

Proposed Rule Change by NYSE Arca
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Janet"/>	Last Name	<input type="text" value="Angstadt"/>
Title	<input type="text" value="General Counsel"/>		
E-mail	<input type="text" value="janet@nyse.com"/>		
Telephone	<input type="text" value="(312) 442-7147"/>	Fax	<input type="text"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date

By (Name) (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”), through its wholly owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities” or the “Corporation”), proposes to amend certain NYSE Arca Equities Rules governing registration of employees of Equity Trading Permit (“ETP”) Holders¹ in order to clarify registration procedures and make them consistent with the procedures of other self-regulatory organizations (“SROs”). The text of the proposed rule change is attached as Exhibits 4 and 5.

2. Procedures of the Self-Regulatory Organization

- (a) The proposed rule change is being submitted to the Securities and Exchange Commission (the “Commission”) by Exchange staff pursuant to authority delegated by the NYSE Arca Board of Directors and the NYSE Arca Equities Board of Directors.
- (b) Questions and comments regarding the proposed rule change may be directed to the following:

Janet Angstadt
General Counsel, NYSE Arca, Inc.
Office of the General Counsel
Phone: (312) 442-7147

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

(a) Purpose

This is Amendment No. 1 to the original rule filing, which was submitted to the Commission on November 14, 2006. This Amendment No. 1 replaces the original rule filing in its entirety. The purpose of this Amendment No. 1 is to make minor technical corrections. The Exchange proposes to amend NYSE Arca Equities Rules 2.4, 2.21, and 9.27 (referred to herein as Rules 2.4, 2.21 and 9.27) in order to clarify registration procedures and ongoing compliance obligations for ETP Holders and their registered persons. Further, the Exchange proposes to amend these Rules so that they are consistent with industry practices and with the operation of the Central Registration Depository (“CRD”) system maintained by the National Association of Securities Dealers, Inc. (“NASD”). The proposed rule changes are similar to the rules of other SROs.²

¹ See NYSE Arca Equities Rule 1.1(n).

² See NASD Rules 1070(d) and 1120(a) and (b); New York Stock Exchange LLC (“NYSE”) Rule 345A and Supplementary Material .15(1)(b) to Rule 345.

Consideration of Requests for Waivers of Examination Requirements

The Exchange proposes to amend Rule 2.4(c), which governs requests from ETP Holder applicants to waive applicable examinations requirements prescribed by the Exchange. Specifically, the Exchange proposes to add new waiver standards under which the Corporation has discretion to grant waivers so that the Exchange's practices are generally consistent with the criterion set forth in NASD Rule 1070(d) and Supplementary Material .15(1)(b) to NYSE Rule 345.

Filing of Registration Documentation with the Exchange

The Exchange proposes to amend Rule 2.21, which governs registration procedures for employees of ETP Holders. Specifically, the Exchange proposes to amend the Rule to provide manual registration procedures for registration categories (e.g., floor clerk) for which CRD does not provide electronic registration.³

Continuing Education Requirements

Currently, employees of ETP Holders who wish to initiate and maintain registration with the Corporation must follow two separate rules - Rule 2.21 and Rule 9.27. Rule 2.21 sets forth initial registration requirements, whereas Rule 9.27 sets forth the continuing education requirements that must be satisfied to maintain registration with the Corporation.

In order to simplify compliance for employees of ETP Holders, the Exchange proposes to provide continuing registration requirements in the same rule as initial registration requirements. Specifically, the Exchange proposes to add continuing education requirements to new Rule 2.21(d) and certain definitions and clarifications with respect thereto to new Commentary .01 - .06 to Rule 2.21.

The continuing education requirements in proposed new Rule 2.21(d) and related Commentary .01 - .06 to Rule 2.21 are substantially similar to those contained in current Rule 9.27(c) and (d) and related Commentary .01 - .06 to Rule 9.27(c) and (d), except that the Exchange has made certain clarifications so that the continuing education requirements and related definitions and clarifications are more closely aligned with NASD Rule 1120 and NYSE Rule 345A and other clean-up changes, as set forth in detail below.

³ In 2005, NYSE Arca (formerly Pacific Exchange, Inc. or "PCX") became a participant of the CRD system for maintenance of certain registration categories with the Exchange. As part of this implementation, applicable rules of the Exchange were amended to address filing appropriate registration documentation electronically with the CRD system for employees of ETP Holders. These amended rules, however, inadvertently omitted certain registration procedures for positions not available on the CRD system.

