

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76691; File No. SR-MIAX-2015-71)

December 18, 2015

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Establish the Securities Trader and Securities Trader Principal Registration Categories and to Establish the Series 57 Examination as the Appropriate Qualification Examination for Securities Traders

Pursuant to the provisions of 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 December 8, 2015, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, of which Items I and II were prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend MIAX Rule 203, Qualification and Registration of Members and Associated Persons, MIAX Rule 1302, Registration of Representatives, and MIAX Rule 1304, Continuing Education for Registered Persons, to establish the Securities Trader and Securities Trader Principal registration categories, to establish the Series 57 examination as the appropriate qualification examination for Securities Traders replacing the Series 56 examination, and to establish S101 as the appropriate continuing education program for Securities Traders replacing the S501, from and after January 4, 2016.

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

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

The text of the proposed rule change is available on the Exchange's website at [http://www.miaxoptions.com/filter/wotitle/rule\\_filing](http://www.miaxoptions.com/filter/wotitle/rule_filing), at MIAX's principal office, 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 proposes to amend its rules to establish the Securities Trader and Securities Trader Principal registration categories, to establish the Series 57 examination as the appropriate qualification examination for Securities Traders and retire the Series 56 examination for Proprietary Traders, and to establish S101 as the appropriate continuing education program for Securities Traders and retire the S501 continuing education program for Proprietary Traders, from and after January 4, 2016. The Exchange also proposes to amend its rules to provide for Web-based delivery of the continuing education regulatory element for registered persons. This filing is, in all material respects, based upon SR-FINRA-2015-017 and SR-FINRA-2015-015, which were recently approved by the Commission.<sup>3</sup>

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<sup>3</sup> See Securities Exchange Release No. 75783 (August 28, 2015), 80 FR 53369 (September

The Exchange proposes to amend MIAX Rule 203, Qualification and Registration of Members and Associated Persons, to add the registration categories of Securities Trader and Securities Trader Principal. The Exchange also proposes to amend MIAX Rule 1302, Registration of Representatives, to replace the Proprietary Traders qualification examination (Series 56) with the Securities Trader qualification examination (Series 57) and to amend MIAX Rule 1304, Continuing Education for Registered Persons, to specify the S101 Regulatory Element Continuing Education Program as the Continuing Education (“CE”) requirement for Securities Traders replacing the S501. The Exchange further proposes to amend Rule 1304 to provide for Web-based delivery of the CE Regulatory Element set forth in that rule and to amend MIAX Rule 203 to make other minor non-substantive revisions.

#### Securities Trader Registration Category

Under the Exchange’s registration rules relating to securities trading activity, Members that are individuals and associated persons of Members must register with the Exchange in an appropriate category of registration.<sup>4</sup> Such persons must register with the Exchange through the Central Registration Depository system operated by FINRA (the “Web CRD”) under MIAX in

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3, 2015) (approving SR-FINRA-2015-017) and Securities Exchange Act Release No. 75581 (July 31, 2015), 80 FR 47018 (August 6, 2015) (approving SR-FINRA-2015-015) collectively referred herein as the “FINRA Amendments”. According to the approval orders, the Financial Industry Regulatory Authority’s (“FINRA”) expected effective date for the FINRA Amendments is January 4, 2016.

<sup>4</sup> Members that are individuals and associated persons of Members engaged or to be engaged in the securities business of a Member shall be registered with the Exchange in the category of registration appropriate to the function to be performed in a form and manner prescribed by the Exchange. Before the registration can become effective, the individual Member or individual associated person shall submit the appropriate application for registration, pass a qualification examination appropriate to the category of registration in a form and manner prescribed by the Exchange and submit any required registration and examination fees. See Exchange Rule 203(a).

the category of registration appropriate to the function to be performed.<sup>5</sup> Currently, under MIAX Rule 1302(e), a person engaged solely in proprietary trading on the Exchange is required to register with the Exchange and be qualified by passing the Proprietary Traders qualification examination (Series 56), however, MIAX Rule 1302(e) also allows a person engaged in proprietary trading on the Exchange to pass the General Securities Registered Representative Examination (Series 7) and maintain a Series 7 registration without being required to pass the Proprietary Traders qualification examination (Series 56).

