

submissions should refer to File Number SR-BX-2011-052 and should be submitted on or before September 1, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Elizabeth M. Murphy,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65042; File No. SR-BX-2011-051]

### Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Proprietary Trader Examination

August 5, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on August 2, 2011, NASDAQ OMX BX, Inc. ("Exchange" or "BX") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. 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

BX is filing with the Commission a proposed rule change to amend its Rule 1032, Categories of Representative Registration, to adopt a new limited category of representative registration for proprietary traders, as described further below. BX will implement the proposal upon notice to its membership.

The text of the proposed rule change is available at <http://nasdaqomxbx.cchwallstreet.com>, at BX's principal office, 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, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed

any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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

The purpose of the proposed rule change is to recognize a new category of limited representative registration for proprietary traders. Currently, under BX rules, persons performing proprietary trading functions fall within the definition of representative in Rule 1011, because Rule 1011 includes persons who are engaged in the investment banking or securities business of a member. A "Representative" means an Associated Person<sup>3</sup> of a registered broker or dealer who is engaged in the investment banking or securities business for the member including the functions of supervision, solicitation or conduct of business in securities or who is engaged in the training of persons associated with a broker or dealer for any of these functions are designated as representatives. As provided in Rule 1031, all Representatives of BX members are required to be registered with the Exchange, and Representatives that are so registered are referred to as "Registered Representatives."

BX has been working with FINRA and certain other exchanges, many of which have recently enhanced their registration requirements to require the registration of associated persons,<sup>4</sup> to develop the content outline and qualification examination that would be applicable to proprietary traders. This new qualification examination, the Series 56, was recently filed with the Commission;<sup>5</sup> BX expects to file the

content outline with the Commission as well and make it available upon availability in WebCRD. Accordingly, BX is amending its rules to recognize the new registration category

"Proprietary Trader" and, separately, the new examination, the Series 56.

Specifically, BX proposes to adopt new subparagraph (b) to Rule 1032 to recognize the "Proprietary Trader" category of registration. The new Proprietary Trader category would be limited to persons performing the functions specified in new Rule 1032(b), which is proprietary trading. Persons who deal with the public do not fit in this registration category and must continue to register as General Securities Representatives. BX believes that the new limited registration category and qualification examination are appropriate, because they are tailored to proprietary trading functions. Today, these persons are required to register as a General Securities Representative and pass the Series 7 examination, which the Exchange believes covers a great deal of material that is not relevant to proprietary trading functions. Instead, the Series 56 covers both equities and options trading rules, but not all of the rules applicable to firms and persons conducting a public business. As stated above, BX will describe the Series 56 in greater detail in a separate proposed rule change.

Of course, persons registered in the new category would be subject to the continuing education requirements of Rule 1120.<sup>6</sup> In addition, the process for registering continues to be covered by Rule 1140, which provides that WebCRD must be used.

Today, because BX rules require it, persons associated with BX members are already registered as General Securities Representatives and have passed the Series 7 examination.<sup>7</sup> This proposal does not require proprietary traders who have already registered as General Securities Representatives and have passed the Series 7 examination to register under the new category as Proprietary Traders or to pass the Series 56, because BX believes this would be redundant. Persons who are registered as General Securities Representatives and have passed the Series 7 may, of course, perform the functions of a Proprietary Trader, because the new Proprietary Trader registration category is a limited registration category. This

which has become effective. See Securities Exchange Act Release No. 64699 (June 17, 2011), 76 FR 36945 (June 23, 2011)(SR-CBOE-2011-056).

<sup>6</sup> See BX Rule 1120(a)(5).

<sup>7</sup> See BX Rule 1031.

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> Pursuant to Rule 1011(b), the term "Associated Person" means any partner, officer, director, or branch manager of a BX member or Applicant (or person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such BX member or Applicant, or any employee of such BX member or Applicant, except that any person associated with a BX member or Applicant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of the BX Equity Rules.

<sup>4</sup> See e.g., Securities Exchange Act Release Nos. 63843 (February 4, 2011), 76 FR 7884 (February 11, 2011) (SR-ISE-2010-115); and 63314 (November 12, 2010), 75 FR 70957 (November 19, 2010)(SR-CBOE-2010-084).

<sup>5</sup> One exchange has thus far filed a proposed rule change respecting the Series 56 content outline,

proposal does not preclude associated persons from registering as General Securities Representatives and passing the Series 7 examination and then functioning as a Proprietary Trader.

BX expects that new members might consider the new category when applying for BX membership, once the new category and examination become available to BX members in WebCRD. Accordingly, BX believes that the new category should be helpful to attracting new members to BX, while at the same time preserving the important goals of appropriate registration and qualification for persons in the securities business. Additionally, members who hire new associated persons might choose to register those persons in the new category.

