

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-91576; File No. SR-CBOE-2021-022]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Rules Relating to Categories of Registration and Respective Qualification Examinations Required for Trading Permit Holders and Associated Persons That Engage in Trading Activities on the Exchange

April 15, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 5, 2021, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission” or “SEC”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 amend its rules relating to categories of registration and respective qualification examinations required for Trading Permit Holders (“TPHs”) and associated persons that engage in trading activities on the Exchange. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, 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 has adopted registration requirements to ensure that associated persons of TPH organizations attain and maintain specified levels of competence and knowledge pertinent to their function. In general, the current rules require that persons engaged in a TPH organization’s securities business who are to function as representatives or principals register with the Exchange in the category of registration appropriate to their functions by passing one or more qualification examinations<sup>5</sup> and exempt specified associated persons from the registration requirements.<sup>6</sup> They also prescribe ongoing continuing education requirements for registered persons.<sup>7</sup> The Exchange now proposes to amend, reorganize and enhance its rules regarding registration, qualification examinations and continuing education, as described below.

In 2017, the Commission approved a Financial Industry Regulatory Authority, Inc. (“FINRA”) proposed rule change adopting rules relating to qualification and registration requirements in the consolidated FINRA Rulebook, restructuring the FINRA representative-level qualification examinations, creating a general knowledge examination and specialized knowledge examinations, allowing permissive registration, establishing an exam waiver process for persons working for a financial services affiliate of a member, and amending certain Continuing Education (“CE”) requirements (the “FINRA Rule

Changes”).<sup>8</sup> The FINRA Rule Changes became effective on October 1, 2018. Other exchanges, such as Nasdaq Stock Market LLC (“Nasdaq”), New York Stock Exchange LLC (“NYSE”) and Miami International Securities Exchange, LLC (“MIAX”) subsequently adopted rule changes based on FINRA’s Rule Changes (collectively with the FINRA Rule Changes, the “Registration Rule Changes”).<sup>9</sup>

The Exchange now proposes to amend, reorganize and enhance its own membership, registration and qualification rules in part in response to the Registration Rule Changes, and also in order to conform the Exchange’s rules more closely to those of its affiliated exchanges and non-affiliated exchanges in the interest of uniformity and to facilitate compliance with membership, registration and qualification regulatory requirements by members of multiple exchanges. The proposed rule change also includes the proposal to enhance its registration rules by adding a new registration requirement applicable to developers of algorithmic trading systems similar to a requirement adopted by FINRA pursuant to a 2016 FINRA proposed rule change.<sup>10</sup> In

<sup>8</sup> See Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007). See also FINRA Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017). FINRA articulated its belief that the proposed rule change would streamline, and bring consistency and uniformity to, its registration rules, which would, in turn, assist FINRA members and their associated persons in complying with the rules and improve regulatory efficiency. FINRA also determined to enhance the overall efficiency of its representative-level examinations program by eliminating redundancy of subject matter content across examinations, retiring several outdated representative-level registrations, and introducing a general knowledge examination that could be taken by all potential representative-level registrants and the general public. FINRA amended certain aspects of its continuing education rule, including by codifying existing guidance regarding the effect of failing to complete the Regulatory Element on a registered person’s activities and compensation.

<sup>9</sup> See, e.g., Exchange Act Release No. 84638 (November 20, 2018), 83 FR 60909 (November 27, 2018) (SR-NASDAQ-2018-093). See also Exchange Act Release No. 84336 (October 2, 2018), 83 FR 50727 (October 9, 2018) (SR-NYSE-2018-44) and Exchange Act Release No. 87830 (December 20, 2019), 84 FR 72025 (December 30, 2019) (SR-MIAX-2019-50). The Exchange notes the affiliates of these Exchanges have filed similar rule changes.

<sup>10</sup> See Exchange Act Release No. 77551 (April 7, 2016), 81 FR 21914 (April 13, 2016) (Order Approving File No. SR-FINRA-2016-007). In its proposed rule change FINRA addressed the increasing significance of algorithmic trading strategies by amending its rules to require registration, as Securities Traders, of associated persons primarily responsible for the design, development or significant modification of algorithmic trading strategies, or who are

<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)(iii).

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

<sup>5</sup> See Cboe Options Rule 3.30(a)(1).

<sup>6</sup> See Cboe Options Rule 3.30(a)(2).

<sup>7</sup> See Cboe Options Rule 3.33.

connection with these changes, the Exchange proposes to amend Cboe Options Rules 3.30, 3.33, 3.36 and 3.37 and adopt Cboe Options Rules 3.31, 3.32 and 3.34.

#### Registration Requirements (Proposed Rule 3.30)

Cboe Options Rule 3.30 currently requires that persons engaged, or to be engaged, in the securities business of a TPH who are to function as representatives or principals register with the Exchange in the category of registration appropriate to their functions as specified in Cboe Options Rule 3.30.<sup>11</sup> The Exchange proposes to amend Rules 3.30 and 3.33 and adopt Rules 3.31 and 3.32 to address various elements of registration.

Proposed Rule 3.30 provides that each person engaged in the securities business of a TPH must register with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in proposed Rule 3.31, unless exempt from registration pursuant to proposed Rule 3.32. Proposed Rule 3.30 also provides that such person is not qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

#### Minimum Number of Registered Principals (Proposed Rule 3.30.01)

Rule 3.30.07 currently requires that every TPH must register with the Exchange in a heightened capacity each individual acting in any of the following roles: (i) officer; (ii) partner; (iii) director; (iv) supervisor of proprietary trading, market-making or brokerage activities; and/or (v) supervisor of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities. Each TPH must register with the Exchange at least two individuals acting in one or more of the capacities described in (i)–(v) above. The Exchange is able to waive this requirement if a TPH demonstrates conclusively that only one individual acting in one or more of the capacities described in (i) through (v) above should be required to register. In addition, a TPH that conducts proprietary trading only and has 25 or fewer registered persons shall instead be required to have a minimum of one officer or partner who is registered in this capacity. The Exchange is proposing to eliminate Rule 3.30.07 and,

in its place, adopt a similar, but new, Rule 3.30.01. The new rule would provide TPHs that limit the scope of their business flexibility in satisfying the two-principal requirement. In particular, proposed Rule 3.30.01 requires that a TPH have a minimum of two General Securities Principals, provided that a TPH that is limited in the scope of its activities may instead have two officers or partners who are registered in a principal category that corresponds to the scope of the TPH's activities. For instance, if a TPH's business is limited to securities trading, the TPH may have two Securities Trader Principals, instead of two General Securities Principals. Additionally, proposed Rule 3.30.01 provides that any TPH with only one associated person is excluded from the two-principal requirement. Proposed Rule 3.30.01 would provide that existing TPHs as well as new applicants may request a waiver of the two-principal requirement, consistent with current Rule 3.30.07. Finally, the Exchange is proposing to retain the existing rule's provision permitting a proprietary trading firm with 25 or fewer registered representatives to have just one registered principal. The Exchange notes that proposed Rule 3.30.01 is substantively the same as FINRA's and other exchanges' corresponding Rules.<sup>12</sup>

#### Permissive Registrations (Proposed Rule 3.30.02)

Current Rule 3.30(a)(1) prohibits TPHs from maintaining a registration with the Exchange for any person (A) who is no longer active in the TPH's securities business, (B) who is no longer functioning in the registered capacity, or (C) where the sole purpose is to avoid the examination requirement of the rule. A TPH may not make application for the registration of any person where there is no intent to employ such person in the TPH's securities business. However, a TPH may maintain or make application for the registration of a person who performs legal, compliance, internal audit, back-office operations, or similar duties for the TPH or a person engaged in the securities business of a foreign securities affiliate or subsidiary of the TPH. The Exchange is proposing to replace this provision with new Rule 3.30.02. The Exchange is also proposing to expand the scope of permissive registrations and to clarify a TPH's obligations regarding individuals who are maintaining such registrations.

Specifically, proposed Rule 3.30.02 allows any associated person to obtain and maintain any registration permitted by the TPH. For instance, an associated person of a TPH working solely in a clerical or ministerial capacity, such as in an administrative capacity, would be able to obtain and maintain a General Securities Representative registration with the TPH. As another example, an associated person of a TPH who is registered, and functioning solely, as a General Securities Representative would be able to obtain and maintain a General Securities Principal registration with the TPH. Further, proposed Rule 3.30.02 allows an individual engaged in the securities business of a foreign securities affiliate or subsidiary of a TPH to obtain and maintain any registration permitted by the TPH.

The Exchange is proposing to permit the registration of such individuals for several reasons. First, a TPH may foresee a need to move a former representative or principal who has not been registered for two or more years back into a position that would require such person to be registered. Currently, such persons are required to requalify (or obtain a waiver of the applicable qualification examinations) and reapply for registration. Second, the proposed rule change would allow TPHs to develop a depth of associated persons with registrations in the event of unanticipated personnel changes. Third, allowing registration in additional categories encourages greater regulatory understanding.

