not be presumed, for purposes of this rule, merely because a member is a director or principal executive of another person.

.11 Form of organization

A subsidiary shall be an incorporated company or partnership.

.12 Name

The name of the subsidiary and the name of the member organization must be sufficiently different to prevent confusion. The mere addition of "Inc." or "and Co." may not be sufficient.

.13 Severance of connection with subsidiary

The Exchange may at any time require that the member organization and the partners or stockholders thereof sever all connections with the subsidiary including the disposition of all securities and other interests therein, or such amount thereof as

determined by the Exchange. Concurrent with or at any time after directing such severance, the Exchange may require the member organization to change its name if the Exchange finds that the name of the former subsidiary may be confused with the name of such member organization.

.14 List of stockholders

A list of stockholders or partners of the subsidiary shall upon request be submitted to the Exchange.

.15 Reserved.

.16 Capital requirements

The Exchange will not prescribe capital requirements for a subsidiary. However, the Exchange will require a pro forma balance sheet of the subsidiary to be filed with it before any action is taken on a member or member organization's application to form such a subsidiary. The Exchange may, however, require the submission of subsequent financial statements.

.17 Banking commitments

A subsidiary's banking and other commitments, loans and obligations shall be kept separate and distinct from those of the member or member organization with which it is affiliated.

.18 Functions of a subsidiary

A subsidiary may be formed to do an underwriting, agency or dealer business, or any other business acceptable to the Exchange.

.19 Offices

A subsidiary will be permitted, under the conditions set forth in Exchange Rule 343 to occupy the same quarters as those of the member organization.

.20 Books and records

A subsidiary shall keep books and records separate and distinct from those of the member or member organization with which it is affiliated and such books and records shall, upon request, be made available by the member or member organization for inspection by the Exchange. However, such books and records may be maintained by the member or member organization.

.21 Transactions between members or member organizations and subsidiaries

A subsidiary will not be prohibited by the Exchange from having cash or margin brokerage transactions effected for its account by the member or member organization (See Section 11(a) of the Securities Exchange Act of 1934). The rules and regulations applicable generally to customer's accounts shall be applicable to each such account.

.22 Conditions to be complied with after organization of subsidiary but prior to commencement of business

No subsidiary shall commence business after its organization without the prior written approval of the Exchange. Before giving such approval there shall be submitted to the Exchange an opinion of counsel, in form and substance satisfactory to the Exchange, stating (1) that the subsidiary is duly organized and existing, and (2) that the securities, if any, of the subsidiary has been duly and validly issued and is fully paid and non-assessable.

.23 New issues

The provisions of Section 11(d)(1) of the Securities Exchange Act of 1934, relating to the extension or maintenance of credit in connection with new issues, will apply to transactions by a member or member organization in new issues in the distribution of which its subsidiary participated with the same force and to the same extent as if the member or member organization itself had participated in the distribution of such new issues.

.24 Reserved.

[Rule 375 Missing the Market]

Entire text deleted.

Rule 408T. Discretionary Power in Customers' Accounts

(a) No member or employee of a member organization shall exercise any discretionary power in any customer's account or accept orders for an account from a person other than the customer without first obtaining written authorization of the customer, the signature of the person or persons authorized to exercise discretion in the account (and of any substitute so authorized), and the date such discretionary authority was granted.

(b) No member or employee of a member organization shall exercise any discretionary power in any customer's account, without first notifying and obtaining the approval of another person delegated under Exchange Rule 342(b)(1) with authority to approve the handling of such accounts. Every order entered on a discretionary basis by a member or employee of a member organization must be identified as discretionary on the order at the time of entry. Such discretionary accounts shall receive frequent appropriate

supervisory review by a person delegated such responsibility under Exchange Rule 342(b)(1), who is not exercising the discretionary authority. A written statement of the supervisory procedures governing such accounts must be maintained.

(c) No member or employee of a member organization exercising discretionary power in any customer's account shall (and no member organization shall permit any member or employee thereof exercising discretionary power in any customer's account to) effect purchases or sales of securities which are excessive in size or frequency in view of the financial resources of such customer.

(d) The provisions of this rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed. The authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written, contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account pursuant to valid Good-Till-Cancelled instructions issued on a "not-held" basis. Any exercise of time and price discretion must be reflected on the order ticket.

••• Supplementary Material: -----

.10 All discretionary orders in listed index warrants must be approved and initialed on the day entered by a Senior Registered Options Principal or Registered Options Principal.

.11 For purposes of this rule, an "institutional account" shall mean the account of (i) a bank (as defined in Section 3(a)(6) of the Securities Exchange Act of 1934), (ii) a savings association (as defined in Section 3(b) of the Federal Deposit Insurance Act), the deposits

of which are insured by the Federal Deposit Insurance Corporation, (iii) an insurance company (as defined in Section 2(a)(17) of the Investment Company Act of 1940), (iv) an investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, (v) a state or a political subdivision thereof, (vi) a pension or profit sharing plan, subject to ERISA, with more than \$25,000,000 total assets under management, or of an agency of the United States or of a political subdivision thereof, (vii) any person that has a net worth of at least forty-five million dollars and financial assets of at least forty million dollars, or (viii) an investment adviser registered under Section 203 of the Investment Advisers Act of 1940.

Rule 409T. Statements of Accounts to Customers

(a) Except with the permission of the Exchange, or as otherwise provided by this paragraph, member organizations shall send to their customers statements of account showing security and money positions and entries at least quarterly to all accounts having an entry, money or security position during the preceding quarter. Quarterly statements need not be sent to a customer pursuant to Rule 409T (a) if:

- 1) the customer's account is carried solely for the purpose of execution on a Delivery versus Payment/Receive versus Payment basis (DVP/RVP);
- 2) all transactions effected for the account are done on a DVP/RVP basis in conformity with Exchange Rule 387;
- 3) the account does not show security or money positions at the end of the quarter;
- 4) the customer consents to the suspension of such statements in writing.

Such consents must be maintained by the member organization in a manner

consistent with Exchange Rule 440 and SEA Rule 17a-4 [under the Securities Exchange Act of 1934];

5) the member organization undertakes to provide any particular statement or statements to the customer promptly upon request; and

6) the member organization undertakes to promptly reinstate the delivery of such statements to the customer upon request.

Nothing in this rule shall be seen to qualify or condition the obligations of a member organization under SE[C]A Rule 15c3-2 concerning quarterly notices of free credit balances on statements.

For purposes of this rule, a DVP/RVP account is an arrangement whereby payment for securities purchased is to be made to the selling customer's agent and/or delivery of securities sold is to be made to the buying customer's agent in exchange for payment at time of settlement, usually in the form of cash.

(b) No member organization shall address confirmations, statements or other communications to a nonmember customer

(1) in care of a person holding power of attorney over the customer's account unless either (A) the customer has instructed the member organization in writing to send such confirmations, statements or other communications in care of such person, or (B) duplicate copies are sent to the customer at some other address designated in writing by him; or

(2) at the address of any member, member organization, or in care of a partner, stockholder who is actively engaged in the member corporation's business

or employee of any member organization. The Exchange may upon written request therefore waive these requirements.

(c) Rescinded October 6, 1978. (See SE[C]A Rule 10b-10).

(d) Rescinded July 1, 1970. (See SE[C]A Rule 10b-16).

(e) Each statement of account sent to a customer pursuant to this rule shall bear a legend as follows:

(1) A legend that reads: "A financial statement of this organization is available for your personal inspection at its offices, or a copy of it will be mailed upon your written request."

(2) A legend that advises customers to report promptly any inaccuracy or discrepancy in that person's account to his or her brokerage firm. If a customer's account is subject to a clearing agreement pursuant to Exchange Rule 382, the legend must advise that such notification be sent to both the introducing firm and the clearing firm. The legend must also advise the customer that any oral communications with either the introducing firm or the clearing firm should be re-confirmed in writing in order to further protect the customer's rights, including its rights under the Securities Investor Protection Act (SIPA).

(f) Reserved.

(g) Member organizations carrying margin accounts for customers should send duplicate copies of monthly statements of guaranteed accounts to the respective guarantors unless such guarantors have specifically declared in writing that they do not wish such statements sent to them.

Rule 416T. Questionnaires and Reports

(a) Each member and member organization shall submit to the Exchange at such times as may be designated in such form and within such time period as may be prescribed such information as the Exchange deems essential for the protection of investors and the public interest.

(b) Reserved.

(c) Any report filed pursuant to this Rule containing material inaccuracies shall, for purposes of this rule, be deemed not to have been filed until a corrected copy of the report has been resubmitted.

••• Supplementary Material: -----

.10 Member organizations may be required to provide financial and operational reports as required by paragraph (a) of this Rule for affiliated organizations, including but not limited to, persons referred to in Exchange Rules 321 and 322.

.20 Reserved.

Rule 416AT. Member And Member Organization Profile Information Updates And Quarterly Certifications Via The Electronic Filing Platform

(a) Members and member organizations must furnish the Exchange with all of the profile information required by the Exchange's Electronic Filing Platform (“EFP”), and must comply with any Exchange request for such information promptly, but in any event not later than thirty days following such request.

(b) Members and member organizations must update their required membership profile information promptly, but in any event not later than thirty days following any change in such information.

(c) Each member and member organization shall designate to the Exchange an appropriate senior officer as referenced in Exchange Rule 351(e), or his or her designee, as its membership profile contact person.

(d) Each member or member organization shall certify electronically once during each of the months of March, June, September, and December of every year that it has reviewed its required membership profile information, and that such information is complete and accurate.

Rule 435T. Miscellaneous Prohibitions

No member or member organization shall:

(1) Reserved.

(2) Reserved.

(3) Reserved.

(4) Reserved.

(5) Circulation of rumors

Circulate in any manner rumors of a sensational character which might reasonably be expected to affect market conditions on the Exchange. Discussion of unsubstantiated information published by a widely circulated public media is not prohibited when its source and unsubstantiated nature are also disclosed. Report shall be promptly made to the Exchange of any circumstance which gives reason to believe that any rumor or unsubstantiated information might have been originated or circulated for the purpose of influencing prices in listed securities.

(6) Reserved.

(7) Reserved.

[INCORPORATED NYSE RULE] INTERPRETATIONS

Rule 311T. Formation and Approval of Member Organizations

(b)

(5) OFFICERS

/01 Reserved.

/02 Reserved.

/03 Reserved.

/06 Limitations on Principal Executives

Principal Executives may be part-time employees, subject to the prior approval of the member organization pursuant to Exchange Rule 346(e).

(f) PRINCIPAL PLACE OF BUSINESS

/01 Criteria

In order to satisfy the rule's requirement that a member organization's principal place of business be maintained within the U.S., at least the following must be located within the U.S., at a definite and manned physical location which is adequate to serve as the site for Exchange inspection of the organization:

a) Assets of customers who are citizens or residents of the U.S. and assets associated with transactions effected in the U.S., except for: (1) funds which are ordinarily held in branch offices or in transit, and (2) securities which are held as provided for in SEA Rule 15c3-3(c).

To the extent that the broker-dealer introduces customer accounts on a fully disclosed basis to a carrying firm which is located in the U. S., such customer assets may be located at the carrying firm.

b) Books and records customarily maintained by brokers and dealers at their principal place of business and sufficient to permit the Exchange to conduct its inspection of the member organization.

The utilization of a clearing broker, a bank, or a service bureau which prepares or maintains the member organizations' books and records in accordance with SEA Rules 17a-3 and 17a-4 would satisfy this criterion if such broker, bank or bureau is located in the U.S., and the records would be readily accessible to the Exchange.

c) Member organization capital sufficient to meet applicable capital requirements.

d) All allied members, qualified and authorized to perform Exchange Rule 342 functions.

e) Clearance, settlement and securities handling operations which pertain to securities transactions effected in the U.S., to the extent that such operations are maintained by the broker-dealer.

f) Operations pertaining to foreign securities transactions effected on behalf of customers who are citizens or residents of the U.S., to the extent that such operations are customarily maintained by a broker-dealer at a principal place of business.

**(g) MINIMUM OF ACTIVE PARTNERS IN MEMBER ORGANIZATIONS —
USE OF MEMBER ORGANIZATION NAME**

/01 Reserved.

/02 Divisions of Member Organizations — Names

Divisions that are not separate legal entities may not be identified by the use of such words as "Company", "Corporation" or "Incorporation", which connote separate entities. Persons staffing such divisions should not have the title of "President", which indicates a separate entity. The titles, "Vice President" or "Assistant Vice President" are satisfactory when used in a context which does not convey the existence of authority on behalf of the member organization not, in fact, possessed by that individual.

Rule 401T. Business Conduct

/01 Trading Against Firm Recommendations

Reserved.

/02 Private Sales

Reserved.

/03 Conversions, Acquisitions and Changes in Business Activities

Member organizations are expected to notify the Exchange when planning important organizational or operational changes, such as mergers with or acquisitions of other broker/dealers or the acquisition of a significant electronic data processing system conversion or a change in business activity involving the addition of new product lines such as municipal bonds, government securities, options or commodities, etc. By discussing these proposals with the Exchange well in advance of implementation, member organizations will have the benefit of the Exchange's insight and experience which may serve to aid in avoiding financial and operational problems.

/04 Early Reporting of Developing Problems

Exchange and SEC regulations presently require member organizations to give certain "early warning" notices when conditions fall outside of specified parameters. However, it has been our experience that in many cases an earlier informal notice can help resolve the difficulty before any formal notification would be required. The Exchange, therefore, expects notification from a member organization immediately upon discovery of any existing or impending condition(s) which it reasonably believes could lead to capital, liquidity or operational problems or impairment of record-keeping, clearance or control functions.

A list of the kind of potential problems on which early notification is expected follows. It should be realized that this list is not intended to be all inclusive and that your coordinator may be of further assistance with regard to situations not specifically covered.

Capital Problems

Concentrations in securities or commodities positions, commitments or other contingencies wherein adverse results could reasonably be expected to create a loss or net capital deduction that would result in a violation of the net capital requirements.

Accruals of expenses, deficits in customers' or brokers' accounts, liabilities, "Don't Know" trades, short security positions and similar items for which adequate reserves have not been provided and which, individually or in the aggregate, could have a material adverse effect on net capital.

An acceleration clause or other default provision in a loan or subordinated loan agreement is expected to or has become operative.

Reserve Requirements Problems

Any condition that could result in a material failure to make a required deposit or cause a deficiency in the balance on deposit in the Special Reserve Bank Account for the Exclusive Benefit of Customers as required under SEA Rule 15c3-3.

Liquidity Problems

Any problem with liquidity, profitability or a cash or other asset shortage which could materially inhibit a broker or dealer from promptly meeting its obligations to customers, other broker/dealers or creditors.

Impending circumstances which cause or might cause a bank to call its loans or to refuse to carry the firm's accounts in a normal fashion.

Developing situations which cause or might cause a clearing corporation to limit the firm to cash settlements.

Impending or actual inability to complete daily deliveries without the creation of deficit conditions pursuant to possession and control requirements under SEA Rule 15c3-3 for customers' securities.

Recordkeeping Problems

Any situation which may materially impair accurate maintenance of the member organization's Books and Records or the ability to account for possession or control of securities or commodities. This could be a computer breakdown, service agency problems, loss of key personnel, systems conversions, continuous inability to complete daily activities because of volume or personnel difficulties or similar reasons.

Reputation Problems

Loss of confidence in a broker-dealer may cause immediate returns of stock loans, refusals to trade or buy-ins by other broker-dealers, calling of bank loans or tightening of collateral requirements, customer account delivery requests and eventual profit deterioration.

Reputation may be impaired either by direct events such as announcements of disciplinary actions or litigation against a member organization, or by indirect unfavorable developments such as personal bankruptcies or criminal prosecution of key personnel, or financial problems of other associated organizations for whom the member organization has no legal responsibility.

Rule 408T. Discretionary Power in Customers' Accounts

/01 Automatic Money Market Fund Redemptions

Member organizations that establish an automatic money market fund redemption program for customers having both a securities and money fund account, wherein the customer may elect to have securities purchases paid for via an automatic liquidation of fund shares, will not be required to obtain a customer's written authorization provided that:

- 1) written notice is sent to applicable customers which informs them of the existence of such programs and sets forth the procedures to be followed in order to participate in the program or to elect not to do so, and
- 2) such written notice outlines the specific procedures followed by the member organization in effecting automatic redemptions including the steps a customer must take to override the automatic redemption procedure in any specific purchase transaction.

It should be noted that this interpretation applies only to an established money market fund redemption program and should not be construed to permit member organizations or their associated persons to execute transactions in other types of securities without specified authorization from a customer.

/02 Identification of Discretionary Orders

A member organization will be deemed in compliance with the Rule 408T(b) requirement that every order entered on a discretionary basis must be identified as discretionary on the order at the time of entry, if it assigns a specific series of numbers or symbols to its discretionary accounts. All orders entered for such accounts will be considered "identified as discretionary" by the account numbers or symbols unless "DNE" (Discretion Not Exercised) is marked on the order tickets.

A member organization's written statement of supervisory procedures and compliance manual should reflect such allocation of specific series of numbers or symbols as being assigned to discretionary accounts if such a system is used.

Rule 409T. Statements of Accounts to Customers.

(a)

/01 Reserved.

/02 Information to be Disclosed

Statements of accounts to customers must clearly and prominently disclose on the front of the statement:

1. the identity of the introducing and carrying organization and their respective phone numbers for service¹;
2. that the carrying organization is a member of SIPC;

3. the opening and closing balances for the account.

/03 Use of Third Party Agents

Prior to utilizing a “third party agent” to prepare and/or transmit statements of accounts to customers, a member organization shall represent/undertake in writing to the Exchange that:

1. The third party is acting as agent for the member organization;
2. the member organization retains responsibility for compliance with Rule 409T(a);
3. the member organization has developed procedures/controls for reviewing and testing the accuracy of statements of accounts prepared and/or transmitted by the third party agent;
4. the member organization will retain copies of statements of accounts prepared and/or transmitted by the third party agent in accordance with applicable books and records requirements.

Allocation of responsibilities for preparation and/or transmissions of statements to any person other than a carrying organization pursuant to an agreement approved by the Exchange in accordance with Exchange Rule 382 (Carrying Agreements) shall be deemed to be utilization of a “third party agent.”

An introducing organization that is a provider of services included in a member organization's statements of accounts may not function as a “third party agent” and may not itself prepare and/or transmit such statements.

/04 Assets Externally Held and Included on Statements Solely as a Service to Customers

Where a statement of account includes assets as to which the member organization does not have fiduciary responsibility, does not have access to and which are not included on the member organization's books and records, such assets must be clearly and distinguishably separated on the statement. It must be clearly indicated on the statement that such externally held assets: are included on the statement solely as a courtesy to the customer, information (including valuation) is derived from the customer or other external source for which the member organization is not responsible, and are not covered by SIPC.

/05 Use of Logos, Trademarks, etc.

Where the logo, trademark or other similar identification of a person (other than the carrying or introducing organization) appears on a customer account statement, the identity of such person(s) and the relationship to the introducing, carrying or other organization included on the statement must be provided and may not be utilized in a manner which is misleading or causes customer confusion.

/06 Use of Summary Statements

Where a member organization carrying a customer's account and another person(s) who separately offers financial related products/services to the same customer (e.g. mutual fund sales/custodial services, banking products/services, insurance products/services, securities products/services, etc.) seek to jointly formulate and/or distribute their respective customer account statements together with a statement summarizing or combining assets held in different accounts ("summary statement"), the Exchange will require:

1. That the summary statement:

a. indicate that the “summary statement” is provided for informational purposes and includes assets held at different entities;

b. identify each entity from which information is provided or assets being held are included, their relationship with each other (e.g., parent, subsidiary or affiliated organization), and their respective functions (introducing/carrying brokerage firms, fund distributor, banking/insurance product providers, etc.);

c. clearly distinguish between assets held by each entity by use of columns, coloring or other distinct form of demarcation;

d. identify the customer's account number at each entity²;

e. provide a telephone number for customer service at each entity²

f. disclose which entity carries each of the different assets or categories of assets included on the summary;

g. identify each entity that is a member of SIPC.³

2. To the extent that the summary statement aggregates the values of the various accounts summarized or portions thereof, such aggregation shall be recognizable as having been arithmetically derived from the separately stated totals or their components.

3. That the beginning and end of each separate statement (e.g., summary, brokerage, mutual fund, banking, insurance, etc.) be clearly distinguishable by color, pagination or other distinct form of demarcation.

4. That there be a written agreement between the carrying organization and each other person jointly formulating and/or distributing its respective customer account statements attesting that each such person has developed procedures/controls for

reviewing and testing the accuracy of the information included on its respective statements.

5. That the summary statement shall comply with Rule 409T and all interpretations thereof.

(b)

/01 Standards For Holding Mail For Foreign Customers — Rule 409T(b)(2)

Waivers

The Exchange will consider written requests from member organizations for the implementation of policies and procedures for the holding of confirmations, statements and broker-dealer financial statements (“communications”) for foreign customers.

Requests for waivers under Rule 409T(b) must include the following representations:

1. that the member organization will obtain not less frequently than annually and will retain (in accordance with SEA Rule 17a-4(b)) a written statement from the customer who has requested such waiver, that it is not feasible for such customer to make alternative arrangements for the regular receipt of these communications and that by reason of inefficient local mail services or unstable political climates, the customer requests that such material temporarily be held on behalf of such customer at the premises of the member organization; and

2. that the member organization has written procedures in place for the holding of mail that include, at a minimum, that:

a. frequent supervisory review be conducted of any account for which waivers for transmissions of communications have been obtained, with special attention given to discretionary accounts.

b. an annual review of the organization's system shall be conducted by the compliance/internal audit department or by the person(s) assigned or delegated such responsibility pursuant to Exchange Rule 342 (independent of the branch office) — such review should encompass a reasonable sampling of account documentation and account activity,

c. a log of such communications will be maintained at the branch or (principal) sales office servicing the account, which will note the date of direct transmittal of such communications to the customer and where sent, and

d. the member organization will endeavor to promptly communicate (orally) the substance of the communications directly to the customer and that a written record is kept of all meetings and conversations, etc., with the customer. Communications will be furnished to the customer at the earliest possible meeting.