In consultation with FINRA and other exchanges, the Exchange proposes to establish a new Securities Trader registration category by adopting a new Rule 203(d) applicable to persons engaged solely in proprietary trading on the Exchange. Such persons would be required to register with the Exchange as Securities Traders and be qualified by passing the new Securities Trader qualification examination (Series 57) being implemented by FINRA. Specifically, Rule 203(d)(1) would require Members that are individuals and associated persons of Members to register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or foreign currency options on the Exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities (other than any person associated with a Member whose trading activities are conducted principally on behalf of an investment company that is registered with the Commission pursuant to the Investment Company Act of 1940 and that controls, is controlled by or is under common control, with the Member). Subparagraph (d)(2) would require an applicant to become qualified as a Securities Trader under Rule 1302(e) as proposed to be amended before registering in the new Securities Trader category. Subparagraph (d)(3)

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<sup>5</sup> See Exchange Rule 203, Interpretation and Policy .01.

would also provide that a person registered as a Securities Trader would not be qualified to function in any other registration category, unless he or she is also separately qualified and registered in such other registration category.

Rule 1302(e) as proposed to be amended would require that a person engaged solely in proprietary trading on the Exchange pass the new Series 57 qualification examination for Securities Traders being implemented by FINRA. Rule 1302(e) would also allow a person engaged in proprietary trading on the Exchange to be grandfathered as a Securities Trader without having to take the Securities Trader qualification examination (Series 57), if such person has passed the General Securities Registered Representative Examination (Series 7) and maintains a Series 7 registration or has passed the Proprietary Traders qualification examination (Series 56) and maintains a Proprietary Trader registration as of January 4, 2016, provided that no more than two years have passed between the date that the person last registered as a Proprietary Trader and the date such person registers as a Securities Trader in the Web CRD. Following January 4, 2016, all new candidates for Securities Trader registration must pass the Series 57 examination. They will not be permitted to pass the Series 7 in order to register as Securities Traders. The Series 7 requirement will continue to apply to candidates for General Securities Representative registration, but will not qualify candidates to register as Securities Traders.

A person registered as a Proprietary Trader in Web CRD system on January 4, 2016 will be grandfathered as a Securities Trader without having to take any additional examinations and without having to take any other actions. In addition, individuals who were registered as a Proprietary Trader in the Web CRD system prior to January 4, 2016 will be eligible to register as Securities Traders without having to take any additional examinations, provided that no more

than two years have passed between the date they were last registered as a Proprietary Trader and the date they register as a Securities Trader.

Persons registered in the new Securities Trader category would be subject to the continuing education requirements of Rule 1304. The S501 Proprietary Trader CE Program is currently specified as the CE Regulatory Element applicable for registrants registered as Proprietary Traders by passing the Series 56 qualification examination. The S101 Regulatory Element CE Program is the CE Regulatory Element that applies to persons with a Series 7 registration, including those registered as Proprietary Traders by passing the Series 7 qualification examination. MIAX Rule 1304(a) as proposed to be amended would specify the S101 Regulatory Element CE Program as the appropriate CE Regulatory Element applicable to Securities Traders. The rule would leave in place the Proprietary Trader CE Program through January 4, 2016, the phase out date for the registration category of Proprietary Trader. From and after January 4, 2016, the S101 would become the appropriate CE Regulatory Element applicable to individuals maintaining a Series 7 or a Series 57. The S101 CE Regulatory Element content is being updated by FINRA to provide for a more comprehensive, complete and customized CE approach covering key aspects of a particular registered person's registration.

#### Securities Trader Principal Registration Category

In consultation with FINRA and other exchanges, the Exchange further proposes to establish a new Securities Trader Principal registration category by adopting a new Rule 203(c) applicable to persons responsible for the supervision of persons engaged in proprietary trading on the Exchange. Persons responsible for the supervision of persons engaged in proprietary trading on the Exchange would be required to register with the Exchange as Securities Trader Principals. The proposed rule change should allow MIAX to more easily track principals with

supervisory responsibility over specific securities trading activities. Securities Trader Principals would be required to qualify by first registering as a Securities Trader under Rule 1302(e), and passing the new Securities Trader qualification examination (Series 57) being implemented by FINRA as well as passing the General Securities Principal qualification examination (Series 24). Specifically, Rule 203(c)(1) would require Members that are individuals and associated persons of Members within the definition of Options Principal in Rule 100 and who will have supervisory responsibility over the securities trading activities described in Rule 203(d) (i.e., the activities engaged in by Securities Traders) to become qualified and registered as a Securities Trader Principal. To qualify for registration as a Securities Trader Principal, such person shall become qualified and registered as a Securities Trader under Rule 1302(e) and pass the General Securities Principal qualification examination (Series 24).

A person who is qualified and registered as a Securities Trader Principal under the proposed rule would only have supervisory responsibility over the securities trading activities specified in Rule 203(d), unless such person were separately qualified and registered in another appropriate principal registration category, such as the General Securities Principal registration category. Subparagraph (c)(2) would make clear that a registered General Securities Principal would not be qualified to supervise the securities trading activities described in Rule 203(d), unless such person also qualified and registered as a Securities Trader under Rule 1302(e) by passing the Securities Trader qualification examination and registering as a Securities Trader Principal.