Specifically, the Exchange proposes in Rule 2.21(d)(1) that the content of the Regulatory Element of the program shall be consistent with the standards set forth by the Corporation and other self-regulatory organizations, rather than just determined by the Corporation as is set forth in the current Rule 9.27(c). In addition, the Exchange proposes to add language in Rule 2.21(d)(2)(B)(i) providing that if an ETP Holder's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the ETP Holder's training plan. Such language is not included in the current Rule 9.27(d)(2)(A). The Exchange has not proposed for inclusion the NASD's continuing education requirements applicable to research analysts because the Corporation does not provide for research analyst registration. Additionally, unlike the current NASD Rule 1120(a)(6), the Corporation is not proposing to permit ETP Holders to self-administer the Regulatory Element of continuing education, as the Corporation does not have the resources or capability to offer an approval process or monitoring of such self-administered programs. ETP Holders will be responsible for ensuring continuing education information related to their associated persons is received by the firm in a timely manner, and as such, shall designate a person or persons to receive applicable information via electronic mail directly from the CRD system. ETP Holders will not be required to submit to the Corporation the names of such designated persons, as is required by the current NASD rule. This is based on the fact that the Corporation does not have a contact management system comparable to that of the NASD.

With respect to the proposed new Commentary to Rule 2.21, the Exchange proposes to add a definition of "registered person" to Commentary .01 to Rule 2.21 as is currently set forth in Commentary .01 to Rule 9.27(c) and (d), except that the definition that the Exchange is proposing does not include the carve-out for "any such person whose activities are limited solely to the transaction of business on the facilities of the Corporation with ETP Holders or registered broker-dealers." In addition, the Exchange proposes in Commentary .04 to Rule 2.21 to correct a mistake in the language in Commentary .04 to Rule 9.27(c) and (d) to provide that reassocated registered persons shall participate in the Regulatory Element at intervals based on their initial base date, rather than their new base date. Lastly, the Exchange proposes in Commentary .06 to Rule 2.21 to change the reference of "any registered member who is an ETP Holder," which is currently in Commentary .06 to Rule 9.27(c) and (d), to "any registered person associated with an ETP Holder" in order to be consistent with the language of other SROs.

In connection with the addition of proposed new Rule 2.21(d) and Commentary .01 - .06 to Rule 2.21 as set forth above, the Exchange proposes to delete the specific continuing education requirements in Rule 9.27(c) and (d) and the related Commentary .01 - .06 to Rule 9.27(c) and (d). The purpose for deleting the continuing education requirements in Rule 9.27(c) and (d) is to avoid needless repetition and risk of inconsistencies. The Exchange proposes to include cross-

reference language in Rule 9.27(c) that provides that registered persons shall follow the continuing education requirements set forth in Rule 2.21(d).

In addition, the Exchange proposes to delete current Rule 2.21(i) with respect to transition to the CRD system because registration with CRD is already provided for in Rule 2.21(a).

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b)⁴ of the Securities Exchange Act of 1934 (the “Exchange Act”), in general, and furthers the objectives of Section 6(b)(5)⁵ 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, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

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

Written comments on the proposed rule change were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange does not request summary effectiveness pursuant to Section 19(b)(3) of the Exchange Act or accelerated effectiveness pursuant to Section 19(b)(2) of the Exchange Act.

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

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

The proposed rule change is based on the rules of the NASD and the NYSE.⁶

9. Exhibits

Exhibit 1 - Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 4 - Text of the Proposed Rule Change.

Exhibit 5 - Text of the Proposed Rule Change.

⁶ See footnote 2, *supra*.

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; Amendment No. 1 to File No. SR-NYSEArca-2006-50)

[DATE]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by NYSE Arca, Inc. Relating to Amendments to Registration Rules of NYSE Arca Equities, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 12, 2007, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”), through its wholly owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities” or the “Corporation”), filed with the Securities and Exchange Commission (“Commission” or “SEC”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comment 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, through its wholly owned subsidiary NYSE Arca Equities, proposes to amend certain NYSE Arca Equities Rules governing registration of employees of Equity Trading Permit (“ETP”) Holders³ in order to clarify registration procedures and make them consistent with the procedures of other self-regulatory organizations (“SROs”). The text of the proposed rule change is available on the

¹ 15 U.S.C. § 78s(b)(1).