Individuals maintaining a permissive registration under the proposed rule change would be considered registered persons and subject to all Exchange rules, to the extent relevant to their activities. For instance, an individual working solely in an administrative capacity would be able to maintain a General Securities Representative registration and would be considered a registered person for purposes of rules relating to borrowing from or lending to customers, but the rule would have no practical application to his or her conduct because he or she would not have any customers.

Consistent with the Exchange's supervision rules, TPHs would be required to have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. With respect to an individual who solely maintains a permissive registration, such as an individual working exclusively in an administrative capacity, the individual's day-to-day supervisor may be a

responsible for the day-to-day supervision or direction of such activities.

<sup>11</sup> See Cboe Options Rule 3.30.

<sup>12</sup> See, e.g., FINRA Rule 1210.01 (Minimum Number of Registered Principals and Nasdaq Rule 1210.01 (Minimum Number of Registered Principals)).

nonregistered person. TPHs would be required to assign a registered supervisor to this person who would be responsible for periodically contacting such individual's day-to-day supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor must be registered as a representative or principal. If the individual is permissively registered as a principal, the registered supervisor must be registered as a principal. The Exchange notes that proposed Rule 3.30.02 is substantively similar to FINRA and other exchanges' corresponding rules.<sup>13</sup>

#### Qualification Examinations and Waivers of Examinations (Proposed Rule 3.30.03)

Current Rule 3.30(a)(1) provides that before a registration can become effective, TPHs must submit the appropriate application for registration, pass a qualification examination appropriate to the category of registration and submit any required registration and examination fees. The Exchange is proposing to incorporate similar language in new Rule 3.30.03.

In addition, as part of the FINRA Rule Changes, FINRA adopted a restructured representative-level qualification examination program whereby representative-level registrants would be required to take a general knowledge examination (the Securities Industry Essentials Exam or "SIE") and a specialized knowledge examination appropriate to their job functions at the firm with which they are associating. The Exchange similarly adopted this requirement, which is reflected in current Cboe Options Rules 3.30.08 and 3.37(d).<sup>14</sup> The Exchange therefore also proposes to provide in proposed Rule 3.30.03 that before the registration of a person as a representative can become effective under proposed Rule 3.30, such person must pass the SIE and an appropriate representative-level qualification examination as specified in proposed Rule 3.31. Proposed Rule 3.30.03 also provides that before the registration of a person as a principal can become effective under proposed Rule 3.30, such person must pass an appropriate principal-level qualification examination as specified in proposed Rule 3.31.

Further, proposed Rule 3.30.03 provides that if a registered person's job functions change and he or she needs to

become registered in another representative-level category, he or she would not need to pass the SIE again. Rather, the registered person would need to pass only the appropriate representative-level qualification examination. Moreover, proposed Rule 3.30.03 provides that all associated persons, such as associated persons whose functions are solely and exclusively clerical or ministerial, are eligible to take the SIE. Proposed Rule 3.30.03 also provides that individuals who are not associated persons of firms, such as members of the general public, are eligible to take the SIE. The Exchange believes that expanding the pool of individuals who are eligible to take the SIE would enable prospective securities industry professionals to demonstrate to prospective employers a basic level of knowledge prior to submitting a job application. Further, this approach would allow for more flexibility and career mobility within the securities industry. While all associated persons of firms as well as individuals who are not associated persons would be eligible to take the SIE pursuant to the proposed rule, passing the SIE alone would not qualify them for registration with the Exchange. Rather, to be eligible for registration with the Exchange, an individual must pass an applicable representative or principal qualification examination and complete the other requirements of the registration process.

Proposed Rule 3.30.03 also provides that the Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination(s) and accept other standards as evidence of an applicant's qualifications for registration. The rule will also state that advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive a qualification examination and that experience in fields ancillary to the securities business may constitute sufficient grounds to waive a qualification examination. The Exchange notes that proposed language relating to waivers is already contained in current Rule 3.30.05.<sup>15</sup> Proposed Rule 3.30.03 will further provide that the Exchange shall only consider waiver requests submitted by a TPH for individuals associated with the TPH who are seeking registration in a representative or principal registration category. Moreover, the Exchange shall consider waivers of the SIE alone or the

SIE and the applicable representative and principal examination(s) for such individuals. The Exchange shall not consider a waiver of the SIE for individuals who are not associated persons or for associated persons who are not registering as representatives or principals. The Exchange notes that proposed Rule 3.30.03 is substantively similar to FINRA and other exchanges' rules.<sup>16</sup>

#### Requirements for Registered Persons Functioning as Principals for a Limited Period (Proposed Rule 3.30.04)

The Exchange next proposes to adopt Rule 3.30.04, which governs the requirements for registered persons who wish to function as a principal for a limited period. Particularly, proposed Rule 3.30.04 provides that a TPH may designate any person currently registered, or who becomes registered, with the TPH as a representative to function as a principal for a limited period, provided that such person has at least 18 months of experience functioning as a registered representative with the five-year period immediately preceding the designation. The proposed rule is intended to ensure that representatives designated to function as principals for the limited period under the proposal have an appropriate level of registered representative experience. The proposed rule clarifies that the requirements of the rule apply to designations to any principal category, including those categories that are not subject to a prerequisite representative-level registration requirement, such as the Financial and Operations Principal registration category.<sup>17</sup>

The proposed rule also clarifies that the individual must fulfill all applicable prerequisite registration, fee and examination requirements before his or her designation as a principal. Further, the proposed rule provides that in no event may such person function as a principal beyond the initial 120 calendar days without having successfully passed an appropriate principal qualification examination. The proposed rule also provides an exception to the experience requirement for principals who are designated by a TPH to function in other principal categories for a limited period. Specifically, the proposed rule states

<sup>16</sup> See, e.g., FINRA Rule 1210.03, NYSE Arca Rule 2.1210.02 and Nasdaq Rule 1210.03.

<sup>17</sup> The Exchange notes that qualifying as a registered representative is a prerequisite to qualifying as a principal except with respect to the following principal-level registrations: (1) Compliance Officer and (2) Financial and Operations Principal.

<sup>13</sup> See, e.g., FINRA Rule 1210.02, NYSE Arca Rule 2.1210.01 and Nasdaq Rule 1210.02.

<sup>14</sup> See Exchange Act Release No. 84142 (September 14, 2018), 83 FR 47665 (September 20, 2018) (SR-CBOE-2018-064).

<sup>15</sup> Pursuant to a Regulatory Services Agreement between FINRA and the Exchange, FINRA provides the Exchange certain exam waiver services in responding to exam waiver requests from TPHs.

that a TPH may designate any person currently registered, or who becomes registered, with the TPH as a principal to function in another principal category for 120 calendar days before passing any applicable examinations. The Exchange notes that proposed Rule 3.30.04 is substantively similar to similar FINRA and other exchanges' rules.<sup>18</sup>

#### Rules of Conduct for Taking Examinations and Confidentiality of Examinations (Proposed Rule 3.30.05)

Proposed Rule 3.30.05 provides that associated persons taking the SIE would be subject to the SIE Rules of Conduct, and associated persons taking a representative or principal examination would be subject to the Rules of Conduct for representative and principal examinations. Pursuant to proposed Rule 3.30.05, a violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person would be deemed to be a violation of Exchange rules requiring just and equitable principles of trade.<sup>19</sup> Moreover, if an associated person is deemed to have violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by the Exchange.

Further, the proposed rule states that individuals taking the SIE who are not associated persons must agree to be subject to the SIE Rules of Conduct. Among other things, the SIE Rules of Conduct would require individuals to attest that they are not qualified to engage in the investment banking or securities business based on passing the SIE and would prohibit individuals from cheating on the examination or misrepresenting their qualifications to the public subsequent to passing the SIE. Moreover, non-associated persons may forfeit their SIE results and may be prohibited from retaking the SIE if the Exchange determines that they cheated on the SIE or that they misrepresented their qualifications to the public subsequent to passing the SIE.

