

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70236; File No. SR-BYX-2013-028]

### Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify BYX Registration and Continuing Education Requirements

August 20, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 15, 2013, BATS Y-Exchange, Inc. (the "Exchange" or "BYX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. 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 filed a proposal to add language to amend BYX Rule 2.5, entitled "Restrictions," and BYX Rule 11.4, entitled "Authorized Traders," to recognize a new category of limited representative registration for proprietary traders and Proprietary Trader Principals and clarify the qualification and continuing education requirements necessary or acceptable for different registration categories.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.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 parts of such statements.

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

##### 1. Purpose

##### *Proprietary Trader Registration*

The Exchange proposes to amend Rules 2.5 and 11.4 to recognize a new category of limited representative registration for proprietary traders. The Exchange will also expand its registration requirements to include the Proprietary Traders Qualification Examination ("Series 56") among the applicable qualification examinations as determined by the Exchange. Further, the Exchange proposes to permit Authorized Traders<sup>5</sup> of Members who engage solely in proprietary trading to obtain the Series 56 license in order to effect transactions on the Exchange.

The Series 56 was developed by a number of self-regulatory organizations ("SROs") to test a candidate's knowledge of proprietary trading generally and the industry rules applicable to the trading of equity securities and listed options contracts.<sup>6</sup> The Series 56 covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices, display, execution, and trading systems. While the Series 56 is primarily dedicated to topics related to proprietary trading, it also covers some general concepts relating to customers.

The qualification examination consists of 100 multiple choice questions, which candidates have 150 minutes to complete. The content outline describes the following topical sections comprising the examination: Personnel, Business Conduct,

Recordkeeping and Reporting Requirements—9 questions; Markets, Market Participants, Exchanges, and Self-Regulatory Organizations—8 questions; Types and Characteristics of Securities and Investments—20 questions; Trading Practices and Prohibited Acts—50 questions; and Display, Execution, and Trading Systems, 13 questions. The examination is already available in the Central Registration Depository (Web CRD), and thus, the rule change can be implemented immediately upon filing the proposed rule changes.

The Exchange believes that acceptance of the Series 56 qualification examination will benefit both the Exchange and the applicable proprietary traders affected by the proposal because the examination would allow an individual who wishes to transact business on BATS [sic] in a limited capacity to qualify by passing an examination tailored to that limited capacity. The Series 56 specifically addresses industry topics that establish the appropriate regulatory and procedural knowledge base necessary for individuals required to register as a Proprietary Trader. As such, the Exchange proposes to modify Interpretation and Policy .01(c) of Rule 2.5 to include the Series 56 examination among the examinations accepted by the Exchange. The Exchange also proposes to replace existing Interpretation and Policy .01(f) of Rule 2.5 to set forth the registration requirements for a Proprietary Trader, re-designate current Interpretation and Policy .01(f) as .01(g), and modify this provision to include a cross-reference to new Interpretation and Policy .01(f). Further, the Exchange proposes to modify Interpretation and Policy .02(a) of Rule 2.5 to clarify that persons registered as Proprietary Traders must comply with the continuing education requirements applicable to the Series 56 license, while other Registered Representatives must comply with the continuing education requirements applicable to their particular registration and license. These continuing education requirements are listed in proposed Interpretation and Policy .02(e) to Rule 2.5. Finally, the Exchange also proposes to amend Rule 11.4(e) to include Series 56 among the examinations necessary for an individual to be eligible for registration as an Authorized Trader.

Under proposed Interpretation and Policy .01(f) of Rule 2.5, an Authorized Trader that is considered to be a proprietary trader can qualify for limited representative registration. An Authorized Trader will be considered to be a proprietary trader if: (1) The

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

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

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

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

<sup>5</sup> An "Authorized Trader" is a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange's trading facilities on behalf of his or her Member or Sponsored Participant. BYX Rule 1.5(d).