Unlike the associated persons of proprietary trading firms covered by this proposal, associated persons of firms that are NOT proprietary trading firms continue to be subject to registration as General Securities Representatives and have to pass the Series 7 examination. They are not eligible for the new registration category and examination.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of: (1) Section 6(c)(3)(B) of the Act,<sup>9</sup> pursuant to which a national securities exchange prescribes standards of training, experience and competence for members and their associated persons; and (2) Section 6(b)(5) of the Act,<sup>10</sup> in that it is designed, among other things, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, by offering a new, limited registration category to certain associated persons of BX members. The Exchange believes that these new requirements should help ensure that all associated persons engaged in a securities business are, and will continue to be, properly trained and qualified to perform their functions, because the new category and examination are limited and tailored to persons performing proprietary trading functions.

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

BX does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

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

Pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6)<sup>12</sup> thereunder, the Exchange has designated this proposal as one that effects a change that: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Rule 19b-4(f)(6)<sup>13</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Under Rule 19b-4(f)(6) of the Act,<sup>14</sup> a proposal does not become operative for 30 days after the date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30 day operative period for this filing so that it may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A)<sup>15</sup> of the Act and subparagraph (f)(6) thereunder. The Exchange believes waiving the 30-day operative delay is consistent with the protection of investors and the public interest as the waiver will allow the Exchange to make the new registration category available near the same time as other exchanges.

For the reason stated above, the Commission believes that waiving the

30-day operative delay is consistent with the protection of investors and the public interest and designates the proposal as operative upon filing.<sup>16</sup>

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

## IV. Solicitation of Comments

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

### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2011-051 on the subject line.

### Paper Comments

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

All submissions should refer to File Number SR-BX-2011-051. 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 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

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

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

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

<sup>9</sup> 15 U.S.C. 78(c)(3)(B) [sic].

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>16</sup> For purposes only of waiving the operative delay of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f). See also 17 CFR 200.30-3(a)(59).

a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of BX. 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 publicly available. All submissions should refer to File Number SR-BX-2011-051 and should be submitted on or before September 1, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Elizabeth M. Murphy,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65040; File No. SR-NASDAQ-2011-108]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Proprietary Traders Qualification Examination ("Series 56")

August 5, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on August 1, 2011, The NASDAQ Stock Market LLC (the "Exchange" or "NASDAQ") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. 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

NASDAQ is filing with the Commission the content outline and selection specifications for the Proprietary Traders Qualification Examination ("Series 56") program.

NASDAQ will notify its membership when the examination becomes available.

The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at NASDAQ's

principal office, 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, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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

Recently, NASDAQ filed a proposed rule change to recognize a new category of limited representative registration for proprietary traders.<sup>3</sup> Specifically, NASDAQ will recognize the new registration category "Proprietary Trader" and the new examination, the Series 56. The new Proprietary Trader category would be limited to persons engaged solely in proprietary trading.

NASDAQ has been working with the Financial Industry Regulatory Authority ("FINRA") and certain other exchanges, many of which have recently enhanced their registration requirements to require the registration of associated persons,<sup>4</sup> to develop the content outline and qualification examination that would be applicable to proprietary traders. The Series 56 examination program is shared by NASDAQ and the following self-regulatory organizations ("SROs"): Boston Options Exchange; C2 Options Exchange, Incorporated; Chicago Board Options Exchange, Incorporated; Chicago Stock Exchange, Incorporated; International Securities Exchange, LLC; NASDAQ OMX BX, Inc.; NASDAQ OMX PHLX LLC; National Stock Exchange, Incorporated; New York Stock Exchange, LLC; NYSE AMEX, Incorporated; and NYSE ARCA, Incorporated. Upon request by the SROs referenced above, FINRA staff convened a committee of industry representatives, NASDAQ staff and staff from the other

SROs referenced above, to develop the criteria for the Series 56 examination program. This new qualification examination, the Series 56, was recently filed with the Commission.<sup>5</sup>

The Series 56 examination tests a candidate's knowledge of proprietary trading generally and the industry rules applicable to trading of equity securities and listed options contracts. The Series 56 examination covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. While the examination is primarily dedicated to topics related to proprietary trading, the Series 56 examination also covers a few general concepts relating to customers.<sup>6</sup>

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

NASDAQ understands that the other applicable SROs will also file with the Commission similar filings regarding the Series 56 examination program. NASDAQ proposes to implement the Series 56 examination program upon availability in WebCRD and notification to its membership.

###### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Section 6(c)(3)(B) of the Act,<sup>8</sup> pursuant to which a national securities exchange prescribes standards of training, experience and competence for members and their associated persons, in particular, by offering a new, qualification examination for

<sup>3</sup> See Securities Exchange Act Release No. 64958 (July 25, 2011) (SR-NASDAQ-2011-095). See also SR-NASDAQ-2011-107.

<sup>4</sup> See, e.g., Securities Exchange Act Release Nos. 63843 (February 4, 2011), 76 FR 7884 (February 11, 2011) (SR-ISE-2010-115); and 63314 (November 12, 2010), 75 FR 70957 (November 19, 2010) (SR-CBOE-2010-084).

<sup>5</sup> One exchange has thus far filed a proposed rule change respecting the Series 56, which has become effective. See Securities Exchange Act Release No. 64699 (June 17, 2011), 76 FR 36945 (June 23, 2011) (SR-CBOE-2011-056).

<sup>6</sup> Proprietary trading firms do not have customers.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78c(3)(B) [sic].

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

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

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