² 17 CFR 240.19b-4.

³ See NYSE Arca Equities Rule 1.1(n).

Exchange's website at www.nysearca.com, at the Exchange's Office of the Secretary and at the Commission.

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 self-regulatory organization 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 self-regulatory organization 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

This is Amendment No. 1 to the original rule filing, which was submitted to the Commission on November 14, 2006. This Amendment No. 1 replaces the original rule filing in its entirety. The purpose of this Amendment No. 1 is to make minor technical corrections. The Exchange proposes to amend NYSE Arca Equities Rules 2.4, 2.21, and 9.27 (referred to herein as Rules 2.4, 2.21 and 9.27) in order to clarify registration procedures and ongoing compliance obligations for ETP Holders and their registered persons. Further, the Exchange proposes to amend these Rules so that they are consistent with industry practices and with the operation of the Central Registration Depository

(“CRD”) system maintained by the National Association of Securities Dealers, Inc. (“NASD”). The proposed rule changes are similar to the rules of other SROs.⁴

Consideration of Requests for Waivers of Examination Requirements

The Exchange proposes to amend Rule 2.4(c), which governs requests from ETP Holder applicants to waive applicable examinations requirements prescribed by the Exchange. Specifically, the Exchange proposes to add new waiver standards under which the Corporation has discretion to grant waivers so that the Exchange’s practices are generally consistent with the criterion set forth in NASD Rule 1070(d) and Supplementary Material .15(1)(b) to NYSE Rule 345.

Filing of Registration Documentation with the Exchange

The Exchange proposes to amend Rule 2.21, which governs registration procedures for employees of ETP Holders. Specifically, the Exchange proposes to amend the Rule to provide manual registration procedures for registration categories (e.g., floor clerk) for which CRD does not provide electronic registration.⁵

Continuing Education Requirements

Currently, employees of ETP Holders who wish to initiate and maintain registration with the Corporation must follow two separate rules - Rule 2.21 and Rule 9.27. Rule 2.21 sets forth initial registration requirements, whereas Rule 9.27 sets forth

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⁵ In 2005, NYSE Arca (formerly Pacific Exchange, Inc. or “PCX”) became a participant of the CRD system for maintenance of certain registration categories with the Exchange. As part of this implementation, applicable rules of the Exchange were amended to address filing appropriate registration documentation electronically with the CRD system for employees of ETP Holders. These amended rules, however, inadvertently omitted certain registration procedures for positions not available on the CRD system.

the continuing education requirements that must be satisfied to maintain registration with the Corporation.

In order to simplify compliance for employees of ETP Holders, the Exchange proposes to provide continuing registration requirements in the same rule as initial registration requirements. Specifically, the Exchange proposes to add continuing education requirements to new Rule 2.21(d) and certain definitions and clarifications with respect thereto to new Commentary .01 - .06 to Rule 2.21.

The continuing education requirements in proposed new Rule 2.21(d) and related Commentary .01 - .06 to Rule 2.21 are substantially similar to those contained in current Rule 9.27(c) and (d) and related Commentary .01 - .06 to Rule 9.27(c) and (d), except that the Exchange has made certain clarifications so that the continuing education requirements and related definitions and clarifications are more closely aligned with NASD Rule 1120 and NYSE Rule 345A and other clean-up changes, as set forth in detail below.

Specifically, the Exchange proposes in Rule 2.21(d)(1) that the content of the Regulatory Element of the program shall be consistent with the standards set forth by the Corporation and other self-regulatory organizations, rather than just determined by the Corporation as is set forth in the current Rule 9.27(c). In addition, the Exchange proposes to add language in Rule 2.21(d)(2)(B)(i) providing that if an ETP Holder's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the ETP Holder's training plan. Such language is not included in the current Rule 9.27(d)(2)(A). The Exchange has not proposed for inclusion the NASD's continuing education requirements applicable to

research analysts because the Corporation does not provide for research analyst registration. Additionally, unlike the current NASD Rule 1120(a)(6), the Corporation is not proposing to permit ETP Holders to self-administer the Regulatory Element of continuing education, as the Corporation does not have the resources or capability to offer an approval process or monitoring of such self-administered programs. ETP Holders will be responsible for ensuring continuing education information related to their associated persons is received by the firm in a timely manner, and as such, shall designate a person or persons to receive applicable information via electronic mail directly from the CRD system. ETP Holders will not be required to submit to the Corporation the names of such designated persons, as is required by the current NASD rule. This is based on the fact that the Corporation does not have a contact management system comparable to that of the NASD.