Each foreign customer for whom mail is held is required to state, in writing, that it is not feasible to make alternative arrangements for the regular receipt of the mail. In this regard, member organizations shall represent to the Exchange that it will take steps to determine that the foreign customer has no other U.S. location reasonably available for receipt of the communications. In making that determination, member organizations may rely on the customer's statement unless the member or member organization is on notice of facts to the contrary.

Foreign customer accounts for which mail is held require frequent supervisory review by the member organization, i.e., a higher level of supervision and monitoring than is accorded other accounts. Additionally, the annual review conducted by the

compliance/internal audit department (or other person(s) delegated such responsibility) must include a determination as to whether all the foreign customer communications are retained pursuant to written customer instructions.

The foreign customer communications held in accordance with a waiver under 409T (b)(2) shall be made available to the customer for review at all times and at no special cost.

¹ The SEC has stated that under the [Securities Exchange Act] SEA Rule 15c3-1(a)(2)(iv), certain carrying firms must issue customer account statements, and the account statements must contain the name and telephone number of a person at the carrying firm who the customer can contact with inquiries regarding the account (See SE[A]C Release No. 34-31511, dated November 24, 1992). The phone number of the carrying organization may appear on the back of the statement. If it does, it must be in “bold” or “highlighted” letters.

² If the client's account number and the customer service telephone number at each entity are included on their respective account statements, such information need not be included on the summary statement.

³ See, e.g., SIPC Bylaws (Article II) for possible ways to identify SIPC membership by using SIPC statements or symbols.

Rule 435(5)T. Circulation of Rumors

/01 Responsibility of Personnel

Rule 435(5)T, which prohibits the circulation of rumors, extends personal responsibility for its observation to all member organization personnel. Those who

service accounts, those who are handling the member organization's long distance wires and those on the trading desks must in particular exercise a high degree of individual responsibility as their conversations are less likely to receive the same degree of supervisory oversight as written messages.

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Capital Acquisition Broker Rules

* * * * *

100. MEMBER APPLICATION AND ASSOCIATED PERSON REGISTRATION

* * * * *

111. Membership Proceedings

(a) Definitions

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1011.

(b) Safe Harbor for Business Expansions

All capital acquisition brokers are subject to [NASD] FINRA IM-1011-1.

(c) General Provisions

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1012.

112. New Member Application and Interview

(a) All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1013.

(b) No Change.

113. Department Decision

(a) All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1014.

(b) In reviewing an application for membership as a capital acquisition broker, the Department shall consider, in addition to the standards for admission set forth in [NASD] FINRA Rule 1014, whether the applicant's proposed activities are consistent with the limitations imposed on capital acquisition brokers under Capital Acquisition Broker Rule 016(c).

114. Review by National Adjudicatory Council

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1015.

115. Discretionary Review by FINRA Board

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1016.

116. Application for Approval of Change in Ownership, Control, or Business Operations

(a) All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1017.

(b) No Change.

(c) Subject to paragraph (d) of this Rule, a capital acquisition broker that seeks to terminate its status as such and continue as a FINRA member must file an application for approval of a material change in business operations pursuant to [NASD] FINRA Rule

1017, and must amend its membership agreement to provide that the member agrees to comply with all FINRA [R]rules.

(d) If during the first year following an existing FINRA member's amendment to its membership agreement pursuant to paragraph (b) of this Rule, a capital acquisition broker seeks to terminate its status as such and continue as a FINRA member, the capital acquisition broker may notify FINRA of this change without having to file an application for approval of a material change in business operations pursuant to [NASD] FINRA Rule 1017. The capital acquisition broker must file a request to amend its membership agreement to provide that the member agrees to comply with all FINRA [R]rules, and execute an amended membership agreement that imposes the same limitations on the member's activities that existed prior to the member's change of status to a capital acquisition broker.

118. Application to Commission for Review

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1019.

119. Foreign Members

All capital acquisition brokers are subject to [NASD] FINRA Rule 1021[1090].

* * * * *

Exhibit 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

Schedule A to the By-Laws of the Corporation

* * * * *

Section 4 — Fees

(a) through (b) No Change.

(c) The following fees shall be assessed to each individual who registers to take an examination as described below. These fees are in addition to the registration fee described in paragraph (b) and any other fees that the owner of an examination that FINRA administers may assess.

* * * * *

(1) Persons for whom any qualification examination is waived pursuant to Rule 1210.03[1070] shall be assessed as an application fee the examination fee for each qualification examination so waived.

(2) through (4) No Change.

(d) through (h) No Change.

* * * * *

Section 12 — Application and Annual Fees for Statutorily Disqualified Member Firms, Statutorily Disqualified Applicants for Membership and Member Firms Seeking to Associate with Statutorily Disqualified Individuals

(a) Any member firm, or applicant for membership under [NASD] Rule 1013 that is subject to a disqualification as set forth in Article III, Section 4 of the By-Laws of the

Corporation (1) seeking to enter, or be continued in, membership; or (2) seeking to employ or continuing to employ as an associated person any individual who is subject to a disqualification from association with a member as set forth in Article III, Section 4 of the By-Laws of the Corporation shall, upon the filing of an application pursuant to Article III, Section 3, paragraph (d) of the By-Laws of the Corporation, pay to FINRA a fee of \$5,000.00. Any member firm whose application filed pursuant to Article III, Section 3, paragraph (d) of the By-Laws of the Corporation results in a full hearing for eligibility in FINRA pursuant to the Rule 9520 Series, shall pay to FINRA an additional fee of \$2,500.00.

(b) No Change.

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FINRA RULES

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0100. GENERAL STANDARDS

0150. Application of Rules to Exempted Securities Except Municipal Securities

(a) through (b) No Change.

(c) Unless otherwise indicated within a particular Rule, the following [FINRA and NASD] rules are applicable to transactions in, and business activities relating to, exempted securities, except municipal securities, conducted by members and associated persons: [FINRA] Rules 1020, 2010, 2020, 2060, 2111, 2122, 2150, 2210, 2211, 2212, 2231, 2232, 2261, 2268, 2269, 2320(g), 3110, 3210, 3220, 3260, 3270, 3280, 4120, 4130, 4210, 4311, 4330, 4360, 4510 Series, 4530, 5160, 5210, 5220, 5230, 5310, 5340, 6700

Series, 8110, 8120, 8210, 8310, 8311, 8312, 8320, 8330 and 9552[; NASD Rules 2340, 2510 and 3140].

(d) No Change.

* * * * *

1000. MEMBER APPLICATION AND ASSOCIATED PERSON

REGISTRATION

1010. Electronic Filing Requirements for Uniform Forms

(a) Filing Requirement

Except as provided in [NASD] Rule 1013(a)(2), all forms required to be filed by Article IV, Sections 1, 7, and 8, and Article V, Sections 2 and 3, of the FINRA By-Laws shall be filed through an electronic process or such other process FINRA may prescribe to the Central Registration Depository.

(b) through (c) No Change.

(d) Fingerprint Information

Upon filing an electronic Form U4 on behalf of a person applying for registration, a member shall promptly submit fingerprint information for that person. FINRA may make a registration effective pending receipt of the fingerprint information. If a member fails to submit the fingerprint information within 30 days after FINRA receives the electronic Form U4, the person's registration shall be deemed inactive. In such case, FINRA shall notify the member that the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. FINRA shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively

terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of the Rules 1210 and 1220 [NASD Rule 1020 Series and the NASD Rule 1030 Series]. Upon application and a showing of good cause, FINRA may extend the 30-day period.

(e) No Change.

••• **Supplementary Material:** -----

.01 through .04 No Change.

1011. Definitions

Unless otherwise provided, terms used in the Rule 1000 Series shall have the meaning as defined in Rule 0160.

(a) "Applicant"

The term "Applicant" means a person that applies for membership in FINRA under Rule 1013 or a member that files an application for approval of a change in ownership, control, or business operations under Rule 1017.

(b) "Associated Person"

The term "Associated Person" means: (1) a natural person registered under FINRA rules; or (2) a sole proprietor, or any partner, officer, director, branch manager of the Applicant, or any person occupying a similar status or performing similar functions; (3) any company, government or political subdivision or agency or instrumentality of a government controlled by or controlling the Applicant; (4) any employee of the Applicant, except any person whose functions are solely clerical or ministerial; (5) any person directly or indirectly controlling the Applicant whether or not such person is registered or exempt from registration under the FINRA By-Laws or FINRA rules; (6)

any person engaged in investment banking or securities business controlled directly or indirectly by the Applicant whether such person is registered or exempt from registration under the FINRA By-Laws or FINRA rules; or (7) any person who will be or is anticipated to be a person described in (1) through (6) above.

(c) "Department"

The term "Department" means the Department of Member Regulation of FINRA.

(d) "Director"

The term "Director" means a member of the FINRA Regulation Board.

(e) "district"

The term "district" means a district established by the FINRA Regulation Board.

(f) "district office"

The term "district office" means an office of FINRA located in a district.

(g) "FINRA Board"

The term "FINRA Board" means the Board of Governors of FINRA.

(h) "FINRA Regulation Board"

The term "FINRA Regulation Board" means the Board of Directors of FINRA Regulation.

(i) "Governor"

The term "Governor" means a member of the FINRA Board.

(j) "Interested FINRA Staff"

The term "Interested FINRA Staff" means an employee who directly participates in a decision under Rule 1014 or 1017, an employee who directly supervises an employee with respect to such decision, an employee who conducted an investigation or

examination of a member that files an application under Rule 1017, the District Director for the relevant district, and the head of the Department.

(k) "material change in business operations"

The term "material change in business operations" includes, but is not limited to:

(1) removing or modifying a membership agreement restriction;

(2) market making, underwriting, or acting as a dealer for the first time;

and

(3) adding business activities that require a higher minimum net capital under SEA Rule 15c3-1;

(l) "principal place of business"

The term "principal place of business" means the executive office from which the sole proprietor or the officers, partners, or managers of the Applicant direct, control, and coordinate the activities of the Applicant, unless the Department determines that the principal place of business is where: (1) the largest number of Associated Persons of the Applicant are located; or (2) the books and records necessary to provide information and data to operate the business and comply with applicable rules are located.

(m) "sales practice event"

The term "sales practice event" means any customer complaint, arbitration, or civil litigation that has been reported to the Central Registration Depository, currently is required to be reported to the Central Registration Depository, or otherwise has been reported to FINRA.

(n) "Subcommittee"

The term "Subcommittee" means a subcommittee of the National Adjudicatory Council that is constituted pursuant to Rule 1015 to conduct a review of a Department decision issued under the Rule 1000 Series.

IM-1011-1. Safe Harbor for Business Expansions

This interpretive material concerns the types of business expansions that will not require a member to submit a Rule 1017 application to obtain FINRA's approval of the expansion. This safe harbor applies to: (1) firms that do not have a membership agreement, and (2) firms that have a membership agreement that does not contain a restriction on the factors listed below.

The safe harbor is not available to a member that has a membership agreement that contains a specific restriction as to one or more of the factors listed below. In that case, the agreement takes precedence because FINRA has determined that a particular restriction should apply as to one or more of the factors, and FINRA has issued a decision with a rationale for that restriction. Similarly, the safe harbor also does not apply if the member has a membership agreement that permits expansion beyond the limits set forth below (e.g., an Applicant requests and obtains approval for 10 registered representatives in the first six months with an additional 10 registered representatives in the next year); in such case, FINRA has specifically considered the firm's expansion plans and approved them.

The safe harbor is not available to any member that has disciplinary history. For purposes of this Interpretation, "disciplinary history" means a finding of a violation by the member or a principal of the member in the past five years by the SEC, a self-

regulatory organization, or a foreign financial regulatory authority of one or more of the following provisions (or a comparable foreign provision) or rules or regulations thereunder: violations of the types enumerated in Section 15(b)(4)(E) and Section 15(c) of the Exchange Act; Section 17(a) of the Securities Act; SEA Rules 10b-5 and 15g-1 through 15g-9; FINRA Rules 2010 (only if the finding of a violation is for unauthorized trading, churning, conversion, material misrepresentations or omissions to a customer, front running, trading ahead of research reports or excessive markups), 2020, 2111, 2150, 4330, 3110 (failure to supervise only), 5210, and 5230; and MSRB Rules G-19, G-30, and G-37(b) and (c), and all predecessor NASD rules to such FINRA rules.

For those firms to which the safe harbor is available, the following types of expansions are presumed not to be a material change in business operations and therefore do not require a Rule 1017 application. For any expansion beyond these limits, a member should contact its district office prior to implementing the change to determine whether the proposed expansion requires an application under Rule 1017. Expansions in each area are measured on a rolling 12-month basis; members are required to keep records of increases in personnel, offices, and markets to determine whether they are within the safe harbor.

"Associated Persons involved in sales" includes all Associated Persons, whether or not registered, who are involved in sales activities with public customers, including sales assistants and cold callers, but excludes clerical, back office, and trading personnel who are not involved in sales activities.

<u>Number of Associated Persons Involved in Sales</u>	<u>Safe Harbor—Increase Permitted Within One Year Period Without Rule 1017 Application</u>
<u>1 – 10</u>	<u>10 persons</u>

11 or more 10 persons or a 30 percent increase, whichever is greater

Number of Offices (registered or unregistered)

1 – 5

3 offices

6 or more

3 offices or a 30 percent increase, whichever is greater

Number of Markets Made

1 – 10

10 markets

11 or more

10 markets or a 30 percent increase, whichever is greater

1012. General Provisions

(a) Filing by Applicant or Service by FINRA

(1) An Applicant for membership shall file an application in the manner prescribed in Rule 1013, including the timely submission of an application fee pursuant to Schedule A to the FINRA By-Laws.

(2) An Applicant seeking approval of a change of ownership, control, or business operations shall file an application in the manner prescribed in Rule 1017, including the timely submission of an application fee pursuant to Schedule A to the FINRA By-Laws.

(3) Except where FINRA has otherwise prescribed an electronic or alternative filing process, an Applicant may file an application or any document or information requested under the Rule 1000 Series by first-class mail, overnight courier, or hand delivery. If the Department and the Applicant agree, the Applicant also may file a requested document or information by facsimile.

(4) FINRA shall serve a notice or decision issued under the Rule 1000 Series by first-class mail on the Applicant or its counsel, unless a Rule specifies a different method of service.

(5) For purposes of the Rule 1000 Series, service by FINRA or filing by an Applicant shall be deemed complete as follows:

(A) Service or filing by first-class mail shall be deemed complete on the date of postmark;

(B) Service or filing by overnight courier shall be deemed complete on the date of delivery to the overnight courier as specified in the airbill;

(C) Service or filing by hand delivery shall be deemed complete on the date of receipt as evidenced by a date stamp;

(D) Service or filing by facsimile shall be deemed complete on the date specified in the document and on the written confirmation of transmission; and

(E) Filing by an electronic system shall be deemed complete on the date specified on the confirmation page generated by the electronic filing system.

(b) Lapse of Application

(1) Absent a showing of good cause, an application filed under Rule 1013 or 1017 shall lapse if an Applicant fails to:

(A) respond fully within 60 days after service of an initial written request for information or documents under Rule 1013, within 30 days

after service of an initial written request for information or documents under Rule 1017, within 30 days after service of a subsequent written request for information or documents under Rule 1013 or 1017, or within such other time period agreed to by the Department and the Applicant;

(B) appear at or otherwise participate in a scheduled membership interview pursuant to Rule 1013(b) or 1017(g); or

(C) file an executed membership agreement under Rule 1014(d) or Rule 1017(h)(4) within 25 days after service of the agreement, or within such other period agreed to by the Department and the Applicant.

(2) If an Applicant wishes to continue to seek membership or approval of a change in ownership, control, or business operations, then the Applicant shall be required to submit a new application in the manner prescribed in Rule 1013 or 1017, respectively, including the timely submission of an application fee pursuant to Schedule A to the FINRA By-Laws. FINRA shall not refund any fee for a lapsed application.

(c) Ex Parte Communications

(1) The prohibitions against ex parte communications shall become effective when FINRA staff has knowledge that an Applicant intends to file a written request for review by the National Adjudicatory Council under Rule 1015.

(2) Unless on notice and opportunity for an Applicant and Interested FINRA Staff to participate, or to the extent required for the disposition of ex parte matters as authorized by FINRA rules:

(A) an Applicant, a counsel or representative of an Applicant, or an Interested FINRA Staff shall not make or knowingly cause to be made an ex parte communication relevant to the merits of a membership proceeding under the Rule 1000 Series to a Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or a FINRA employee who is participating or advising in a decision of such a person with respect to that proceeding; and

(B) a Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or a FINRA employee who is participating or advising in the decision of such a person with respect to a membership proceeding shall not make or knowingly cause to be made to an Applicant, a counsel or representative of the Applicant, or an Interested FINRA Staff an ex parte communication relevant to the merits of that proceeding.

(3) A Governor, a member of the National Adjudicatory Council or a Subcommittee thereof, or a FINRA employee participating or advising in the decision of such a person, who receives, makes, or knowingly causes to be made a communication prohibited by this paragraph shall place in the record of the membership proceeding:

(A) all such written communications;

(B) memoranda stating the substance of all such oral communications; and

(C) all written responses and memoranda stating the substance of all oral responses to all such communications.

(d) Recusal or Disqualification

A Governor or a member of the National Adjudicatory Council or a Subcommittee thereof shall not participate in a matter governed by the Rule 1000 Series as to which that person has a conflict of interest or bias, or if circumstances otherwise exist where his or her fairness might reasonably be questioned. In such a case, the person shall recuse himself or shall be disqualified as follows:

(1) The Chair of the FINRA Board shall have authority to direct the disqualification of a Governor, and a majority of the Governors of the FINRA Board excluding the Chair shall have authority to direct the disqualification of the Chair of the FINRA Board.

(2) The Chair of the National Adjudicatory Council shall have authority to direct the disqualification of a member of the National Adjudicatory Council or a member of a Subcommittee appointed pursuant to Rule 1015, and the Vice Chair of the National Adjudicatory Council shall have authority to direct the disqualification of the Chair of the National Adjudicatory Council.

(e) Computation of Time

(1) Calendar Day

In the Rule 1000 Series, "day" means calendar day.

(2) Formula

In computing a period of time under the Rule 1000 Series, the day of the act, event, default, or lapse from which the period of time designated begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday, or Federal holiday, in which event the period runs

until the end of the next day that is not a Saturday, Sunday, or Federal holiday.

Intermediate Saturdays, Sundays, and Federal holidays shall be excluded from the computation when the period prescribed is 10 days or less.

1013. New Member Application and Interview

(a) Filing of Application

(1) How to File

An Applicant for FINRA membership shall file its application with the Department in the manner prescribed by FINRA. An Applicant shall submit an application that includes:

(A) Form NMA;

(B) an original signed and notarized paper Form BD, with applicable schedules;

(C) an original FINRA-approved fingerprint card for each Associated Person who will be subject to SEA Rule 17f-2;

(D) a new member assessment report;

(E) a detailed business plan that adequately and comprehensively describes all material aspects of the business that will be, or are reasonably anticipated to be, performed at and after the initiation of business operations, including future business expansion plans, if any, and includes:

(i) a trial balance, balance sheet, supporting schedules, and computation of net capital, each of which has been prepared as of a date that is within 30 days before the filing date of the application;

(ii) a monthly projection of income and expenses, with a supporting rationale, for the first 12 months of operations;

(iii) an organizational chart;

(iv) the intended location of the Applicant's principal place of business and all other offices, if any, whether or not such offices would be required to be registered under FINRA rules, and the names of the persons who will be in charge of each office;

(v) a list of the types of securities to be offered and sold and the types of retail or institutional customers to be solicited;

(vi) a description of the methods and media to be employed to develop a customer base and to offer and sell products and services to customers, including the use of the Internet, telephone solicitations, seminars, or mailings;

(vii) a description of the business facilities and a copy of any proposed or final lease;

(viii) the number of markets to be made, if any, the type and volatility of the products, and the anticipated maximum inventory positions;

(ix) any plan to enter into contractual commitments, such as underwritings or other securities-related activities;

(x) any plan to distribute or maintain securities products in proprietary positions, and the risks, volatility, degree of liquidity, and speculative nature of the products;

(xi) any other activity that the Applicant may engage in that reasonably could have a material impact on net capital within the first 12 months of business operations; and

(xii) a description of the communications and operational systems the Applicant will employ to conduct business with customers or other members and the plans and procedures the Applicant will employ to ensure business continuity, including: system capacity to handle the anticipated level of usage; contingency plans in the event of systems or other technological or communications problems or failures that may impede customer usage or firm order entry or execution; system redundancies; disaster recovery plans; system security; disclosures to be made to potential and existing customers who may use such systems; and supervisory or customer protection measures that may apply to customer use of, or access to, such systems;

(F) a copy of any decision or order by a federal or state authority or self-regulatory organization taking permanent or temporary adverse action with respect to a registration or licensing determination regarding the Applicant or an Associated Person;

(G) a list of all Associated Persons;

(H) documentation of any of the following events, unless the event has been reported to the Central Registration Depository:

(i) a regulatory action against or investigation of the Applicant or an Associated Person by the SEC, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization that is pending, adjudicated, or settled;

(ii) an investment-related civil action for damages or an injunction against the Applicant or an Associated Person that is pending, adjudicated, or settled;

(iii) an investment-related customer complaint or arbitration that is required to be reported on Form U4;

(iv) a criminal action (other than a minor traffic violation) against the Applicant or an Associated Person that is pending, adjudicated, or that has resulted in a guilty or no contest plea; and

(v) a copy of any document evidencing a termination for cause or a permitted resignation after investigation of an alleged violation of a federal or state securities law, a rule or regulation thereunder, a self-regulatory organization rule, or an industry standard of conduct;

(I) a description of any remedial action, such as special training, continuing education requirements, or heightened supervision, imposed on an Associated Person by a state or federal authority or self-regulatory organization;

(J) a written acknowledgment that heightened supervisory procedures and special educational programs may be required pursuant to Notice to Members 97-19 for an Associated Person whose record reflects disciplinary actions or sales practice events;

(K) a copy of final or proposed contracts with banks, clearing entities, or service bureaus, and a general description of any other final or proposed contracts;

(L) a description of the nature and source of Applicant's capital with supporting documentation, including a list of all persons or entities that have contributed or plan to contribute financing to the Applicant's business, the terms and conditions of such financing arrangements, the risk to net capital presented by the Applicant's proposed business activities, and any arrangement for additional capital should a business need arise;

(M) a description of the financial controls to be employed by the Applicant;

(N) a description of the Applicant's supervisory system and a copy of its written supervisory procedures, internal operating procedures (including operational and internal controls), internal inspections plan, written approval process, and qualifications investigations required by Rule 3110;

(O) a description of the number, experience, and qualifications of supervisors and principals and the number, experience, and qualifications of persons to be supervised by such personnel, the other responsibilities of

the supervisors and principals with the Applicant, their full-time or part-time status, any business activities that the supervisors or principals may engage in outside of their association with the Applicant, the hours per week devoted to such activities, and an explanation of how a part-time supervisor or principal will be able to discharge his or her designated functions on a part-time basis;

(P) a description of Applicant's proposed recordkeeping system;

(Q) a copy of the Applicant's written training plan to comply with Firm Element continuing education requirements described in Rule 1240(b), including the name of the Associated Person responsible for implementation; and

(R) a FINRA Entitlement Program Agreement and Terms of Use and a FINRA Member Firm Account Administrator Entitlement Form.