<sup>6</sup> See Securities Exchange Act Release No. 64699 (June 17, 2011), 76 FR 36945 (June 23, 2011) (SR-CBOE-2011-056) (explaining the development of the Series 56 examination and the examination's content). The Series 56 examination program was developed in conjunction with FINRA, and is shared by the Boston Options Exchange, C2 Options Exchange, Inc.; Chicago Board Options Exchange, Inc.; Chicago Stock Exchange, Inc.; International Securities Exchange, LLC; NASDAQ OMX BX, Inc.; NASDAQ OMX PHLX LLC; NASDAQ Stock Market LLC; National Stock Exchange, Inc.; New York Stock Exchange, LLC; NYSE Amex, Inc.; and NYSE Arca, Inc.

Authorized Trader's activities in the investment banking or securities business are limited solely to proprietary trading; (2) the Authorized Trader passes the Series 56; and (3) the Authorized Trader is an associated person of a proprietary trading firm. Under paragraph (g) of this provision, a "proprietary trading firm" is a Member that trades its own capital, does not have customers, and is not a member of the Financial Industry Regulatory Authority (FINRA). In addition, to qualify for this definition, the funds used by a proprietary trading firm must be exclusively firm funds, all trading must be in the firm's accounts, and traders must be owners of, employees of, or contractors to the firm.<sup>7</sup> Thus, the Proprietary Trader registration expressly excludes associated persons that deal with the public.<sup>8</sup>

#### Principal Registration

The Exchange proposes to amend Interpretation and Policy .01(d) of Rule 2.5 to state that the Exchange will accept the New York Stock Exchange ("NYSE") Series 14 Compliance Official Examination ("Series 14") in lieu of the Series 24 General Securities Principal Examination ("Series 24") to satisfy the registration requirement for Principals that have been designated Chief Compliance Officers on Schedule A of Form BD. This examination is designed to establish that the applicant has the knowledge and skill necessary for compliance officials.<sup>9</sup> The Exchange notes that acceptance of this alternative examination is consistent with other SROs' registration requirements<sup>10</sup> and will provide an alternate, appropriate

examination requirement for certain individuals associated with Exchange Members.

In addition, to accommodate the new Proprietary Trader registration category, the Exchange proposes to add language to Interpretation and Policy .01(d) of Rule 2.5 that will create a new category of limited representative Principal—the Proprietary Trader Principal—and clarify the prerequisites necessary for Proprietary Trader Principals as opposed to General Securities Principals. Registration as a Proprietary Trader Principal will be restricted to individuals whose supervisory responsibilities are limited to proprietary traders, as defined in amended Interpretation and Policy .01(f) of Rule 2.5. The Exchange will permit the Series 56 as a prerequisite to the General Securities Principal Examination ("Series 24") or Compliance Official Examination ("Series 14").<sup>11</sup>

The Exchange also proposes to add language to Interpretation and Policy .01(d) of Rule 2.5 to clarify the appropriate prerequisites for registration as General Securities Principals.<sup>12</sup> The Exchange will continue to require General Securities Principals to successfully complete the General Securities Representative Registration ("Series 7") or an equivalent foreign examination module ("Series 17" or "Series 37/38").

The Exchange believes that the prerequisite examination requirement for registration as a Proprietary Trader Principal is appropriate because, as noted above, the Series 56 is specifically designed to address industry topics and establish the appropriate regulatory and procedural knowledge base relevant to proprietary trading. Moreover, the Exchange will continue to require successful completion of either the Series 24 or Series 14 for both Proprietary Trader Principals and General Securities Principals, thereby ensuring that all Principals have the necessary knowledge and skill to act in a supervisory capacity. Additionally, the Exchange notes that creating the registration category of Proprietary Trader Principal is consistent with registration requirements of other national securities exchanges.<sup>13</sup>

#### Acceptable Qualification Examinations

The Exchange proposes to add Interpretation and Policy .01(h) of Rule 2.5, which will include a chart that sets forth the relevant qualification requirements for each registration category described in the rule. This chart will not change the qualification requirements in any way. It will merely clarify the requirements described in the Rule, thereby avoiding any confusion regarding qualification examinations the Exchange deems acceptable for each registration category.