The proposed rule further notes that the Exchange considers all qualification examinations content to be highly confidential and that the removal of examination content from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such qualification

examination or any other use that would compromise the effectiveness of the examinations and the use in any manner and at any time of the questions or answers to the examinations is prohibited and would be deemed a violation of Exchange rules requiring just and equitable principles of trade.<sup>20</sup> The Exchange notes that proposed Rule 3.30.05 is substantively similar to similar FINRA and other exchanges' rules.<sup>21</sup>

#### Waiting Periods for Retaking a Failed Examination (Proposed Rule 3.30.06)

Proposed Rule 3.30.06 provides that any person who fails a qualification examination may retake that examination after 30 calendar days from the date of the person's last attempt to pass that examination. The proposed rule further provides that if a person fails an examination three or more times in succession within a two-year period, he or she would be prohibited from retaking the examination until a period of 180 calendar days from the date of the person's last attempt to pass it. These waiting periods would apply to the SIE and the representative- and principal-level examinations. The Exchange notes that proposed Rule 3.30.06 is substantively similar to FINRA and other exchanges' rules.<sup>22</sup>

#### All Registered Persons Must Satisfy the Regulatory Element of Continuing Education (Proposed Rule 3.30.07)

Pursuant to current Rule 3.33, the CE requirements applicable to registered persons consist of a Regulatory Element and a Firm Element. The Regulatory Element applies to registered persons and must be completed within prescribed time frames. The Firm Element consists of annual, TPH-developed and administered training programs designed to keep covered registered persons current regarding securities products, services and strategies offered by the TPH. For purposes of the Firm Element, the term "covered registered persons" means any registered Securities Trader and any registered person who has direct contact with customers in the conduct of the TPH's securities sales, trading and

investment banking activities and to the immediate supervisors of such persons.

The CE requirements are set forth in current Rule 3.33. The Exchange believes that all registered persons, regardless of their activities, should be subject to the Regulatory Element of the CE requirements so that they can keep their knowledge of the securities industry current. Therefore, the Exchange proposes to adopt Rule 3.30.07, to clarify that all registered persons, including those who solely maintain a permissive registration, are required to satisfy the Regulatory Element, as specified in current Rule 3.33. Individuals who have passed the SIE but not a representative- or principal-level examination and do not hold a registered position would not be subject to any CE requirements.

Proposed Rule 3.30.07 also provides that a registered person of a TPH who becomes CE inactive would not be permitted to be registered in another registration category with the TPH or be registered in any registration category with another TPH, until the person has satisfied the Regulatory Element. The Exchange notes that proposed Rule 3.30.07 is substantively similar to FINRA and other exchanges' rules.<sup>23</sup>

#### Lapse of Registration and Expiration of SIE (Proposed Rule 3.30.08)

Proposed Rule 3.30.08 provides that any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative is required to pass a qualification examination for representatives appropriate to the category of registration as specified in proposed Rule 3.31(b). Proposed Rule 3.30.08 also sets forth that a passing result on the SIE would be valid for up to four years. Therefore, under the proposed rule change, an individual who passes the SIE and is an associated person of a TPH at the time would have up to four years from the date he or she passes the SIE to pass a representative-level examination to register as a representative with that TPH, or a subsequent TPH, without having to retake the SIE. In addition, an individual who passes the SIE and is not an associated person at the time would have up to four years from the date he or she passes the SIE to become an associated person of TPH and pass a representative-level examination and register as a representative without having to retake the SIE.

<sup>20</sup> See, e.g., Cboe Options Rule 8.1.

<sup>21</sup> See, e.g., FINRA Rule 1210.05, NYSE Arca Rule 2.1210.04 and Nasdaq Rule 1210.05.

<sup>22</sup> See, e.g., FINRA Rule 1210.06, NYSE Arca Rule 2.1210.05 and Nasdaq Rule 1210.06. FINRA Rule 1210.06 requires individuals taking the SIE who are not associated persons to agree to be subject to the same waiting periods for retaking the SIE. The Exchange is not including this language in proposed Rule 3.30.06, as the Exchange will not apply its registration rules in any event to individuals who are not associated persons of TPHs.

<sup>23</sup> See, e.g., FINRA Rule 1210.07, NYSE Arca Rule 2.1210.06 and Nasdaq Rule 1210.07.

<sup>18</sup> See, e.g., FINRA Rule 1210.04, NYSE Arca Rule 2.1210.03 and Nasdaq Rule 1210.04.

<sup>19</sup> See, e.g., Cboe Options Rule 8.1.

Moreover, an individual holding a representative-level registration who leaves the industry after the effective date of this proposed rule change would have up to four years to re-associate with a TPH and register as a representative without having to retake the SIE. However, the four-year expiration period in the proposed rule change extends only to the SIE, and not the representative- and principal-level registrations. The representative- and principal-level registrations would continue to be subject to a two-year expiration period as is the case today.

Finally, proposed Rule 3.30.08 clarifies that, for purposes of the proposed rule, an application would not be considered to have been received by the Exchange if that application does not result in a registration. The Exchange notes that proposed Rule 3.30.08 is substantively similar to similar FINRA and other exchanges' rules.<sup>24</sup>

#### Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of a TPH (Proposed Rule 3.30.09)

The Exchange is proposing Rule 3.30.09 to provide a new process whereby individuals who would be working for a "financial services industry affiliate of a TPH"<sup>25</sup> would terminate their registrations with the TPH and would be granted a waiver of their requalification requirements upon re-registering with an TPH, provided the firm that is requesting the waiver and the individual satisfy the criteria for a Financial Services Affiliate ("FSA") waiver.<sup>26</sup>

Under the proposed waiver process, the first time a registered person is designated as eligible for a waiver based on the FSA criteria, the TPH with which the individual is registered would notify the Exchange of the FSA designation. The TPH would concurrently file a full Form U5 terminating the individual's registration with the firm, which would also terminate the individual's other self-regulatory organization and state

registrations. To be eligible for initial designation as an FSA-eligible person by a TPH, an individual must have been registered for a total of five years within the most recent 10-year period prior to the designation, including for the most recent year with that TPH. An individual would have to satisfy these preconditions only for purposes of his or her initial designation as an FSA-eligible person, and not for any subsequent FSA designation(s). Thereafter, the individual would be eligible for a waiver for up to seven years from the date of initial designation,<sup>27</sup> provided that the other conditions of the waiver, as described below, have been satisfied. Consequently, a TPH other than the TPH that initially designated an individual as an FSA-eligible person may request a waiver for the individual and more than one TPH may request a waiver for the individual during the seven-year period.<sup>28</sup>

An individual designated as an FSA-eligible person would be subject to the Regulatory Element of CE while working for a financial services industry affiliate of a TPH. The individual would be subject to a Regulatory Element program that correlates to his or her most recent registration category, and CE would be based on the same cycle had the individual remained registered. If the individual fails to complete the

<sup>27</sup> Individuals would be eligible for a single, fixed seven-year period from the date of initial designation, and the period would not be tolled or renewed.

<sup>28</sup> The following examples illustrate this point:

Example 1. TPH A designates an individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual joins Firm A's financial services affiliate. TPH A does not submit a waiver request for the individual. After working for TPH A's financial services affiliate for three years, the individual directly joins TPH B's financial services affiliate for three years. TPH B then submits a waiver request to register the individual.

Example 2. Same as Example 1, but the individual directly joins TPH B after working for TPH A's financial services affiliate, and TPH B submits a waiver request to register the individual at that point in time.

Example 3. TPH A designates an individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual joins TPH A's financial services affiliate for three years. TPH A then submits a waiver request to re-register the individual. After working for TPH A in a registered capacity for six months, TPH A re-designates the individual as an FSA-eligible person by notifying the Exchange and files a Form U5. The individual rejoins TPH A's financial services affiliate for two years, after which the individual directly joins TPH B's financial services affiliate for one year. TPH B then submits a waiver request to register the individual.

Example 4. Same as Example 3, but the individual directly joins TPH B after the second period of working for TPH A's financial services affiliate, and TPH B submits a waiver request to register the individual at that point in time.

prescribed Regulatory Element during the 120-day window for taking the session, he or she would lose FSA eligibility (*i.e.*, the individual would have the standard two-year period after termination to re-register without having to retake an examination). The Exchange is making corresponding changes to Rule 3.33, Continuing Education.

Upon registering an FSA-eligible person, a TPH would file a Form U4 and request the appropriate registration(s) for the individual. The TPH would also submit an examination waiver request to the Exchange,<sup>29</sup> similar to the process used today for waiver requests, and it would represent that the individual is eligible for an FSA waiver based on the conditions set forth below. The Exchange would review the waiver request and make a determination of whether to grant the request within 30 calendar days of receiving the request. The Exchange would summarily grant the request if the following conditions are met:

(a) Prior to the individual's initial designation as an FSA-eligible person, the individual was registered for a total of five years within the most recent 10-year period, including for the most recent year with the TPH that initially designated the individual as an FSA-eligible person;

(b) The waiver request is made within seven years of the individual's initial designation as an FSA-eligible person by a TPH;

(c) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;

(d) The individual continuously worked for the financial services affiliate(s) of a TPH since the last Form U5 filing;

(e) The individual has complied with the Regulatory Element of CE; and

(f) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification while the individual was designated as an FSA-eligible person with a TPH.

