NYSE Regulation, Inc.

NYSE ARCA OPTIONS REGULATORY BULLETIN

RBO-15-08
December 18, 2015

TO: **NYSE ARCA OTP HOLDERS & OTP FIRMS**

FROM: **NYSE REGULATION & NYSE CLIENT RELATIONSHIP SERVICES**

SUBJECT: **SECURITIES TRADER REGISTRATION / SERIES 57 EXAMINATION**

Background

NYSE Arca, Inc. ("Exchange") recently amended the registration and examination requirements applicable to Market Makers (including Market Maker Authorized Traders or "MMAT"), Floor Brokers and individuals engaged solely in proprietary trading ("securities traders"). Pursuant to a recent filing, the Exchange has amended NYSE MKT Rules 2.23 by adopting the new Securities Trader registration category and associated Series 57 Securities Trader Qualification Examination ("Series 57 Exam") for securities traders.

The Series 57 Exam was developed by FINRA in consultation with industry and exchange representatives. The Series 57 Exam is based on industry rules applicable to trading of both equity securities and listed options contracts and covers, among other topics; recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices, and display, execution, and trading systems. As such, the Exchange believes that an applicant who has passed the Series 57 Exam would be qualified to act in the capacity of a Market Maker or Floor Broker, or engage solely in proprietary trading on the Exchange.

What is Changing?

<u>Securities Traders</u>
Presently on NYSE Arca, securities traders must register on FINRA's Web CRD® ("CRD")[1] as either a General Securities Representative after passing the Series 7 Exam or as a Proprietary Trader after passing the Series 56 Exam or Series 7 Exam. Pursuant to changes made to Rule 2.23, the Exchange will only recognize the new Securities Trader registration category for individuals engaged solely in proprietary trading. Effective January 4, 2016, an applicant for registration as a securities trader will be required to pass the Series 57 Exam, as the Series 7 Exam will no longer serve as a qualifying exam for securities traders. Individuals presently registered as a Proprietary Trader who have previously passed a qualifying exam will not be required to take the Series 57 Exam as a condition of their continued registration. Please note that a

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[1] Web CRD®, is operated by FINRA and serves as the central licensing and registration system for the U.S. securities industry and its regulators.

registered trader who transacts any business with public customers must still be registered as a General Securities Representatives and pass the Series 7 Exam.

Market Makers and Floor Brokers

Exchange Rule 6.33 (Market Makers), Rule 6.34A (MMAT) and Rule 6.44 (Floor Brokers) specify that an applicant must pass an examination prescribed by the Exchange in order to be registered. For purposes of these rules, NYSE Arca currently prescribes the Series 56 Exam as the qualifying exam. Successful completion of the Series 56 Exam permits an individual to be registered as a Market Maker or Floor Broker on CRD.[2] In conjunction with the adoption of the Securities Trader registration, the Exchange will be prescribing the Series 57 Exam as the qualifying examination for Market Makers and Floor Brokers. Upon successful completion of the Series 57 Exam, individuals will be able to register as an NYSE Arca Market Maker or Floor Broker on CRD. Registered Market Makers and Floor Brokers who have previously passed a qualifying exam will not be required to take the Series 57 Exam as a condition of their continued registration.

Conversion in CRD

While NYSE Arca will no longer accept the Series 56 Exam as a qualifying exam for new Securities Trader applicants, the Exchange will continue to recognize any individual who has passed that exam as having successfully completed a qualifying exam. Individuals who have taken the Series 56 Exam and have appropriately registered in CRD as a Proprietary Trader ("PT") will automatically have their registration converted to the Securities Trader ("TD") position. Additionally, individuals who currently qualify for registration by having passed the Series 7 Exam and have appropriately registered in CRD as a PT will automatically have their registration converted to the TD. Individuals registered as a PT do not need to take any other action prior to the registration conversion. Proprietary Traders will automatically have their registration converted to the TD position effective January 4, 2016. Registration as a PT and the subsequent conversion to the TD registration will have no effect on a GS registration; individuals may carry both the GS and the TD.

As previously stated, Market Makers, Floor Brokers and individuals engaged solely in proprietary trading, who have previously passed a qualifying exam will not be required to take the Series 57 Exam as a condition of their continued registration. However, the registration of individuals who have passed the Series 56 Exam or Series 7 Exam will not be converted to a Securities Trader if they have not registered as a Proprietary Trader in CRD by December 28, 2015.[3] To request the PT registration, OTP Holders can go to "Section 4: SRO Registrations" in Form U4 and select the PT checkbox for NYSE Arca. After January 4, 2016, applicants will be required to take the Series 57 Exam in order to register as a Securities Trader. In addition, anyone previously registered as a Proprietary Trader in CRD prior to January 4, 2016 will be eligible to register as Securities Trader without having to take any additional examinations, provided that no

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[2] Registration as an NYSE Arca Market Maker or Floor Broker, upon completion of the Series 57 Exam, does not preclude an individual from also registering as a Securities Trader on CRD.

[3] Market Makers and Floor Brokers who qualified for registration by virtue of a legacy NYSE Arca qualification exam (i.e. Series 44), and who are not registered as a PT, will not be automatically converted to the TD.

more than two years have passed between the date the individual last registered as a Proprietary Trader and the date the individual registers as a Securities Trader.

Principal Registrations

Currently, to qualify as a Proprietary Trader Principal ("TP"), an associated person must pass the Series 56 Exam or the Series 7 Exam, and the Series 24 Exam. Upon adoption of the Securities Trader registration, associated persons will need to pass the Series 57 Exam and the Series 24 Exam in order to register as a Securities Trader Principal. The registration acronym on Form U4 will remain the same (TP). Only those individuals who are registered as such would be qualified to supervise a Securities Trader. Individuals registered as a General Securities Principal would not be qualified to supervise Securities Traders, nor would a Securities Trader Principal be able to act as a General Securities Principal, unless the individual is appropriately registered as both a Securities Trader Principal and a General Securities Principal.

Unlike the TD registration, there will be no systematic conversion of the Securities Trader Principal registration category onto CRD. OTP Holders will be required to file amended Forms U4 in CRD no later than July 1, 2016, to request the Securities Trader Principal registration category for applicable individuals. The passing of additional securities exams (e.g., Series 24) will not be required if no more than two years have passed between the dates an individual was last registered as a principal and the date the individual registers as a Securities Trader Principal. Please see the link below to the FINRA Notice and FAQ for additional information on changes to Principal registrations.

Continuing Education

Proprietary Traders are required under Rule 2.23 to comply with the Exchange's continuing education requirements. Specifically, under Rule 2.23(d)(1) an individual registered as a Proprietary Trader is required to complete the S501 Program to fulfill the Regulatory Element of their continuing education requirement. With the transition to the Series 57 Exam, the S501 Program will no longer be offered. Instead, anyone registered as a Securities Traders will be required to complete the S101 Program, administered by FINRA, to fulfill the Regulatory Element of their continuing education requirement. Please see the link below to the FINRA Notice and FAQ for additional information on changes to continuing education requirements.

The recently filed rule changes will become operative on NYSE Arca on January 4, 2016. In addition, the Securities Trader registration category and Series 57 Exam will be available on Web CRD for NYSE Arca starting January 4, 2016.

Helpful Links

FINRA Notice to Members FAQ http://www.finra.org/industry/series57
NYSE Arca Rule Filing http://www.sec.gov/rules/sro/nysearca/2015/34-76578.pdf

Contact Information

For questions pertaining to registration on NYSE Arca Options please contact the Client Relationship Services group at CRS@nyse.com or your Relationship Manager.