#### Acceptable Continuing Education Programs

The Exchange also proposes to add language to Interpretation and Policy .02(e) to Rule 2.5 that will clarify the different continuing education ("CE") requirements for registered persons based upon their registration with the Exchange. Specifically, the Exchange proposes to introduce a chart that enumerates the Regulatory Element programs necessary for each registration category and introduce a new Regulatory Element program for those persons registered as Proprietary Traders.

Existing Interpretation and Policy .02(a) of Rule 2.5 requires all registered representatives to complete the Regulatory Element of the continuing education program at specified intervals and states that the content of the Regulatory Element shall be determined by the Exchange for each registration category of persons subject to the Rule. The Regulatory Element is a computer-based education program administered by the Financial Industry Regulatory Authority ("FINRA") to help ensure that registered persons are kept up to date on regulatory, compliance and sales practice matters in the industry. Currently, there are two Regulatory Element programs: The S201 Supervisor Program for registered principals and supervisors and the S101 General Program for Series 7 and all other registered persons.<sup>14</sup> The Exchange is proposing to enumerate these existing programs in Interpretation and Policy .02(e) to Rule 2.5, as well as the new S501 Series 56 Proprietary Trader Continuing Education Program for those persons registered as Proprietary Traders.

The Exchange is also proposing to introduce a new CE program for persons registered with the Exchange solely as Proprietary Traders by passing the

<sup>7</sup> BYX Rule 2.5, Interpretation and Policy .01(f) (proposed Interpretation and Policy .01(g)).

<sup>8</sup> Authorized Traders that deal with the public should continue to register as General Securities Representatives after obtaining the Series 7 license. An Authorized Trader who is qualified as a General Securities Representative by passing the Series 7 may function as a proprietary trader; however, such person should register as a General Securities Representative rather than a Proprietary Trader.

<sup>9</sup> For details about the Series 14, see Financial Industry Regulatory Authority, *Compliance Official Qualification Examination (Test Series 14): Content Outline*, (2012), available at <http://www.finra.org/web/groups/industry/@ip/@comp/@regis/documents/industry/p117564.pdf>.

<sup>10</sup> See, e.g., CBOE Rule 3.6A.08(b); NASD Notice to Members 01-51 (August 2001), available at <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p003809.pdf>; Chicago Stock Exchange, Inc. Member Regulation Department Information Memorandum (May 8, 2013), available at [http://www.chx.com/content/Participant\\_Information/Downloadable\\_Docs/MarketRegulation/1\\_InformationMemoranda/2013/MR-13-04\\_New\\_Registration\\_Categories\\_and\\_Related\\_Qualification\\_Exams.pdf](http://www.chx.com/content/Participant_Information/Downloadable_Docs/MarketRegulation/1_InformationMemoranda/2013/MR-13-04_New_Registration_Categories_and_Related_Qualification_Exams.pdf); NYSE Information Memo 07-43 (May 9, 2007), available at [http://www.nyse.com/nyse/nyse/nyse/information-memos/pdf?memo\\_id=07-43](http://www.nyse.com/nyse/nyse/nyse/information-memos/pdf?memo_id=07-43).

<sup>11</sup> As noted, the Exchange will only permit the Series 14 for those designated as Chief Compliance Officers on Schedule A of Form BD.

<sup>12</sup> General Securities Principals are individuals that supervise the activities of General Securities Representatives.

<sup>13</sup> See, e.g., BOX Rule 2020(c)(2); CBOE Rule 3.6A.08; NASDAQ OMX BX Rule 1022(h); NASDAQ OMX PHLX Rule 612(e).

<sup>14</sup> The Commission notes that there are three Regulatory Element programs. The S106 is the Regulatory Element program for persons who are Series 6 qualified.

Series 56. Proposed Interpretation and Policy .01(f) to Rule 2.5 outlines the registration and qualification requirements for those wishing to register with the Exchange as a Proprietary Trader, making clear that the Series 56 is a prerequisite for this registration category.