(2) Uniform Registration Forms

Upon approval of the Applicant's FINRA Member Firm Account Administrator Entitlement Form, the Applicant shall submit its Forms U4 for each Associated Person who is required to be registered under FINRA rules, any amendments to its Forms BD or U4, and any Form U5 electronically via Web CRD.

(3) Rejection of Application That Is Not Substantially Complete

If the Department determines within 30 days after the filing of an application that the application is not substantially complete, the Department may reject the application and deem it not to have been filed. In such case, within the

30 day period, the Department shall serve a written notice on the Applicant of the Department's determination and the reasons therefor. FINRA shall refund the application fee, less \$500, which shall be retained by FINRA as a processing fee. If the Applicant determines to continue to seek membership, the Applicant shall submit a new application under this Rule and fee pursuant to Schedule A to the FINRA By-Laws.

(4) Request For Additional Documents Or Information

Within 30 days after the filing of an application, the Department shall serve an initial request for any additional information or documents necessary to render a decision on the application. The Department may serve subsequent requests for additional information or documents at any time during the membership application process.

Unless otherwise agreed by the Department and the Applicant, the Applicant shall file any additional information and documents with the Department within 60 days after service of the Department's initial request and 30 days after service of any subsequent request.

(5) Withdrawal of Application

If an Applicant withdraws an application within 30 days after filing the application, FINRA shall refund the application fee, less \$500, which shall be retained by FINRA as a processing fee. If the Applicant determines to again seek membership, the Applicant shall submit a new application under this Rule and fee pursuant to Schedule A to the FINRA By-Laws.

(b) Membership Interview

(1) Requirement for Interview

Before the Department serves its decision on an application for new membership in FINRA, the Department shall conduct a membership interview with a representative or representatives of the Applicant.

(2) Service of Notice

At least seven days before the membership interview, the Department shall serve on the Applicant a written notice that specifies the date and time of the interview and the representative or representatives of the Applicant who are required to participate in the interview. The Department shall serve the notice by facsimile or overnight courier. The Applicant and the Department may agree to a shorter or longer period for notice or a different method of service under this subparagraph.

(3) Time

Unless the Department directs otherwise for good cause shown, a membership interview shall be scheduled to occur within 90 days after the filing of an application or within 60 days after the filing of all additional information or documents requested, whichever is later.

(4) Place

Unless the Department and the Applicant otherwise agree, the membership interview shall be conducted in the district office for the district in which the Applicant has or intends to have its principal place of business.

(5) Updated Financial Documents

On or before the date of the membership interview, the Applicant shall file an updated trial balance, balance sheet, supporting schedules, and computation of net capital. The Applicant shall prepare such documents as of a date that is within 45 days before the date of the membership interview, unless the Applicant and the Department agree on a longer period. The Applicant shall promptly notify the Department in writing of any material adverse change in its financial condition that occurs before a decision constituting final action of FINRA is served on the Applicant.

(6) Review of Standards for Admission

During the membership interview, the Department shall review the application and the standards for admission to membership with the Applicant's representative or representatives.

(7) Information From Other Sources

During the membership interview, the Department shall provide to the Applicant's representative or representatives any information or document that the Department has obtained from the Central Registration Depository or a source other than the Applicant and upon which the Department intends to base its decision under Rule 1014. If the Department receives such information or document after the membership interview or decides to base its decision on such information after the membership interview, the Department shall promptly serve the information or document and an explanation thereof on the Applicant.

IM-1013-1. Membership Waive-In Process for Certain New York Stock Exchange Member Organizations

This Interpretive Material sets forth a membership waive-in process for certain New York Stock Exchange ("NYSE") member organizations to become members of FINRA as part of the consolidation of the member firm regulatory functions of NASD and NYSE Regulation, Inc. ("NYSE Regulation"). It applies to firms that, as of July 25, 2007, (1) are approved NYSE member organizations or (2) have submitted an application to become an NYSE member organization and are subsequently approved for NYSE membership (together "NYSE-only member organizations"), provided that such firms were not also NASD members as of July 30, 2007. Such firms are eligible to automatically become FINRA members and to automatically register all associated persons whose registrations are approved with NYSE in registration categories recognized by FINRA upon submission to the Department of a signed waive-in membership application ("Waive-In Application") with the following information:

- (1) General company information, including Central Registration Depository (CRD[®]) Number and contact person.
- (2) An attestation that all information on the applicant's CRD form, as of the date of submission of the Waive-In Application is accurate and complete and fully reflects all aspects of the applicant's current business, including, but not limited to, ownership structure, management, product lines and disclosures.
- (3) The identity of the firm's Executive Representative.
- (4) Completed and signed Entitlement Forms.
- (5) A signed FINRA Membership Agreement.

(6) Representations that the NYSE applicant's Uniform Application for Broker-Dealer Registration (Form BD) will be amended as needed to keep current and accurate; that all individual and entity registrations with FINRA will be kept current; and that all information and statements contained in the Waive-In Application are current, true and complete.

The Department shall review the Waive-In Application within three business days of receipt and, if complete, issue a letter notifying the applicant that it has been approved for membership. The Membership Agreement shall become effective on the date of such notification letter.

Firms admitted pursuant to this Interpretive Material shall be subject to the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and FINRA rules, other than FINRA Rules 1011 through 1016, 1019 through 1021, 2231, 3260 and 4540, provided that their securities business is limited to floor brokerage on the NYSE, or routing away to other markets orders that are ancillary to their core floor business under NYSE Rule 70.40 ("permitted floor activities"). If an NYSE-only member organization admitted pursuant to this Interpretive Material seeks to expand its business operations to include any activities other than the permitted floor activities, such firm must apply for and receive approval to engage in such business activity pursuant to Rule 1017. Upon approval of such business expansion, the firm shall be subject to the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and all FINRA rules.

Pursuant to IM-Section 4(b)(1) and (e) to Schedule A of the FINRA By-Laws, a firm applying to waive in for membership pursuant to this Interpretive Material shall not

be assessed certain registration and application fees set forth in Sections 4(b)(1) and (e) to Schedule A of the FINRA By-Laws.

IM-1013-2. Membership Waive-In Process for Certain NYSE American LLC

Member Organizations

This Interpretive Material sets forth a membership waive-in process for certain NYSE American LLC ("NYSE American") member organizations to become members of FINRA as part of the acquisition by NYSE Euronext of the Amex Membership Corporation. It applies to any NYSE American member organization that (i) holds a valid 86 Trinity Permit as of the date such firm transfers its equities operations to the NYSE American Trading Systems and (ii) is not currently a FINRA member. Such firms are eligible to automatically become FINRA members and to automatically register all associated persons whose registrations are approved with NYSE American in registration categories recognized by FINRA upon submission to the Department of a signed waive-in membership application ("Waive-In Application") with the following information:

- (1) General company information, including Central Registration Depository (CRD[®]) Number and contact person;
- (2) An attestation that all information on the applicant's[®] form, as of the date of submission of the Waive-In Application, is accurate and complete and fully reflects all aspects of the applicant's current business, including, but not limited to, ownership structure, management, product lines and disclosures;
- (3) The identity of the firm's Executive Representative;
- (4) Completed and signed Entitlement Forms (unless previously submitted);

(5) A signed FINRA Membership Agreement; and

(6) Representations that the NYSE American applicant's Uniform Application for Broker-Dealer Registration (Form BD) will be amended as needed to keep current and accurate; that all individual and entity registrations with FINRA will be kept current; and that all information and statements contained in the Waive-In Application are current, true and complete.

The Department shall review the Waive-In Application within three business days of receipt and, if complete, issue a letter notifying the applicant that it has been approved for membership. The Membership Agreement shall become effective on the date of such notification letter.

Firms admitted pursuant to this Interpretive Material shall be member organizations of both NYSE and NYSE American and as such are subject to FINRA rules (provided that firms admitted to FINRA membership under IM-1013-1 also are subject to FINRA rules), other than FINRA Rules 1011 through 1016, 1019 through 1021, 2231, 3260 and 4540, the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and the FINRA Rule 8000 and Rule 9000 Series, provided that their NYSE or NYSE American securities business is limited to floor-based activities in either NYSE-traded or NYSE American-traded securities, or routing away to other markets orders that are ancillary to their core NYSE or NYSE American floor business under NYSE Rule 70.40 or NYSE American Equities Rule 70.40 ("permitted floor activities"). If a firm admitted pursuant to this Interpretive Material seeks to expand its business operations to include any activities other than the permitted floor activities or makes changes to its securities business that would otherwise require FINRA membership, such firm must apply for and

receive approval to engage in such business activity pursuant to Rule 1017. Upon approval of such business expansion, the firm shall be subject to the FINRA By-Laws and Schedules to By-Laws, including Schedule A, and all FINRA rules.

Pursuant to IM-Section 4(b)(1) and (e) to Schedule A of the FINRA By-Laws, a firm applying to waive in for membership pursuant to this Interpretive Material shall not be assessed certain registration and application fees set forth in Sections 4(b)(1) and (e) to Schedule A of the FINRA By-Laws.

1014. Department Decision

(a) Standards for Admission

After considering the application, the membership interview, other information and documents provided by the Applicant, other information and documents obtained by the Department, and the public interest and the protection of investors, the Department shall determine whether the Applicant meets each of the following standards:

(1) The application and all supporting documents are complete and accurate.

(2) The Applicant and its Associated Persons have all licenses and registrations required by state and federal authorities and self-regulatory organizations.

(3) The Applicant and its Associated Persons are capable of complying with the federal securities laws, the rules and regulations thereunder, and FINRA rules, including observing high standards of commercial honor and just and equitable principles of trade. In determining whether this standard is met, the Department shall take into consideration whether:

(A) a state or federal authority or self-regulatory organization has taken permanent or temporary adverse action with respect to a registration or licensing determination regarding the Applicant or an Associated Person;

(B) an Applicant's or Associated Person's record reflects a sales practice event, a pending arbitration, or a pending private civil action;

(C) an Applicant or Associated Person is the subject of a pending, adjudicated, or settled regulatory action or investigation by the SEC, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization; an adjudicated, or settled investment-related private civil action for damages or an injunction; or a criminal action (other than a minor traffic violation) that is pending, adjudicated, or that has resulted in a guilty or no contest plea or an Applicant, its control persons, principals, registered representatives, other Associated Persons, any lender of 5 percent or more of the Applicant's net capital, and any other member with respect to which these persons were a control person or a 5 percent lender of its net capital is subject to unpaid arbitration awards, other adjudicated customer awards, or unpaid arbitration settlements;

(D) an Associated Person was terminated for cause or permitted to resign after an investigation of an alleged violation of a federal or state securities law, a rule or regulation thereunder, a self-regulatory organization rule, or industry standard of conduct;

(E) a state or federal authority or self-regulatory organization has imposed a remedial action, such as special training, continuing education requirements, or heightened supervision, on an Associated Person; and

(F) a state or federal authority or self-regulatory organization has provided information indicating that the Applicant or an Associated Person otherwise poses a threat to public investors.

(4) The Applicant has established all contractual or other arrangements and business relationships with banks, clearing corporations, service bureaus, or others necessary to:

(A) initiate the operations described in the Applicant's business plan, considering the nature and scope of operations and the number of personnel; and

(B) comply with the federal securities laws, the rules and regulations thereunder, and FINRA rules.

(5) The Applicant has or has adequate plans to obtain facilities that are sufficient to:

(A) initiate the operations described in the Applicant's business plan, considering the nature and scope of operations and the number of personnel; and

(B) comply with the federal securities laws, the rules and regulations thereunder, and FINRA rules.

(6) The communications and operational systems that the Applicant intends to employ for the purpose of conducting business with customers and

other members are adequate and provide reasonably for business continuity in each area set forth in Rule 1013(a)(1)(E)(xii);

(7) The Applicant is capable of maintaining a level of net capital in excess of the minimum net capital requirements set forth in SEA Rule 15c3-1 adequate to support the Applicant's intended business operations on a continuing basis, based on information filed under Rule 1013(b)(5). The Department may impose a reasonably determined higher net capital requirement for the initiation of operations after considering:

(A) the amount of net capital sufficient to avoid early warning level reporting requirements, such as SEA Rule 17a-11;

(B) the amount of capital necessary to meet expenses net of revenues for at least 12 months, based on reliable projections agreed to by the Applicant and the Department;

(C) any planned market making activities, the number of markets to be made, the type and volatility of products, and the anticipated maximum inventory positions;

(D) any plan to enter into other contractual commitments, such as underwritings or other securities-related activities;

(E) any plan to distribute or maintain securities products in proprietary positions, and the risks, volatility, degree of liquidity, and speculative nature of the products; and

(F) any other activity that the Applicant will engage in that reasonably could have a material impact on net capital within the first 12 months of business operations.

(8) The Applicant has financial controls to ensure compliance with the federal securities laws, the rules and regulations thereunder, and FINRA rules.

(9) The Applicant has compliance, supervisory, operational, and internal control practices and standards that are consistent with practices and standards regularly employed in the investment banking or securities business, taking into account the nature and scope of Applicant's proposed business.

(10) The Applicant has a supervisory system, including written supervisory procedures, internal operating procedures (including operational and internal controls), and compliance procedures designed to prevent and detect, to the extent practicable, violations of the federal securities laws, the rules and regulations thereunder, and FINRA rules. In evaluating the adequacy of a supervisory system, the Department shall consider the overall nature and scope of the Applicant's intended business operations and shall consider whether:

(A) the number, location, experience, and qualifications of supervisory personnel are adequate in light of the number, location, experience, and qualifications of persons to be supervised; the Central Registration Depository record or other disciplinary history of supervisory personnel and persons to be supervised; and the number and locations of the offices that the Applicant intends to open and the nature and scope of business to be conducted at each office;

(B) the Applicant has identified specific Associated Persons to supervise and discharge each of the functions in the Applicant's business plan, and to supervise each of the Applicant's intended offices, whether or not such offices are required to be registered under FINRA rules;

(C) the Applicant has identified the functions to be performed by each Associated Person and has adopted procedures to assure the registration with FINRA and applicable states of all persons whose functions are subject to such registration requirements;

(D) each Associated Person identified in the business plan to discharge a supervisory function has at least one year of direct experience or two years of related experience in the subject area to be supervised;

(E) the Applicant will solicit retail or institutional business;

(F) the Applicant will recommend securities to customers;

(G) the location or part-time status of a supervisor or principal will affect such person's ability to be an effective supervisor;

(H) the Applicant should be required to place one or more Associated Persons under heightened supervision pursuant to Notice to Members 97-19;

(I) any remedial action, such as special training or continuing education requirements or heightened supervision, has been imposed on an Associated Person by a state or federal authority or self-regulatory organization; and

(J) any other condition that will have a material impact on the Applicant's ability to detect and prevent violations of the federal securities laws, the rules and regulations thereunder, and FINRA rules.

(11) The Applicant has a recordkeeping system that enables Applicant to comply with federal, state, and self-regulatory organization recordkeeping requirements and a staff that is sufficient in qualifications and number to prepare and preserve required records.

(12) The Applicant has completed a training needs assessment and has a written training plan that complies with the continuing education requirements imposed by the federal securities laws, the rules and regulations thereunder, and FINRA rules.

(13) FINRA does not possess any information indicating that the Applicant may circumvent, evade, or otherwise avoid compliance with the federal securities laws, the rules and regulations thereunder, or FINRA rules.

(14) The application and all supporting documents otherwise are consistent with the federal securities laws, the rules and regulations thereunder, and FINRA rules.

(b) Granting or Denying Application

(1) In reviewing an application for membership, the Department shall consider whether the Applicant and its Associated Persons meet each of the standards in paragraph (a). Where the Department determines that the Applicant or its Associated Persons are the subject of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E), a presumption exists that the application

should be denied. The Applicant may overcome the presumption by demonstrating that it can meet each of the standards in paragraph (a), notwithstanding the existence of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E).

(2) If the Department determines that the Applicant meets each of the standards in paragraph (a), the Department shall grant the application for membership.

(3) If the Department determines that the Applicant does not meet one or more of the standards in paragraph (a) in whole or in part, the Department shall:

(A) grant the application subject to one or more restrictions reasonably designed to address a specific financial, operational, supervisory, disciplinary, investor protection, or other regulatory concern based on the standards for admission in Rule 1014(a); or

(B) deny the application.

(c) Decision

(1) Time

The Department shall serve a written decision on the membership application within 30 days after the conclusion of the membership interview or after the filing of additional information or documents, whichever is later.

(2) Content

If the Department denies the application, the decision shall explain in detail the reason for denial, referencing the applicable standard or standards in paragraph (a). If the Department grants the application subject to restrictions, the

decision shall explain in detail the reason for each restriction, referencing the applicable standard or standards in paragraph (a) upon which the restriction is based and identify the specific financial, operational, supervisory, disciplinary, investor protection, or other regulatory concern that the restriction is designed to address and the manner in which the restriction is reasonably designed to address the concern.

(3) Failure to Serve Decision

If the Department fails to serve a decision within 180 days after the filing of an application or such later date as the Department and the Applicant have agreed in writing, the Applicant may file a written request with the FINRA Board requesting that the FINRA Board direct the Department to serve a decision.

Within seven days after the filing of such a request, the FINRA Board shall direct the Department to serve its written decision immediately or to show good cause for an extension of time. If the Department shows good cause for an extension of time, the FINRA Board may extend the 180 day time limit by not more than 90 days.

(d) Submission of Membership Agreement

If the Department grants an application, with or without restriction, the Applicant's approval for membership shall be contingent upon the Applicant's filing of an executed written membership agreement, satisfactory to the Department, undertaking to:

- (1) abide by any restriction specified in the Department's decision; and

(2) obtain the Department's approval of a change in ownership, control, or business operations pursuant to Rule 1017, including the modification or removal of a membership agreement restriction.

The Applicant shall not waive the right to file a written request for review under Rule 1015 by executing a membership agreement under this paragraph.

(e) Service and Effectiveness of Decision

The Department shall serve its decision and the membership agreement on the Applicant in accordance with Rule 1012. The decision shall become effective upon service and shall remain in effect during the pendency of any review until a decision constituting final action of FINRA is issued under Rule 1015 or 1016, unless otherwise directed by the National Adjudicatory Council, the FINRA Board, or the SEC.

(f) Effectiveness of Restriction

A restriction imposed under this Rule shall remain in effect and bind the Applicant and all successors to the ownership or control of the Applicant unless:

(1) removed or modified by a decision constituting final action of FINRA issued under Rule 1015, 1016, or 1017;

(2) stayed by the National Adjudicatory Council, the FINRA Board, or the SEC.

(g) Final Action

Unless the Applicant files a written request for a review under Rule 1015, the Department's decision shall constitute final action by FINRA.

1015. Review by National Adjudicatory Council

(a) Initiation of Review by Applicant

Within 25 days after service of a decision under Rule 1014 or 1017, an Applicant may file a written request for review with the National Adjudicatory Council. A request for review shall state with specificity why the Applicant believes that the Department's decision is inconsistent with the membership standards set forth in Rule 1014, or otherwise should be set aside, and state whether a hearing is requested. The Applicant simultaneously shall file by first-class mail a copy of the request to the district office where the Applicant filed its application.

(b) Transmission of Documents

Within ten days after the filing of a request for review, the Department shall:

(1) transmit to the National Adjudicatory Council copies of all documents that were considered in connection with the Department's decision and an index to the documents; and

(2) serve on the Applicant a copy of such documents (other than those documents originally submitted by Applicant) and a copy of the index.

(c) Membership Application Docket

The Department shall promptly record in FINRA's membership application docket each request for review filed with the National Adjudicatory Council under this Rule and each material subsequent event, filing, and change in the status of a membership proceeding.

