

Required fields are shown with yellow backgrounds and asterisks.

Filing by NASDAQ OMX PHLX LLC.
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"/>
Pilot <input type="checkbox"/>			Rule		
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 3C(b)(2) <input type="checkbox"/>
Section 806(e)(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 *).

The purpose of the proposed rule change is to codify in Rule 640 the specific continuing education requirements that currently apply and to adopt a continuing education requirement for persons registered as Proprietary Traders. The Exchange also proposes to adopt a fee for the new continuing education program applicable to Proprietary Traders.

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 * Edith Last Name * Hallahan
 Title * Principal Associate General Counsel
 E-mail * edith.hallahan@nasdaqomx.com
 Telephone * (215) 496-5179 Fax

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 *)
 Executive Vice President and General Counsel

Date 08/14/2013
 By Edward S. Knight
 (Name *)

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.

Edward S Knight,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

Add Remove View

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 *

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to amend Rule 640, Continuing Education for Registered Persons, as described below, and to adopt a corresponding fee.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

Rule 640. Continuing Education for Registered Persons

(a) Regulatory Element

- (1) **Requirements**—No member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of paragraph (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date(s), and every three years thereafter or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule.

Content. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule. The following Regulatory Elements administered by FINRA shall be required:

Persons registered solely as Proprietary Traders pursuant to Rule 613(f) must complete the S501.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Persons registered as General Securities Representatives pursuant to Rule 613(e) must complete the S101.

Persons registered in a supervisory capacity pursuant to Rules 611 and 612 must complete the S201.

* * * * *

NASDAQ OMX PHLX LLC¹ PRICING SCHEDULE

ALL BILLING DISPUTES MUST BE SUBMITTED TO THE EXCHANGE IN WRITING AND MUST BE ACCOMPANIED BY SUPPORTING DOCUMENTATION. ALL DISPUTES MUST BE SUBMITTED NO LATER THAN SIXTY (60) DAYS AFTER RECEIPT OF A BILLING INVOICE, EXCEPT FOR DISPUTES CONCERNING NASDAQ OMX PSX FEES, PROPRIETARY DATA FEED FEES AND CO-LOCATION SERVICES FEES. AS OF JANUARY 3, 2011, THE EXCHANGE WILL CALCULATE FEES ON A TRADE DATE BASIS.

* * * * *

VII. OTHER MEMBER FEES

A. OPTION TRADING FLOOR FEES

No change.

B. PORT FEES

No change.

C. FINRA Fees

Continuing Education Fees [\$75.00]

• The Continuing Education Fee will be assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Exchange Rule 640. **This fee is paid directly to FINRA.**

\$60.00 for each individual who is required to complete the Proprietary Trader Regulatory Element (S501).

\$75.00 for each individual who is required to complete the S101 or S201).

FINRA, on behalf of the Exchange, will bill and collect these fees

The following fees will be collected and retained by FINRA via the Web CRD registration system for the registration of associated persons

of Exchange members that are not also FINRA members:

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors on July 17, 2013. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions regarding this rule filing may be directed to Edith Hallahan, Principal Associate General Counsel, The NASDAQ OMX Group, Inc., at 215-496-5179.

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

a. Purpose

The purpose of the proposed rule change is to codify in Rule 640 the specific continuing education requirements that currently apply and to adopt a continuing education requirement for persons registered as Proprietary Traders. The Exchange also proposes to adopt a fee for the new continuing education program applicable to Proprietary Traders.

The Exchange adopted the Proprietary Trader³ registration in 2012, working with various other exchanges and Financial Industry Regulatory Authority ("FINRA"). At that time, the Exchange stated that, as a result of the new registration requirements,

³ A Proprietary Trader is a person who is engaged solely in proprietary trading, market making or effecting transactions on behalf of a broker-dealer account. Phlx Rule 613(f).

additional persons will become subject to the Exchange's continuing education requirements in Rule 640. The Exchange stated that it would announce to the membership when these new requirements will be implemented and available for member organizations to access.⁴

At this time, the new continuing education program for Proprietary Traders will soon become available and will be administered by FINRA. The new program, the S501, is intended to address the specific continuing education of Proprietary Traders, based on the content outline for the Series 56 exam, which covers the main categories of rules and regulations generally applicable to such persons.⁵ The Continuing Education Regulatory Element is a computer-based education program administered by FINRA on behalf of the Exchange to help ensure that registered persons are kept current on regulatory, compliance and trading practice matters in the industry.