The Proprietary Trader Continuing Education Program (S501) is a computer-based education program developed by many of the self-regulatory organizations that worked to develop the Series 56 (“Participating SROs”)<sup>15</sup> and administered by FINRA to ensure that registered persons are kept current on regulatory, compliance, and trading practice matters in the industry. Unlike the other offered CE programs, the S501 is not part of the Uniform Continuing Education Program, which is developed and maintained by the Securities Industry Regulatory Council on Continuing Education.

The S501 will logistically operate as the currently offered CE programs do. Specifically, registered persons will be required, through CRD, to complete the Regulatory Element of the CE on the second anniversary of the base date and then every three years thereafter. While creating the S501, the Participating SROs believe that the current procedures of the other CE programs work well. The Securities Industry Regulatory Council on Continuing Education has tailored the process of the other CE programs since its inception and made it successful. Thus, as proposed, the S501 will work in the same manner. In addition, consistency between the different programs will avoid creating confusion among registered persons and FINRA.

The S501 is required for registrants who are registered as Proprietary Traders and do not maintain any other registration through CRD.<sup>16</sup> Individuals that are registered under any other registration are required to maintain the CE obligations associated with such registrations. For example, an individual that engages solely in proprietary trading activities yet continues to maintain a Series 7

registration will be required to continue taking the Series 7 Continuing Education Program (S101).<sup>17</sup> Although such an individual may be engaging in the same activities as an individual registered as a Proprietary Trader, the Series 7 Examination is more comprehensive and covers topics that the Series 56 does not. Thus, the Exchange believes that this individual should complete the CE associated with the Series 7 because this covers all aspects of the individual’s registration.

The introduction of the S501 allows the Exchange to tailor its CE requirements more closely to the duties of individuals who have registered with the Exchange as Proprietary Traders after passing the Series 56. More specifically, the Exchange believes allowing individuals engaging in proprietary trading and registered under the Series 56 to complete a separate CE program than those maintaining a Series 7 registration is appropriate given that all individuals have the option of taking either test. In comparison to the more comprehensive Series 7, the Series 56 Examination is more closely tailored to the practice of proprietary trading. As such, the Exchange believes a Series 56 CE program should be tailored as well. At the same time, if an individual would like to retain a Series 7 license, the Exchange believes it is appropriate they continue to be required to complete the broader CE program, which covers all aspects of this registration.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>18</sup> in general, and furthers the objectives of Section 6(c)(3)(B) of the Act in particular.<sup>19</sup> Under Section 6(c)(3)(B), it is the Exchange’s responsibility to prescribe standards of training, experience, and competence for Exchange Members and their associated persons.<sup>20</sup> The Exchange proposes to recognize a new category of limited representative registration for proprietary traders and to permit Authorized Traders of Members who engage solely in proprietary trading to obtain the Series 56 license in lieu of the more general Series 7 license. The Exchange believes the Series 56 establishes that Authorized Traders of

Members have attained specified levels of competence and knowledge generally applicable to proprietary trading.

Additionally, the Exchange is offering an alternative qualification examination, the Series 14, for Principals designated as Chief Compliance Officers. The Exchange believes this examination establishes the skill and knowledge base necessary for a compliance official. Moreover, acceptance of this alternative examination will provide an alternate, appropriate examination requirement for certain individuals associated with Exchange Members.

To accommodate recognition of limited representative registration as proprietary Traders, the Exchange proposes to recognize a new category of limited representative principal registration for individuals whose supervisory responsibilities are restricted to proprietary traders. The Exchange will accept the Series 56 as a prerequisite to the successful completion of a permissible Principal Examination. The Exchange will continue to require successful completion of either the Series 24 or Series 14 examination for all Principals because the Exchange believes that these examinations establish the skill and knowledge base appropriate for individuals responsible for supervising the activities of a member’s Authorized Traders.

Finally, the Exchange proposes to codify existing CE requirements for persons registered with the Exchange, while also introducing a new CE program that prescribes a standard for Series 56 registered persons. The Exchange believes the proposed changes are reasonable and set forth the appropriate CE requirements for an individual required to register under Rule 2.5.

