

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="30"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2015"/> - * <input type="text" value="92"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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"/>
			Rule		
Pilot <input type="checkbox"/>	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 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(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 \*).

A proposal to establish the Securities Trader and Securities Trader Principal registration categories.

**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 * <input type="text" value="Carla"/>	Last Name * <input type="text" value="Behnfeldt"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="carla.behnfeldt@nasdaq.com"/>	
Telephone * <input type="text" value="(215) 496-5208"/>	Fax <input type="text"/>

**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 \*)

Date <input type="text" value="11/04/2015"/>	Executive Vice President and General Counsel
By <input type="text" value="Edward S. Knight"/>	<input type="text"/>
(Name *)	<input type="text" value="edward.knight@nasdaq.com"/>

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.

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 \***

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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**

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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**

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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**

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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

(a) NASDAQ OMX PHLX LLC (“Exchange” or “Phlx”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“Commission”) a proposal to establish the Securities Trader and Securities Trader Principal registration categories and to retire the Proprietary Trader and Proprietary Trader Principal registration categories. Phlx will announce the effective date of the proposed rule change in a Trader Alert. The Exchange is also amending its rules to establish the Series 57 examination as the appropriate qualification examination for Securities Traders and deleting the rule referring to the S501 continuing education program currently applicable to Proprietary Traders.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(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 of the Exchange (the “Board”) on July 1, 2015. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

Questions and comments on the proposed rule change may be directed to Carla Behnfeldt, Associate General Counsel, Nasdaq, Inc., at (215) 496-5208.

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

a. Purpose

The Exchange is proposing to replace the Proprietary Trader registration category and Proprietary Trader qualification examination (Series 56) with the Securities Trader Registration Category and the Securities Trader qualification examination (Series 57) in its registration rules relating to securities trading activity. It is also proposing to replace the Proprietary Trader Principal registration category with the Securities Trader Principal registration category. This filing is, in all material respects, based upon SR-FINRA-2015-017, which was recently approved by the Commission.<sup>3</sup>

I. Phlx's Securities Trader Registration Category.

Currently, under Exchange Rule 613, except members whose activities are limited to the Exchange's options trading floor and who are registered pursuant to Rule 620(a)<sup>4</sup> as well as associated persons whose activities are limited to the Exchange's options trading

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<sup>3</sup> See Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (approving SR-FINRA-2015-017) referred to herein as the "FINRA Amendments". According to the approval order, FINRA's expected effective date for the FINRA Amendments is January 4, 2016.

<sup>4</sup> Pursuant to Exchange Rule 620(a), each Floor Broker, Specialist and Registered Options Trader on the Exchange trading floor must be registered as "Member Exchange" ("ME") under "PHLX" on Form U4, pursuant to Rule 616. In addition, each Floor Broker, Specialist and Registered Options Trader must successfully complete the appropriate floor trading examination(s), if prescribed by the Exchange, in addition to requirements imposed by other Exchange Rules. The Exchange may also require periodic examinations due to changes in trading rules, products or automated systems. The registration rule changes proposed herein will not apply to the trading floor entities covered by Rule 620(a).

floor and are registered pursuant to Rule 620(b)<sup>5</sup>, all persons engaged or to be engaged in the investment banking or securities business of a member organization who are to function as representatives<sup>6</sup> must register as such with the Exchange through WebCRD under PHLX in the category of registration appropriate to the function to be performed as specified in Rule 613(e). Rule 613(e) provides that individuals required to register with the Exchange as a General Securities Representative must pass the Series 7 examination before such registration may become effective.

In 2012, the Exchange adopted the Proprietary Trader registration category as an alternative to the General Securities Representative registration category.<sup>7</sup> The Proprietary Trader registration category is an available alternative to General Securities Representative registration for members and persons associated with member organizations who are engaged solely in proprietary trading, market making or effecting

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<sup>5</sup> Pursuant to Exchange Rule 620(b), all trading floor personnel, including clerks, interns, stock execution clerks and any other associated persons, of a member organization not required to register pursuant to Rule 620(a) must be registered as "Floor Employee" ("FE") under "PHLX" on Form U4, pursuant to Rule 616. The Exchange may require successful completion by such persons of an examination, in addition to requirements imposed by other Exchange Rules. The Exchange may also require periodic examinations of such persons due to changes in trading rules, products or automated systems. The registration rule changes proposed herein will not apply to the trading floor personnel covered by Rule 620(b).