Following the Form U5 filing, an individual could move between the financial services affiliates of a TPH so long as the individual is continuously working for an affiliate. Further, a TPH could submit multiple waiver requests for the individual, provided that the

<sup>29</sup> The Exchange would consider a waiver of the representative-level qualification examination(s), the principal-level qualification examination(s) and the SIE, as applicable.

<sup>24</sup> See, e.g., FINRA Rule 1210.08, NYSE Arca Rule 2.1210.07 and Nasdaq Rule 1210.08.

<sup>25</sup> Proposed Rule 3.30.09 defines a "financial services industry affiliate of a TPH" as a legal entity that controls, is controlled by or is under common control with TPH and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

<sup>26</sup> There is no counterpart to proposed Rule 3.30.09 in the Exchange's existing rules. FINRA Rule 1210.09 was previously adopted as a new waiver process for FINRA registrants, as part of the FINRA Rule Changes. Other Exchanges have since adopted substantively similar Rules. See, e.g., NYSE Arca Rule 2.1210.08 and Nasdaq Rule 1210.09.

waiver requests are made during the course of the seven-year period.<sup>30</sup> An individual who has been designated as an FSA-eligible person by a TPH would not be able to take additional examinations to gain additional registrations while working for a financial services affiliate of a TPH.

Status of Persons Serving in the Armed Forces of the United States (Proposed Rule 3.30.10)

Proposed Rule 3.30.10 provides specific relief to registered persons serving in the Armed Forces of the United States. Among other things, the proposed rule permits a registered person of a TPH who volunteers for or is called into active duty in the Armed Forces of the United States to be registered in an inactive status and remain eligible to receive ongoing transaction-related compensation. The proposed rule also includes specific provisions regarding the deferment of the lapse of registration requirements for formerly registered persons serving in the Armed Forces of the United States. The proposed rule further requires that the TPH with which such person is registered promptly notify the Exchange of such person's return to employment with the TPH. The proposed rule would require a TPH that is a sole proprietor to also similarly notify the Exchange of his or her return to participation in the investment banking or securities business. The proposed rule also provides that the Exchange would defer the lapse of the SIE for formerly registered persons serving in the Armed Forces of the United States.

Impermissible Registrations (Proposed Rule 3.30.11)

Existing Rule 3.30 prohibits a TPH from maintaining a registration with the Exchange for any person who is no longer active in the TPH's investment banking or securities business, who is no longer functioning in the registered capacity, or where the sole purpose is to avoid an examination requirement. The Rule also prohibits a TPH from applying for the registration of a person where the TPH does not intend to employ the person in its investment banking or securities business. These prohibitions do not apply to the current permissive

<sup>30</sup> For example, if a TPH submits a waiver request for an FSA-eligible person who has been working for a financial services affiliate of the TPH for three years and re-registers the individual, the TPH could subsequently file a Form U5 and re-designate the individual as an FSA-eligible person. Moreover, if the individual works with a financial services affiliate of the TPH for another three years, the TPH could submit a second waiver request and re-register the individual upon returning to the TPH.

registration categories identified in Rule 3.30.<sup>31</sup>

In light of proposed 3.30.02, Permissive Registrations, discussed above the Exchange is proposing to not carry over this language to new rule 3.30 and instead adopt Rule 3.30.11, which prohibits a TPH from registering or maintaining the registration of a person unless the registration is consistent with the requirements of proposed Rule 3.30. The Exchange notes that proposed Rule 3.30.11 is substantively similar FINRA and other exchanges' rules.<sup>32</sup>

Registration Categories (Proposed Rule 3.31)

The Exchange is proposing to adopt new and revised registration category rules and related definitions in proposed Rule 3.31, Registration Categories.<sup>33</sup>

Definition of Principal (Proposed Rule 3.31(a)(1))

As set forth in proposed Rule 3.31(a)(1), for purposes of these registration rules, the term "principal" means any person associated with a TPH, including, but not limited to, sole proprietor, officer, partner, director or other person occupying a similar status or performing similar functions, actively engaged in the management of the TPH's securities business, including supervision, solicitation, conduct of the TPH's business, or the training of persons associated with a TPH for any of these functions. Proposed Rule 3.31(a)(1) also clarifies that a TPH's chief executive officer ("CEO") and chief financial officer ("CFO") (or equivalent officers) are considered principals based solely on their status. The proposed rule further clarifies that the term "principal" includes any other associated person who is performing functions or carrying out responsibilities that are required to be performed or carried out by a principal under Exchange Rules.

In addition, the proposed Rule provides that the phrase "actively engaged in the management of the TPH's securities business" includes the management of, and the implementation

<sup>31</sup> Current Rule 3.30 allows for permissive principal registration of individuals who perform legal, compliance, internal audit, back-office operations, or similar duties for the TPH or a person engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the TPH.

<sup>32</sup> See, e.g., FINRA Rule 1210.11 and Nasdaq Rule 1210.11.

<sup>33</sup> For ease of reference, the Exchange proposes to adopt as Rule 3.31, Interpretation and Policy .05, a Summary of Qualification Requirements in chart form for each of the Exchange's permitted registration categories discussed below.

of corporate policies related to, such business as well as managerial decision-making authority with respect to the TPH's securities business and management-level responsibilities for supervising any aspect of such business, such as serving as a voting member of the TPH's executive, management or operations committees. The Exchange notes that proposed definition in Rule 3.31(a)(1) is substantively similar to the definition of principal in FINRA and other exchanges' rules.<sup>34</sup>

General Securities Principal (Proposed Rule 3.31(a)(2))

Proposed Rule 3.31(a)(2)(A) states that each principal as defined in paragraph (a)(1) (of Rule 3.31) is required to register with the Exchange as a General Securities Principal, subject to the following exceptions.<sup>35</sup> The proposed rule provides that if a principal's activities include the functions of a Compliance Officer, a Financial and Operations Principal, a Securities Trader Principal, a Securities Trader Compliance Officer, or a Registered Options Principal, then the principal must appropriately register in one or more of these categories.

Proposed Rule 3.31(a)(2)(A) further provides that if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor, then the principal may appropriately register in that category in lieu of registering as a General Securities Principal, provided that if the principal is engaged in options sales activities he or she would be required to register as a General Securities Sales Supervisor or as a Registered Options Principal.

Proposed Rule 3.31(a)(2)(B) requires that an individual registering as a General Securities Principal satisfy the General Securities Representative prerequisite registration and pass the General Securities Principal qualification examination. Proposed Rule 3.31(a)(2)(B) also clarifies that an individual may register as a General Securities Sales Supervisor and pass the General Securities Sales Supervisor Module qualification examination in lieu of passing the General Securities Principal examination.

The Exchange notes that proposed General Securities Principal requirements and qualifications set forth in Rule 3.31(a)(2) are similar to the

<sup>34</sup> See, e.g., FINRA Rule 1220.(a)(1), NYSE Arca Rule 2.1220(a)(1) and Nasdaq Rule 1220(a)(1). The Exchange notes that its definition of Principal does not include "manager of office of supervisory jurisdiction" as FINRA, NYSE, and Nasdaq rules do because it is not applicable on the Exchange.

<sup>35</sup> Under the current Rules, the Exchange does not recognize the General Securities Principal.

requirements and qualifications required by FINRA and other exchanges' rules.<sup>36</sup>

#### Compliance Officer (Proposed Rule 3.31(a)(3))

Current Rule 3.30(c) provides that each TPH that registered as a broker-dealer shall designate a CCO on Schedule A of Form BD and that such individuals are required to register with the Exchange and pass the appropriate heightened qualification examination(s). Current Rule 3.30.08 further provides that any individual that is a CCO (or performs similar functions) for a TPH that engages in proprietary trading, market-making or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Securities Trader Compliance Officer (CT) and pass the Series 14 examination or pass the General Securities Principal or Securities Trader Principal qualification examination.

Under the new registration rules, the Exchange proposes to adopt Rule 3.31(a)(3) providing that each person designated as a Chief Compliance Officer on Schedule A of Form BD shall be required to register with the Exchange as a General Securities Principal, provided that such person may instead register as a Compliance Officer if his or her duties do not include supervision of trading. All individuals registering as Compliance Officers would be required, prior to or concurrent with such registration, to pass the Compliance Official qualification examination. An individual designated as a Chief Compliance Officer on Schedule A of Form BD of a TPH that is engaged in limited securities business could also be registered in a principal category under Rule 3.31(a) that corresponds to the limited scope of the TPH's business.