The Exchange believes the proposed changes are also consistent with Section 6(b)(5) of the Act<sup>21</sup> because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, protect investors and the public interest. The Exchange believes the rule changes accomplish these objectives by enabling individuals to qualify for registration with the Exchange by passing a qualification examination that specifically addresses industry topics that establish the foundation for the regulatory and procedural knowledge necessary for such persons electing to register as Proprietary Traders and/or Proprietary Trader Principals. Furthermore, the

<sup>15</sup> The Participating SROs that have assisted with the development of, and plan to administer, the Series 56 and S501 are the Exchange, Chicago Board Options Exchange, C2 Options Inc., the Chicago Stock Exchange, Inc., the New York Stock Exchange, LLC, NYSE Arca, Inc., NYSE Amex, LLC, the NASDAQ Stock Market LLC, the National Stock Exchange, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX, LLC, EDGA Exchange, Inc., EDGX Exchange, Inc., International Securities Exchange, LLC, and BOX Options Exchange, LLC.

<sup>16</sup> Any registered person who receives a waiver of the Series 56 under Rule 2.5.01(b), and does not maintain any other registrations in CRD, will be required to complete the Proprietary Trader Continuing Education Program (S501).

<sup>17</sup> See *id.* If a registered person has received a Series 56 waiver under Rule 2.5.01(b) but continues to maintain a Series 7 registration (that predates the introduction of the Series 56 on the Exchange), that registered individual will only be required to take the Series 7 CE Program (S101). Through CRD, FINRA will recognize the Series 56 as waived while still requiring the Series 7 CE completion.

<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78(c)(3)(B).

<sup>20</sup> *Id.*

<sup>21</sup> 15 U.S.C. 78f(b)(5).

Exchange is clarifying the continuing education requirements necessary for individuals that choose to register as Proprietary Traders, as well as the basic qualification requirements necessary for all categories of registration, thereby avoiding any unnecessary investor with regard to such requirements.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule changes related to registration requirements will align Exchange Rules with those of many other national securities exchanges.<sup>22</sup> Unifying the qualification requirements for registration as a Proprietary Trader and Proprietary Trader Principal across exchanges promotes clarity for investors and promotes competition among exchanges for trading volume. Similarly, accepting an alternative examination for Principals designated as Chief Compliance Officers on Form BD will avoid duplicative examination requirements among exchanges, thereby furthering competition among these exchanges and reducing the burden on individuals that are well-qualified to act in a supervisory capacity.

In addition, the proposed rule change clarifying the specific CE requirements for all registration categories will align Chicago Rules with those of the Chicago Board Option Exchange ("CBOE").<sup>23</sup> The Exchange does not believe that these proposed rule changes will affect intermarket competition because the Exchange believes that all exchanges that impose the same CE requirements will file similar rule changes addressing these CE programs. Furthermore, the Exchange does not believe the proposed change will affect intramarket competition because all

similarly situated registered persons (e.g. registered persons maintaining the same registrations) are required to complete the same CE requirements. For example, all individuals maintaining a Series 7 registration will be required to complete the Series 7 CE, while all individuals maintaining a Series 56 registration (and no other registrations) will be required to complete the new Series 56 CE.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

#### **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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>24</sup> and Rule 19b-4(f)(6) thereunder.

The Exchange has requested that the Commission waive the 30-day operative delay. The proposed rule change will allow the Exchange to formally recognize a new category of limited representative registration for Proprietary Traders and Proprietary Trader Principals, as well as the Series 56 examination. The proposed rule change also aligns the Exchange's registration and examination requirements for Proprietary Traders and Chief Compliance Officers with those of other exchanges, and specifies the qualification examinations and continuing education requirements for the different registration categories. Waiver of the operative delay would allow the Exchange to implement the proposed rule change without delay, enabling the Authorized Traders of its Members to comply with their registration, examination and continuing education requirements in a timely manner, and thus is consistent with the protection of investors and the public interest. Therefore, the Commission designates the proposal operative upon filing.<sup>25</sup>

At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BYX-2013-028 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-BYX-2013-028. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change;