<sup>6</sup> Exchange Rule 1(cc) defines "representative" as a member or an associated person of a registered broker or dealer, including assistant officers other than principals, who is engaged in the investment banking or securities business for the member organization 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. The rule also states that, to the extent required by the provisions of Rule 613, all representatives are required to be registered with the Exchange.

<sup>7</sup> See Securities Exchange Act Release No. 66840 (April 20, 2012), 77 FR 25003 (April 26, 2012) (SR-Phlx-2012-23).

transactions on behalf of a broker-dealer account. Individuals registering in the Proprietary Trader registration category must pass the Series 56 examination and are not required to pass the Series 7 examination. Individuals who qualify for registration as Proprietary Traders are not required to do so if they register as General Securities Representatives.

The Exchange now proposes to amend Rule 613(f) by deleting the Proprietary Trader registration category and replacing it with a new requirement that each person associated with a member who is included within the definition of a representative as defined in Rule 1(cc) must register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or foreign currency options on the Exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities, other than any person associated with a 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 (an “investment company firm”). The proposed language requires applicants to pass an appropriate Qualification Examination for Securities Trader (the Series 57 examination) before registering in the new Securities Trader category. It also provides that a person registered as a Securities Trader shall not be qualified to function in any other registration category, unless he or she is also qualified and registered in such other registration category.

A reference to paragraph (f) is being added to Rule 613(a) to make clear that representatives who are required to register shall register in the category of registration

appropriate to the function to be performed as specified in paragraph (e) or (f).

Additionally, the Exchange is deleting from Rule 613(a) the general requirement that before a representative's registration may become effective, they shall pass the Series 7 examination. The Series 7 requirement continues to apply to candidates for General Securities Representative registration, however, pursuant to Rule 613(e). Proposed paragraph (f) provides that candidates for Securities Trader registration must pass the Series 57 examination. They will not, however, be required to pass the Series 7 in order to register as Securities Traders.

A person registered as a Proprietary 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. In addition, individuals who were registered as a Proprietary Trader in the CRD system 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 they were last registered as a representative and the date they register as a Securities Trader.

Persons registered in the new category would be subject to the continuing education requirements of Rule 640. The Exchange proposes to amend Rule 640 by removing the option for Series 56 registered persons to participate in the S501 Series 56 Proprietary Trader continuing education program in order to satisfy the Regulatory Element. The S501 Series 56 Proprietary Trader continuing education program is being phased out along with the Series 56 Proprietary Trader qualification examination. As a

result, effective January 4, 2016, the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons will cease to exist. In place of the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons, the Exchange proposes that Series 57 registered persons be permitted to enroll in the S101 General Program for Series 7 and all other registered persons.

II. Securities Trader Principal Registration Category.

Currently, under Rule 612(a), each member and person associated with a member organization to which Rule 611<sup>8</sup> applies and who is included within the definition of Principal in Rule 611, and each person designated as a Chief Compliance Officer on Schedule A of Form BD of a member organization to which Rule 611 applies, must register with the Exchange as a General Securities Principal and pass the Series 24 examination before such registration may become effective, unless such person's activities are so limited as to qualify such person for one or more of the limited categories of Principal registration specified in the rule. In 2012, the Exchange adopted, as a corollary to the Proprietary Trader representative registration category, a new Rule 612(e) Proprietary Trader Principal registration category. Under Rule 612(e), individuals required to register as Principal may register with the Exchange as a Proprietary Trader Principal if (A) his or her supervisory responsibilities in the investment banking and

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<sup>8</sup> Rule 611 provides that all persons engaged or to be engaged in the investment banking or securities business of a member organization who are to function as Principals shall be registered as such with the Exchange through WebCRD in the category of registration appropriate to the function to be performed as specified in the rule. It also defines "Principal" as including sole proprietors, officers, partners, managers of offices of supervisory jurisdiction, and corporate directors, in each case associated with a member organization who are actively engaged in the management of the member organization's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a member organization for any of these functions.



securities business are limited to the activities of a member organization that involve proprietary trading, market making and effecting transactions on behalf of broker-dealers; (B) he or she is registered pursuant to Exchange Rules as a Proprietary Trader; and (C) he or she is qualified to be so registered by passing the Series 24 examination. A person registered in the Proprietary Trader Principal category solely on the basis of having passed the Series 24 examination for that category may not function in a Principal capacity with responsibility over any area of business activity other than proprietary trading, market making and effecting transactions on behalf of broker-dealers as set forth in Rule 612(e)(i)(A).