The Exchange notes that the proposed Compliance Officer requirements and qualifications set forth in Rule 3.31(a)(3) are similar to the requirements and qualifications required by FINRA's and other exchange's rules.<sup>37</sup>

#### Securities Trader Compliance Officer (Proposed Rule 3.31(a)(4))

Rule 3.31(a)(4) would provide that an individual designated as a Chief Compliance Officer on Schedule A of Form BD may register and qualify as a Securities Trader Compliance Officer if, with respect to transactions in equity, preferred or convertible debt securities,

or options, such person is engaged in proprietary trading or Market Making, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with a TPH whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with a TPH. Each individual registering as a Securities Trader Compliance Officer would be required to first become registered pursuant to paragraph (b)(4) as a Securities Trader, and to pass either (i) the Compliance Official qualification exam or (ii) the General Securities Principal qualification exam. The Exchange notes that the proposed Securities Trader Compliance Officer requirements and qualifications set forth in Rule 3.31(a)(4) are similar to the requirements and qualifications required by other exchanges' rules.<sup>38</sup>

#### Financial and Operations Principal (Proposed Rule 3.31(a)(5))

Existing Rule 3.30(b) provides that every TPH that is subject to Exchange Act Rule 15c3-1 shall designate a Financial/Operations Principal. It requires each person associated with a TPH who performs such duties to be registered as a Financial/Operations Principal with the Exchange and to pass the Series 27 examination.<sup>39</sup>

It further provides that each Financial/Operations Principal

<sup>38</sup> See, e.g., Nasdaq Rule 1220(a)(3)(D) and MIA X Options Rule 1220(b)(2)(iv). FINRA does not recognize the Securities Trader Compliance Officer registration categories that the Exchange proposes to recognize. However, FINRA Rule 1220(a)(3), like proposed Rule 3.31(a)(3), offers an exception pursuant to which a Chief Compliance Officer designated on Schedule A of Form BD may register in a principal category that corresponds to the limited scope of the member's business. Unlike Nasdaq and MIA X, the Exchange proposes to accept the General Securities Principal exam in lieu of the Compliance Official exam. The Exchange notes this is in line with the qualification requirements for the Compliance Officer, as well as the Exchange's current Securities Trader Compliance Officer qualification requirements. See Rule 3.30.08(b).

<sup>39</sup> FINRA Rule 1220(a)(4) differs from proposed Rule 3.31(a)(5) in that it includes an Introducing Broker-Dealer, Financial and Operations Principal, and Market-Maker registration requirement. Additionally, proposed Rule 3.31(a)(5) contains a requirement, which the FINRA rule does not, that each person associated with a member who performs the duties of a Financial and Operations Principal must register as such with the Exchange. Additionally, the Exchange is not adopting a Principal Financial Officer or Principal Operations Officer requirement like FINRA Rule 1220(a)(4)(B), as it believes the Financial and Operations Principal requirement is sufficient. Finally, proposed Rule 3.31(a)(5)(B)(v) and (vi) contain minor wording variations from the FINRA rule. Proposed Rule 3.31(a) is substantively similar as Nasdaq Rule 1220(a)(7).

designated by a TPH shall be registered in that capacity with the Exchange as prescribed by the Exchange, and that a Financial/Operations Principal of a TPH may be a full-time employee, a part-time employee or independent contractor of the TPH. The Exchange proposes to delete Exchange Rule 3.30(b) and adopt in its place Exchange Rule 3.31(a)(5). Under the new rule, every TPH of the Exchange that is operating pursuant to the provisions of Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8) of the Exchange Act, shall designate at least one Financial and Operations Principal who shall be responsible for performing the duties described in proposed Rule 3.31(a)(5)(A)(i)-(vii). In addition, each person associated with a TPH who performs such duties shall be required to register as a Financial and Operations Principal with the Exchange. Proposed Exchange Rule 3.31(a)(5)(C) would require all individuals registering as a Financial and Operations Principal to pass the Financial and Operations Principal qualification examination before such registration may become effective. The Exchange notes that proposed Financial and Operations Principal requirements and qualifications set forth in Rule 3.31(a)(5) are similar to the requirements and qualifications required by other exchanges' rules.<sup>40</sup>

#### Securities Trader Principal (Proposed Rule 3.31(a)(6))

Existing Rule 3.30.08 provides that an individual associated with a TPH that:

- (i) Supervises or monitors proprietary trading, market-making and/or brokerage activities for broker-dealers;
- (ii) supervises or trains those engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or
- (iii) is an officer, partner or director of a TPH or TPH organization is required to register and qualify as a Securities Trader Principal (TP) and satisfy the prerequisite registration and qualification requirements. The Rule further provides that to qualify for registration as a Securities Trader Principal, such person must pass the Series 24 (General Securities Principal) qualification examination or the General Securities

<sup>40</sup> See, e.g., Nasdaq Rule 1220(a)(3)(D) and MIA X Options Rule 1220(b)(2)(iv). FINRA Rule 1220(a)(4) differs from proposed Exchange Rule 3.31(a)(5) in that it includes an Introducing Broker-Dealer Financial and Operations Principal registration requirement. Further, as discussed above, the Exchange does not propose to adopt a Principal Financial Officer or Principal Operations Officer requirement similar to FINRA Rule 1220(a)(4)(B), as it believes the Financial and Operations Principal requirement is sufficient.

<sup>36</sup> See, e.g., FINRA Rule 1220(a)(2), NYSE Arca Rule 2.1220(a)(2) and Nasdaq Rule 1220(a)(2).

<sup>37</sup> See, e.g., FINRA Rule 1220(a)(3) and NYSE Arca Rule 2.1220(a)(3).

Sales Supervisor Registration and General Securities Principal—Sales Supervisor Module Registration (Series 9/10 and Series 23). A Securities Trader Principal must also pass the Securities Trader (Series 57) qualification examination.<sup>41</sup>

In place of Rule 3.30.08, the Exchange proposes to adopt Rule 3.31(a)(6), Securities Trader Principal. Proposed Rule 3.31(a)(6) requires that a principal responsible for supervising the securities trading activities specified in proposed Rule 3.31(b)(3), which provides for registration in the representative-level “Securities Trader” category, register as a Securities Trader Principal. The proposed rule requires individuals registering as Securities Trader Principals to be registered as Securities Traders and to pass the General Securities Principal qualification examination. The Exchange notes that proposed Rule 3.31(a)(6) is substantively similar to FINRA and other exchanges’ rules governing Securities Trader Principals.<sup>42</sup>

Registered Options Principal (Proposed Rules 3.31(a)(7))

Existing Rule 3.30(d) provides that associated persons of a TPH that conducts a public customer business must also comply with the registration requirements set forth in Chapter 3, which include the Registered Options Principal. Rule 3.36 provides no TPH shall be approved to transact options business with the public until those persons associated with it who are designated as Options Principals have been approved by and registered with the Exchange.<sup>43</sup> Rule 3.36 also provides that persons engaged in the supervision of options sales practices or a person to whom the designated general partner or executive officer (pursuant to Rule 9.2) or another Registered Options Principal delegates the authority to supervise options sales practices shall be designated as Options Principals. Rule 3.36 provides that individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principals Examination (Series 4) or the Sales Supervisor Examination (Series 9/10). Rule 3.36(c) further provides that

individuals who are delegated responsibility pursuant to Rule 9.2 for reviewing the acceptance of discretionary accounts, for approving exceptions to a TPH organization’s criteria or standards for uncovered options accounts, and for approval of communications, shall be designated as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4).

The Exchange is proposing to delete Rule 3.30 and in its place adopt Rule 3.31(a)(7), Registered Options Principal, which would require under its Section (a)(7)(A) that each TPH that is engaged in transactions in options with the public to have at least one Registered Options Principal.<sup>44</sup> In addition, each principal as defined in paragraph (a)(1) of the Rule who is responsible for supervising a TPH’s options sales practices with the public would be required to register with the Exchange as a Registered Options Principal, subject to the following exception. If a principal’s options activities are limited solely to those activities that may be supervised by a General Securities Sales Supervisor, then such person may register as a General Securities Sales Supervisor pursuant to paragraph (a)(8) of the Rule in lieu of registering as a Registered Options Principal. The proposed rule requires individuals registering as Registered Options Principals to be registered as General Securities Representatives and to pass the Registered Options Principals qualification examination.<sup>45</sup> The Exchange notes that proposed Rule 3.31(a)(7) is substantively similar to FINRA and other exchanges’ rules regarding Registered Options Principals.<sup>46</sup>

General Securities Sales Supervisor (Proposed Rule 3.31(a)(8))

Proposed Rule 3.31(a)(8) provides that a principal may register with the Exchange as a General Securities Sales Supervisor if his or her supervisory responsibilities in the investment banking or securities business of a TPH are limited to the securities sales

activities of the TPH, including the approval of customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the TPH required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registering as a General Securities Sales Supervisor must satisfy the General Securities Representative prerequisite registration and pass the General Securities Sales Supervisor examinations. Moreover, a General Securities Sales Supervisor is precluded from performing any of the following activities: (1) Supervision of market-making commitments; (2) supervision of the custody of firm or customer funds or securities for purposes of Exchange Act Rule 15c3-3; or (3) supervision of overall compliance with financial responsibility rules. The Exchange notes that proposed Rule 3.31(a)(8) is substantively similar to FINRA and other exchanges’ rules governing General Securities Sales Supervisors.<sup>47</sup>

Definition of Representative (Proposed Rule 3.31(b)(1))

The Exchange proposes to adopt a definition for the term “representative” in proposed Exchange Rule 3.31(b)(1). Currently, the Exchange’s rules do not define the term “representative,” although Rule 3.37(a) states that persons who perform duties for the TPH that are customarily performed by sales representatives’ solicitors, or branch office managers shall be designated as Representatives.<sup>48</sup> Proposed Rule 3.31(b)(1) will define a representative as any person associated with an TPH, including assistant officers other than principals, who is engaged in TPH’s investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a TPH for any of these functions. The Exchange notes that proposed “representative” definition is substantively similar to the definition used by FINRA and other exchange rules.<sup>49</sup>

General Securities Representative (Proposed Rule 3.31(b)(2))

Under current Rule 3.37(d), a person accepting orders from non-TPH customers (unless such customer is a broker-dealer registered with the

<sup>41</sup> See Cboe Options Regulatory Circular RG15-180.