(d) Appointment of Subcommittee

The National Adjudicatory Council or the Review Subcommittee defined in Rule 9120 shall appoint a Subcommittee to participate in the review. The Subcommittee shall be composed of two or more persons who shall be current or past members of the National Adjudicatory Council or former Directors or Governors.

(e) Powers of Subcommittee

If a hearing is requested, the Subcommittee shall conduct the hearing. If a hearing is not requested, the Subcommittee may serve a notice directing that a hearing be held. If a hearing is not requested or directed, the Subcommittee shall conduct its review on the basis of the record developed before the Department and any written submissions made by the Applicant or the Department in connection with the request for review.

(f) Hearing

(1) Notice

If a hearing is requested or directed, the hearing shall be held within 45 days after the filing of the request with the National Adjudicatory Council or service of the notice by the Subcommittee. The National Adjudicatory Council shall serve written notice of the date and time of the hearing to the Applicant by facsimile or overnight courier not later than 14 days before the hearing.

(2) Counsel

The Applicant and the Department may be represented by counsel at a hearing conducted pursuant to this Rule.

(3) Evidence

Formal rules of evidence shall not apply to a hearing under this Rule. Not later than five days before the hearing, the Applicant and the Department shall exchange copies of their proposed hearing exhibits and witness lists and provide copies of the same to the National Adjudicatory Council. If the Applicant or the Department fails to provide copies of its proposed hearing exhibits or witness list within such time, the Subcommittee shall exclude the evidence or witnesses from the proceeding, unless the Subcommittee determines that good cause is shown for failure to comply with the production date set forth in this subparagraph.

(4) Transcript

The hearing shall be recorded and a transcript prepared by a court reporter. A transcript of the hearing shall be available for purchase from the court reporter at prescribed rates. The Applicant, the Department, or a witness may seek to correct the transcript. A proposed correction of the transcript shall be submitted to the Subcommittee within a reasonable period of time prescribed by the Subcommittee. Upon notice to the Applicant and the Department, the Subcommittee may direct the correction to the transcript as requested or sua sponte.

(g) Additional Information, Briefs

At any time during its consideration, the Subcommittee or the National Adjudicatory Council may direct the Applicant or the Department to file additional information or briefs. Any additional information or brief filed shall be provided to all parties before the National Adjudicatory Council renders its decision.

(h) Abandonment of Request for Review

If an Applicant fails to specify the grounds for its request for review under Rule 1015(a)(1), appear at a hearing for which it has notice, or file information or briefs as directed, the National Adjudicatory Council or the Review Subcommittee may dismiss the request for review as abandoned, and the decision of the Department shall become the final action of FINRA. Upon a showing of good cause, the National Adjudicatory Council or the Review Subcommittee may withdraw a dismissal entered pursuant to this paragraph.

(i) Subcommittee Recommendation

The Subcommittee shall present a recommended decision in writing to the National Adjudicatory Council within 60 days after the date of the hearing held pursuant to paragraph (f), and not later than seven days before the meeting of the National Adjudicatory Council at which the membership proceeding shall be considered.

(i) Decision

(1) Proposed Written Decision

After considering all matters presented in the review and the Subcommittee's recommended written decision, the National Adjudicatory Council may affirm, modify, or reverse the Department's decision or remand the membership proceeding with instructions. The National Adjudicatory Council shall prepare a proposed written decision pursuant to subparagraph (2).

(2) Contents

The decision shall include:

- (A) a description of the Department's decision, including its rationale;
- (B) a description of the principal issues raised in the review;
- (C) a summary of the evidence on each issue; and
- (D) a statement whether the Department's decision is affirmed, modified, or reversed, and a rationale therefor that references the applicable standards in Rule 1014.

(3) Issuance of Decision After Expiration of Call for Review Periods

The National Adjudicatory Council shall provide its proposed written decision to the FINRA Board. The FINRA Board may call the membership proceeding for review pursuant to Rule 1016. If the FINRA Board does not call the membership proceeding for review, the proposed written decision of the National Adjudicatory Council shall become final. The National Adjudicatory Council shall serve the Applicant with a written notice specifying the date on which the call for review period expired and stating that the final written decision will be served within 15 days after such date. The National Adjudicatory Council shall serve its final written decision within 15 days after the date on which the call for review period expired. The decision shall constitute the final action of FINRA for purposes of SEA Rule 19d-3, unless the National Adjudicatory Council remands the membership proceeding.

(4) Failure to Issue Decision

If the National Adjudicatory Council fails to serve its final written decision within the time prescribed in subparagraph (3), the Applicant may file a

written request with the FINRA Board requesting that the FINRA Board direct the National Adjudicatory Council to serve its decision immediately or to show good cause for an extension of time. Within seven days after the filing of such a request, the FINRA Board shall direct the National Adjudicatory Council to serve its written decision immediately or to show good cause for an extension of time. If the National Adjudicatory Council shows good cause for an extension of time, the FINRA Board may extend the 15 day time limit by not more than 15 days.

1016. Discretionary Review by FINRA Board

(a) Call For Review By Governor

A Governor may call a membership proceeding for review by the FINRA Board if the call for review is made within the period prescribed in paragraph (b).

(b) 15 Day Period; Waiver

A Governor shall make his or her call for review at the next meeting of the FINRA Board that is at least 15 days after the date on which the FINRA Board receives the proposed written decision of the National Adjudicatory Council. By unanimous vote of the FINRA Board, the FINRA Board may shorten the period to less than 15 days. By an affirmative vote of the majority of the FINRA Board then in office, the FINRA Board may, during the 15 day period, vote to extend the period to more than 15 days.

(c) Review At Next Meeting

If a Governor calls a membership proceeding for review within the time prescribed in paragraph (b), the FINRA Board shall review the membership proceeding not later than the next meeting of the FINRA Board. The FINRA Board may order the

Applicant and the Department to file briefs in connection with review proceedings pursuant to this paragraph.

(d) Decision of FINRA Board, Including Remand

After review, the FINRA Board may affirm, modify, or reverse the proposed written decision of the National Adjudicatory Council. Alternatively, the FINRA Board may remand the membership proceeding with instructions. The FINRA Board shall prepare a written decision that includes all of the elements described in Rule 1015(j)(2).

(e) Issuance of Decision

The FINRA Board shall serve its written decision on the Applicant within 15 days after the meeting at which it conducted its review. The decision shall constitute the final action of FINRA for purposes of SEA Rule 19d-3, unless the FINRA Board remands the membership proceeding.

1017. Application for Approval of Change in Ownership, Control, or Business Operations

(a) Events Requiring Application

A member shall file an application for approval of any of the following changes to its ownership, control, or business operations:

(1) a merger of the member with another member, unless both are members of the New York Stock Exchange, Inc. or the surviving entity will continue to be a member of the New York Stock Exchange, Inc.;

(2) a direct or indirect acquisition by the member of another member, unless the acquiring member is a member of the New York Stock Exchange, Inc.;

(3) direct or indirect acquisitions or transfers of 25 percent or more in the aggregate of the member's assets or any asset, business or line of operation that generates revenues composing 25 percent or more in the aggregate of the member's earnings measured on a rolling 36-month basis, unless both the seller and acquirer are members of the New York Stock Exchange, Inc.;

(4) a change in the equity ownership or partnership capital of the member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital; or

(5) a material change in business operations as defined in Rule 1011(k).

(b) Filing and Content of Application

(1) The member shall file the application with the Department in the manner prescribed by FINRA.

(2) An applicant shall submit an application that includes a Form CMA including a detailed description of the change in ownership, control, or business operations.

(A) If the application requests approval of a change in ownership or control, the application also shall include the names of the new owners, their percentage of ownership, and the sources of their funding for the purchase and recapitalization of the member.

(B) If the application requests the removal or modification of a membership agreement restriction, the application also shall:

(i) present facts showing that the circumstances that gave rise to the restriction have changed; and

(ii) state with specificity why the restriction should be modified or removed in light of the standards set forth in Rule 1014 and the articulated rationale for the imposition of the restriction.

(C) If the application requests approval of an increase in Associated Persons involved in sales, offices, or markets made, the application shall set forth the increases in such areas during the preceding 12 months.

(c) Effecting Change and Imposition of Interim Restrictions

(1) A member shall file an application for approval of a change in ownership or control at least 30 days prior to such change. A member may effect a change in ownership or control prior to the conclusion of the proceeding, but the Department may place new interim restrictions on the member based on the standards in Rule 1014, pending final Department action.

(2) A member may file an application to remove or modify a membership agreement restriction at any time. An existing restriction shall remain in effect during the pendency of the proceeding.

(3) A member may file an application for approval of a material change in business operations, other than the modification or removal of a restriction, at any time, but the member may not effect such change until the conclusion of the proceeding, unless the Department and the member otherwise agree.

(d) Rejection Of Application That Is Not Substantially Complete

If the Department determines within 30 days after the filing of an application that the application is not substantially complete, the Department shall reject the application and deem it not to have been filed. In such case, within the 30 day period, the Department shall serve a written notice on the Applicant of the Department's determination and the reasons therefor. FINRA shall refund the application fee, less \$500, which shall be retained by FINRA as a processing fee. If the Applicant determines to continue to apply for approval of a change in ownership, control, or business operations, the Applicant shall submit a new application under this Rule and fee pursuant to Schedule A to the FINRA By-Laws.

(e) Request for Additional Documents and Information

Within 30 days after the filing of an application, the Department shall serve a request for any additional information or documents necessary to render a decision on the application. The Department may request additional information or documents at any time during the application process. Unless otherwise agreed to by the Department and the Applicant, the Applicant shall file such additional information or documents with the Department within 30 days after the Department's request.

(f) Withdrawal of Application

If an Applicant withdraws an application within 30 days after filing the application, FINRA shall refund the application fee, less \$500, which shall be retained by FINRA as a processing fee. If the Applicant determines to again apply for approval of a change in ownership, control, or business operations, the Applicant shall submit a new application under this Rule and fee pursuant to Schedule A to the FINRA By-Laws.

(g) Membership Interview

(1) The Department may require the Applicant to participate in a membership interview within 30 days after the filing of the application, or if the Department requests additional information or documents, within 30 days after the filing of the additional information or documents by the Applicant.

(2) At least seven days before the membership interview, the Department shall serve on the Applicant a written notice that specifies the date and time of the interview and persons who are required to participate in the interview. The Department shall serve the notice by facsimile or overnight courier. The Applicant and the Department may agree to a shorter or longer period for notice or a different method of service.

(3) Unless the Department and the Applicant otherwise agree, the membership interview shall be conducted in the district office for the district in which the Applicant has its principal place of business.

(4) During the membership interview, the Department shall review the application and the considerations for the Department's decision set forth in paragraph (h)(1) with the Applicant's representative or representatives. The Department shall provide to the Applicant's representative or representatives any information or document that the Department has obtained from the Central Registration Depository or a source other than the Applicant and upon which the Department intends to base its decision under paragraph (h). If the Department receives such information or document after the membership interview or decides to base its decision on such information after the membership interview, the

Department shall promptly serve the information or document and an explanation thereof on the Applicant.

(h) Department Decision

(1) The Department shall consider the application, the membership interview, other information and documents provided by the Applicant or obtained by the Department, the public interest, and the protection of investors. In rendering a decision on an application submitted under Rule 1017(a), the Department shall consider whether the Applicant and its Associated Persons meet each of the standards in Rule 1014(a). Where the Department determines that the Applicant or its Associated Person are the subject of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E), a presumption exists that the application should be denied. The Applicant may overcome the presumption by demonstrating that it can meet each of the standards in Rule 1014 (a), notwithstanding the existence of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E).

(A) In rendering a decision on an application for approval of a change in ownership or control, or an application for approval of a material change in business operations that does not involve modification or removal of a membership agreement restriction, the Department shall determine if the Applicant would continue to meet the standards in Rule 1014(a) upon approval of the application.

(B) In rendering a decision on an application requesting the modification or removal of a membership agreement restriction, the

Department shall consider whether maintenance of the restriction is appropriate in light of:

(i) the standards set forth in Rule 1014;

(ii) the circumstances that gave rise to the imposition of the restriction;

(iii) the Applicant's operations since the restriction was imposed;

(iv) any change in ownership or control or supervisors and principals; and

(v) any new evidence submitted in connection with the application.

(2) The Department shall serve a written decision on the application within 30 days after the conclusion of the membership interview or the filing of additional information or documents, whichever is later. If the Department does not require the Applicant to participate in a membership interview or request additional information or documents, the Department shall serve a written decision within 45 days after the filing of the application under paragraph (a). The decision shall state whether the application is granted or denied in whole or in part, and shall provide a rationale for the Department's decision, referencing the applicable standard in Rule 1014.

(3) If the Department fails to serve a decision within 180 days after filing of an application or such later date as the Department and the Applicant have agreed in writing, the Applicant may file a written request with the FINRA Board

requesting that the FINRA Board direct the Department to issue a decision.

Within seven days after the filing of such a request, the FINRA Board shall direct the Department to issue a written decision immediately or to show good cause for an extension of time. If the Department shows good cause for an extension of time, the FINRA Board may extend the time limit for issuing a decision by not more than 30 days.

(4) If the Department approves an application under this Rule in whole or part, the Department may require an Applicant to file an executed membership agreement.

(i) Service and Effectiveness of Decision

The Department shall serve its decision on the Applicant in accordance with Rule 1012. The decision shall become effective upon service and shall remain in effect during the pendency of any review until a decision constituting final action of FINRA is issued under Rule 1015 or 1016, unless otherwise directed by the National Adjudicatory Council, the FINRA Board, or the SEC.

(j) Request for Review; Final Action

An Applicant may file a written request for review of the Department's decision with the National Adjudicatory Council pursuant to Rule 1015. The procedures set forth in Rule 1015 shall apply to such review, and the National Adjudicatory Council's decision shall be subject to discretionary review by the FINRA Board pursuant to Rule 1016. If the Applicant does not file a request for a review, the Department's decision shall constitute final action by FINRA.

(k) Removal or Modification of Restriction on Department's Initiative

The Department shall modify or remove a restriction on its own initiative if the Department determines such action is appropriate in light of the considerations set forth in paragraph (h)(1). The Department shall notify the member in writing of the Department's determination and inform the member that it may apply for further modification or removal of a restriction by filing an application under paragraph (a).

(l) Lapse or Denial of Application for Approval of Change in Ownership

If an application for approval of a change in ownership lapses, or is denied and all appeals are exhausted or waived, the member shall, no more than 60 days after the lapse or exhaustion or waiver of appeal:

(1) submit a new application under this Rule and fee pursuant to Schedule

A to the FINRA By-Laws;

(2) unwind the transaction; or

(3) file a Form BDW.

For the protection of investors, the Department may shorten the 60-day period.

For good cause shown by the member, the Department may lengthen the 60-day period.

The Department shall serve written notice on the Applicant of any change in the 60-day period and the reasons therefor. During the 60-day or other imposed period, the

Department may continue to place interim restrictions on the member for the protection of investors.

1018. Reserved

1019. Application to the SEC for Review

A person aggrieved by final action of FINRA under the Rule 1000 Series may apply for review by the SEC pursuant to Section 19(d)(2) of the Exchange Act. The filing

of an application for review shall not stay the effectiveness of a decision constituting final action of FINRA, unless the SEC otherwise orders.

1020. Approval of Change in Exempt Status Under SEA Rule 15c3-3

(a) Application — For the purposes of this Rule, the term "member" shall be limited to any member of FINRA who is subject to SEA Rule 15c3-3 and is not designated to another self-regulatory organization by the Commission for financial responsibility pursuant to Section 17 of the Exchange Act and SEA Rule 17d-1 promulgated thereunder. Further, the term shall not be applicable to any member that is subject to Section 402.2(c) of the rules of the Treasury Department.

(b) A member operating pursuant to any exemptive provision as contained in subparagraph (k) of SEA Rule 15c3-3, shall not change its method of doing business in a manner which will change its exemptive status from that governed by subparagraph (k)(1) or (k)(2)(ii) to that governed by subparagraph (k)(2)(i); or from subparagraph (k)(1), (k)(2)(i) or (k)(2)(ii) to a fully computing firm that is subject to all provisions of SEA Rule 15c3-3; or commence operations that will disqualify it for continued exemption under SEA Rule 15c3-3 without first having obtained the prior written approval of FINRA.

(c) In making the determination as to whether to approve, deny in whole or in part an application made pursuant to paragraph (b), FINRA shall consider among other things the type of business in which the member is engaged, the training, experience and qualifications of persons associated with the member, the member's procedures for safeguarding customer funds and securities, the member's overall financial and

operational condition and any other information deemed relevant in the particular circumstances and the time these measures would remain in effect.

1021. Foreign Members

A member which does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the SEC and FINRA must:

(a) prepare all such reports, and maintain a general ledger chart of account and any description thereof, in English and U.S. dollars;

(b) reimburse FINRA for any expenses incurred in connection with examinations of the member to the extent that such expenses exceed the cost of examining a member located within the continental United States in the geographic location most distant from the District Office of appropriate jurisdiction;

(c) ensure the availability of an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of FINRA during examinations;
and

(d) utilize, either directly or indirectly, the services of a broker-dealer registered with the SEC, a bank or a clearing agency registered with the SEC located in the United States in clearing all transactions involving members of FINRA, except where both parties to a transaction agree otherwise.

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2200. COMMUNICATIONS AND DISCLOSURES

2210. Communications with the Public

(a) No Change.

(b) Approval, Review and Recordkeeping

(1) Retail Communications

(A) No Change.

(B) The requirements of paragraph (b)(1)(A) may be met by a Supervisory Analyst approved pursuant to Rule 1220(a)(14) [NYSE Rule 344] with respect to: (i) research reports on debt and equity securities as described in Rules 2241(a)(11) and 2242(a)(3); (ii) retail communications as described in Rules 2241(a)(11)(A) and 2242(a)(3)(A); and (iii) other research communications, provided that the Supervisory Analyst has technical expertise in the particular product area. A Supervisory Analyst may not approve a retail communication that requires a separate registration unless the Supervisory Analyst also has such other registration.

(C) through (F) No Change.

(2) through (4) No Change.

(c) through (g) No Change.

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2230. Customer Account Statements and Confirmations

2231. Customer Account Statements

(a) General

Except as otherwise provided by paragraph (b), each general securities member shall, with a frequency of not less than once every calendar quarter, send a statement of account ("account statement") containing a description of any securities positions, money

balances, or account activity to each customer whose account had a security position, money balance, or account activity during the period since the last such statement was sent to the customer. In addition, each general securities member shall include in the account statement a statement that advises the customer to report promptly any inaccuracy or discrepancy in that person's account to his or her brokerage firm. (In cases where the customer's account is serviced by both an introducing and clearing firm, each general securities member must include in the advisory a reference that such reports be made to both firms.) Such statement also shall advise the customer that any oral communications should be re-confirmed in writing to further protect the customer's rights, including rights under the Securities Investor Protection Act (SIPA).

(b) Delivery Versus Payment/Receive Versus Payment (DVP/RVP) Accounts

Quarterly account statements need not be sent to a customer pursuant to paragraph (a) of this Rule if:

(1) the customer's account is carried solely for the purpose of execution on a DVP/RVP basis;

(2) all transactions effected for the account are done on a DVP/RVP basis in conformity with Rule 11860;

(3) the account does not show security or money positions at the end of the quarter (provided, however that positions of a temporary nature, such as those arising from fails to receive or deliver, errors, questioned trades, dividend or bond interest entries and other similar transactions, shall not be deemed security or money positions for the purpose of this paragraph (b));

(4) the customer consents to the suspension of such statements in writing.

The member must maintain such consents in a manner consistent with Rule 4512 and SEA Rule 17a-4;

(5) the member undertakes to provide any particular statement or statements to the customer promptly upon request; and

(6) the member undertakes to promptly reinstate the delivery of such statements to the customer upon request.

Nothing in this Rule shall be seen to qualify or condition the obligations of a member under SEA Rule 15c3-3(j)(1) concerning quarterly notices of free credit balances on statements.

(c) DPP and Unlisted REIT Securities

A general securities member shall include in a customer account statement a per share estimated value of a direct participation program (DPP) or unlisted real estate investment trust (REIT) security, developed in a manner reasonably designed to ensure that the per share estimated value is reliable, and the disclosures in paragraph (c)(2) as applicable.

(1) For purposes of this paragraph (c), a per share estimated value for a DPP or REIT security will be deemed to have been developed in a manner reasonably designed to ensure that it is reliable if the member uses one of the following per share estimated value methodologies.

(A) Net Investment

At any time before 150 days following the second anniversary of breaking escrow, the member may include a per share estimated value

reflecting the “net investment” disclosed in the issuer's most recent periodic or current report (“Issuer Report”). “Net investment” shall be based on the “amount available for investment” percentage in the “Estimated Use of Proceeds” section of the offering prospectus or, where “amount available for investment” is not provided, another equivalent disclosure that reflects the estimated percentage deduction from the aggregate dollar amount of securities registered for sale to the public of sales commissions, dealer manager fees, and estimated issuer offering and organization expenses. When the issuer provides a range of amounts available for investment, the member may use the maximum offering percentage unless the member has reason to believe that such percentage is unreliable, in which case the member shall use the minimum offering percentage.

(B) Appraised Value

At any time, the member may include a per share estimated value reflecting an appraised valuation disclosed in the Issuer Report, which, in the case of DPPs subject to the Investment Company Act (“1940 Act”), shall be consistent with the valuation requirements of the 1940 Act and the rules thereunder or, in the case of all other DPPs and REITs, shall be:

(i) based on valuations of the assets and liabilities of the DPP or REIT performed at least annually, by, or with the material assistance or confirmation of, a third-party valuation expert or service; and

(ii) derived from a methodology that conforms to standard industry practice.