In consultation with FINRA and other exchanges, the Exchange is now proposing to retire the Proprietary Trader Principal category. Accordingly, it is deleting Rule 612(e) in its entirety. In its place, the Exchange is adopting proposed Rule 612(e), which adds a new Securities Trader Principal registration category. Under the proposed rule each person associated with a member who is included within the definition of principal in Rule 611(b) and who will have supervisory responsibility over the securities trading activities described in Rule 613(f) must become qualified and registered as a Securities Trader Principal. The proposed rule change should allow Phlx to more easily track principals with supervisory responsibility over securities trading activities.

To qualify for registration as a Securities Trader Principal, a candidate would first be required to qualify and register as a Securities Trader under Rule 613(f) and pass the General Securities Principal qualification examination. A person who is qualified and registered as a Securities Trader Principal under the proposed rule would only have supervisory responsibility over the securities trading activities specified in Rule 613(f),

unless such person were separately qualified and registered in another appropriate principal registration category, such as the General Securities Principal registration category. Finally, a registered General Securities Principal would not be qualified to supervise the securities trading activities described in Rule 613(f), unless such person also qualified and registered as a Securities Trader under Rule 613(f) by passing the Securities Trader qualification examination and registering as a Securities Trader Principal.

A person registered as a Proprietary Trader Principal or as a Limited Principal—Registered Options Principal (“Limited Options Principal”)<sup>9</sup> 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. An individual who was registered as a Proprietary Trader Principal in the CRD system prior to the effective date of the proposed rule change will also be eligible to register as a Securities Trader

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<sup>9</sup> Currently, under Rule 612(d), a Principal may register with the Exchange as a Limited Principal—Registered Options Principal (“Limited Options Principal”) if (A) his or her supervisory responsibilities in the investment banking and securities business are limited exclusively to the options activities of a member organization, (B) he or she is registered pursuant to Exchange Rules as a General Securities Representative, and (C) he or she is qualified to be so registered by passing the Series 4 examination. A person registered in the Limited Options Principal category solely on the basis of having passed the Series 4 examination for Limited Principal—Registered Options Principal may not function in a Principal capacity with responsibility over any area of business activity other than the options activities of a member organization. The Exchange proposes to permit Limited Options Principals who are functioning in a principal capacity at a member organization for which the Exchange is the designated examining authority on the effective date of this proposed rule change to register as Securities Trader Principals without having to take any additional examinations in order to minimize disruption to firms when the Securities Trader registration category becomes effective. The Exchange will waive the Series 24 examination requirement for these individuals so that they may be registered as Securities Trader Principals.

Principal without having to take any additional examinations, provided that no more than two years have passed between the date they were last registered as a principal and the date they register as a Securities Trader Principal. Members, however, will be required to affirmatively register persons transitioning to the proposed registration category as Securities Trader Principals on or after the effective date of the proposed rule change.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>11</sup> in particular, in that it is designed 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. The Exchange believes that the requirements of the Securities Trader and Securities Trader Principal registration categories, as well as the new Securities Trader qualification examination, should help ensure that proprietary traders and the principals who supervise proprietary traders and proprietary trading are, and will continue to be, properly trained and qualified to perform their functions which should protect investors and the public interest.

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. Implementation of the proposed changes to Phlx's registration rules in coordination with the FINRA Amendments does not present any competitive issues, but rather is

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

<sup>11</sup> 15 U.S.C. 78f(b)(5).

designed to provide less burdensome and more efficient regulatory compliance for members and enhance the ability of the Exchange to fairly and efficiently regulate members, which will further enhance competition. Additionally, the proposed rule change should not affect intramarket competition because all similarly situated representatives and principals will be required to complete the same qualification examinations and maintain the same registrations. Finally, the proposed rule change does not impose any additional examination burdens on persons who are already registered. There is no obligation to take the proposed Series 57 examination in order to continue in their present duties, so the proposed rule change is not expected to disadvantage current registered persons relative to new entrants in this regard.

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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>12</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>13</sup> in that it 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

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

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.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

As noted above this filing is, in all material respects, based upon SR-FINRA-2015-017, which was recently approved by the Commission.