<sup>42</sup> See *e.g.*, FINRA Rule 1220(a)(7), NYSE Arca Rule 2.1220(a)(5) and Nasdaq Rule 1220(a)(7).

<sup>43</sup> The Exchange proposes to clarify in Rule 3.36 that the designated Options Principal(s) must also meet the applicable registration requirements in Chapter III.

<sup>44</sup> The Exchange proposes to amend Rule 3.36 to conform all references to “Options Principal” with “Registered Options Principal”.

<sup>45</sup> Current Rule 3.36(b) provides that individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principals Qualification Examination (Series 4) or the Sales Supervisor Qualification Examination (Series 9/10), and is proposed to be deleted in view of proposed Rule 3.31(a)(7).

<sup>46</sup> See, *e.g.*, FINRA Rule 1220(a)(8), NYSE Arca Rule 2.1220(a)(7) and Nasdaq Rule 1220(a)(8).

<sup>47</sup> See, *e.g.*, FINRA Rule 1220(a)(10), NYSE Arca Rule 2.1220(a)(6) and Nasdaq Rule 1220(a)(10).

<sup>48</sup> The Exchange proposes to eliminate this language under Rule 3.37(a) in view of the proposed definition under Rule 3.31(b)(1).

<sup>49</sup> See, *e.g.*, FINRA Rule 1220(b)(1), NYSE Arca Rule 2.1220(b)(1) and Nasdaq Rule 1220(b)(1).



Commission) is required to register with the Exchange and to be qualified by passing the General Securities Representatives Examination (Series 7).

Proposed Rule 3.31(b)(2)(A) states that each representative as defined in proposed Rule 3.31(b)(1) is required to register with the Exchange as a General Securities Representative, subject to the following exceptions. The proposed rule provides that if a representative's activities include the function of a Securities Trader, then the representative must appropriately register in that category.

The proposed rule further provides that each person seeking to register as a General Securities Representative shall, prior to or concurrent with such registration, pass the SIE and the General Securities Representative qualification examinations. The Exchange notes that proposed Rule 3.31(b)(2) is substantively similar to FINRA and other exchanges' rules governing General Securities Representatives.<sup>50</sup>

Securities Trader (Proposed Rule 3.31(b)(3))

Pursuant to current Rule 3.30.08, associated persons must pass the qualification examination for Securities Trader (the Series 57 examination) and SIE and register with the Exchange as a Securities Trader if that person is engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer.

The Exchange proposes to delete Rule 3.30 and with respect to the Securities Trader requirement, replace it with proposed Rule 3.31(b)(3). Rule 3.31(b)(3) would require each representative as defined in Rule 3.31(b)(1) to register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or options, such person is engaged in proprietary trading or Market Making, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with a TPH whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with a TPH. Rule 3.31(b)(3) would continue to require individuals registering as Securities Traders to pass the SIE as well as the Securities Trader qualification exam.

Additionally, proposed Rule 3.31(b)(3)(A) would require each person

associated with a TPH who is: (i) Primarily responsible for the design, development or significant modification of an algorithmic trading strategy relating to equity, preferred or convertible debt securities or options; or (ii) responsible for the day-to-day supervision or direction of such activities to register with the Exchange as a Securities Trader.<sup>51</sup>

For purposes of this proposed new registration requirement an "algorithmic trading strategy" is an automated system that generates or routes orders (or order-related messages) but does not include an automated system that solely routes orders received in their entirety to a market center. The proposed registration requirement applies to orders and order related messages whether ultimately routed or sent to be routed to an exchange or over the counter. An order router alone would not constitute an algorithmic trading strategy. However, an order router that performs any additional functions would be considered an algorithmic trading strategy. An algorithm that solely generates trading ideas or investment allocations—including an automated investment service that constructs portfolio recommendations—but that is not equipped to automatically generate orders and order-related messages to effectuate such trading ideas into the market—whether independently or via a linked router—would not constitute an algorithmic trading strategy.<sup>52</sup>

The associated persons covered by the expanded registration requirement would be required to pass the requisite qualification examination and be subject to the same continuing education requirements that are applicable to individual Securities Traders. The Exchange believes that potentially problematic conduct stemming from algorithmic trading strategies—such as failure to check for order accuracy, inappropriate levels of messaging traffic, and inadequate risk management controls—could be reduced or prevented, in part, through improved education regarding securities regulations for the specified individuals involved in the algorithm design and development process.

The proposal is intended to ensure the registration of one or more

associated persons that possesses knowledge of, and responsibility for, both the design of the intended trading strategy and the technological implementation of the strategy, sufficient to evaluate whether the resulting product is designed to achieve regulatory compliance in addition to business objectives. For example, a lead developer who liaises with a head trader regarding the head trader's desired algorithmic trading strategy and is primarily responsible for the supervision of the development of the algorithm to meet such objectives must be registered under the proposal as the associated person primarily responsible for the development of the algorithmic trading strategy and supervising or directing the team of developers. Individuals under the lead developer's supervision would not be required to register under the proposal if they are not primarily responsible for the development of the algorithmic trading strategy or are not responsible for the day-to-day supervision or direction of others on the team. Under this scenario, the person on the business side that is primarily responsible for the design of the algorithmic trading strategy, as communicated to the lead developer, also would be required to register. In the event of a significant modification to the algorithm, TPHs, likewise, would be required to ensure that the associated person primarily responsible for the significant modification (or the associated person supervising or directing such activity), is registered as a Securities Trader.

A TPH employing an algorithm is responsible for the algorithm's activities whether the algorithm is designed or developed in house or by a third-party. Thus, in all cases, robust supervisory procedures, both before and after deployment of an algorithmic trading strategy, are a key component in protecting against problematic behavior stemming from algorithmic trading. In addition, associated persons responsible for monitoring or reviewing the performance of an algorithmic trading strategy must be registered, and a TPH's trading activity must always be supervised by an appropriately registered person. Therefore, even where a firm purchases an algorithm off-the-shelf and does not significantly modify the algorithm, the associated person responsible for monitoring or reviewing the performance of the algorithm would be required to be registered.

The Exchange notes that proposed Rule 3.31(b)(3) is substantively similar

<sup>50</sup> See, e.g., FINRA Rule 1220(b)(2), NYSE Arca Rule 2.1220(b)(2) and Nasdaq Rule 1220(b)(2).

<sup>51</sup> This new registration requirement was recently added to the FINRA Rulebook. The Exchange, like other Exchanges such as Nasdaq (see Nasdaq Rule 1220(b)(4)(A)) has determined to add a parallel requirement to its own rules, but also to add options and market making to the scope of products and activities, respectively, within the proposed rule's coverage. See SR-FINRA-2016-007, 81 FR 21914.

<sup>52</sup> See *id.*

to FINRA and other exchanges' rules governing Securities Traders.<sup>53</sup>

#### Foreign Registrations (Proposed Rule 3.31.01)

Current Rule 3.30.09 and Rule 3.37(e) provide that any person who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE. The Exchange proposes to relocate the language contained in Rule 3.30.09 (which rule is being deleted) and Rule 3.37(e) to new Rule 3.31 Interpretation and Policy .01 as Rule 3.31 governs the SIE requirements and as the relocation is consistent with the location of the provision in the rules of other exchanges.<sup>54</sup>

#### Additional Qualification Requirements for Persons Engaged in Security Futures Activities (Proposed Rule 3.31.02)

The Exchange is also proposing to adopt Rule 3.31.02, which provides that each person who is registered with the Exchange as a Registered Options Principal, General Securities Representative, Options Representative, or General Securities Sales Supervisor shall be eligible to engage in security futures activities as a principal provided that such individual completes a Firm Element program as set forth in proposed Rule 3.33 that addresses security futures products before such person engages in security futures activities.<sup>55</sup>

#### TPHs With One Registered Options Principal (Proposed Rule 3.31.03)

The Exchange proposes to adopt new Rule 3.31 Interpretation and Policy .03 which requires notification to the Exchange by a TPH that has one Registered Options Principal in the event such person is terminated, resigns, becomes incapacitated or is otherwise unable to perform the duties of a Registered Options Principal, and imposes certain restrictions on the TPH's options business in that event.<sup>56</sup>

<sup>53</sup> See, e.g., FINRA Rule 1220(b)(4), NYSE Arca Rule 2.1220(b)(3) and Nasdaq Rule 1220(b)(4).