The Exchange proposes to amend Rule 640(a) to specify the required Regulatory Element for each category of registered persons. Currently, Rule 640(a) provides that no member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of paragraph (a).⁶ Each registered

⁴ See Securities Exchange Act Release No. 66840 (April 20, 2012), 77 FR 25003 (April 26, 2012) (SR-Phlx-2012-23).

⁵ These generally include recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. See Securities Exchange Act Release No. 66645 (March 22, 2012), 77 FR 19042 (March 29, 2012) (SR-Phlx-2012-37).

⁶ Rule 640.01 exempts most floor persons from this requirement. Nevertheless, pursuant to Rule 625, Phlx requires periodic mandatory training. Training topics include, but are not limited to, training related to that person's function at the Exchange, changes in existing automated systems or any new technology that is

person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date(s), and every three years thereafter or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule. This applies to persons registered as Proprietary Traders as well.

The Rule further provides that the content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule. The Exchange now proposes to make this a separate "Content" section and to make clear which specific programs are required, including both existing programs (S101 and S201) as well as the new Proprietary Trader continuing education program (S501). The following Regulatory Elements administered by FINRA shall be required:

Persons registered solely as Proprietary Traders pursuant to Rule 613(f) must complete the S501.

Persons registered as General Securities Representative pursuant to Rule 613(e) must complete the S101.

Persons registered in a supervisory capacity pursuant to Rules 611 and 612 must complete the S201.

utilized by the Exchange, compliance with Exchange Rules and federal securities laws, and issues related to conduct, health and safety on the trading floor. In addition, floor members shall complete mandatory training programs, on at least a semi-annual basis, that address compliance with the federal securities laws and the Exchange's Rules in place to prevent and deter unlawful trading by floor members.

The Exchange believes that specifying the applicable Regulatory Element in the Rule should be helpful to members and member organizations in complying with the Rule. Only one Regulatory Element is required. For example, members registered as supervisors are subject to the S201 only; they do not also have to complete the Regulatory Element applicable to their prerequisite registration, such as the S501 or the S101.⁷ This proposal does not change the registration requirements.

The Exchange also proposes to adopt a fee applicable to Proprietary Trader Regulatory Element. Currently, the applicable fee for the Regulatory Element (S101 and S201) is \$75.00. The Exchange proposes to adopt a \$60.00 fee for the S501. FINRA administers these programs on behalf of the exchanges and therefore the fees are payable directly to FINRA.⁸ The fee is consistent with the overall cost associated with the program and covers the full costs associated with the continuing education program, including the development of material specific to proprietary trading. Accordingly, the Exchange expects that the exchanges who recognize the Proprietary Trader registration will adopt the same fee for continuing education.

⁷ In the event that a person is registered both as a Proprietary Trader and a General Securities Representative, only one Regulatory Element is required – the “higher” of the two, which is the S101.

⁸ The S501 was established for those registrants who have passed the Series 56 Qualification Exam as reflected in WebCRD. WebCRD is the central licensing and registration system for the U.S. securities industry. The CRD system enables individuals and firms seeking registration with multiple states and self-regulatory organizations to do so by submitting a single form, fingerprint card and a combined payment of fees to FINRA. Through the CRD system, FINRA maintains the qualification, employment and disciplinary histories of registered associated persons of broker-dealers.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of : (1) Section 6(c)(3)(B) of the Act,¹⁰ 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,¹¹ 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 requiring registered persons to complete the applicable continuing education program. The Exchange believes that a strong continuing education program should bolster the integrity of the Exchange by helping to ensure that all associated persons engaged in a securities business are, and will continue to be, properly trained and qualified to perform their functions. The Exchange does not believe that the proposal is unfairly discriminatory with respect to persons registered as a General Securities Representative who function in their current job as a Proprietary Trader, even though these persons are subject to the more stringent S101 rather than the S501; such persons are registered and qualified (Series 7) in a “higher” capacity and are therefore qualified to function in a capacity other than a Proprietary Trader, whether they choose to or not. Accordingly, requiring the S101 for such persons is appropriate and facilitates them being able to maintain their

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78(c)(3)(B).