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.
5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2015-92)

November \_\_, 2015

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish the Securities Trader and Securities Trader Principal Registration Categories and to Retire Other Registration Categories

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 4, 2015, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the 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 establish the Securities Trader and Securities Trader Principal registration categories and to retire the Proprietary Trader and Proprietary Trader Principal registration categories. Phlx will announce the effective date of the proposed rule change in a Trader Alert. The Exchange is also amending its rules to establish the Series 57 examination as the appropriate qualification examination for Securities Traders and deleting the rule referring to the S501 continuing education program currently applicable to Proprietary Traders.

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

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

The text of the proposed rule change is available on the Exchange's Website at <http://nasdaqomxphlx.cchwallstreet.com/>, at the principal office of the Exchange, 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 Exchange is proposing to replace the Proprietary Trader registration category and Proprietary Trader qualification examination (Series 56) with the Securities Trader Registration Category and the Securities Trader qualification examination (Series 57) in its registration rules relating to securities trading activity. It is also proposing to replace the Proprietary Trader Principal registration category with the Securities Trader Principal registration category. This filing is, in all material respects, based upon SR-FINRA-2015-017, which was recently approved by the Commission.<sup>3</sup>

I. Phlx's Securities Trader Registration Category.

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<sup>3</sup> See Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (approving SR-FINRA-2015-017) referred to herein as the "FINRA Amendments". According to the approval order, FINRA's expected effective date for the FINRA Amendments is January 4, 2016.

Currently, under Exchange Rule 613, except members whose activities are limited to the Exchange's options trading floor and who are registered pursuant to Rule 620(a)<sup>4</sup> as well as associated persons whose activities are limited to the Exchange's options trading floor and are registered pursuant to Rule 620(b)<sup>5</sup>, all persons engaged or to be engaged in the investment banking or securities business of a member organization who are to function as representatives<sup>6</sup> must register as such with the Exchange through WebCRD under PHLX in the category of registration appropriate to the function to be performed as specified in Rule 613(e). Rule 613(e) provides that individuals required to register with

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<sup>4</sup> Pursuant to Exchange Rule 620(a), each Floor Broker, Specialist and Registered Options Trader on the Exchange trading floor must be registered as "Member Exchange" ("ME") under "PHLX" on Form U4, pursuant to Rule 616. In addition, each Floor Broker, Specialist and Registered Options Trader must successfully complete the appropriate floor trading examination(s), if prescribed by the Exchange, in addition to requirements imposed by other Exchange Rules. The Exchange may also require periodic examinations due to changes in trading rules, products or automated systems. The registration rule changes proposed herein will not apply to the trading floor entities covered by Rule 620(a).

<sup>5</sup> Pursuant to Exchange Rule 620(b), all trading floor personnel, including clerks, interns, stock execution clerks and any other associated persons, of a member organization not required to register pursuant to Rule 620(a) must be registered as "Floor Employee" ("FE") under "PHLX" on Form U4, pursuant to Rule 616. The Exchange may require successful completion by such persons of an examination, in addition to requirements imposed by other Exchange Rules. The Exchange may also require periodic examinations of such persons due to changes in trading rules, products or automated systems. The registration rule changes proposed herein will not apply to the trading floor personnel covered by Rule 620(b).

<sup>6</sup> Exchange Rule 1(cc) defines "representative" as a member or an associated person of a registered broker or dealer, including assistant officers other than principals, who is engaged in the investment banking or securities business for the member organization 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. The rule also states that, to the extent required by the provisions of Rule 613, all representatives are required to be registered with the Exchange.



the Exchange as a General Securities Representative must pass the Series 7 examination before such registration may become effective.

In 2012, the Exchange adopted the Proprietary Trader registration category as an alternative to the General Securities Representative registration category.<sup>7</sup> The Proprietary Trader registration category is an available alternative to General Securities Representative registration for members and persons associated with member organizations who are engaged solely in proprietary trading, market making or effecting transactions on behalf of a broker-dealer account. Individuals registering in the Proprietary Trader registration category must pass the Series 56 examination and are not required to pass the Series 7 examination. Individuals who qualify for registration as Proprietary Traders are not required to do so if they register as General Securities Representatives.