<sup>54</sup> See, e.g., FINRA Rule 1220.01, NYSE Arca Rule 2.1220.01 and Nasdaq Rule 1220.01.

<sup>55</sup> Unlike FINRA Rule 1220.02, proposed Exchange Rule 3.31.02 omits references to United Kingdom Securities Representatives and Canada Securities Representatives, which are registration categories the Exchange does not recognize. In any event, the Exchange does not currently offer security futures products for trading.

<sup>56</sup> See Proposed Rule 3.31.03. Proposed Rule 3.31.03 is similar to corresponding FINRA Rule 1220.03, NYSE Arca Rule 2.1220.04 and Nasdaq Rule 1220.03.

#### Scope of General Securities Sales Supervisor Registration Category (Proposed Rule 3.31.04)

Proposed Rule 3.31.04 explains the purpose of the General Securities Sales Supervisor registration category. The General Securities Sales Supervisor category is an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Without this category of limited registration, such principals would be required to separately qualify pursuant to the rules of FINRA, the MSRB, and the Cboe options exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the General Securities Sales Supervisor examination permits qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal General Securities Sales Supervisors may supervise sales activities of all securities by also qualifying as General Securities Sales Supervisors. The proposed rule further provides that any person required to be registered as a principal who supervises sales activities in corporate, municipal and option securities, investment company products, variable contracts, and security futures (subject to the requirements of Rule 3.31.02) may be registered solely as a General Securities Sales Supervisor. In addition to branch office managers, other persons such as regional and national sales managers may also be registered solely as General Securities Sales Supervisors as long as they supervise only sales activities. Proposed Rule 3.31.04 is similar to corresponding FINRA and other exchanges' rules.<sup>57</sup>

#### Summary of Qualification Requirements (Proposed Rule 3.31.05)

Proposed Rule 3.31.05 provides a table summary of the categories of registration and applicable qualifications and alternative qualifications set forth throughout Rule 3.31.

#### Associated Persons Exempt From Registration (Proposed Rule 3.32)

Existing Rule 3.30(2) currently provides that the following persons associated with a TPH are not required to register: (a) Individual associated

persons whose functions are solely and exclusively clerical or ministerial; (b) individual TPHs and individual associated persons who are not actively engaged in the securities business; (c) individual TPHs and individual associated persons whose functions are related solely and exclusively to the TPH's or TPH organization's need for nominal corporate officers or for capital participation; (d) individual associated persons that are restricted from accessing the Exchange (physically and electronically) and that do not engage in the securities business of the TPH or TPH organization relating to activity that occurs on the Exchange; and (e) individual associated persons whose functions are related solely and exclusively to: (i) Transactions in commodities; (ii) transactions in security futures; and/or (iii) effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange.

The Exchange is proposing to adopt Rule 3.30(2) as Rule 3.32 subject to certain changes. Rule 3.30 exempts from registration those associated persons who are not actively engaged in the securities business. It also exempts from registration those associated persons whose functions are related solely and exclusively to a member's need for nominal corporate officers or for capital participation.<sup>58</sup> The Exchange believes that the determination of whether an associated person is required to register must be based on an analysis of the person's activities and functions in the context of the various registration categories. Proposed Rule 3.32 provides an exemption from registration with the Exchange for certain associated persons. Specifically, the proposed rule provides that persons associated with a TPH whose functions are solely and exclusively clerical or ministerial would be exempt from registration.

FINRA Rule 1230 provides an exemption from registration with FINRA to persons associated with a FINRA member whose functions are solely and exclusively clerical or ministerial and persons associated with a FINRA member whose functions are related solely and exclusively to (i) effecting transactions on the floor of a national securities exchange and who are appropriately registered with such exchange; (ii) effecting transactions in municipal securities; (iii) effecting transactions in commodities; or (iv)

<sup>58</sup> These exemptions generally apply to associated persons who are corporate officers of a TPH in name only to meet specific corporate legal obligations or who only provide capital for a member but have no other role in a TPH's business.

<sup>57</sup> See, e.g., FINRA Rule 1220.04, NYSE Arca Rule 2.1220.03 and Nasdaq Rule 1220.04.

effecting transactions in security futures, provided that any such person is registered with a registered futures association. TPHs do not solely and exclusively engage in any of the foregoing transactions and therefore the Exchange is not adopting that portion of FINRA Rule 1230. Proposed Rule 3.32 is similar to other exchanges' corresponding rules.<sup>59</sup>

The Exchange proposes to adopt Rule 3.32.01 to clarify that the function of accepting customer orders is not considered a clerical or ministerial function and that associated persons who accept customer orders under any circumstances are required to be appropriately registered. However, the proposed rule provides that an associated person is not accepting a customer order where occasionally, when an appropriately registered person is unavailable, the associated person transcribes the order details and the registered person contacts the customer to confirm the order details before entering the order.

#### Changes to Continuing Education Requirements (Proposed Rule 3.33)

Existing Rule 3.33 (Continuing Education for Registered Persons), includes a Regulatory Element and a Firm Element. The Regulatory Element applies to registered persons and consists of periodic computer-based training on regulatory, compliance, ethical, supervisory subjects and sales practice standards. The Firm Element consists of at least annual, TPH-developed and administered training programs designed to keep covered registered persons current regarding securities products, services and strategies offered by the TPH.

#### Regulatory Element

The Exchange proposes to amend Rule 3.33(a) to provide, consistent with proposed Rule 3.30.09, that a waiver-eligible person would be subject to a Regulatory Element program that correlates to his or her most recent registration category, and that the content of the Regulatory Element would be based on the same cycle had the individual remain registered. The proposed rule change is similar to FINRA's and other exchanges' rules.<sup>60</sup>

Further, the Exchange proposes to amend Rule 3.33(a)(1) to provide that any person whose registration has been deemed inactive under the rule may not accept or solicit business or receive any

compensation for the purchase or sale of securities. The proposed amendment provides, however, that such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the TPH with which the person is associated has a policy prohibiting such trail or residual commissions. The proposed amendment to Rule 3.33(a)(1) also provides that if a waiver-eligible person fails to complete the Regulatory Element during the prescribed time frames, he or she would lose waiver eligibility.<sup>61</sup>

The Exchange proposes to amend Rule 3.33(a)(2) to provide that unless otherwise determined by the Exchange, a registered person other than a person designated as eligible for a waiver pursuant to Rule 3.30.09 will be required to re-take the Regulatory Element and satisfy all of its requirements under certain circumstances.<sup>62</sup>

Lastly, the Exchange proposes to amend Rule 3.33(a)(3) to provide that the Exchange offers Regulatory Elements for Exchange registered persons: the S201 for registered principals and supervisors, the S106 for persons registered only as Investment Company and Variable Contracts Representatives, and the S101 for all other registered persons.<sup>63</sup>

#### Firm Element

The Exchange proposes to amend Rule 3.33(c)(1) to provide that any registered person or any or any associated person who has direct contact with customers in the conduct of the TPH's or TPH organization's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons, is subject to the Firm Element.<sup>64</sup>

The Exchange believes that training in ethics and professional responsibility should apply to all registered persons. Therefore, proposed Rule 3.33(c)(2)(ii), which provides that the Firm Element training programs must cover applicable regulatory requirements, would also require that a firm's training program cover training in ethics and professional responsibility. The proposed change to the Firm Element section of proposed

Rule 3.33 is similar to changes made by other exchanges.<sup>65</sup>

#### Electronic Filing Rules (Proposed Rule 3.34)

The Exchange is proposing to adopt new Rule 3.34, Electronic Filing Requirements for Uniform Forms, which, among other things, will consolidate various Web CRD Form U4 and U5 electronic filing requirements in a single location and also would impose certain new requirements. More specifically, current Rule 3.30, Interpretations and Polices .01—.03, state that each individual required to register shall electronically file a Uniform Application for Securities Industry Registration ("Form U4") through the Central Registration Depository system ("Web CRD") operated by FINRA and to electronically submit to Web CRD any required amendments to Form U4. Further, any TPH or TPH organization that discharges or terminates the employment or retention of an individual required to register must comply with certain termination filing requirements, which include the filing of a Form U5. Form U4 and Form U5 electronic filing requirements applicable to options principals and representatives, as well as a Form U5 requirement applicable to members upon termination of employment of any of their registered persons, are found in Exchange Rules 3.36 and 3.37. The Exchange proposes to delete current Exchange Rule 3.30, Interpretations and Polices .01—.03, and the electronic filing requirements of Exchange Rules 3.36<sup>66</sup> and 3.37<sup>67</sup>, and to replace them with proposed Rule 3.34, Electronic Filing Requirements for Uniform Forms, which will consolidate Form U4 and Form U5 electronic filing requirements into a single rule.