¹¹ 15 U.S.C. 78f(b)(5).

“higher” registration. The Exchange also believes that permitting General Securities Representatives functioning as Proprietary Traders to be complete the S501 would be confusing and difficult to monitor.

The Exchange also believes that the proposal furthers the objectives of Section 6(b)(4) of the Act,¹² in that it provides for an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities. Specifically, the new \$60 fee is applicable to persons registered as a Proprietary Trader, which is a limited registration under Exchange rules. Accordingly, the proposed S501 Regulatory Element specifically correlates to the rules and obligations applicable to Proprietary Traders, which are fewer than those applicable to persons registered in other categories. Therefore, the Exchange believes that the lower fee (\$60 rather than \$75) is reasonable. The proposed fee is equitable, because it applies equally to all persons registered solely as Proprietary Traders.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange 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. Because the Regulatory Element is administered by FINRA, the fees are paid to FINRA, which does not raise competition issues. All of the exchanges that recognize the Proprietary Trader registration category are expected to adopt the same continuing education fee. All Proprietary Traders, regardless of where they are registered, will be subject to same continuing education requirements and the same continuing education fees. Thus, the proposal treats similarly situated persons in the same way.

¹² 15 U.S.C. 78f(b)(4).

5. 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.

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)

Pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6)¹⁴ thereunder, Phlx 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. Phlx believes that the proposal is non-controversial, because have been aware, by the prior filing, that there would be a continuing education requirement for persons registered as Proprietary Traders.

Rule 19b-4(f)(6) 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. Phlx has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁵ normally does not become operative

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ 17 CFR 240.19b-4(f)(6).

for 30 days after the date of its filing. However, Rule 19b-4(f)(6)¹⁶ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests a waiver of this time period in order for Proprietary Traders to be able to comply with Rule 640 and in order for members and member organizations to clearly understand which Regulatory Element applies to their registered persons.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The Exchange expects that the other exchanges that recognize the Proprietary Trader category will file similar proposed rule changes.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

¹⁶ 17 CFR 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2013-85)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Codify in Rule 640 Specific Continuing Education Requirements

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 August 14, 2013, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III, 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

The Exchange proposes to codify in Rule 640 the specific continuing education requirements that currently apply and to adopt a continuing education requirement for persons registered as Proprietary Traders. The Exchange also proposes to adopt a fee for the new continuing education program applicable to Proprietary Traders.

The text of the proposed rule change is below; proposed new language is underlined.

* * * * *

Rule 640. Continuing Education for Registered Persons
(a) Regulatory Element

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(1) **Requirements**—No member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of paragraph (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date(s), and every three years thereafter or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule.

Content. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule. The following Regulatory Elements administered by FINRA shall be required:

Persons registered solely as Proprietary Traders pursuant to Rule 613(f) must complete the S501.

Persons registered as General Securities Representatives pursuant to Rule 613(e) must complete the S101.

Persons registered in a supervisory capacity pursuant to Rules 611 and 612 must complete the S201.

* * * * *

NASDAQ OMX PHLX LLC¹ PRICING SCHEDULE

ALL BILLING DISPUTES MUST BE SUBMITTED TO THE EXCHANGE IN WRITING AND MUST BE ACCOMPANIED BY SUPPORTING DOCUMENTATION. ALL DISPUTES MUST BE SUBMITTED NO LATER THAN SIXTY (60) DAYS AFTER RECEIPT OF A BILLING INVOICE, EXCEPT FOR DISPUTES CONCERNING NASDAQ OMX PSX FEES, PROPRIETARY DATA FEED FEES AND CO-LOCATION SERVICES FEES. AS OF JANUARY 3, 2011, THE EXCHANGE WILL CALCULATE FEES ON A TRADE DATE BASIS.