(2) Disclosures

(A) An account statement that provides a "net investment" per share estimated value for a DPP or REIT security under paragraph (c)(1)(A) shall disclose, if applicable, prominently and in proximity to disclosure of distributions and the per share estimated value the following statements: "IMPORTANT—Part of your distribution includes a return of capital. Any distribution that represents a return of capital reduces the estimated per share value shown on your account statement."

(B) Any account statement that provides a per share estimated value for a DPP or REIT security shall disclose that the DPP or REIT securities are not listed on a national securities exchange, are generally illiquid and that, even if a customer is able to sell the securities, the price received may be less than the per share estimated value provided in the account statement.

(d) Definitions

For purposes of this Rule, the following terms will have the stated meanings:

(1) "account activity" includes, but is not limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the member.

(2) a “general securities member” refers to any member that conducts a general securities business and is required to calculate its net capital pursuant to the provisions of SEA Rule 15c3-1(a). Notwithstanding the foregoing definition, a member that does not carry customer accounts and does not hold customer funds or securities is exempt from the provisions of this section.

(3) “direct participation program” or “direct participation program security” refers to the publicly issued equity securities of a direct participation program as defined in Rule 2310 (including limited liability companies), but does not include securities listed on a national securities exchange or any program registered as a commodity pool with the Commodity Futures Trading Commission.

(4) "real estate investment trust" or "real estate investment trust security" refers to the publicly issued equity securities of a real estate investment trust as defined in Section 856 of the Internal Revenue Code, but does not include securities listed on a national securities exchange.

(5) “annual report” means the most recent annual report of the DPP or REIT distributed to investors pursuant Section 13(a) of the Exchange Act.

(6) a "DVP/RVP account" is an arrangement whereby payment for securities purchased is made to the selling customer's agent and/or delivery of securities sold is made to the buying customer's agent in exchange for payment at time of settlement, usually in the form of cash.

(e) Exemptions

Pursuant to the Rule 9600 Series, FINRA may exempt any member from the provisions of this Rule for good cause shown.

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2240. CONFLICTS OF INTEREST

2241. Research Analysts and Research Reports

(a) through (g) No Change.

(h) Distribution of Third-Party Research Reports

(1) Subject to paragraph (h)(5), a registered principal or supervisory analyst approved pursuant to Rule 1220(a)(14) [Incorporated NYSE Rule 344] must review for compliance with the applicable provisions of paragraph (h) and approve by signature or initial all third-party research reports distributed by a member.

(2) through (7) No Change.

(i) through (j) No Change.

••• Supplementary Material: -----

.01 through .10 No Change.

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2300. SPECIAL PRODUCTS

2310. Direct Participation Programs

(a) No Change.

(b) Requirements

(1) Application

No member or person associated with a member shall participate in a public offering of a direct participation program, a limited partnership rollup transaction or, where expressly provided below, a real estate investment trust as defined in [NASD Rule 2340]Rule 2231(d)(4) (“REIT”), except in accordance with this paragraph (b).

(2) through (6) No Change.

(c) through (d) No Change.

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2360. Options

(a) No Change.

(b) Requirements

(1) through (17) No Change.

(18) Discretionary Accounts

(A) Authorization and Approval

(i) No member or person associated with a member shall exercise any discretionary power with respect to trading in option contracts in a customer's account, or accept orders for option contracts for an account from a person other than the customer, except in compliance with the provisions of [NASD] Rule [2510]3260 and unless:

a. The written authorization of the customer required by [NASD] Rule [2510]3260 shall specifically authorize options trading in the account; and

b. No Change.

(ii) through (iii) No Change.

(B) through (C) No Change.

(19) through (24) No Change.

(c) No Change.

••• **Supplementary Material:** -----

.01 through .03 No Change.

2370. Securities Futures

(a) No Change.

(b) Requirements

(1) No Change.

(2) Definitions

(A) No Change.

(B) The term "principal qualified to supervise security futures activities" means a Registered Options Principal who, consistent with Rule 1220(a)[NASD Rule 1022], has either completed a firm-element continuing education requirement that addresses security futures and a principal's responsibilities for security futures or has passed a revised qualification examination for Registered Options Principals that covers security futures, or a Limited Principal-General Securities Sales Supervisor who, consistent with Rule 1220(a)[NASD Rule 1022], has either completed a firm-element continuing education requirement that addresses security futures and a principal's responsibilities for security

futures or has passed a revised qualification examination for Limited Principal-General Securities Sales Supervisor.

(3) through (17) No Change.

(18) Discretionary Accounts

(A) Authorization and Approval

(i) No member or person associated with a member shall exercise any discretionary power with respect to trading in security futures in a customer's account, or accept orders for security futures for an account from a person other than the customer, except in compliance with the provisions of [NASD] Rule [2510]3260 and unless:

a. The written authorization of the customer required by [NASD] Rule [2510]3260 shall specifically authorize security futures trading in the account; and

b. No Change.

(ii) through (iii) No Change.

(B) through (C) No Change.

(19) through (25) No Change.

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3000. SUPERVISION AND RESONSIBILITIES RELATING TO ASSOCIATED PERSONS

3100. SUPERVISORY RESPONSIBILITIES

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3170. Tape Recording of Registered Persons by Certain Firms

(a) Definitions

(1) For purposes of this Rule, the term "registered person" means any person registered with FINRA as a representative, principal, or assistant representative pursuant to [the NASD Rule 1000 Series,] the FINRA Rule 1200 Series[,], or Municipal Securities Rulemaking Board (MSRB) Rule G-3.

(2) through (5) No Change.

(b) through (d) No Change.

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3200. RESPONSIBILITIES RELATED TO ASSOCIATED PERSONS

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3260. Discretionary Accounts

(a) Excessive Transactions

No member shall effect with or for any customer's account in respect to which such member or his agent or employee is vested with any discretionary power any transactions of purchase or sale which are excessive in size or frequency in view of the financial resources and character of such account.

(b) Authorization and Acceptance of Account

No member or registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the member, as evidenced in writing by the member or the partner, officer or manager, duly designated by the member, in accordance with Rule 3110.

(c) Approval and Review of Transactions

The member or the person duly designated shall approve promptly in writing each discretionary order entered and shall review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are excessive in size or frequency in view of the financial resources and character of the account.

(d) Exceptions

This Rule shall not apply to:

(1) discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined in Rule 4512(c), pursuant to valid Good-Till-Cancelled instructions issued on a "not-held" basis. Any exercise of time and price discretion must be reflected on the order ticket;

(2) bulk exchanges at net asset value of money market mutual funds ("funds") utilizing negative response letters provided:

(A) The bulk exchange is limited to situations involving mergers and acquisitions of funds, changes of clearing members and exchanges of funds used in sweep accounts;

(B) The negative response letter contains a tabular comparison of the nature and amount of the fees charged by each fund;

(C) The negative response letter contains a comparative description of the investment objectives of each fund and a prospectus of the fund to be purchased; and

(D) The negative response feature will not be activated until at least 30 days after the date on which the letter was mailed.

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4000. FINANCIAL AND OPERATIONAL RULES

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4500. BOOKS, RECORDS AND REPORTS

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4512. Customer Account Information

(a) Each member shall maintain the following information:

(1) through (2) No Change.

(3) for discretionary accounts, in addition to compliance with subparagraph (1) and, to the extent applicable, subparagraph (2) above, and [NASD] Rule [2510(b)]3260, the member shall maintain a record of the dated, manual signature of each named, natural person authorized to exercise discretion in the account. This recordkeeping requirement shall not apply to investment discretion granted by a customer as to the price at which or the time to execute an order given by a customer for the purchase or sale of a definite dollar amount or quantity of a specified security. Nothing in this Rule shall be construed as allowing members to maintain discretionary accounts or exercise discretion in such accounts except to the extent permitted under the federal securities laws.

(b) through (c) No Change.

••• **Supplementary Material:** -----

.01 through .06 No Change.

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4515. Approval and Documentation of Changes in Account Name or Designation

Before any customer order is executed, there must be placed upon the order form or other similar record of the member for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a qualified and registered principal designated by the member. Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the member. The essential facts relied upon by the person approving the change must be documented in writing and preserved for the period of time and accessibility specified in SEA Rule 17a-4(b). With respect to any change that takes place prior to execution of the trade, the required approval and documentation must take place prior to execution.

••• **Supplementary Material:** -----

.01 Allocations of Orders Made by Investment Advisers. Members may accept orders from investment advisers as described below and allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, provided that members receive specific account designations or customer

names from such investment advisers by noon of the next business day following the trading session. This exception only applies where there is more than one customer for any particular order.

In addition, this exception applies to: (a) outside investment advisers; and (b) associated persons of a member who provide investment advisory services on behalf of a member acting as an investment adviser. However, in either instance, the investment adviser must be one who is registered under the Investment Advisers Act or who, but for Investment Advisers Act Section 203(b) or 203A, would be required to register under the Investment Advisers Act. It does not apply to accounts handled by individual registered representatives of members who otherwise exercise discretionary authority over accounts pursuant to [NASD] Rule [2510]3260. Nothing in this Rule or Supplementary Material may be construed as allowing a member knowingly to facilitate the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser's intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.

* * * * *

4540. Reporting Requirements for Clearing Firms

(a) Each member that is a clearing firm or self-clearing firm shall be required to report to FINRA in such format as FINRA may require, prescribed data pertaining to the member and any member broker-dealer for which it clears. A clearing firm or self-

clearing firm may enter into an agreement with a third party pursuant to which the third party agrees to fulfill the obligations of a clearing firm or self-clearing firm under this Rule. Notwithstanding the existence of such an agreement, each clearing firm or self-clearing firm remains responsible for complying with the requirements of this Rule.

(b) Each member that is a clearing firm is required to report prescribed data to FINRA under this Rule in such a manner as to enable FINRA to distinguish between data pertaining to all proprietary and customer accounts of an introducing member and data pertaining to all proprietary and customer accounts of any member for which the introducing member is acting as an intermediary in obtaining clearing services from a clearing firm. The reporting requirements of this paragraph (b) shall apply to the proprietary and customer accounts of members that have established an intermediary clearing arrangement with an introducing member on or after February 20, 2006.

(c) Pursuant to the Rule 9600 Series, FINRA may in exceptional and unusual circumstances, taking into consideration all relevant factors, exempt a member or class of members unconditionally or on specified terms from any or all of the provisions of this Rule that it deems appropriate.

••• Supplementary Material: -----

(a) Upon written request for exemptive relief pursuant to the Rule 9600 Series, FINRA generally will grant an exemption from the reporting requirements of Rule 4540 to a self-clearing firm that:

- (1) derives, on an annualized basis, at least 85 percent of its revenue from transactions in fixed income securities;

(2) conducts an institutional business that settles transactions on an RVP/DVP basis, provided that such exemption from reporting shall apply only with respect to such institutional business unless FINRA determines that any other remaining business otherwise qualifies for an exemption under this Supplementary Material or is de minimis in nature; or

(3) does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., that engages solely in proprietary trading, or that conducts business only with other broker-dealers or any other non-customer counter-parties).

(b) Upon written request for exemptive relief pursuant to the Rule 9600 Series, FINRA also generally will grant an exemption to a clearing firm with respect to one or more of the introducing firms for which it clears if the introducing firm meets one of the above-stated grounds for exemptive relief.

(c) Any self-clearing firm that, due to a change in the facts pertaining to the operation and nature of its business or the operation and nature of the business of a firm for which it clears, as applicable, no longer qualifies for an exemption previously granted by FINRA from the reporting requirements of Rule 4540 must promptly report such change in circumstances to FINRA, and commence compliance with the reporting requirements of Rule 4540.

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5000. SECURITIES OFFERING AND TRADING STANDARDS AND PRACTICES

5100. SECURITIES OFFERINGS, UNDERWRITING AND COMPENSATION

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5121. Public Offerings of Securities With Conflicts of Interest

(a) through (b) No Change.

(c) Discretionary Accounts

Notwithstanding [NASD] Rule [2510]3260, no member that has a conflict of interest may sell to a discretionary account any security with respect to which the conflict exists, unless the member has received specific written approval of the transaction from the account holder and retains documentation of the approval in its records.

(d) through (f) No Change.

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5300. HANDLING OF CUSTOMER ORDERS

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5320. Prohibition Against Trading Ahead of Customer Orders

(a) through (b) No Change.

••• Supplementary Material: -----

.01 No Change.

.02 No-Knowledge Exception

(a) through (b) No Change.

(c) If a member implements and utilizes appropriate information barriers in reliance on this exception, the member must uniquely identify such information barriers as prescribed in Rule 7440(b)(20[19]).

.03 through **.08** No Change.

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6600. OTC REPORTING FACILITY

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6630. Applicability of FINRA Rules to Securities Previously Designated as PORTAL Securities

(a) The following are specifically applicable to transactions and business activities relating to securities that, prior to October 26, 2009, had been designated by The Nasdaq Stock Market LLC for inclusion in the PORTAL Market ("PORTAL securities"):

(1) [FINRA] Rules 0130, 0140, 2010, 2020, 2111, 2121, 2232, 2251, 2261, 2262, 2269, 5310, and 8210;

(2) No Change.

(3) [FINRA] Rules 0190, 5210, 5220, and Supplementary Material to Rule 2121.

(b) The following are specifically applicable to transactions and business activities relating to PORTAL securities, with the exceptions specified below:

(1) [FINRA] Rules 2150 and 4330; and

(2) No Change.

(c) The following are applicable to members and persons associated with members regardless of whether the member participates in transactions in PORTAL securities:

(1) [FINRA] Rules 0110, 0120, and 0160.

(2) [NASD Rule 3140 and FINRA] Rules 1020, 2210, 3210, 3220, 3270, 3280, 4120, 4360, and 5260.

(d) The following are not applicable to transactions and business activities relating to PORTAL securities:

(1) [FINRA] Rules 2310, 2320, 2341, 2360, 4210, 4320, 4560, 5110, 5130, and 5141.

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7400. ORDER AUDIT TRAIL SYSTEM

7410. Definitions

For purposes of the Rule 7400 Series:

(a) through (n) No Change.

(o) "Reporting Member" shall mean a member that receives or originates an order and has an obligation to record and report information under Rules 7440 and 7450.

(1) No Change.

(2) A member shall not be considered a Reporting Member in connection with an order if:

(A) the member was approved as a member pursuant to [NASD] IM-1013-1 or [NASD] IM-1013-2;

(B) the member operates consistent with [NASD] IM-1013-1 or [NASD] IM-1013-2, including limiting its business operations to "permitted floor activities," as that term is defined in [NASD] IM-1013-1 and [NASD] IM-1013-2; and

(C) No Change.

(p) No Change.

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7600A. DATA PRODUCTS AND CHARGES FOR FINRA/NASDAQ TRADE REPORTING FACILITY SERVICES

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7620A. FINRA/Nasdaq Trade Reporting Facility Reporting Fees

The following charges shall be paid by participants and, in certain instances, Retail Participants for use of the FINRA/Nasdaq Trade Reporting Facility. In the case of trades where the same market participant is on both sides of a trade report, applicable fees assessed on a "per side" basis will be assessed once, rather than twice, and the market participant will be assessed applicable Trade Report Fees as the Executing Party side only. For avoidance of doubt, if a market participant reports trades to both the FINRA/Nasdaq Trade Reporting Facility Carteret and the FINRA/Nasdaq Trade Reporting Facility Chicago during a given month, then the participant's aggregate reporting volume on both FINRA/Nasdaq Trade Reporting Facilities will be considered for the purpose of determining whether and to what extent the following charges or caps apply to the participant during that month.

I. No Change
II. Non-Comparison/Accept (Non-Match/Compare) Trade Report Fees and Caps on Trade Report Fees
A participant shall pay the following fees for reporting non-comparison/accept (non-match/compare) trades to the FINRA/Nasdaq Trade Reporting Facility, on a per trade report basis, unless the participant qualifies for a cap on such fees during

a given month, as set forth below, in which case the participant will pay fees for each trade it reports during the month up to the amount of the cap.

To the extent that a participant's activity on the FINRA/Nasdaq Trade Reporting Facility qualifies it for more than one special pricing program during a given month, then the participant will automatically receive the benefit of the lowest fee applicable to such activity.

1. through 3. No Change.

4. Non-Media/Contra Party Fees and Cap

Monthly Charge	Maximum Monthly Charge if Capped
(\$0.013) x (Number of NonMedia/Contra Party Reports During the Month)	(\$0.013) x 5,000 for Tape A, B or C x (Number of Trading Days During the Month)
Monthly Charge for Retail Participants	Maximum Monthly Charge for Retail Participants if Capped
(Either (\$0.013) or	See II.B and II.C below to determine

<p>(the applicable discounted rate set forth in paragraph C below)) x (Number of Non-Media/Contra Party Reports During the Month)</p>	<p>applicable capped charges.</p>
<p>A. No Change.</p>	
<p>B. Retail Participant Contra Party Activity Fee Discounts and Cap</p> <p>A Retail Participant shall be entitled to the following special tiered pricing on its Contra Party activity to the extent that it achieves, during a given month, a qualifying volume of average daily Contra Party executions in a particular Tape (Media, Non-Media, or both). Within each Tape, qualifying Retail Participants will receive a volume-based discount on their monthly uncapped Contra Party activity charges relative to the standard rate.</p> <p>Monthly fees for a Retail Participant's qualifying Contra Party activity for each Tape will be capped at a maximum monthly amount that is specific to the applicable Tier, as set forth below.</p>	

Example 1: If in a given month with 20 trading days, a Retail Participant achieves an average daily execution volume on the FINRA/Nasdaq Trade Reporting Facility of 150,000 Media/Contra Party trades in Tape A, 20,000 Media/Contra Party Trades in Tape B, and 400,000 Media/Contra Party Trades in Tape C, then the Retail Participant would be entitled to receive the special Media/Contra Party pricing set forth in paragraph 3 above with respect to its activity in Tape A (Tier 2), Tape B (Tier 1) and Tape C (Tier 4). As to Tape A, the Retail Participant would pay the uncapped discounted monthly charges applicable to Tier 2 ($(\$0.0072) \times (\text{the number of Media/Contra Party trades in Tape A during the month } (150,000)) \times (20 \text{ trading days}) = \$21,600$). As to Tape B, the Retail Participant would pay the uncapped discounted monthly charges applicable to Tier 1 [its] activity, which would be $\$4,800 ((\$0.12) \times (\text{the number of Media/Contra Party trades in Tape B during the month } (20,000)) \times (20 \text{ trading days}))$. As to Tape C, the Retail Participant would pay the lesser of the uncapped discounted monthly charges applicable to Tier 4 ($(\$0.005) \times (\text{the number of Media/Contra Party trades in Tape C during the month } (400,000)) \times (20 \text{ trading days}) = \$40,000$) or the Tier 4 cap ($\$32,000$), which would be $\$32,000$. Assuming that these Contra media transactions comprised all of the Retail Participant's activity on the FINRA/Nasdaq Trade

Reporting Facility, then the Retail Participant's total fees for such activity would be \$58,400.

Tier	Daily Average Number of Executions During the Month Needed to Qualify for Tier	Discounted Rate (Relative to Standard Rate) to be Used to Calculate Monthly Charge, If Uncapped	Maximum Monthly Charge, If Capped
Tape A			
1	50,000-100,000	\$0.0120	n/a
2	100,001-200,000	\$0.0072	n/a
3	200,001-300,000	\$0.0052	n/a
4	>300,000	\$0.0050	\$32,000

Tape B			
1	15,000- 30,000	\$0.0120	n/a
2	30,001- 60,000	\$0.0072	n/a
3	60,001- 100,000	\$0.0052	n/a
4	>100,000	\$0.0050	\$11,000
Tape C			
1	50,000- 100,000	\$0.0120	n/a
2	100,001- 200,000	\$0.0072	n/a
3	200,001- 300,000	\$0.0052	n/a
4	>300,000	\$0.0050	\$32,000
C. through E. No Change.			
III. through IV. No Change.			

••• **Supplementary Material:** -----

No Change.

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7640A. Data Products Offered by [NASDAQ] Nasdaq

(a) through (b) No Change.

(c) The following data products offered by Nasdaq pursuant to Nasdaq rules use covered market data:

(1) Nasdaq FilterView Service under Nasdaq [Rule 7037] Equity 7 Pricing Schedule, Section 137;

(2) Nasdaq Last Sale and Nasdaq Last Sale Plus Data Feeds under Nasdaq [Rule 7039] Equity 7 Pricing Schedule, Section 139; and

(3) Nasdaq Basic under Nasdaq [Rule 7047] Equity 7 Pricing Schedule, Section 147.

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8300. SANCTIONS

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8313. Release of Disciplinary Complaints, Decisions and Other Information

(a) General Standards

(1) through (3) No Change.

(4) FINRA shall release to the public a copy of, and at FINRA's discretion information with respect to, any decision issued by FINRA pursuant to [NASD] Rule 1015 and [NASD] Rule 1016. Copies of, and information with respect to, such decisions shall be released to the public in redacted form; provided,

however, in its discretion, the National Adjudicatory Council or the FINRA Board may determine to release such decisions and information in unredacted form.

(5) through (6) No Change.

(b) through (e) No Change.

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9000. CODE OF PROCEDURE

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9200. DISCIPLINARY PROCEEDINGS

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9217. Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)

Any member of FINRA that is also a member of the New York Stock Exchange LLC ("NYSE") ("Dual Member") (including any persons affiliated with such member) may be subject to a fine under Rule 9216(b) with respect to any rule or By-Law provision listed in this Rule that applies to such member or person. However, any Dual Member that was not also a member of NASD as of July 30, 2007 and that does not engage in any activities that otherwise would require it to be a FINRA member (and its affiliated persons that are not otherwise subject to NASD rules) shall only be subject to a fine under Rule 9216(b) with respect to the following rules or By-Law provisions listed in this Rule: any FINRA By-Law or Schedule to the By-Laws, FINRA rule, SEA rule, or NYSE rule.