First, proposed Rule 3.34(a) would provide that all forms required to be filed under the Exchange's registration rules shall be filed through an electronic process or such other process as the Exchange may prescribe to Web CRD.

Under Rule 3.34(b), TPHs would be required to designate registered principal(s) or corporate officer(s) who are responsible for supervising a firm's electronic filings. The registered principal(s) or corporate officer(s) who has or have the responsibility to review and approve the forms filed pursuant to the rule would be required to

<sup>59</sup> See FINRA Rule 1240(a)(2), NYSE ARCA Rules 2.23(d)(1) and 2.24(d)(1), and Nasdaq Rule 1240(a)(2).

<sup>60</sup> *Id.*

<sup>61</sup> See NYSE Arca Rule 2.23(d)(1)(A).

<sup>62</sup> See FINRA Rule 1240(b)(1), NYSE Arca Rule 2.23(d)(2)(A) and Nasdaq Rule 1240(b)(1).

<sup>65</sup> See FINRA Rule 1240(b)(2)(B), NYSE Arca Rules 2.23(d)(2)(B)(ii) and 2.24(d)(2)(B) and Nasdaq Rule 1240(b)(2)(B).

<sup>66</sup> See current Rule 3.36(a).

<sup>67</sup> See current Rule 3.37(a), (b) and (c).

<sup>59</sup> See, e.g., NYSE Arca Rule 2.1230.

<sup>60</sup> See, e.g., FINRA Rule 1240(a)(1), NYSE ARCA Rules 2.23(d)(1) and 2.24(d)(1), and Nasdaq Rule 1240(a)(1).

acknowledge, electronically, that he or she is filing this information on behalf of the member and the member's associated persons. Under Rule 3.34.01, the registered principal(s) or corporate officer(s) could delegate filing responsibilities to an associated person (who need not be registered) but could not delegate any of the supervision, review, and approval responsibilities mandated in Rule 3.34(b). The registered principal(s) or corporate officer(s) would be required to take reasonable and appropriate action to ensure that all delegated electronic filing functions were properly executed and supervised.

Under Rule 3.34(c)(1), initial and transfer electronic Form U4 filings and any amendments to the disclosure information on Form U4 must be based on a manually signed Form U4 provided to the TPH or applicant for membership by the person on whose behalf the Form U4 is being filed. As part of the TPH's recordkeeping requirements, it would be required to retain the person's manually signed Form U4 or amendments to the disclosure information on Form U4 in accordance with Rule 17a4(e)(1) under the Act and make them available promptly upon regulatory request. An applicant for membership must also retain every manually signed Form U4 it receives during the application process and make them available promptly upon regulatory request. Rule 3.34(c)(2) and Interpretation and Policy .03 and 04 provide for the electronic filing of Form U4 amendments without the individual's manual signature, subject to certain safeguards and procedures.

Rule 3.34(d) provides that upon filing an electronic Form U4 on behalf of a person applying for registration, a TPH must promptly submit fingerprint information for that person and that the Exchange may make a registration effective pending receipt of the fingerprint information. It further provides that if a TPH fails to submit the fingerprint information within 30 days after filing of an electronic Form U4, the person's registration will be deemed inactive, requiring the person to immediately cease all activities requiring registration or performing any duties and functioning in any capacity requiring registration. Under the rule the Exchange must administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated could reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of proposed

Exchange Rule 3.31. Upon application and a showing of good cause, the Exchange could extend the 30-day period.

Rule 3.34(e) would require initial filings and amendments of Form U5 to be submitted electronically. As part of the TPH's recordkeeping requirements, it would be required to retain such records for a period of not less than three years, the first two years in an easily accessible place, in accordance with Rule 17a-4 under the Act, and to make such records available promptly upon regulatory request.

Finally, proposed Rule 3.34.02 would provide a TPH could enter into an agreement with a third party pursuant to which the third party agrees to file the required forms electronically on behalf of the TPH and the TPH's associated persons. Notwithstanding the existence of such an agreement, the TPH would remain responsible for complying with the requirements of the Rule.

#### Implementation Date

The Exchange proposes to announce the implementation date of the proposed rule change in an Exchange Notice, to be published no later than thirty (30) days following the operative date. The implementation date will be no later than sixty (60) days following the operative date, with the exception of the new registration requirement for developers of algorithmic trading strategies which would become effective 180 days following the implementation date.<sup>68</sup>

#### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>69</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>70</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged

<sup>68</sup> The Exchange believes it is appropriate to provide TPHs more lead time for implementation of the requirement for developers of algorithmic trading to become Securities Trader, as such requirement may trigger new testing requirements for individuals who otherwise weren't required to register prior to this rule change. The proposed implementation period is also consistent with the amount of time provided for compliance by other exchanges that have adopted the proposed requirement. *See, e.g.*, Exchange Act Release No. 84386 (October 9, 2018), 83 FR 51988 (October 15, 2018) (SR-NASDAQ-2018-078).

<sup>69</sup> 15 U.S.C. 78f(b).

<sup>70</sup> 15 U.S.C. 78f(b)(5).

in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>71</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule change will streamline, and bring consistency and uniformity to, the registration rules, which will, in turn, assist TPHs and their associated persons in complying with these rules and improve regulatory efficiency. The proposed rule change will also improve the efficiency of the examination program, without compromising the qualification standards, by eliminating duplicative testing of general securities knowledge on examinations and by removing examinations that currently have limited utility. In addition, the proposed rule change will expand the scope of permissive registrations, which, among other things, will allow TPHs to develop a depth of associated persons with registrations to respond to unanticipated personnel changes and will encourage greater regulatory understanding. Further, the proposed rule change will provide a more streamlined and effective waiver process for individuals working for a financial services industry affiliate of a TPH, and it will require such individuals to maintain specified levels of competence and knowledge while working in areas ancillary to the securities business. The proposed rule change will improve the supervisory structure of firms by imposing an experience requirement for representatives that are designated by firms to function as principals for a 120-day period before having to pass an appropriate principal qualification examination. The proposed rule change will also prohibit unregistered persons from accepting customer orders under any circumstances, which will enhance investor protection.

The extension of the Securities Trader registration requirement to developers of algorithmic trading strategies requires associated persons primarily responsible for the design, development or significant modification of an algorithmic trading strategy or responsible for the day-to-day supervision or direction of such

<sup>71</sup> *Id.*

activities to register and meet a minimum standard of knowledge regarding the securities rules and regulations applicable to the TPH employing the algorithmic trading strategy. This minimum standard of knowledge is identical to the standard of knowledge currently applicable to traditional securities traders. The Exchange believes that improved education of firm personnel may reduce the potential for problematic market conduct and manipulative trading activity.

Finally, the proposed rule change makes organizational changes to the Exchange's registration and qualification rules to align them with registration and qualification rules of other exchanges as discussed above, in order to prevent unnecessary regulatory burdens and to promote efficient administration of the rules. The change also makes minor updates and corrections to the Exchange's rules which improve readability.

#### *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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule changes which are, in all material respects, based upon and substantially similar to, recent rule changes adopted by FINRA and/or other national securities exchanges, will reduce the regulatory burden placed on market participants engaged in trading activities across different markets. The Exchange believes that the harmonization of these registration requirements across the various markets will reduce burdens on competition by removing impediments to participation in the national market system and promoting competition among participants across the multiple national securities exchanges.

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

The Exchange 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:

A. Significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. 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) of the Act<sup>72</sup> and Rule 19b-4(f)(6)<sup>73</sup> thereunder. 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 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-CBOE-2021-022 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-CBOE-2021-022. 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 website (<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

<sup>72</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>73</sup> 17 CFR 240.19b-4(f)(6).

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 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2021-022 and should be submitted on or before May 12, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>74</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-91582; File No. SR-FINRA-2021-007]

### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Time to Announce the Implementation Schedule for FINRA's Corporate Bond New Issue Reference Data Service**

April 15, 2021.

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 April 13, 2021, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. 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**

FINRA is proposing to extend its time to announce the implementation schedule for FINRA's corporate bond

<sup>74</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.