* * * * *

VII. OTHER MEMBER FEES

A. OPTION TRADING FLOOR FEES

No change.

B. PORT FEES

No change.

C. FINRA Fees

Continuing Education Fees [\$75.00]

- The Continuing Education Fee will be assessed as to each individual who is required to complete the Regulatory Element of the Continuing

Education Requirements pursuant to Exchange Rule 640. **This fee is paid directly to FINRA.**

\$60.00 for each individual who is required to complete the Proprietary Trader Regulatory Element (S501).

\$75.00 for each individual who is required to complete the S101 or S201).

FINRA, on behalf of the Exchange, will bill and collect these fees

The following fees will be collected and retained by FINRA via the Web CRD registration system for the registration of associated persons of Exchange members that are not also FINRA members:

(b) - (c) No change.

* * * * *

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 codify in Rule 640 the specific continuing education requirements that currently apply and to adopt a continuing education requirement for persons registered as Proprietary Traders. The Exchange also proposes to adopt a fee for the new continuing education program applicable to Proprietary Traders.

The Exchange adopted the Proprietary Trader³ registration in 2012, working with various other exchanges and Financial Industry Regulatory Authority (“FINRA”). At that time, the Exchange stated that, as a result of the new registration requirements, additional persons will become subject to the Exchange’s continuing education requirements in Rule 640. The Exchange stated that it would announce to the membership when these new requirements will be implemented and available for member organizations to access.⁴

At this time, the new continuing education program for Proprietary Traders will soon become available and will be administered by FINRA. The new program, the S501, is intended to address the specific continuing education of Proprietary Traders, based on the content outline for the Series 56 exam, which covers the main categories of rules and

³ A Proprietary Trader is a person who is engaged solely in proprietary trading, market making or effecting transactions on behalf of a broker-dealer account. Phlx Rule 613(f).

⁴ See Securities Exchange Act Release No. 66840 (April 20, 2012), 77 FR 25003 (April 26, 2012) (SR-Phlx-2012-23).

regulations generally applicable to such persons.⁵ The Continuing Education Regulatory Element is a computer-based education program administered by FINRA on behalf of the Exchange to help ensure that registered persons are kept current on regulatory, compliance and trading practice matters in the industry.

The Exchange proposes to amend Rule 640(a) to specify the required Regulatory Element for each category of registered persons. Currently, Rule 640(a) provides that no member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of paragraph (a).⁶ Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date(s), and every three years thereafter or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the

⁵ These generally include recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. See Securities Exchange Act Release No. 66645 (March 22, 2012), 77 FR 19042 (March 29, 2012) (SR-Phlx-2012-37).

⁶ Rule 640.01 exempts most floor persons from this requirement. Nevertheless, pursuant to Rule 625, Phlx requires periodic mandatory training. Training topics include, but are not limited to, training related to that person's function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange Rules and federal securities laws, and issues related to conduct, health and safety on the trading floor. In addition, floor members shall complete mandatory training programs, on at least a semi-annual basis, that address compliance with the federal securities laws and the Exchange's Rules in place to prevent and deter unlawful trading by floor members.

cycle of anniversary dates for purposes of this Rule. This applies to persons registered as Proprietary Traders as well.

The Rule further provides that the content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule. The Exchange now proposes to make this a separate “Content” section and to make clear which specific programs are required, including both existing programs (S101 and S201) as well as the new Proprietary Trader continuing education program (S501). The following Regulatory Elements administered by FINRA shall be required:

Persons registered solely as Proprietary Traders pursuant to Rule 613(f) must complete the S501.

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Persons registered in a supervisory capacity pursuant to Rules 611 and 612 must complete the S201.