Any member of FINRA that is not also a member of the NYSE (and its associated persons that are not otherwise subject to NYSE rules) may be subject to a fine under Rule

9216(b) with respect to any rule or By-Laws provision listed in this Rule, with the exception of the NYSE rules.

- Article IV of the FINRA By-Laws — Failure to timely submit amendments to Form BD.

- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U4.

- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U5.

- Schedule A. Sec. 1(b) of the FINRA By-Laws — Failure to make accurate payment of Trading Activity Fee.

- Rule 1210.04 — Failure to timely register.

- Rule 124[5]0 — Failure to comply with the continuing education requirements.

- Rules 2210, 2211, 2212, 2213, 2215, and 2216 — Communications with the public.

- Rule 2220 — Options Communications.

- Rule 2251(a) — Failure to timely forward proxy and other issuer-related materials.

- Rule 2266 — Failure to provide written notification of availability of SIPC information at account opening or annually thereafter.

- Rule 2360(b)(3) and (b)(4) — Failure to comply with options position and exercise limits.

- Rule 2360(b)(5) — Failure to report options positions.

- Rule 2360(b)(23) — Failure to comply with contrary exercise advice procedures.
- Rule 3110 — Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217.
- Rule 3160(a)(1), (3), (4) and (5) — Standards of conduct for conducting broker-dealer services on or off the premises of a financial institution pursuant to a networking arrangement, but excluding the networking agreement requirements.
- Rule 3170 — Failure to timely file reports pursuant to the Taping Rule.
- Rule 3210 — Failure to obtain consent of employer member, or give notification to executing member.
- Rule 4311(b) — Failure to obtain approval of carrying agreement.
- Rule 4360(b) — Failure to maintain adequate fidelity bond coverage.
- Rule 4370(a), (b), (c), (e) and (f) — Requirements to create, maintain and update a written business continuity plan and disclosure of such to customers.
- Rule 4510 Series — Failure to keep and preserve books, accounts, records, memoranda, and correspondence in conformance with all applicable laws, rules, regulations and statements of policy promulgated thereunder, and with FINRA rules.
- Rule 4517 — Failure to report, review or update executive representative designation and contact information.
- Rule 4521(d) — Failure to submit reports of cash and margin account balances.
- Rule 4524 — Failure to timely file or filing of incomplete reports or information.
- Rule 4530 — Failure to timely file reports.

- Rule 4560 — Failure to timely file reports of short positions on Form NS-1.
- Rule 4590 — Failure to synchronize business clocks used for recording date and time as required by applicable FINRA By-laws and rules.
- Rule 5110(b) — Failure to timely file or filing of incomplete documents or information.
- Rule 5121(a) — Failure to prominently disclose conflict of interest.
- Rule 5121(b)(2) — Failure to give timely notification of termination or settlement of public offering, or failure to file net capital computation.
- Rule 5122(b)(2) — Failure to timely file private placement documents.
- Rule 5190 — Failure to give timely notification of participation in offerings.
- Rules 6282, 6380A, 6380B, 6550, 6622, 6730, 7130, 7160, 7230A, 7230B, 7260A, 7260B, 7330, and 7360 — Transaction reporting in equity and debt securities.
- Rules 6181 and 6623 — Failure to timely report transactions in NMS, OTC and restricted equity securities.
- Rules 6182 and 6624 — Failure to accurately mark short sale transactions in NMS and OTC equity securities.
- Rule 6250 — Failure to comply with quote and order access requirements for FINRA's Alternative Display Facility.
- Rule 6760 — Failure to give timely or complete notification concerning offerings of TRACE-Eligible Securities.
- Rules 7440 and 7450 — Failure to submit data in accordance with the Order Audit Trail System ("OATS").
- Rules 8211 and 8213 — Failure to submit trading data as requested.
- Rule 11870 — Failure to abide by Customer Account Transfer Contracts.

[• NASD Rules 1021(d)— Failure to timely register.]

• Failure to provide or update contact information as required by FINRA [or NASD] rules.

• Rule 311T(b)(5) — Failure of a member organization to have individuals responsible and qualified for the positions of Financial Principal, Operations Principal, Compliance Official, Branch Office Manager and Supervisory Analyst.

• Rules 312T(a), (b) and (c), 313T— Reporting rule violations.

• Rule 312T(i) — Failure to obtain approval rule violations.

• Rule 408T(a) — Requirement that written authorization be obtained for discretionary power in a customer's account.

• Rule 416AT — Failure to promptly provide or promptly update required membership profile information through the Electronic Filing Platform ("EFP"), or failure to electronically certify that required membership profile information is complete and accurate.

• SEA Rules 17a-3(a) and 17a-4 — Record retention rule violations.

• SEA Rule 10b-10 — Confirmation of Transactions.

• SEA Rule 17a-5 — Failure to timely file FOCUS reports and annual audit reports.

• SEA Rule 17a-10 — Failure to timely file Schedule I.

• Rule 200(g) of SEC Regulation SHO — Failure to accurately mark sell orders of equity securities.

• Rule 602(b)(5) of SEC Regulation NMS — Failure to properly update published quotations in certain Electronic Communication Networks ("ECNs").

- Rule 604 of SEC Regulation NMS — Failure to properly display limit orders.
- Rule 605(a)(1) and (3) of SEC Regulation NMS — Failure to timely report or provide complete order execution information.
- Rule 606 of SEC Regulation NMS — Failure to timely disclose or provide complete order routing information.
- MSRB Rule A-12(c) and (f) — Failure to timely pay annual fee and failure to designate and update electronic mail contact information for communications with MSRB.
- MSRB Rules G-2 and G-3 (b)(ii)(D) and (c)(ii)(D) — Failure to timely register.
- MSRB Rule G-3(i) — Failure to comply with the continuing education requirements.
- MSRB Rule G-6 — Failure to maintain adequate fidelity bond coverage.
- MSRB Rules G-8 and G-9 — Record retention rule violations.
- MSRB Rule G-10(a) — Failure to deliver investor brochure to customers promptly.
- MSRB Rule G-12 — Failure to abide by uniform practice rules.
- MSRB Rule G-14 — Failure to submit reports.
- MSRB Rule G-21 — Advertising.
- MSRB Rule G-27(c) — Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217.
- MSRB Rule G-32 — Failure to timely submit reports.
- MSRB Rule G-37 — Failure to timely submit reports for political contributions.

[• NYSE Rules 312(a), (b) and (c), 313, 345.12, and 345.17 — Reporting rule violations.]

[• NYSE Rule 312(i) — Failure to obtain approval rule violations.]

[• NYSE Rules 311(b)(5) and 344 — Failure of a member organization to have individuals responsible and qualified for the positions of Financial Principal, Operations Principal, Compliance Official, Branch Office Manager and Supervisory Analyst.]

[• NYSE Rule 345(a) — Failure of a member organization to have individuals responsible and qualified for the positions of Securities Lending Supervisor and Securities Trader Supervisor.]

[• NYSE Rule 408(a) — Requirement that written authorization be obtained for discretionary power in a customer's account.]

[• NYSE Rule 416A — Failure to promptly provide or promptly update required membership profile information through the Electronic Filing Platform ("EFP"), or failure to electronically certify that required membership profile information is complete and accurate.]

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9500. OTHER PROCEEDINGS

9520. Eligibility Proceedings

9521. Purpose and Definitions

(a) No Change.

(b) Definitions

(1) through (3) No Change.

(4) The term "sponsoring member" means the member or applicant for membership pursuant to [NASD] Rule 1013 that is sponsoring the association or continued association of a disqualified person to be admitted, readmitted, or permitted to continue in association.

9522. Initiation of Eligibility Proceeding; Member Regulation Consideration

(a) Initiation by FINRA

(1) Issuance of Notice of Disqualification or Ineligibility

If FINRA staff has reason to believe that a disqualification exists or that a member or person associated with a member otherwise fails to meet the eligibility requirements of FINRA, FINRA staff shall issue a written notice to the member or applicant for membership under [NASD] Rule 1013. The notice shall specify the grounds for such disqualification or ineligibility. FINRA staff shall not issue such written notice to members or applicants for membership under [NASD] Rule 1013 with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, unless the member or applicant for membership under [NASD] Rule 1013 is required to file an application pursuant to a Regulatory Notice entitled "Eligibility Proceedings: Amendments to FINRA Rule 9520 Series to Establish Procedures Applicable to Firms and Associated Persons Subject to Certain Statutory Disqualifications" (the "SD Regulatory Notice").

(2) No Change.

(3) Notice Regarding an Associated Person

A notice issued regarding a disqualified person to a member or applicant for membership under [NASD] Rule 1013 shall state that such member or applicant for membership may file an application on behalf of itself and such person or, in the case of a matter set forth in Rule 9522(e)(1), a written request for relief, within ten business days after service of the notice. If the member fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall be revoked, unless the Department of Member Regulation grants an extension for good cause shown.

(4) No Change.

(b) Obligation of Member to Initiate Proceeding

(1) A member shall file an application or, in the case of a matter set forth in Rule 9522(e)(1), a written request for relief, with RAD, if the member determines prior to receiving a notice under paragraph (a) that:

(A) No Change.

(B) a person associated with such member or whose association is proposed by an applicant for membership under [NASD] Rule 1013 has become a disqualified person; or

(C) the member or applicant for membership under [NASD] Rule 1013 wishes to sponsor the association of a person who is a disqualified person.

(2) No Change.

(c) through (e) No Change.

* * * * *

9600. PROCEDURES FOR EXEMPTIONS

9610. Application

(a) Where to File

A member seeking exemptive relief as permitted under [NASD Rules 1021, 1050, 1070, 2340, or 3150, or] Rules 1210, 1220, 2030, 2114, 2210, 2231, 2241, 2242, 2310, 2359, 2360, 3170, 4210, 4311, 4320, 4360, 4540, 5110, 5121, 5122, 5123, 5130, 5131, 6183, 6625, 6731, 6732, 7470, 8211, 8213, 11870, or 11900, or Municipal Securities Rulemaking Board Rule G-37 shall file a written application with the appropriate department or staff of FINRA.

(b) through (c) No Change.

9620. Decision

After considering an application, FINRA staff shall issue a written decision setting forth its findings and conclusions. The decision shall be served on the Applicant pursuant to Rules 9132 and 9134, except with respect to written decisions for exemptive relief under [NASD Rule 1070] Rule 1210.03 (Qualification Examinations and Waivers of [Requirements]Examinations), which shall be served on the Applicant electronically. After the decision is served on the Applicant, the application and decision may be publicly available.

9630. Appeal

(a) Notice

An Applicant may file a written notice of appeal within 15 calendar days after service of a decision issued under Rule 9620. The notice of appeal shall be filed with the Office of General Counsel of FINRA, with a copy of the notice also provided to the

appropriate department or staff of FINRA. The notice of appeal shall contain a brief statement of the findings and conclusions as to which exception is taken. Appeals of decisions issued by FINRA staff pursuant to Rule 9620 shall be decided by the National Adjudicatory Council, except with respect to exemptive relief under [NASD Rule 1070] Rule 1210.03 (Qualification Examinations and Waivers of [Requirements]Examinations), which shall be decided by the Waiver Subcommittee of the National Adjudicatory Council. If the Applicant does not want the decision on the appeal to be publicly available in whole or in part, the Applicant also shall include in its notice of appeal a detailed statement, including supporting facts, showing good cause for treating the decision as confidential in whole or in part. The notice of appeal shall be signed by the Applicant.

(b) through (c) No Change.

(d) Oral Argument

(1) No Change.

(2) With respect to exemptive relief requested under [NASD Rule 1070] Rule 1210.03, the Waiver Subcommittee of the National Adjudicatory Council may order oral argument and consider any new evidence if the Applicant can show good cause for not including it in its application.

(e) Decision

(1) No Change.

(2) With respect to exemptive relief requested under [NASD Rule 1070] Rule 1210.03, after considering all matters on appeal, the Waiver Subcommittee of the National Adjudicatory Council shall affirm, modify, or reverse the decision

issued under Rule 9620. The Waiver Subcommittee shall issue a written decision setting forth its findings and conclusions and serve the decision on the Applicant. The decision shall be served pursuant to Rules 9132 and 9134. The decision shall be effective upon service and shall constitute final action of FINRA. The Waiver Subcommittee shall retain the discretion to refer the appeal to the National Adjudicatory Council, in which case the National Adjudicatory Council shall act on such appeal pursuant to its authority under this 9600 Series.

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Temporary Dual FINRA-NYSE Member Rule Series

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The Temporary Dual FINRA-NYSE Member Rule Series (formerly Incorporated NYSE Rules and Incorporated NYSE Rule Interpretations) will apply solely to those members of FINRA that are also members of NYSE on or after July 30, 2007 ("Dual Members").
The Temporary Dual FINRA-NYSE Member Rule Series will apply to the same categories of persons to which they apply as of July 30, 2007.

RULES

Rule 1T. "The Exchange"

The term "the Exchange," when used with reference to the administration of any rule, means the New York Stock Exchange LLC or the officer, employee, person, entity

or committee to whom appropriate authority to administer such rule has been delegated by the Exchange.

Unless otherwise indicated in the rule, the terms Board, Board of Directors, Chairman, Chairman of the Board, Chief Executive Officer, or CEO refer to the Board, Board of Directors, Chairman, Chairman of the Board, Chief Executive Officer and CEO of the Exchange.

Rule 2T. “Member,” “Membership,” “Member Firm,” etc.

(a) The term “member,” when used to denote a natural person approved by the Exchange, means a natural person associated with a member organization who has been approved by the Exchange and designated by such member organization to effect transactions on the floor of the Exchange or any facility thereof.

(b)

(i) The term “member organization” means a registered broker or dealer (unless exempt pursuant to the Securities Exchange Act of 1934) that is a member of the Financial Industry Regulatory Authority (“FINRA”) and approved by the Exchange and authorized to designate an associated natural person to effect transactions on the floor of the Exchange or any facility thereof. This term shall include a natural person so registered, approved and licensed who directly effects transactions on the floor of the Exchange or any facility thereof.

(ii) The term "member organization" also includes a registered broker or dealer that is a member of FINRA, which does not own a trading license and agrees to be regulated by the Exchange as a member organization and which the Exchange has agreed to regulate.

(iii) The term “member organization” includes “member firm” and “member corporation.”

(c) The term “approved person” means a person, other than a member, principal executive or employee of a member organization who controls a member organization or is engaged in a securities or kindred business that is controlled by, or under common control with a member or member organization who has been approved by the Exchange as an approved person.

(d) The term “person” shall mean a natural person, corporation, limited liability company, partnership, association, joint stock company, trust, fund or any organized group of persons whether incorporated or not.

(e) The term “control” means the power to direct or cause the direction of the management or policies of a person whether through ownership of securities, by contract or otherwise. A person shall be presumed to control another person if such person, directly or indirectly,

(i) has the right to vote 25 percent or more of the voting securities,

(ii) is entitled to receive 25 percent or more of the net profits, or

(iii) is a director, general partner or principal executive (or person

occupying a similar status or performing similar functions) of the other person.

Any person who does not so own voting securities, participate in profits or function as a director, general partner or principal executive of another person shall be presumed not to control such other person. Any presumption may be rebutted by evidence, but shall continue until a determination to the contrary has been made by the Exchange.

(f) The term “engaged in a securities or kindred business” shall mean transacting business generally as a broker or dealer in securities, including but not limited to, servicing customer accounts or introducing them to another person.

(g) The term “State” shall mean any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other possession of the United States.

(i) The term “Designated Market Maker” (“DMM”) shall mean an individual member, officer, partner, employee or associated person of a Designated Market Maker Unit who is approved by the Exchange to act in the capacity of a DMM.

(j) The term “DMM unit” is a member organization or unit within a member organization that has been approved to act as a DMM unit under Rule 98.

Rule 3T. “Security”

The term “security” or “securities” shall have the meaning given those terms in the Securities Exchange Act of 1934, as amended, and the General Rules and Regulations thereunder.

Rule 6T. “Floor”

The term “Floor” means the trading Floor of the Exchange and the premises immediately adjacent thereto, such as the various entrances and lobbies of the 11 Wall Street, 18 New Street, 8 Broad Street, 12 Broad Street and 18 Broad Street Buildings, and also means the telephone facilities available in these locations.

Rule 8T. “Delivery”

The term “delivery” means the delivery of securities on Exchange contracts, unless otherwise stated.

Rule 11T. Effect of Definitions

Unless the context requires otherwise, the terms defined in Exchange Rules shall, for all purposes of the Exchange Rules, have the meanings therein specified.

Rule 311T. Formation and Approval of Member Organizations

(a) Any person who proposes to form a member organization and any member organization which proposes to admit therein any approved person shall notify the Exchange in writing before any such formation or admission and shall submit such information as may be required by the Rules of the Exchange. No such member organization shall become or remain a member organization unless all persons required to be approved are so approved and execute such agreements with the Exchange as the Rules of the Exchange may prescribe.

(b) The Board of Directors shall not approve a partnership or corporation as a member organization unless:

(1) each director of such corporation is a member, principal executive or an approved person; and

(2) every person who controls such corporation is a member, principal executive or approved person; and

(3) every natural person who is a general partner in such partnership is a member or principal executive and every other person who controls such partnership is a member, principal executive or approved person; and

(4) every person who engages in a securities or kindred business and is controlled by or under common control with such partnership or corporation is an approved person; and

(5) The Board of Directors of such corporation designates "principal executives"; and

(6) such partnership or corporation complies with such additional requirements as the rules of the Exchange may prescribe.

(7) every employee who is associated as a member with such member organization is designated with a title, such as vice president, consistent with his responsibilities and the usage of titles within such organization.

(c) In the case of existing corporations making application to become member corporations, there shall be submitted to the Exchange:

(1) A certified list of all holders of record of each class of stock, giving the name and address of the holder and the number of shares of each class of such stock held;

(2) A certified list of all persons who are to become members, principal executives, directors or approved persons,

(3) A certified list of all persons designated as principal executives of the corporation.

In the case of corporations proposed to be organized, similar information shall be submitted to the Exchange.

(d) The approval of a corporation as a member corporation constitutes only a revocable privilege and confers on the corporation no right or interest of any nature whatsoever to continue as a member corporation.

(e) No member corporation shall issue any publicly held security in the form of non-voting common stock unless the Exchange determines that the non-voting common

stock has normal and appropriate preferences which entitle it to be regarded as preferred stock.

(f) Every member firm shall be a partnership and every member corporation shall be a corporation created or organized under the laws of, and shall maintain its principal place of business in, the United States or any State thereof. The Exchange may, in its discretion, and on such terms and conditions as the Exchange may prescribe, approve as a member organization entities that have characteristics essentially similar to corporations, partnerships, or both. Such entities, and persons associated therewith shall, upon approval, be fully, formally and effectively subject to the jurisdiction, and to the Rules of the Exchange to the same extent and degree as are any other member organization and person associated therewith.

(g) Each member organization shall execute and file with the Exchange a written agreement in a form acceptable to the Exchange evidencing

(1) the authority of any member who is an officer or employee of such member organization to transact business on the Floor on behalf of such member organization, and

(2) such member organization's responsibility and obligation with respect to any contract entered into on the Floor by any such member.

••• Supplementary Material: -----

.10 Rescinded effective February 15, 1979. (See Exchange Rule 351 for reporting requirements.)

.11 Application

The papers required to be submitted prior to approval of the formation or admission of a member organization are as follows:

(1) Letter giving name and address of proposed or existing organization, date of proposed formation or admission, and names of all proposed or present officers and other parties required to be approved by the Exchange under Rule 311T and Exchange Rule 304; and

(2) individually executed applications by all parties whose approval by the Exchange is required.

The papers required to be submitted prior to approval of the admission to an existing member organization of any party requiring the approval of the Exchange under Rule 311T and Exchange Rule 304, are as follows:

(1) Letter stating name of such proposed party and proposed date of admission to member organization; and

(2) an individually executed application by such proposed party.

.12 Authorization and Statement of Understanding

Each member organization, or proposed member organization, must submit the following authorization and statement of understanding executed by each natural person requiring the approval of the Exchange under Exchange Rule 304:

"In connection with my current application, I authorize the New York Stock Exchange, Inc. and any agent acting on its behalf, to conduct an investigation of my character, credit worthiness, ability, business activities, educational background, previous employment and reasons for termination thereof.

"I authorize and request any and all of my former employers, and any other person to furnish to the Exchange, and any agent acting on its behalf, any information that they may have concerning my character, credit worthiness, ability, business activities, educational background, general reputation, previous employment and reasons for termination thereof . . . Moreover, I hereby release each such employer and each such other person from any and all liability of whatsoever nature by reason of furnishing such information to the Exchange and any agent acting on its behalf.

"Further, I recognize that I will be the subject of an investigative report ordered by the Exchange and acknowledge that I have been informed of my right to request information from the Exchange concerning the nature and scope of the investigation requested."

.13 Agreement with the Exchange

Each member corporation and each member and approved person of the corporation must agree with the Exchange that if any person required to be approved by the Exchange as a member or approved person fails or ceases to be so approved, the corporation may be deprived by the Exchange of all the privileges of a member corporation unless the corporation redeems or converts the stock held by such person as required under Exchange Rule 312.

.14 Partnership agreements

For information regarding the submission of copies of proposed partnership articles, see ¶2313.10.

.15 Corporate documents

For information regarding the submission of copies of proposed or existing corporate documents and other agreements, see ¶2313.20.

.16 Filing With Agent

Any filing or submission required under this rule which is made with a properly authorized agent acting on behalf of the Exchange shall for purposes of this rule be deemed to be a filing with the Exchange.