The Exchange now proposes to amend Rule 613(f) by deleting the Proprietary Trader registration category and replacing it with a new requirement that each person associated with a member who is included within the definition of a representative as defined in Rule 1(cc) must register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or foreign currency options on the Exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities, other than any person associated with a 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

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<sup>7</sup> See Securities Exchange Act Release No. 66840 (April 20, 2012), 77 FR 25003 (April 26, 2012) (SR-Phlx-2012-23).

under common control, with the member (an “investment company firm”). The proposed language requires applicants to pass an appropriate Qualification Examination for Securities Trader (the Series 57 examination) before registering in the new Securities Trader category. It also provides that a person registered as a Securities Trader shall not be qualified to function in any other registration category, unless he or she is also qualified and registered in such other registration category.

A reference to paragraph (f) is being added to Rule 613(a) to make clear that representatives who are required to register shall register in the category of registration appropriate to the function to be performed as specified in paragraph (e) or (f). Additionally, the Exchange is deleting from Rule 613(a) the general requirement that before a representative’s registration may become effective, they shall pass the Series 7 examination. The Series 7 requirement continues to apply to candidates for General Securities Representative registration, however, pursuant to Rule 613(e). Proposed paragraph (f) provides that candidates for Securities Trader registration must pass the Series 57 examination. They will not, however, be required to pass the Series 7 in order to register as Securities Traders.

A person registered as a Proprietary 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. In addition, individuals who were registered as a Proprietary Trader in the CRD system 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 they were last registered as a representative and the date they register as a Securities Trader.

Persons registered in the new category would be subject to the continuing education requirements of Rule 640. The Exchange proposes to amend Rule 640 by removing the option for Series 56 registered persons to participate in the S501 Series 56 Proprietary Trader continuing education program in order to satisfy the Regulatory Element. The S501 Series 56 Proprietary Trader continuing education program is being phased out along with the Series 56 Proprietary Trader qualification examination. As a result, effective January 4, 2016, the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons will cease to exist. In place of the S501 Series 56 Proprietary Trader continuing education program for Series 56 registered persons, the Exchange proposes that Series 57 registered persons be permitted to enroll in the S101 General Program for Series 7 and all other registered persons.

## II. Securities Trader Principal Registration Category.

Currently, under Rule 612(a), each member and person associated with a member organization to which Rule 611<sup>8</sup> applies and who is included within the definition of Principal in Rule 611, and each person designated as a Chief Compliance Officer on Schedule A of Form BD of a member organization to which Rule 611 applies, must

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<sup>8</sup> Rule 611 provides that all persons engaged or to be engaged in the investment banking or securities business of a member organization who are to function as Principals shall be registered as such with the Exchange through WebCRD in the category of registration appropriate to the function to be performed as specified in the rule. It also defines “Principal” as including sole proprietors, officers, partners, managers of offices of supervisory jurisdiction, and corporate directors, in each case associated with a member organization who are actively engaged in the management of the member organization's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a member organization for any of these functions.

register with the Exchange as a General Securities Principal and pass the Series 24 examination before such registration may become effective, unless such person's activities are so limited as to qualify such person for one or more of the limited categories of Principal registration specified in the rule. In 2012, the Exchange adopted, as a corollary to the Proprietary Trader representative registration category, a new Rule 612(e) Proprietary Trader Principal registration category. Under Rule 612(e), individuals required to register as Principal may register with the Exchange as a Proprietary Trader Principal if (A) his or her supervisory responsibilities in the investment banking and securities business are limited to the activities of a member organization that involve proprietary trading, market making and effecting transactions on behalf of broker-dealers; (B) he or she is registered pursuant to Exchange Rules as a Proprietary Trader; and (C) he or she is qualified to be so registered by passing the Series 24 examination. A person registered in the Proprietary Trader Principal category solely on the basis of having passed the Series 24 examination for that category may not function in a Principal capacity with responsibility over any area of business activity other than proprietary trading, market making and effecting transactions on behalf of broker-dealers as set forth in Rule 612(e)(i)(A).

In consultation with FINRA and other exchanges, the Exchange is now proposing to retire the Proprietary Trader Principal category. Accordingly, it is deleting Rule 612(e) in its entirety. In its place, the Exchange is adopting proposed Rule 612(e), which adds a new Securities Trader Principal registration category. Under the proposed rule each person associated with a member who is included within the definition of principal in Rule 611(b) and who will have supervisory responsibility over the securities trading

activities described in Rule 613(f) must become qualified and registered as a Securities Trader Principal. The proposed rule change should allow Phlx to more easily track principals with supervisory responsibility over securities trading activities.