With respect to the proposed new Commentary to Rule 2.21, the Exchange proposes to add a definition of “registered person” to Commentary .01 to Rule 2.21 as is currently set forth in Commentary .01 to Rule 9.27(c) and (d), except that the definition that the Exchange is proposing does not include the carve-out for “any such person whose activities are limited solely to the transaction of business on the facilities of the Corporation with ETP Holders or registered broker-dealers.” In addition, the Exchange proposes in Commentary .04 to Rule 2.21 to correct a mistake in the language in Commentary .04 to Rule 9.27(c) and (d) to provide that reassociated registered persons shall participate in the Regulatory Element at intervals based on their initial base date, rather than their new base date. Lastly, the Exchange proposes in Commentary .06 to Rule 2.21 to change the reference of “any registered member who is an ETP Holder,”

which is currently in Commentary .06 to Rule 9.27(c) and (d), to “any registered person associated with an ETP Holder” in order to be consistent with the language of other SROs.

In connection with the addition of proposed new Rule 2.21(d) and Commentary .01 - .06 to Rule 2.21 as set forth above, the Exchange proposes to delete the specific continuing education requirements in Rule 9.27(c) and (d) and the related Commentary .01 - .06 to Rule 9.27(c) and (d). The purpose for deleting the continuing education requirements in Rule 9.27(c) and (d) is to avoid needless repetition and risk of inconsistencies. The Exchange proposes to include cross-reference language in Rule 9.27(c) that provides that registered persons shall follow the continuing education requirements set forth in Rule 2.21(d).

In addition, the Exchange proposes to delete current Rule 2.21(i) with respect to transition to the CRD system because registration with CRD is already provided for in Rule 2.21(a).

(2) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Exchange Act,⁶ in general, and furthers the objectives of Section 6(b)(5)⁷ 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, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

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 Exchange Act.

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

Written comments on the proposed rule change were neither solicited nor received.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve the proposed modifications, or
- (B) institute proceedings to determine whether the proposed rule change should be 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 Exchange 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. Please include File No. SR-NYSEArca-2006-50 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to File No. SR-NYSEArca-2006-50. 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 inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of NYSE Arca. 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 No. SR-NYSEArca-2006-50 and should be submitted [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Nancy M. Morris,
Secretary

⁸ 17 CFR 200.30-3(a)(12).

Text of the Proposed Rule Change:¹**Rules of NYSE Arca Equities, Inc.****Rule 2****Equity Trading Permits**

Rule 2.4 Denial of or Conditions to ETPs

(a) – (b) No change.

(c) The Corporation may, at its discretion in exceptional cases where good cause is shown, waive the applicable examination requirement and accept other standards as evidence of an applicant's qualifications for registration. Advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive an examination requirement. Experience in fields ancillary to the investment banking or securities business may constitute sufficient grounds to waive an examination requirement. In such cases, the Corporation must be satisfied that the candidate is qualified for registration. [waive or modify a required examination for any Trader who has been a member of a self regulatory organization within six months of applying for trading privileges under an ETP if appropriate basis for an exemption from a required examination exists based on the following standards of evidence regarding an applicant's qualifications:

- (1) length and quality of securities industry experience or professional experience in investment related fields;
- (2) specific registration requested by the applicant and type of business to be conducted in relation to the applicant's experience;
- (3) previous registration history with the Corporation and nature of any pre-existing regulatory matters; and
- (4) other examinations (e.g. Series 1 Examination) taken by the applicant that may be acceptable substitutes in conjunction with securities industry experience.]

¹ Italics and double underscore indicate text to be added to the proposed amendments to the Rules as originally filed and single ~~strikethrough~~ indicates text to be deleted.