Rule 312T. Changes Within Member Organizations

(a) Each member organization, shall promptly give to the Exchange notice in writing on such form as may be required by the Exchange (1) on Form U-5, of the death, retirement, or other termination of any party required to be approved under the Rules of the Exchange, (2) of the dissolution of the member organization.

(b) In addition, in the case of a member corporation, such member corporation shall give written notice (1) of any material change in the stockholdings of any member, principal executive or approved person of such member corporation, (2) of any proposed change in the directors or officers, or (3) of any proposed change in the charter, certificate of incorporation, by-laws or other documents on file with the Exchange, or (4) of the failure to comply with all the conditions of approval specified in Exchange Rule 311.

(c) Each member, principal executive and approved person of a member corporation shall promptly notify his member corporation of any material acquisition or disposition of shares of stock of such corporation.

(d) Whenever a person who is required to be approved by the Board as a member, principal executive or approved person fails or ceases to be so approved, each member corporation shall promptly redeem or convert to a fixed income security such of its outstanding voting stock as may be necessary to reduce such party's ownership of voting stock in the member corporation below that level which enables such party to exercise controlling influence over the management or policies of such member corporation.

(e) Unless permitted by the Exchange in order to protect investors and the public interest or to facilitate the administration of the Exchange, no person shall be a member or principal executive in a member organization unless all persons required to be approved by the Exchange are so approved.

(f) Reserved.

(g) A member corporation shall not without the prior written approval of the Exchange:

(1) In any way amend its charter, certificate of incorporation or by-laws.

(2) Issue any bonds, notes or other instruments evidencing funded indebtedness of the corporation except pursuant to the terms and provisions of such security or of any agreement between the member corporation and the holder of such security, which agreement has been previously filed with and approved by the Exchange.

(3) Amend, modify or cancel any agreement made by it or any of its stockholders relating to the management of the corporation or the issue or transfer

of securities of the corporation (other than agreements relating to ordinary securities and commodities transactions).

The Exchange will approve any action described in (1), (2) or (3) above unless it determines that such action will impair the financial responsibility or operational capability of the member corporation.

(h) Reserved.

(i) In order to ensure the continued financial responsibility and operational capability of a member corporation, the Exchange may require such member corporation to file with the Exchange a written report showing the use made by the member organization of the proceeds of any offering of any security issued by such member organization.

(j) No stock shall be issued by a member corporation except for cash or such other consideration as the Exchange determines will not impair the financial responsibility or operational capability of such member corporation.

Rule 313T. Submission of Partnership Articles—Submission of Corporate Documents

(a) All partnership articles and all amendments thereto shall be submitted and be acceptable to the Exchange prior to becoming effective.

(b) The charter or certificate of incorporation and all amendments thereto, the by-laws and all amendments thereto, forms of stock certificates and any and all agreements or other documents and amendments thereto relating to the business or affairs of the member corporation between a member corporation and any of its stockholders or between any of the members, principal executives or approved persons of a member

corporation other than agreements relating to ordinary securities and commodities transactions shall be submitted to and be acceptable to the Exchange prior to becoming effective.

(c) Any prospectus or other offering circular prepared by a member corporation and used in connection with the offering of any security issued by it shall, prior to such use, be submitted by such corporation to the Exchange.

(d) Reserved.

(e) Each member corporation shall, at such times as may be required by the Exchange, submit to the Exchange through its chief executive officer a certified list of its members, principal executives and approved persons showing to the best of his knowledge and belief the number of shares of each class of stock of such corporation held of record or beneficially or both by each such party.

(f) Each member corporation shall, through its chief executive officer, submit to the Exchange at such times as the Exchange may require an affidavit listing to the best of his knowledge and belief the name of each party directly or indirectly beneficially owning 1% or more of the outstanding voting stock of such member corporation and showing the percentage of such ownership.

••• Supplementary Material: -----

Information Regarding Partnership Articles

.10 Submission of partnership agreements

Drafts of partnership articles or of changes in partnership articles proposed to be entered into in connection with the formation of a firm or the admission of a new partner should be submitted to Regulation & Surveillance at least one week in advance of the

date on which the application will be acted upon by the Board of Directors. Drafts of other changes to be made in partnership articles should be submitted in advance of their effective date.

The Exchange requires that a signed, photostatic or conformed copy of all partnership articles, including any amendments and supplements thereto, as executed, be filed with the Exchange.

(See ¶2311 for procedure to be followed regarding approval of partners and partnerships.)

.11 Withdrawal of capital

The partnership articles of each member firm shall contain provisions that without the prior written approval of the Exchange the capital contribution of any partner may not be withdrawn on less than six months' written notice of withdrawal given no sooner than six months after such contribution was first made. Each member firm shall promptly notify the Exchange of the receipt of any notice of withdrawal of any part of a partner's capital contribution or if any withdrawal is not made because prohibited under the provisions of Securities and Exchange Commission Rule 15c3-1 (see 15c3-1(e)).

.12 Deceased Partner's Interest in Continuing Firm

I. The Exchange cannot, upon a partner's death, regard his interest as continuing to be part of the net capital of the continuing or successor firm unless the partnership articles of the firm contain specific and legally adequate provisions to the effect that the claim of the personal representative of a deceased partner to the partner's interest in the firm shall be subordinated to the claims of all present or future creditors of the continuing

firm (or any successor firm) arising out of matters occurring subsequent to the partner's death.

If it is the desire and intent of the partners of any firm that the interest of a deceased partner shall be considered, without interruption after his death, as a part of the capital of the continuing or successor firm for a specified period, the partnership articles should effectively provide in substance:

(1) That the payment of the deceased partner's interest in the firm to his estate can be deferred for a stated period; and

(2) that until such payment, the interest of the deceased partner shall remain at the risk of the business of the continuing or successor firm and shall be considered as capital of such firm in the same manner and to the same extent as capital contributed by a limited partner; and

(3) that any claim of the personal representative of the deceased partner to such interest shall be subordinated in right of payment and subject to the prior payment or provision for payment in full of claims of all present and future creditors of the continuing firm (or successor firm) arising out of any matters occurring before the end of the stated period.

II. If it is the desire of the partners to have a deceased partner's capital continued for a stated period immediately following his death, with the option in his personal representative to continue it for a longer period under the provisions of the deceased partner's Will, it is suggested that the stated period in the partnership agreement be made sufficiently long as to permit the conditions discussed below with respect to testamentary provisions to be complied with.

Provisions in a deceased partner's Will (as distinguished from those in a partnership agreement) providing that the personal representative shall or may become a limited partner in the firm or subordinate the claims of the estate to decedent's interest to the claims of firm creditors who become such after the decedent's death, with respect to the Exchange's determination whether or not to allow a deceased partner's capital interest in computing the net capital of the firm will depend on the facts and circumstances of each case as they exist at the time of such determination. However, in no case will such testamentary provisions be considered as effective in connection with the Exchange's computation of net capital unless at least the following conditions are met:

(1) The Will must contain provisions specifically authorizing the personal representative of the deceased partner either to continue the decedent's capital interest in the firm as limited capital, or otherwise to subordinate the estate's claims against the firm to the claims of creditors of the firm.

(2) The Exchange must be furnished with a satisfactory opinion of counsel to the estate, to the effect that (A) the Will is valid and in full force and effect, (B) the named personal representative is duly qualified and is the executor administering the Will, (C) the personal representative is authorized by the Will to make or continue a capital contribution to the firm, (D) if the personal representative is a partner of, or otherwise interested in, the firm, said representative is authorized by the Will to deal with the estate for his own benefit, (E) all claims of present and future creditors and beneficiaries of the Estate and their successors are subordinate to the claims of all present and future creditors of the firm and its successors.

(3) The personal representative of the decedent must have taken appropriate action either to become a limited partner in the firm or to subordinate the capital interest of the deceased partner as indicated above.

III. It is recommended that member firms consult their own counsel with respect to the advisability of incorporating in their partnership articles provisions of the sort discussed in this Section. Any member firm which decides to adopt such provisions should submit the proposed provisions, in draft form, to the Exchange. Such member firm will then be advised whether, upon the adoption of such provisions and in the event of the death of a partner, the Exchange will be in a position to consider his interest in the firm as part of its net capital for the specified period following his death.

Information Regarding Member Corporations

.20 Submission by proposed member corporations of certificate of incorporation, by-laws and other corporate documents

Existing corporations shall promptly submit certified copies (to the extent possible) of the documents referred to in Rule 313T(b) and corporations to be formed shall submit drafts thereof, prior to the time they become effective, to Regulation & Surveillance. Upon the formation of a corporation or when an amendment to any of such documents becomes effective, a duly certified copy of the certificate of incorporation and by-laws shall be filed with Regulation & Surveillance and signed, photostatic or conformed copies of the other documents shall be so filed.

(See ¶2311 for procedure to be followed regarding approval of corporations.)

There shall also be submitted an opinion of counsel in form and substance satisfactory to the Exchange stating, among other things, that the corporation is duly

organized and existing and that its stock is validly issued and outstanding and that the restrictions and provisions required by the Exchange on the transfer, issuance, conversion and redemption of its stock have been made legally effective.

(See .23, below, for restrictions on corporations not incorporated under laws of the State of New York.)

.21 Provisions concerning disposition of stock

The certificate of incorporation of a member corporation may contain provisions that the corporation or its stockholders, or both, may have a prior right to purchase the stock of any stockholder upon such terms and conditions as may be specified therein.

The Exchange will expect a member corporation, either through its certificate of incorporation or separate agreements, to be in a position at all times to comply with the provisions of Rule 312T(d).

Each stock certificate of a member corporation shall carry on its face a statement of any such provisions or a full summary thereof.

.22 Provisions concerning redemption or conversion

Each certificate of incorporation of a member corporation shall contain provisions authorizing the corporation to redeem or convert to a fixed income security all or any part of the outstanding shares of voting stock of such member corporation owned by any person required to be approved by the Board of Directors of the Exchange as a member or approved person who fails or ceases to be so approved as may be necessary to reduce such party's ownership of voting stock in the member corporation below that level which enables such party to exercise controlling influence over the management or policies of such member corporation.

If the certificate of incorporation of a member corporation subject to Exchange Rule 325 provides that a stockholder may compel the redemption of his stock such certificate must provide that without the prior written approval of the Exchange, the redemption may only be effected on a date not less than six months after receipt by the member corporation of a written request for redemption given no sooner than six months after the date of the original issuance of such shares (or any predecessor shares). Each member corporation shall promptly notify the Exchange of the receipt of any request for redemption of any stock or if any redemption is not made because prohibited under the provisions of Securities and Exchange Commission Rule 15c3-1 (See 15c3-1(e)).

Each stock certificate of a member corporation shall carry on its face a statement of the restrictions in SEC Rule 15c3-1(e) relating to the redemption of stock or a full summary thereof.

.23 Restrictions on corporations

Corporations not organized under the laws of the State of New York shall effectively subject themselves to the following restrictions and the opinion of counsel submitted to the Exchange at the time the corporation applies for approval as a member corporation shall set forth the extent to which the following restrictions have been made legally effective:

No dividend shall be declared or paid which shall impair the capital of the corporation nor shall any distribution of assets be made to any stockholder unless the value of the assets of the corporation remaining after such payment or distribution is at least equal to the aggregate of its debts and liabilities, including capital.

Rule 321T. Formation or Acquisition of Subsidiaries

No member organization may, without the prior written approval of the Exchange, form or acquire a subsidiary company. The member organization shall require such subsidiary to comply with the following provisions.

••• Supplementary Material: -----

Information Regarding Subsidiary Companies of Member Organizations

.10 Definition of subsidiary

For purposes of this rule, the term "subsidiary" means an entity engaged in a securities or kindred business that is controlled by a member organization within the meaning of Exchange Rule 2. However, control shall not be presumed, for purposes of this rule, merely because a member is a director or principal executive of another person.

.11 Form of organization

A subsidiary shall be an incorporated company or partnership.

.12 Name

The name of the subsidiary and the name of the member organization must be sufficiently different to prevent confusion. The mere addition of "Inc." or "and Co." may not be sufficient.

.13 Severance of connection with subsidiary

The Exchange may at any time require that the member organization and the partners or stockholders thereof sever all connections with the subsidiary including the disposition of all securities and other interests therein, or such amount thereof as determined by the Exchange. Concurrent with or at any time after directing such severance, the Exchange may require the member organization to change its name if the

Exchange finds that the name of the former subsidiary may be confused with the name of such member organization.

.14 List of stockholders

A list of stockholders or partners of the subsidiary shall upon request be submitted to the Exchange.

.15 Reserved.

.16 Capital requirements

The Exchange will not prescribe capital requirements for a subsidiary. However, the Exchange will require a pro forma balance sheet of the subsidiary to be filed with it before any action is taken on a member or member organization's application to form such a subsidiary. The Exchange may, however, require the submission of subsequent financial statements.

.17 Banking commitments

A subsidiary's banking and other commitments, loans and obligations shall be kept separate and distinct from those of the member or member organization with which it is affiliated.

.18 Functions of a subsidiary

A subsidiary may be formed to do an underwriting, agency or dealer business, or any other business acceptable to the Exchange.

.19 Offices

A subsidiary will be permitted, under the conditions set forth in Exchange Rule 343 to occupy the same quarters as those of the member organization.

.20 Books and records

A subsidiary shall keep books and records separate and distinct from those of the member or member organization with which it is affiliated and such books and records shall, upon request, be made available by the member or member organization for inspection by the Exchange. However, such books and records may be maintained by the member or member organization.

.21 Transactions between members or member organizations and subsidiaries

A subsidiary will not be prohibited by the Exchange from having cash or margin brokerage transactions effected for its account by the member or member organization (See Section 11(a) of the Securities Exchange Act of 1934). The rules and regulations applicable generally to customer's accounts shall be applicable to each such account.

.22 Conditions to be complied with after organization of subsidiary but prior to commencement of business

No subsidiary shall commence business after its organization without the prior written approval of the Exchange. Before giving such approval there shall be submitted to the Exchange an opinion of counsel, in form and substance satisfactory to the Exchange, stating (1) that the subsidiary is duly organized and existing, and (2) that the securities, if any, of the subsidiary has been duly and validly issued and is fully paid and non-assessable.

.23 New issues

The provisions of Section 11(d)(1) of the Securities Exchange Act of 1934, relating to the extension or maintenance of credit in connection with new issues, will apply to transactions by a member or member organization in new issues in the distribution of which its subsidiary participated with the same force and to the same

extent as if the member or member organization itself had participated in the distribution of such new issues.

.24 Reserved.

Rule 408T. Discretionary Power in Customers' Accounts

(a) No member or employee of a member organization shall exercise any discretionary power in any customer's account or accept orders for an account from a person other than the customer without first obtaining written authorization of the customer, the signature of the person or persons authorized to exercise discretion in the account (and of any substitute so authorized), and the date such discretionary authority was granted.

(b) No member or employee of a member organization shall exercise any discretionary power in any customer's account, without first notifying and obtaining the approval of another person delegated under Exchange Rule 342(b)(1) with authority to approve the handling of such accounts. Every order entered on a discretionary basis by a member or employee of a member organization must be identified as discretionary on the order at the time of entry. Such discretionary accounts shall receive frequent appropriate supervisory review by a person delegated such responsibility under Exchange Rule 342(b)(1), who is not exercising the discretionary authority. A written statement of the supervisory procedures governing such accounts must be maintained.

(c) No member or employee of a member organization exercising discretionary power in any customer's account shall (and no member organization shall permit any member or employee thereof exercising discretionary power in any customer's account

to) effect purchases or sales of securities which are excessive in size or frequency in view of the financial resources of such customer.

(d) The provisions of this rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed. The authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written, contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account pursuant to valid Good-Till-Cancelled instructions issued on a "not-held" basis. Any exercise of time and price discretion must be reflected on the order ticket.

••• Supplementary Material: -----

.10 All discretionary orders in listed index warrants must be approved and initialed on the day entered by a Senior Registered Options Principal or Registered Options Principal.

.11 For purposes of this rule, an "institutional account" shall mean the account of (i) a bank (as defined in Section 3(a)(6) of the Securities Exchange Act of 1934), (ii) a savings association (as defined in Section 3(b) of the Federal Deposit Insurance Act), the deposits of which are insured by the Federal Deposit Insurance Corporation, (iii) an insurance company (as defined in Section 2(a)(17) of the Investment Company Act of 1940), (iv) an investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, (v) a state or a political subdivision thereof, (vi) a pension or profit sharing plan, subject to ERISA, with more than \$25,000,000 total assets under management, or of an agency of the United States or of a political subdivision

thereof, (vii) any person that has a net worth of at least forty-five million dollars and financial assets of at least forty million dollars, or (viii) an investment adviser registered under Section 203 of the Investment Advisers Act of 1940.

Rule 409T. Statements of Accounts to Customers

(a) Except with the permission of the Exchange, or as otherwise provided by this paragraph, member organizations shall send to their customers statements of account showing security and money positions and entries at least quarterly to all accounts having an entry, money or security position during the preceding quarter. Quarterly statements need not be sent to a customer pursuant to Rule 409T (a) if:

1) the customer's account is carried solely for the purpose of execution on a Delivery versus Payment/Receive versus Payment basis (DVP/RVP);

2) all transactions effected for the account are done on a DVP/RVP basis in conformity with Exchange Rule 387;

3) the account does not show security or money positions at the end of the quarter;

4) the customer consents to the suspension of such statements in writing. Such consents must be maintained by the member organization in a manner consistent with Exchange Rule 440 and SEA Rule 17a-4;

5) the member organization undertakes to provide any particular statement or statements to the customer promptly upon request; and

6) the member organization undertakes to promptly reinstate the delivery of such statements to the customer upon request.

Nothing in this rule shall be seen to qualify or condition the obligations of a member organization under SEA Rule 15c3-2 concerning quarterly notices of free credit balances on statements.

For purposes of this rule, a DVP/RVP account is an arrangement whereby payment for securities purchased is to be made to the selling customer's agent and/or delivery of securities sold is to be made to the buying customer's agent in exchange for payment at time of settlement, usually in the form of cash.

(b) No member organization shall address confirmations, statements or other communications to a nonmember customer

(1) in care of a person holding power of attorney over the customer's account unless either (A) the customer has instructed the member organization in writing to send such confirmations, statements or other communications in care of such person, or (B) duplicate copies are sent to the customer at some other address designated in writing by him; or

(2) at the address of any member, member organization, or in care of a partner, stockholder who is actively engaged in the member corporation's business or employee of any member organization. The Exchange may upon written request therefore waive these requirements.

(c) Rescinded October 6, 1978. (See SEA Rule 10b-10).

(d) Rescinded July 1, 1970. (See SEA Rule 10b-16).

(e) Each statement of account sent to a customer pursuant to this rule shall bear a legend as follows:

(1) A legend that reads: “A financial statement of this organization is available for your personal inspection at its offices, or a copy of it will be mailed upon your written request.”

(2) A legend that advises customers to report promptly any inaccuracy or discrepancy in that person's account to his or her brokerage firm. If a customer's account is subject to a clearing agreement pursuant to Exchange Rule 382, the legend must advise that such notification be sent to both the introducing firm and the clearing firm. The legend must also advise the customer that any oral communications with either the introducing firm or the clearing firm should be re-confirmed in writing in order to further protect the customer's rights, including its rights under the Securities Investor Protection Act (SIPA).

(f) Reserved.

(g) Member organizations carrying margin accounts for customers should send duplicate copies of monthly statements of guaranteed accounts to the respective guarantors unless such guarantors have specifically declared in writing that they do not wish such statements sent to them.

Rule 416T. Questionnaires and Reports

(a) Each member and member organization shall submit to the Exchange at such times as may be designated in such form and within such time period as may be prescribed such information as the Exchange deems essential for the protection of investors and the public interest.

(b) Reserved.

(c) Any report filed pursuant to this Rule containing material inaccuracies shall, for purposes of this rule, be deemed not to have been filed until a corrected copy of the report has been resubmitted.

••• Supplementary Material: -----

.10 Member organizations may be required to provide financial and operational reports as required by paragraph (a) of this Rule for affiliated organizations, including but not limited to, persons referred to in Exchange Rules 321 and 322.

.20 Reserved.

Rule 416AT. Member And Member Organization Profile Information Updates And Quarterly Certifications Via The Electronic Filing Platform

(a) Members and member organizations must furnish the Exchange with all of the profile information required by the Exchange's Electronic Filing Platform (“EFP”), and must comply with any Exchange request for such information promptly, but in any event not later than thirty days following such request.

(b) Members and member organizations must update their required membership profile information promptly, but in any event not later than thirty days following any change in such information.

(c) Each member and member organization shall designate to the Exchange an appropriate senior officer as referenced in Exchange Rule 351(e), or his or her designee, as its membership profile contact person.

(d) Each member or member organization shall certify electronically once during each of the months of March, June, September, and December of every year that it has

reviewed its required membership profile information, and that such information is complete and accurate.

Rule 435T. Miscellaneous Prohibitions

No member or member organization shall:

(1) Reserved.

(2) Reserved.

(3) Reserved.

(4) Reserved.

(5) Circulation of rumors

Circulate in any manner rumors of a sensational character which might reasonably be expected to affect market conditions on the Exchange. Discussion of unsubstantiated information published by a widely circulated public media is not prohibited when its source and unsubstantiated nature are also disclosed. Report shall be promptly made to the Exchange of any circumstance which gives reason to believe that any rumor or unsubstantiated information might have been originated or circulated for the purpose of influencing prices in listed securities.

(6) Reserved.

(7) Reserved.

INTERPRETATIONS

Rule 311T. Formation and Approval of Member Organizations

(b)

(5) OFFICERS

/01 Reserved.

/02 Reserved.

/03 Reserved.

/06 Limitations on Principal Executives

Principal Executives may be part-time employees, subject to the prior approval of the member organization pursuant to Exchange Rule 346(e).