<sup>22</sup> See, e.g., BOX Rule 2020(b)(2), (c)(2); CBOE Rule 3.6A.08; NASDAQ OMX BX Rules 1022(h), 1032(b); NASDAQ OMX PHLX Rules 612(e), 613(f); NYSE Arca Options Rule 2.23(b)(2); EDGX Rule 2.5.06; see also NASD Notice to Members 01-51 (August 2001), available at <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p003809.pdf>; Chicago Stock Exchange, Inc. Member Regulation Department Information Memorandum (May 8, 2013), available at [http://www.chx.com/content/Participant\\_Information/Downloadable\\_Docs/MarketRegulation/1\\_InformationMemoranda/2013/MR-13-04\\_New\\_Registration\\_Categories\\_and\\_Related\\_Qualification\\_Exams.pdf](http://www.chx.com/content/Participant_Information/Downloadable_Docs/MarketRegulation/1_InformationMemoranda/2013/MR-13-04_New_Registration_Categories_and_Related_Qualification_Exams.pdf); NYSE Information Memo 07-43 (May 9, 2007), available at [http://www.nyse.com/nyse/notices/nyse/information-memos/pdf/memo\\_id=07-43](http://www.nyse.com/nyse/notices/nyse/information-memos/pdf/memo_id=07-43).

<sup>23</sup> See Securities Exchange Act Release No. 70027 (July 23, 2013), 78 FR 45584 (July 29, 2013) (SR-CBOE-2013-076).

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-BYX-2013-028 and should be submitted on or before September 16, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70237; File No. SR-BATS-2013-046]

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<sup>5</sup> An "Authorized Trader" is a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange's trading facilities on behalf of his or her Member or Sponsored Participant. BATS Rule 1.5(d).

<sup>6</sup> See Securities Exchange Act Release No. 64699 (June 17, 2011), 76 FR 36945 (June 23, 2011) (SR-CBOE-2011-056) (explaining the development of the Series 56 examination and the examination's content). The Series 56 examination program was developed in conjunction with FINRA, and is shared by the Boston Options Exchange, C2 Options Exchange, Inc.; Chicago Board Options Exchange, Inc.; Chicago Stock Exchange, Inc.; International Securities Exchange, LLC; NASDAQ OMX BX, Inc.;

The Series 56 covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices, display, execution, and trading systems. While the Series 56 is primarily dedicated to topics related to proprietary trading, it also covers some general concepts relating to customers.

The qualification examination consists of 100 multiple choice questions, which candidates have 150 minutes to complete. The content outline describes the following topical sections comprising the examination: Personnel, Business Conduct, Recordkeeping and Reporting Requirements—9 questions; Markets, Market Participants, Exchanges, and Self-Regulatory Organizations—8 questions; Types and Characteristics of Securities and Investments—20 questions; Trading Practices and Prohibited Acts—50 questions; and Display, Execution, and Trading Systems, 13 questions. The examination is already available in the Central Registration Depository (Web CRD), and thus, the rule change can be implemented immediately upon filing the proposed rule changes.

The Exchange believes that acceptance of the Series 56 qualification examination will benefit both the Exchange and the applicable proprietary traders affected by the proposal because the examination would allow an individual who wishes to transact business on BATS in a limited capacity to qualify by passing an examination tailored to that limited capacity. The Series 56 specifically addresses industry topics that establish the appropriate regulatory and procedural knowledge base necessary for individuals required to register as a Proprietary Trader. As such, the Exchange proposes to modify Interpretation and Policy .01(c) of Rule 2.5 to include the Series 56 examination among the examinations accepted by the Exchange. The Exchange also proposes to replace existing Interpretation and Policy .01(f) of Rule 2.5 to set forth the registration requirements for a Proprietary Trader and modify Interpretation and Policy .01(g) to include a cross-reference to this new provision. Further, the Exchange proposes to modify Interpretation and Policy .02(a) of Rule 2.5 to clarify that persons registered as Proprietary Traders must comply with the continuing education requirements applicable to the Series 56 license,

NASDAQ OMX PHLX LLC; NASDAQ Stock Market LLC; National Stock Exchange, Inc.; New York Stock Exchange, LLC; NYSE Amex, Inc.; and NYSE Arca, Inc.

<sup>26</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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