



## INFORMATIONAL MEMO

NYSE IM-15-12

December 18, 2015

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**To: NYSE and NYSE MKT MEMBER ORGANIZATIONS**

**From: NYSE REGULATION and NYSE CLIENT RELATIONSHIP SERVICES**

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

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## Background

The New York Stock Exchange LLC (“NYSE”) and NYSE MKT LLC (“NYSE MKT”) (collectively, the “Exchange”) recently amended the registration and examination requirements applicable to traders engaged solely in trading for the proprietary account of a member organization (“securities traders”). Pursuant to recent filings, the Exchanges have amended Rule 345 by adopting the new Securities Trader registration category and associated 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, display, execution, and trading systems. As such, the Exchange believes that an applicant who has passed the Series 57 Exam would be qualified to engage in proprietary trading on the Exchange.

## What’s Changing?

### Securities Traders

Rule 345 requires that an individual who is engaged in proprietary trading on the Exchange or directly supervises such activity must be properly registered. In order to fulfill registration requirements, an associated person must pass the Series 7 Exam and be registered as a General Securities Representative (“GS”) in FINRA’s Web CRD® (“CRD”).<sup>1</sup> In addition, individuals who have also passed the Equity Trader Qualification Examination – Series 55 may also register as an Equity Trader (“ET”).

The Exchange has amended Rule 345 to recognize a new category of limited representative registration for a Securities Trader and allow such individual to appropriately register in CRD as a Securities Trader in order to engage in proprietary trading. A Securities Trader is any person engaged in the purchase or sale of securities or other similar instruments for the account of a member organization with which such person is associated, as an employee or otherwise, and who does not transact any business with the public. Effective January 4, 2016, individuals

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<sup>1</sup> Web CRD, operated by FINRA, is the central licensing and registration system for the U.S. securities industry and its regulators.

engaged in proprietary trading will be required to pass the Series 57 Exam and register on CRD as a Securities Trader (“TD”).<sup>2</sup> While the Series 57 Exam will be required for persons engaged in proprietary trading, such individuals are not required to work only at a proprietary trading firm. These individuals can work at any type of firm. However, individuals registered solely as a TD may only engage in proprietary trading at the firm where they are employed. Please note that a registered trader who transacts any business with public customers must still be registered as a General Securities Representative and pass the Series 7 Exam. Individuals may carry both the GS and the TD registrations.

### Registration and Conversion in CRD

Individuals currently engaged in proprietary trading on NYSE and/or NYSE MKT who qualified for registration by passing the Series 7 Exam and are registered in CRD as a Proprietary Trader (“PT”) will have their registration automatically converted to the TD registration, without having to take any additional examinations and without having to take any other actions. In addition, individuals registered as an Equity Trader (“ET”) in CRD will have their registration automatically converted to the TD position in CRD without having to take any additional examinations and without having to take any other actions. Conversion to the TD will become effective on January 4, 2016. Individuals engaged in proprietary trading who are currently registered on CRD with the GS registration, but who are not currently registered as a PT or ET, will not be automatically converted to the TD registration unless they amend their U4 and request the PT or ET position.<sup>3</sup> To request the PT or ET registration, members can go to “Section 4: SRO Registrations” in Form U4 and select the PT or ET checkbox. Being registered as a PT or ET in CRD by December 28, 2015 will ensure that qualified traders are properly registered as a Securities Trader on January 4, 2016. For individuals currently holding a Series 7, registration as a PT and the subsequent conversion to the TD registration will have no effect on their GS registration; individuals may carry both the GS and the TD.

Effective January 4, 2016, a new applicant will be required to take the Series 57 Exam in order to register as Securities Traders as the Series 7 and Series 55 Exams will no longer serve as qualifying exams for persons engaged in proprietary trading on the Exchange. In addition, individuals registered as Proprietary Traders or Equity Traders in CRD prior to the effective date of the proposed rule change will be eligible to register as Securities Traders without having to take any additional examinations, provided that no 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.

Members should contact the NYSE Client Relationship Services Group with questions or for assistance with the CRD conversion.

### Principal Registration

The Exchange has also amended Rule 345 by creating a new category of limited representative

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<sup>2</sup> The new Securities Trader registration and Series 57 Exam requirement does not apply to individuals who are registered to conduct trading solely on the Floor of the Exchange as either a Floor Broker or DMM.

<sup>3</sup> The PT registration is currently not available on CRD for NYSE; therefore, individuals requesting the PT registration should do so only for NYSE MKT. Upon the automatic conversion of the PT registration to the TD for NYSE MKT, individuals may then register as a TD on NYSE without having to take any additional examinations.

Principal – the Securities Trader Principal. Registration as a Securities Trader Principal is restricted to individuals whose supervisory responsibilities are limited to Securities Traders, as defined in amended Supplementary Material .10 to Rule 345. A supervisor of a Securities Trader must satisfy their registration requirements by registering and qualifying as a Securities Trader Principal in CRD if (a) such supervisor's supervisory responsibilities are limited solely to supervising Securities Traders; (b) such supervisor is qualified to be so registered by passing the General Securities Principal Qualification Examination - Series 24; and (c) such supervisor is registered pursuant to Exchange Rules as a Securities Trader. Pursuant to the new rule, a Securities Trader Principal will not be qualified to function in a Principal or supervisory capacity with responsibility over any area of business other than that involving proprietary trading.

Unlike the TD registration, there will be no systematic conversion to the Securities Trader Principal registration category in CRD. Associated persons will be required to file amended Forms U4 in the 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

Rule 345A requires registered persons to comply with the Exchange's continuing education requirements. Specifically, under Rule 345A(a)(1) anyone registered as a Securities Trader is required to complete the S101 Program, administered by FINRA, to fulfill the Regulatory Element of their continuing education requirement. The S101 Program for Securities Traders is the same continuing education program presently offered for the Series 7 Exam and GS registration with an additional feature that will allow participants to select a personalized learning module specific to his or her responsibilities as a Securities Trader. Please see the link below to the FINRA Notice and FAQ for additional information on changes to the continuing education requirements.

### **Effective Date**

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

### **Helpful Links**

FINRA Notice to Members and Series 57 Exam FAQ: <http://www.finra.org/industry/series57>  
NYSE rule filing <http://www.sec.gov/rules/sro/nyse/2015/34-76587.pdf>  
NYSE MKT rule filing <http://www.sec.gov/rules/sro/nysemkt.shtml>

### **Contact Information**

For questions pertaining to registration on NYSE and NYSE MKT please contact the Client Relationship Services group at [CRS@nyse.com](mailto:CRS@nyse.com) or your Relationship Manager.