All submissions should refer to File No. SR–EDGX–2015–38. This file number should be included on the subject line if email 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 Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission’s Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR–EDGX–2015–38 and should be submitted on or before September 24, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.26

Robert W. Errett,
Deputy Secretary.
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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations;
Financial Industry Regulatory Authority, Inc.; Order Approving a Proposed Rule Change To Establish the Securities Trader and Securities Trader Principal Registration Categories

August 28, 2015.

I. Introduction

On June 29, 2015, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)
1 and Rule 19b–4 thereunder,2 a proposed rule change to establish the Securities Trader and Securities Trader Principal registration categories. The proposed rule change was published for comment in the Federal Register on July 14, 2015.3 The Commission received two comment letters on the proposed rule change.4 This order approves the proposed rule change.

II. Description of the Proposed Rule Change

A. Securities Trader Registration Category

Pursuant to NASD Rule 1032(f), each person associated with a FINRA member who is included within the definition of “representative” in NASD Rule 1031 must register with FINRA as an Equity Trader if, with respect to transactions in equity (including equity options), preferred or convertible debt securities effected otherwise than on a national securities exchange, the person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities.6 Currently, before registering as an Equity Trader and taking the Series 55 examination, the associated person must be registered as either a General Securities Representative (Series 7) or a Corporate Securities Representative (Series 62) and have passed either of the exams. The exchanges, however, currently use the Series 56 examination as a qualification standard for several registration categories relating to securities trading, including the Proprietary Trader registration category, and only NASDAQ recognizes the Series 55 examination as an acceptable qualification standard under its registration rules. Unlike the Series 55 examination, there is no prerequisite registration requirement for individuals taking the Series 56 examination. The Series 56 examination is administered by FINRA, however FINRA does not recognize the exam as an acceptable qualification examination. Associated persons of FINRA members are required to pass the Series 55 examination to engage in over-the-counter securities trading. Consequently, individuals engaged in trading activities at broker-dealers may be subject to varying qualification requirements, depending on whether their activities take place on a securities exchange or over-the-counter.6 In its proposal, FINRA amends NASD Rule 1032(f) to replace the Equity Trader registration category and qualification examination (Series 55) with a Securities Trader registration category and qualification examination (Series 57).7 FINRA also amends NASD Rule 1032(f) to eliminate the prerequisite registration requirement. In addition, FINRA amends NASD Rule 1032(f) to provide that a person solely registered as a Securities Trader will not be qualified to function in any other registration category.

As proposed, a person registered as an Equity Trader in the Central Registration Depository (“CRD”) system on the effective date of the proposed rule change will be grandfathered as a Securities Trader without having to take any additional examinations and without having to take any other actions.

B. Securities Trader Principal Registration Category

Currently, an associated person with direct supervisory responsibility over

8 FINRA notes that there is significant overlap in the content of the Series 55 and 56 examinations.


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

8 The exchanges have indicated that they will replace the Series 56 examination with the Series 57 examination for those registration categories, such as the Proprietary Trader registration category, where the Series 56 examination will be based on the current job functions of securities traders and include elements of the Series 55 and 56 examination programs. In addition, FINRA will file a separate proposed rule change to establish the fee for the Series 57 examination.
9 A person who was registered as an Equity Trader in the CRD system before the effective date of the proposed rule change will be eligible to register as a Securities Trader without having to take any additional examinations, provided that no more than two years has passed between the date the person was last registered as a representative and the date the person registers as a Securities Trader.
the securities trading activities set forth in NASD Rule 1032(f)(1) is required to qualify and register as an Equity Trader. FINRA rules do not expressly require such person to register in a specific principal registration category. On the other hand, most national securities exchanges expressly require that an individual associated with an exchange member who has supervisory responsibility over proprietary trading activities qualify and register as a Proprietary Trader Principal.

In its proposal, FINRA amends NASD Rule 1022(a) to require each person associated with a FINRA member who is included within the definition of “principal” in NASD Rule 1021 and who has supervisory responsibility over the securities trading activities described in NASD Rule 1032(f)(1) to qualify and register as a Securities Trader Principal. To qualify for registration as a Securities Trader Principal, a person must first qualify and register as a Securities Trader and then pass the General Securities Principal qualification examination (Series 24). As proposed, a person who is qualified and registered only as a Securities Trader Principal may only have supervisory responsibility over the activities specified in NASD Rule 1032(f)(1). Moreover, a person who is registered as a General Securities Principal will not be qualified to supervise the trading activities described in NASD Rule 1032(f)(1), unless the person qualifies and registers as a Securities Trader by passing the Series 57 examination and affirmatively registers as a Securities Trader Principal.

As proposed, a person registered as a General Securities Principal and an Equity Trader in the CRD system on the effective date of the proposed rule change will be eligible to register as a Securities Trader Principal without having to take any additional examinations. FINRA members, however, will be required to affirmatively register persons who transition to Securities Trader Principals on or after the effective date of the proposed rule change.

III. Comment Letters

The Commission received two comment letters that support the proposed rule change. These commenters note that the proposal would eliminate or reduce redundancies and inefficiencies that exist in the current qualification regime. These commenters also support the timeline for implementing the proposed rule change.

IV. Discussion and Commission Findings

After careful review of the proposed rule change and the comment letters, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities association. Specifically, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act, which requires, among other things, that FINRA rules 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. The Commission also finds that the proposed rule change is consistent with Section 15A(g)(3) of the Act, which requires FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change should harmonize the qualification and registration requirements for individuals engaged in securities trading activities across different markets and for principals responsible for supervising such activities. In addition, by explicitly requiring the registration of Securities Trader Principals, as such, the proposal will help FINRA to identify and contact principals with supervisory responsibility over the securities trading activities described in NASD Rule 1032(f)(1).

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR–FINRA–2015–017) be, and hereby is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

Robert W. Errett,
Deputy Secretary.

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for a Market Data Product Known as EDGA Book Viewer

August 28, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on August 24, 2015, EDGA Exchange, Inc. (the “Exchange” or “EDGA”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II and III below, which items have been prepared by the Exchange. The Exchange has