To qualify for registration as a Securities Trader Principal, a candidate would first be required to qualify and register as a Securities Trader under Rule 613(f) and pass the General Securities Principal qualification examination. A person who is qualified and registered as a Securities Trader Principal under the proposed rule would only have supervisory responsibility over the securities trading activities specified in Rule 613(f), unless such person were separately qualified and registered in another appropriate principal registration category, such as the General Securities Principal registration category. Finally, a registered General Securities Principal would not be qualified to supervise the securities trading activities described in Rule 613(f), unless such person also qualified and registered as a Securities Trader under Rule 613(f) by passing the Securities Trader qualification examination and registering as a Securities Trader Principal.

A person registered as a Proprietary Trader Principal or as a Limited Principal-Registered Options Principal (“Limited Options Principal”)<sup>9</sup> in the CRD system on the

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<sup>9</sup> Currently, under Rule 612(d), a Principal may register with the Exchange as a Limited Principal—Registered Options Principal (“Limited Options Principal”) if (A) his or her supervisory responsibilities in the investment banking and securities business are limited exclusively to the options activities of a member organization, (B) he or she is registered pursuant to Exchange Rules as a General Securities Representative, and (C) he or she is qualified to be so registered by passing the Series 4 examination. A person registered in the Limited Options Principal category solely on the basis of having passed the Series 4 examination for Limited Principal—Registered Options Principal may not function in a Principal capacity with responsibility over any area of business activity other than the options activities of a member organization. The Exchange proposes to

effective date of the proposed rule change will be eligible to register as a Securities Trader Principal without having to take any additional examinations. An individual who was registered as a Proprietary Trader Principal in the CRD system prior to the effective date of the proposed rule change will also be eligible to register as a Securities Trader Principal without having to take any additional examinations, provided that no more than two years have passed between the date they were last registered as a principal and the date they register as a Securities Trader Principal. Members, however, will be required to affirmatively register persons transitioning to the proposed registration category as Securities Trader Principals on or after the effective date of the proposed rule change.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>11</sup> in particular, in that it is designed 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. The Exchange believes that the requirements of the Securities Trader and Securities Trader Principal registration categories, as well as the new Securities Trader qualification examination,

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permit Limited Options Principals who are functioning in a principal capacity at a member organization for which the Exchange is the designated examining authority on the effective date of this proposed rule change to register as Securities Trader Principals without having to take any additional examinations in order to minimize disruption to firms when the Securities Trader registration category becomes effective. The Exchange will waive the Series 24 examination requirement for these individuals so that they may be registered as Securities Trader Principals.

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

<sup>11</sup> 15 U.S.C. 78f(b)(5).

should help ensure that proprietary traders and the principals who supervise proprietary traders and proprietary trading are, and will continue to be, properly trained and qualified to perform their functions which should protect investors and the public interest.

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. Implementation of the proposed changes to Phlx's registration rules in coordination with the FINRA Amendments does not present any competitive issues, but rather is designed to provide less burdensome and more efficient regulatory compliance for members and enhance the ability of the Exchange to fairly and efficiently regulate members, which will further enhance competition. Additionally, the proposed rule change should not affect intramarket competition because all similarly situated representatives and principals will be required to complete the same qualification examinations and maintain the same registrations. Finally, the proposed rule change does not impose any additional examination burdens on persons who are already registered. There is no obligation to take the proposed Series 57 examination in order to continue in their present duties, so the proposed rule change is not expected to disadvantage current registered persons relative to new entrants in this regard.

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)(iii) of the Act<sup>12</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>13</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: (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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### 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-Phlx-2015-92 on the subject line.

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(a)(iii).

<sup>13</sup> 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 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.



Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2015-92. 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 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-2015-92 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.<sup>14</sup>

Robert W. Errett  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5**

*New text is underlined; deletions are bracketed*

**NASDAQ OMX PHLX Rules**

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**Rule 612. Categories of Principal Registration****(a) General Securities Principal**

Each member and person associated with a member organization to which Rule 611 applies and who is included within the definition of Principal in Rule 611, and each person designated as a Chief Compliance Officer on Schedule A of Form BD of a member organization to which Rule 611 applies, shall be required to register with the Exchange as a General Securities Principal and shall pass the Series 24 examination before such registration may become effective, unless such person's activities are so limited as to qualify such person for one or more of the limited categories of Principal registration specified hereafter in paragraphs (b) – (e). A person whose activities in the investment banking or securities business are so limited is not, however, precluded from attempting to become qualified for registration as a General Securities Principal, and if qualified, may become so registered. Each person seeking to register and qualify as a General Securities Principal must, prior to or concurrent with such registration, become registered as a General Securities Representative. A person who has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding shall be required to register as a General Securities Principal, but shall be exempt from the requirement to pass the Series 24 examination.