(f) PRINCIPAL PLACE OF BUSINESS

/01 Criteria

In order to satisfy the rule's requirement that a member organization's principal place of business be maintained within the U.S., at least the following must be located within the U.S., at a definite and manned physical location which is adequate to serve as the site for Exchange inspection of the organization:

a) Assets of customers who are citizens or residents of the U.S. and assets associated with transactions effected in the U.S., except for: (1) funds which are ordinarily held in branch offices or in transit, and (2) securities which are held as provided for in SEA Rule 15c3-3(c).

To the extent that the broker-dealer introduces customer accounts on a fully disclosed basis to a carrying firm which is located in the U. S., such customer assets may be located at the carrying firm.

b) Books and records customarily maintained by brokers and dealers at their principal place of business and sufficient to permit the Exchange to conduct its inspection of the member organization.

The utilization of a clearing broker, a bank, or a service bureau which prepares or maintains the member organizations' books and records

in accordance with SEA Rules 17a-3 and 17a-4 would satisfy this criterion if such broker, bank or bureau is located in the U.S., and the records would be readily accessible to the Exchange.

c) Member organization capital sufficient to meet applicable capital requirements.

d) All allied members, qualified and authorized to perform Exchange Rule 342 functions.

e) Clearance, settlement and securities handling operations which pertain to securities transactions effected in the U.S., to the extent that such operations are maintained by the broker-dealer.

f) Operations pertaining to foreign securities transactions effected on behalf of customers who are citizens or residents of the U.S., to the extent that such operations are customarily maintained by a broker-dealer at a principal place of business.

**(g) MINIMUM OF ACTIVE PARTNERS IN MEMBER ORGANIZATIONS —
USE OF MEMBER ORGANIZATION NAME**

/01 Reserved.

/02 Divisions of Member Organizations — Names

Divisions that are not separate legal entities may not be identified by the use of such words as "Company", "Corporation" or "Incorporation", which connote separate entities. Persons staffing such divisions should not have the title of "President", which indicates a separate entity. The titles, "Vice President" or "Assistant Vice President" are satisfactory when used in a context which does not

convey the existence of authority on behalf of the member organization not, in fact, possessed by that individual.

Rule 401T. Business Conduct

/01 Trading Against Firm Recommendations

Reserved.

/02 Private Sales

Reserved.

/03 Conversions, Acquisitions and Changes in Business Activities

Member organizations are expected to notify the Exchange when planning important organizational or operational changes, such as mergers with or acquisitions of other broker/dealers or the acquisition of a significant electronic data processing system conversion or a change in business activity involving the addition of new product lines such as municipal bonds, government securities, options or commodities, etc. By discussing these proposals with the Exchange well in advance of implementation, member organizations will have the benefit of the Exchange's insight and experience which may serve to aid in avoiding financial and operational problems.

/04 Early Reporting of Developing Problems

Exchange and SEC regulations presently require member organizations to give certain "early warning" notices when conditions fall outside of specified parameters. However, it has been our experience that in many cases an earlier informal notice can help resolve the difficulty before any formal notification would be required. The Exchange, therefore, expects notification from a member organization immediately upon discovery of any existing or impending condition(s) which it reasonably believes could

lead to capital, liquidity or operational problems or impairment of record-keeping, clearance or control functions.

A list of the kind of potential problems on which early notification is expected follows. It should be realized that this list is not intended to be all inclusive and that your coordinator may be of further assistance with regard to situations not specifically covered.

Capital Problems

Concentrations in securities or commodities positions, commitments or other contingencies wherein adverse results could reasonably be expected to create a loss or net capital deduction that would result in a violation of the net capital requirements.

Accruals of expenses, deficits in customers' or brokers' accounts, liabilities, "Don't Know" trades, short security positions and similar items for which adequate reserves have not been provided and which, individually or in the aggregate, could have a material adverse effect on net capital.

An acceleration clause or other default provision in a loan or subordinated loan agreement is expected to or has become operative.

Reserve Requirements Problems

Any condition that could result in a material failure to make a required deposit or cause a deficiency in the balance on deposit in the Special Reserve Bank Account for the Exclusive Benefit of Customers as required under SEA Rule 15c3-3.

Liquidity Problems

Any problem with liquidity, profitability or a cash or other asset shortage which could materially inhibit a broker or dealer from promptly meeting its obligations to customers, other broker/dealers or creditors.

Impending circumstances which cause or might cause a bank to call its loans or to refuse to carry the firm's accounts in a normal fashion.

Developing situations which cause or might cause a clearing corporation to limit the firm to cash settlements.

Impending or actual inability to complete daily deliveries without the creation of deficit conditions pursuant to possession and control requirements under SEA Rule 15c3-3 for customers' securities.

Recordkeeping Problems

Any situation which may materially impair accurate maintenance of the member organization's Books and Records or the ability to account for possession or control of securities or commodities. This could be a computer breakdown, service agency problems, loss of key personnel, systems conversions, continuous inability to complete daily activities because of volume or personnel difficulties or similar reasons.

Reputation Problems

Loss of confidence in a broker-dealer may cause immediate returns of stock loans, refusals to trade or buy-ins by other broker-dealers, calling of bank loans or tightening of collateral requirements, customer account delivery requests and eventual profit deterioration.

Reputation may be impaired either by direct events such as announcements of disciplinary actions or litigation against a member organization, or by indirect

unfavorable developments such as personal bankruptcies or criminal prosecution of key personnel, or financial problems of other associated organizations for whom the member organization has no legal responsibility.

Rule 408T. Discretionary Power in Customers' Accounts

/01 Automatic Money Market Fund Redemptions

Member organizations that establish an automatic money market fund redemption program for customers having both a securities and money fund account, wherein the customer may elect to have securities purchases paid for via an automatic liquidation of fund shares, will not be required to obtain a customer's written authorization provided that:

1) written notice is sent to applicable customers which informs them of the existence of such programs and sets forth the procedures to be followed in order to participate in the program or to elect not to do so, and

2) such written notice outlines the specific procedures followed by the member organization in effecting automatic redemptions including the steps a customer must take to override the automatic redemption procedure in any specific purchase transaction.

It should be noted that this interpretation applies only to an established money market fund redemption program and should not be construed to permit member organizations or their associated persons to execute transactions in other types of securities without specified authorization from a customer.

/02 Identification of Discretionary Orders

A member organization will be deemed in compliance with the Rule 408T(b) requirement that every order entered on a discretionary basis must be identified as

discretionary on the order at the time of entry, if it assigns a specific series of numbers or symbols to its discretionary accounts. All orders entered for such accounts will be considered "identified as discretionary" by the account numbers or symbols unless "DNE" (Discretion Not Exercised) is marked on the order tickets.

A member organization's written statement of supervisory procedures and compliance manual should reflect such allocation of specific series of numbers or symbols as being assigned to discretionary accounts if such a system is used.

Rule 409T. Statements of Accounts to Customers.

(a)

/01 Reserved.

/02 Information to be Disclosed

Statements of accounts to customers must clearly and prominently disclose on the front of the statement:

1. the identity of the introducing and carrying organization and their respective phone numbers for service¹;
2. that the carrying organization is a member of SIPC;
3. the opening and closing balances for the account.

/03 Use of Third Party Agents

Prior to utilizing a "third party agent" to prepare and/or transmit statements of accounts to customers, a member organization shall represent/undertake in writing to the Exchange that:

1. The third party is acting as agent for the member organization;
2. the member organization retains responsibility for compliance with Rule 409T(a);
3. the member organization has developed procedures/controls for reviewing and testing the accuracy of statements of accounts prepared and/or transmitted by the third party agent;
4. the member organization will retain copies of statements of accounts prepared and/or transmitted by the third party agent in accordance with applicable books and records requirements.

Allocation of responsibilities for preparation and/or transmissions of statements to any person other than a carrying organization pursuant to an agreement approved by the Exchange in accordance with Exchange Rule 382 (Carrying Agreements) shall be deemed to be utilization of a “third party agent.”

An introducing organization that is a provider of services included in a member organization's statements of accounts may not function as a “third party agent” and may not itself prepare and/or transmit such statements.

/04 Assets Externally Held and Included on Statements Solely as a Service to Customers

Where a statement of account includes assets as to which the member organization does not have fiduciary responsibility, does not have access to and which are not included on the member organization's books and records, such assets must be clearly and distinguishably separated on the statement. It must be clearly indicated on the statement that such externally held assets: are included on the statement solely as a

courtesy to the customer, information (including valuation) is derived from the customer or other external source for which the member organization is not responsible, and are not covered by SIPC.

/05 Use of Logos, Trademarks, etc.

Where the logo, trademark or other similar identification of a person (other than the carrying or introducing organization) appears on a customer account statement, the identity of such person(s) and the relationship to the introducing, carrying or other organization included on the statement must be provided and may not be utilized in a manner which is misleading or causes customer confusion.

/06 Use of Summary Statements

Where a member organization carrying a customer's account and another person(s) who separately offers financial related products/services to the same customer (e.g. mutual fund sales/custodial services, banking products/services, insurance products/services, securities products/services, etc.) seek to jointly formulate and/or distribute their respective customer account statements together with a statement summarizing or combing assets held in different accounts ("summary statement"), the Exchange will require:

1. That the summary statement:
 - a. indicate that the “summary statement” is provided for informational purposes and includes assets held at different entities;
 - b. identify each entity from which information is provided or assets being held are included, their relationship with each other (e.g., parent, subsidiary or

affiliated organization), and their respective functions (introducing/carrying brokerage firms, fund distributor, banking/insurance product providers, etc.);

c. clearly distinguish between assets held by each entity by use of columns, coloring or other distinct form of demarcation;

d. identify the customer's account number at each entity²;

e. provide a telephone number for customer service at each entity²

f. disclose which entity carries each of the different assets or categories of assets included on the summary;

g. identify each entity that is a member of SIPC.³

2. To the extent that the summary statement aggregates the values of the various accounts summarized or portions thereof, such aggregation shall be recognizable as having been arithmetically derived from the separately stated totals or their components.

3. That the beginning and end of each separate statement (e.g., summary, brokerage, mutual fund, banking, insurance, etc.) be clearly distinguishable by color, pagination or other distinct form of demarcation.

4. That there be a written agreement between the carrying organization and each other person jointly formulating and/or distributing its respective customer account statements attesting that each such person has developed procedures/controls for reviewing and testing the accuracy of the information included on its respective statements.

5. That the summary statement shall comply with Rule 409T and all interpretations thereof.

(b)

/01 Standards For Holding Mail For Foreign Customers — Rule 409T(b)(2)

Waivers

The Exchange will consider written requests from member organizations for the implementation of policies and procedures for the holding of confirmations, statements and broker-dealer financial statements (“communications”) for foreign customers.

Requests for waivers under Rule 409T(b) must include the following representations:

1. that the member organization will obtain not less frequently than annually and will retain (in accordance with SEA Rule 17a-4(b)) a written statement from the customer who has requested such waiver, that it is not feasible for such customer to make alternative arrangements for the regular receipt of these communications and that by reason of inefficient local mail services or unstable political climates, the customer requests that such material temporarily be held on behalf of such customer at the premises of the member organization; and

2. that the member organization has written procedures in place for the holding of mail that include, at a minimum, that:

a. frequent supervisory review be conducted of any account for which waivers for transmissions of communications have been obtained, with special attention given to discretionary accounts.

b. an annual review of the organization's system shall be conducted by the compliance/internal audit department or by the person(s) assigned or delegated such responsibility pursuant to Exchange Rule 342 (independent of the branch office) — such review should encompass a reasonable sampling of account documentation and account activity,

c. a log of such communications will be maintained at the branch or (principal) sales office servicing the account, which will note the date of direct transmittal of such communications to the customer and where sent, and

d. the member organization will endeavor to promptly communicate (orally) the substance of the communications directly to the customer and that a written record is kept of all meetings and conversations, etc., with the customer. Communications will be furnished to the customer at the earliest possible meeting.

Each foreign customer for whom mail is held is required to state, in writing, that it is not feasible to make alternative arrangements for the regular receipt of the mail. In this regard, member organizations shall represent to the Exchange that it will take steps to determine that the foreign customer has no other U.S. location reasonably available for receipt of the communications. In making that determination, member organizations may rely on the customer's statement unless the member or member organization is on notice of facts to the contrary.

Foreign customer accounts for which mail is held require frequent supervisory review by the member organization, i.e., a higher level of supervision and monitoring than is accorded other accounts. Additionally, the annual review conducted by the compliance/internal audit department (or other person(s) delegated such responsibility) must include a determination as to whether all the foreign customer communications are retained pursuant to written customer instructions.

The foreign customer communications held in accordance with a waiver under 409T (b)(2) shall be made available to the customer for review at all times and at no special cost.

¹ The SEC has stated that under the SEA Rule 15c3-1(a)(2)(iv), certain carrying firms must issue customer account statements, and the account statements must contain the name and telephone number of a person at the carrying firm who the customer can contact with inquiries regarding the account (See SEC Release No. 34-31511, dated November 24, 1992). The phone number of the carrying organization may appear on the back of the statement. If it does, it must be in “bold” or “highlighted” letters.

² If the client's account number and the customer service telephone number at each entity are included on their respective account statements, such information need not be included on the summary statement.

³ See, e.g., SIPC Bylaws (Article II) for possible ways to identify SIPC membership by using SIPC statements or symbols.

Rule 435(5)T. Circulation of Rumors

/01 Responsibility of Personnel

Rule 435(5)T, which prohibits the circulation of rumors, extends personal responsibility for its observation to all member organization personnel. Those who service accounts, those who are handling the member organization's long distance wires and those on the trading desks must in particular exercise a high degree of individual responsibility as their conversations are less likely to receive the same degree of supervisory oversight as written messages.

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Capital Acquisition Broker Rules

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100. MEMBER APPLICATION AND ASSOCIATED PERSON REGISTRATION

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111. Membership Proceedings

(a) Definitions

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1011.

(b) Safe Harbor for Business Expansions

All capital acquisition brokers are subject to [NASD] FINRA IM-1011-1.

(c) General Provisions

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1012.

112. New Member Application and Interview

(a) All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1013.

(b) No Change.

113. Department Decision

(a) All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1014.

(b) In reviewing an application for membership as a capital acquisition broker, the Department shall consider, in addition to the standards for admission set forth in

[NASD] FINRA Rule 1014, whether the applicant's proposed activities are consistent with the limitations imposed on capital acquisition brokers under Capital Acquisition Broker Rule 016(c).

114. Review by National Adjudicatory Council

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1015.

115. Discretionary Review by FINRA Board

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1016.

116. Application for Approval of Change in Ownership, Control, or Business Operations

(a) All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1017.

(b) No Change.

(c) Subject to paragraph (d) of this Rule, a capital acquisition broker that seeks to terminate its status as such and continue as a FINRA member must file an application for approval of a material change in business operations pursuant to [NASD] FINRA Rule 1017, and must amend its membership agreement to provide that the member agrees to comply with all FINRA [R]rules.

(d) If during the first year following an existing FINRA member's amendment to its membership agreement pursuant to paragraph (b) of this Rule, a capital acquisition broker seeks to terminate its status as such and continue as a FINRA member, the capital acquisition broker may notify FINRA of this change without having to file an application

for approval of a material change in business operations pursuant to [NASD] FINRA Rule 1017. The capital acquisition broker must file a request to amend its membership agreement to provide that the member agrees to comply with all FINRA [R]rules, and execute an amended membership agreement that imposes the same limitations on the member's activities that existed prior to the member's change of status to a capital acquisition broker.

118. Application to Commission for Review

All capital acquisition brokers and applicants for membership in FINRA as a capital acquisition broker are subject to [NASD] FINRA Rule 1019.

119. Foreign Members

All capital acquisition brokers are subject to [NASD] FINRA Rule 1021[1090].

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Text of NASD Rules to Be Deleted In their Entirely from the Transitional Rulebook

[1000. MEMBERSHIP, REGISTRATION AND QUALIFICATION REQUIREMENTS]

* * * * *

[1010. Membership Proceedings]

[1011. Definitions]

Entire text deleted.

[IM-1011-1. Safe Harbor for Business Expansions]

Entire text deleted.

[1012. General Provisions]

Entire text deleted.

[1013. New Member Application and Interview]

Entire text deleted.

[IM-1013-1. Membership Waive-In Process for Certain New York Stock Exchange Member Organizations]

Entire text deleted.

[IM-1013-2. Membership Waive-In Process for Certain NYSE Alternext US LLC Member Organizations]

Entire text deleted.

[1014. Department Decision]

Entire text deleted.

[1015. Review by National Adjudicatory Council]

Entire text deleted.

[1016. Discretionary Review by FINRA Board]

Entire text deleted.

[1017. Application for Approval of Change in Ownership, Control, or Business Operations]

Entire text deleted.

[1018. Reserved]

[1019. Application to the Commission for Review]

Entire text deleted.

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[1090. Foreign Members]

Entire text deleted.

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[2000. BUSINESS CONDUCT]

[2300. TRANSACTIONS WITH CUSTOMERS]

[2340. Customer Account Statements]

Entire text deleted.

[2500. SPECIAL ACCOUNTS]

[2510. Discretionary Accounts]

Entire text deleted.

**[3000. RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS,
EMPLOYEES, AND OTHERS' EMPLOYEES]**

[3100. BOOKS AND RECORDS, AND FINANCIAL CONDITION]

[3140. Approval of Change in Exempt Status Under SEC Rule 15c3-3]

Entire text deleted.

[3150. Reporting Requirements for Clearing Firms]

Entire text deleted.

[IM-3150. Exemptive Relief]

Entire text deleted.

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Text of Incorporated NYSE Rules and NYSE Rule Interpretations to Be Deleted In

their Entirely from the Transitional Rulebook

Incorporated NYSE Rules

* * * * *

[General Rules (Rules 1–38)]

[Definitions of Terms (Rules 1–19)]

[Rule 1. “The Exchange”]

Entire text deleted.

[Rule 2. “Member,” “Membership,” “Member Firm,” etc.]

Entire text deleted.

[Rule 3. “Security”]

Entire text deleted.

[Rule 4. “Stock”]

Entire text deleted.

[Rule 5. “Bond”]

Entire text deleted.

[Rule 6. “Floor”]

Entire text deleted.

[Rule 8. “Delivery”]

Entire text deleted.

[Rule 9. “Branch Office Manager”]

Entire text deleted.

* * * * *

[Rule 11. Effect of Definitions]

Entire text deleted.

[Rule 12. “Business Day”]

Entire text deleted.

[Dealings and Settlements (Rules 45–299C)]

[Admission of Members (Rules 300–324)]

[Partnerships—Corporations (Rules 311–324)]

[Rule 311. Formation and Approval of Member Organizations]

Entire text deleted.

[Rule 312. Changes Within Member Organizations]

Entire text deleted.

[Rule 313. Submission of Partnership Articles—Submission of Corporate Documents]

Entire text deleted.

[Rule 321. Formation or Acquisition of Subsidiaries]

Entire text deleted.

[Operation of Member Organizations (Rules 325–465)]

[Offices and Employees (Rules 341–354)]

* * * * *

[Commissions (Rules 365–390)]

[Rule 375. Missing the Market]

Entire text deleted.

[Conduct of Accounts (Rules 401–414)]

[Rule 408. Discretionary Power in Customers' Accounts]

Entire text deleted.

[Rule 409. Statements of Accounts to Customers]

Entire text deleted.

[Financial Statements and Reports (Rules 415–425)]

[Rule 416. Questionnaires and Reports]

Entire text deleted.

**[Rule 416A. Member And Member Organization Profile Information Updates And
Quarterly Certifications Via The Electronic Filing Platform]**

Entire text deleted.

[Miscellaneous Rules and Provisions (Rules 435–440K)]

[Rule 435. Miscellaneous Prohibitions.]

Entire text deleted.

[Communications with the Public (Rules 471–474B)]

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INCORPORATED NYSE RULE INTERPRETATIONS

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[Rule 311 Formation and Approval of Member Organizations]

[(b)(5) OFFICERS]

[/01 Reserved.]

[/02 Reserved.]

[/03 Reserved.]

[/06 Limitations on Principal Executives]

Entire text deleted.

[(f) PRINCIPAL PLACE OF BUSINESS]

[/01 Criteria]

Entire text deleted.

**[(g) MINIMUM OF ACTIVE PARTNERS IN MEMBER ORGANIZATIONS —
USE OF MEMBER ORGANIZATION NAME]**

[/01 Reserved.]

[/02 Divisions of Member Organizations — Names]

Entire text deleted.

* * * * *

[Rule 375 Missing the Market]

[/01 Customer Contact and “As of” Reports]

Entire text deleted.

[Rule 401 Business Conduct]

[/01 Trading Against Firm Recommendations]

Entire text deleted.

[/02 Private Sales]

Entire text deleted.

[/03 Conversions, Acquisitions and Changes in Business Activities]

Entire text deleted.

[/04 Early Reporting of Developing Problems]

Entire text deleted.

[Rule 408 Discretionary Power in Customers' Accounts]

[/01 Automatic Money Market Fund Redemptions]

Entire text deleted.

[/02 Identification of Discretionary Orders]

Entire text deleted.

[Rule 409 Statements of Accounts of Customers]

[(a)]

[/01 Reserved.]

[/02 Information to be Disclosed]

Entire text deleted.

[/03 Use of Third Party Agents]

Entire text deleted.

[/04 Assets Externally Held and Included on Statements Solely as a Service to Customers]

Entire text deleted.

[/05 Use of Logos, Trademarks, etc.]

Entire text deleted.

[/06 Use of Summary Statements]

Entire text deleted.

[(b)]

[/01 Standards For Holding Mail For Foreign Customers — Rule 409(b)(2) Waivers]

Entire text deleted.

[Rule 435(5) Circulation of Rumors]

[/01 Responsibility of Personnel]

Entire text deleted.

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