The Exchange believes that specifying the applicable Regulatory Element in the Rule should be helpful to members and member organizations in complying with the Rule. Only one Regulatory Element is required. For example, members registered as supervisors are subject to the S201 only; they do not also have to complete the Regulatory Element applicable to their prerequisite registration, such as the S501 or the S101.⁷ This proposal does not change the registration requirements.

The Exchange also proposes to adopt a fee applicable to Proprietary Trader Regulatory Element. Currently, the applicable fee for the Regulatory Element (S101 and

⁷ In the event that a person is registered both as a Proprietary Trader and a General Securities Representative, only one Regulatory Element is required – the “higher” of the two, which is the S101.

S201) is \$75.00. The Exchange proposes to adopt a \$60.00 fee for the S501. FINRA administers these programs on behalf of the exchanges and therefore the fees are payable directly to FINRA.⁸ The fee is consistent with the overall cost associated with the program and covers the full costs associated with the continuing education program, including the development of material specific to proprietary trading. Accordingly, the Exchange expects that the exchanges who recognize the Proprietary Trader registration will adopt the same fee for continuing education.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of : (1) Section 6(c)(3)(B) of the Act,¹⁰ 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,¹¹ 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 requiring

⁸ The S501 was established for those registrants who have passed the Series 56 Qualification Exam as reflected in WebCRD. WebCRD is the central licensing and registration system for the U.S. securities industry. The CRD system enables individuals and firms seeking registration with multiple states and self-regulatory organizations to do so by submitting a single form, fingerprint card and a combined payment of fees to FINRA. Through the CRD system, FINRA maintains the qualification, employment and disciplinary histories of registered associated persons of broker-dealers.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78(c)(3)(B).

¹¹ 15 U.S.C. 78f(b)(5).

registered persons to complete the applicable continuing education program. The Exchange believes that a strong continuing education program should bolster the integrity of the Exchange by helping to ensure that all associated persons engaged in a securities business are, and will continue to be, properly trained and qualified to perform their functions. The Exchange does not believe that the proposal is unfairly discriminatory with respect to persons registered as a General Securities Representative who function in their current job as a Proprietary Trader, even though these persons are subject to the more stringent S101 rather than the S501; such persons are registered and qualified (Series 7) in a “higher” capacity and are therefore qualified to function in a capacity other than a Proprietary Trader, whether they choose to or not. Accordingly, requiring the S101 for such persons is appropriate and facilitates them being able to maintain their “higher” registration. The Exchange also believes that permitting General Securities Representatives functioning as Proprietary Traders to be complete the S501 would be confusing and difficult to monitor.

The Exchange also believes that the proposal furthers the objectives of Section 6(b)(4) of the Act,¹² in that it provides for an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities. Specifically, the new \$60 fee is applicable to persons registered as a Proprietary Trader, which is a limited registration under Exchange rules. Accordingly, the proposed S501 Regulatory Element specifically correlates to the rules and obligations applicable to Proprietary Traders, which are fewer than those applicable to persons registered in other categories. Therefore, the Exchange believes that the lower fee (\$60 rather than \$75) is

¹² 15 U.S.C. 78f(b)(4).

reasonable. The proposed fee is equitable, because it applies equally to all persons registered solely as Proprietary Traders.

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

The Exchange 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. Because the Regulatory Element is administered by FINRA, the fees are paid to FINRA, which does not raise competition issues. All of the exchanges that recognize the Proprietary Trader registration category are expected to adopt the same continuing education fee. All Proprietary Traders, regardless of where they are registered, will be subject to same continuing education requirements and the same continuing education fees. Thus, the proposal treats similarly situated persons in the same way.

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

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)(ii) of the Act¹³ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁴

¹³ 15 U.S.C. 78s(b)(3)(a)(ii).

¹⁴ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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. Please include File Number SR-Phlx-2013-85 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-Phlx-2013-85. 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>).

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.

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 10:00 a.m. and 3:00 p.m. Copies of the filing also will 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 Number SR-Phlx-2013-85 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.¹⁵

Kevin M O'Neill
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).