Except as provided in Rule 611(c), a person who was registered with FINRA as a Principal, shall not be required to pass the Series 24 examination and shall be qualified as a General Securities Principal.

A person registered solely as a General Securities Principal shall not be qualified to function as a Limited Principal—Financial and Operations, [or] Limited Principal—General Securities Sales Supervisor or Securities Trader Principal.

**(b) – (d) No change.**

**[(e) Limited Principal—Proprietary Trader Principal**

(i) Each person associated with a member organization to which Rule 611 applies and who is included in the definition of Principal in Rule 611 may register with the Exchange as a Limited Principal—Proprietary Trader Principal if:

(A) his or her supervisory responsibilities in the investment banking and securities business are limited to the activities of a member organization that involve proprietary trading, market making and effecting transactions on behalf of broker-dealers;

(B) he or she is registered pursuant to Exchange Rules as a Proprietary Trader; and

(C) he or she is qualified to be so registered by passing the Series 24 examination.

(ii) A person registered in this category solely on the basis of having passed the Series 24 examination for Limited Principal—Proprietary Trader Principal shall NOT be qualified to function in a Principal capacity with responsibility over any area of business activity not described in paragraph (e)(i)(A).]

#### **(e) Securities Trader Principal**

(i) Each person associated with a member who is included within the definition of principal in Rule 611(b) and who will have supervisory responsibility over the securities trading activities described in Rule 613(f) shall become qualified and registered as a Securities Trader Principal. To qualify for registration as a Securities Trader Principal, such person shall become qualified and registered as a Securities Trader under Rule 613(f) and pass the General Securities Principal qualification examination. A person who is qualified and registered as a Securities Trader Principal under this subparagraph (i) may only have supervisory responsibility over the activities specified in Rule 613(f), unless such person is separately qualified and registered in another appropriate principal registration category, such as the General Securities Principal registration category.

(ii) A person who is registered as a General Securities Principal shall not be qualified to supervise the trading activities described in Rule 613(f), unless such person has also become qualified and registered as a Securities Trader under Rule 613(f) by passing the Securities Trader qualification examination and become registered as a Securities Trader Principal.

#### **Rule 613. Representative Registration**

(a) Except members whose activities are limited to the Exchange's options trading floor and are registered pursuant to Rule 620(a) as well as associated persons whose activities are limited to the Exchange's options trading floor and are registered pursuant to Rule 620(b), all persons engaged or to be engaged in the investment banking or securities business of a member organization who are to function as representatives shall be registered as such with the Exchange through WebCRD under PHLX in the category of registration appropriate to the function to be performed as specified in paragraph (e) or (f) below. [Before their registration can become effective, they shall pass the Series 7 examination.]

(b) – (d) No change.

(e) Categories of Representative Registration - General Securities Representative

Each member and each person associated with a member organization who is required to register with the Exchange as a General Securities Representative under this rule shall pass the Series 7 examination before such registration may become effective.

[(f) Categories of Representative Registration, Limited - Proprietary Trader.

Each member and each person associated with a member organization who is engaged solely in proprietary trading, market making or effecting transactions on behalf of a broker-dealer account may register with the Exchange as a Proprietary Trader and pass the Series 56 examination, in lieu of the requirements of subparagraph (e) above.]

**(f) Securities Trader**

(1) Each person associated with a member who is included within the definition of a representative as defined in Rule 1(cc) must register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or foreign currency options on the Exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities, other than any person associated with a 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.

(2) Before registration as a Securities Trader as defined in subparagraph (1) hereof may become effective, an applicant must pass an appropriate Qualification Examination for Securities Trader (the Series 57 examination).

(3) A person registered as a Securities Trader shall not be qualified to function in any other registration category, unless he or she is also qualified and registered in such other registration category.

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**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.]

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

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

(2) – (4) No change.

(b) No change.

••• Commentary: No change.

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