A person registered as a Proprietary Trader Principal in the Web CRD system on January 4, 2016 will be eligible to register as a Securities Trader Principal without having to take any additional examinations. An individual who was registered as a Proprietary Trader Principal in the

Web CRD system prior to the effective date of the proposed rule change will also be eligible to register as a Securities Trader Principal without having to take any additional examinations, provided that no more than two years have passed between the date they were last registered as an Options Principal and the date they register as a Securities Trader Principal. Members, however, will be required to affirmatively register persons transitioning to the proposed registration category as Securities Trader Principals on or after January 4, 2016.

#### Delivery of the Regulatory Element

In consultation with FINRA and other exchanges, the Exchange further proposes to provide for Web-based delivery of the CE Regulatory for registered persons. As proposed to be amended, MIAX Rule 1304 would specify in a new subparagraph (a)(4) that the CE Regulatory Element set forth in the rule will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange from and after January 4, 2016. Most registered persons currently complete the Regulatory Element in a test center and the remainder do so in-firm. Given the advances in Web-based technology, the Exchange believes that there is diminishing utility in the test center and in-firm CE delivery methods. The Exchange notes that the Web-based format will include safeguards to authenticate the identity of the CE candidate. Moreover, according to FINRA, registered persons have raised concerns with the current test center delivery method because of the travel involved, the limited time currently available to complete a Regulatory Element session and the use of rigorous security measures at test centers, which are appropriate for taking qualification examinations, but onerous for a CE program.<sup>6</sup> Also, according to FINRA, the test center is expensive to operate.<sup>7</sup>

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<sup>6</sup> See supra note 3.

<sup>7</sup> Id.



## Other Clarifying Changes

In addition to the changes set forth above, the Exchange proposes to make the following non-substantive clarifying changes to Rule 203: (i) re-letter the paragraphs following new Rules 203(c) and (d), (ii) remove the word “Exam” in the parenthetical in subparagraph (e) for consistency with other references to examinations in MIAX’s rulebook, (iii) add a colon at the end of the subparagraph (f), and (iv) correct the reference to the Securities Exchange Act of 1934, as the “Act” to the defined term of “Exchange Act” in subparagraph (f)(1). These clarifying changes would make the rule more concise, clear and understandable, and eliminate the potential for confusion.

Within 30 days of filing the proposed rule change, the Exchange will issue a Regulatory Circular announcing the operative date of the rule change, which will not be sooner than January 4, 2016.

### 2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>9</sup> in particular, in that it is 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 in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

The Exchange further believes its proposed rule change is consistent with Section 6(c) of the Act<sup>10</sup> in general, and in particular, furthers the objectives of Section 6(c)(3) of the Act,<sup>11</sup> which authorizes the Exchange to prescribe standards of training, experience and competence for Members and persons associated with the Members. The Exchange believes that the requirements of the Securities Trader and Securities Trader Principal registration categories, the new Securities Trader qualification examination and continuing education requirement, as well as Web-based delivery of the continuing education requirement, should help ensure that proprietary traders and the principals who supervise proprietary traders and proprietary trading are, and will continue to be, properly trained and qualified to perform their functions which should protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Implementation of the proposed changes to MIAX registration rules in coordination with the FINRA Amendments does not present any competitive issues, but rather is designed to provide less burdensome and more efficient regulatory compliance for Members and enhance the ability of the Exchange to fairly and efficiently regulate Members, which will further enhance competition. Additionally, the proposed rule change should not affect intra-market competition because all similarly situated representatives and principals will be required to complete the same qualification examinations and maintain the same registrations. Finally, the proposed rule change does not impose any additional examination burdens on persons who are already

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

<sup>11</sup> 15 U.S.C. 78f(c)(3).

registered. There is no obligation to take the proposed new Series 57 examination in order to continue in their present duties, so the proposed rule change is not expected to disadvantage current registered persons relative to new entrants in this regard.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder. The Exchange has requested that the Commission waive the thirty-day operative delay so that the proposal may become operative as of January 4, 2016. The Exchange states that waiving the thirty-day delay would enable it to implement the Securities Trader and Securities Trader Principal registration categories, and their respective examination and continuing education requirements, at the same time as FINRA and the other national securities exchanges. The Commission believes that waiving the thirty day delay is

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

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the thirty-day operative delay and designates the proposal operative as of January 4, 2016.<sup>14</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is 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 shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail [to rule-comments@sec.gov](mailto:to-rule-comments@sec.gov). Please include File Number SR-MIAX-2015-71 on the subject line.

##### Paper comments:

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

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<sup>14</sup> For purposes of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-MIAX-2015-71. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MIAX-2015-71 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

Robert W. Errett  
Deputy Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).