Within fifteen calendar days after the Corporation reviews a request for a waiver of the examination requirement, the Corporation shall provide the applicant with a written determination of whether the waiver was granted or denied. If the Corporation denies the request for a waiver, the notice shall include a statement with the reasons for the denial. An applicant whose request for a waiver is denied may appeal the decision of the Corporation in accordance with the terms and conditions of Rule 10.13.

(d) – (f) No change.

Rule 2.21 Employees of ETP Holders Registration

(a) Each employee of an ETP Holder compensated directly or indirectly for the solicitation or handling of business in securities, including trading in securities for the account of the organization must be registered with the Corporation. In connection with their registration, such individuals shall electronically file a Form U[-]4 with the CRD by appropriately checking the Pacific Exchange as a requested registration on the electronic Form U[-]4 filing; provided, however, that for registration categories (e.g., Floor Clerk) not available electronically on CRD, individuals must file a Form U4, any required amendments, or registration documentation prescribed by the Corporation, directly with the Corporation. [Any individual] Individuals for whom registration is maintained on CRD are required to [complete Form U-4 shall] promptly electronically file any required amendments to Form U[-]4 with the CRD.

(b) In order to satisfy the registration requirement, employees of ETP Holders must satisfy applicable examination requirements as prescribed by the Corporation, complete documentation and pay the related fees. Continuance of any registered employee is at the sole discretion of the Corporation.

(i) For employees of ETP Holders for which the Corporation serves as the Designated Examining Authority, all the requirements of subsection (b) apply;

(ii) For employees of ETP Holders for which the Corporation does not serve as the Designated Examining Authority, such employees shall be deemed registered with the Corporation if the ETP Holder has recorded registration of such employees with the Corporation in the manner prescribed in paragraph (a) of this Rule [via Web CRD].

(c) No change.

(d) Continuing Education. No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this Rule 2.21(d).

(1) *Regulatory Element*-- Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, or as otherwise prescribed by the Corporation. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be consistent with the standards set forth by the Corporation and other self regulatory organizations for each registration category of persons subject to the Rule.

(A) Reserved.

(B) *Failure to Complete* --Unless otherwise determined by the Corporation, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration.

The Corporation may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(C) *Disciplinary Actions* --Unless otherwise determined by the SRO, a registered person will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(i) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with, rule, or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming

subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(D) Regulatory Element Notifications--Each ETP Holder shall designate an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository ("Web CRD") regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each ETP Holder must, no less than quarterly, review and, if necessary, update the information regarding its Regulatory Element contact person(s) with Web CRD.

(2) Firm Element

(A) Persons Subject to the Firm Element --The requirements of this Rule 2.21(d)(2) shall apply to any registered persons who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(B) Standards

(i) Each ETP Holder must maintain a continuing and current education program for its covered registered person to enhance their securities knowledge, skills and professionalism. At a minimum, each ETP Holder shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the ETP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If an ETP Holder's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the ETP Holder's training plan.

(ii) Minimum Standards for Training Programs --Programs used to implement an ETP Holder's training plan must be appropriate for the business of the ETP Holder and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the ETP Holder:

(a) General investment features and associated risk factors;

(b) Suitability and sales practice considerations; and

(c) Applicable regulatory requirements.

(iii) Administration of Continuing Education Program --Each ETP Holder must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(C) Participation in the Firm Element --Covered registered persons included in an ETP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the ETP Holder.

(D) Specific Training Requirements --The Corporation may require an ETP Holder, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas that the Corporation deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(e) [(d)] A registered employee may not be engaged in any other business or be employed by another employer in any capacity or receive compensation without the prior written and continuing approval of his or her ETP Holder and such registered employee shall devote a substantial portion of the business day to the activities of his or her ETP Holder.

(f) [(e)] No ETP Holder may employ a Corporation employee during regular Corporation business hours. No ETP Holder may employ a Corporation employee outside regular Corporation employment hours without having obtained the prior written approval of the Corporation and registering the name of the employee, the nature of the services rendered and the amount of related compensation.

(g) [(f)] No ETP Holder shall give any compensation or gratuity in any one calendar year in excess of \$100 to any employee of any other ETP Holder, or to any employee of a broker or dealer, bank or institution that is not an ETP Holder, without the prior consent of the employee's employer.

(h) [(g)] No ETP Holder shall give any compensation to any officer, director, employee or other agent of the Corporation without the prior written consent of the Corporation. No ETP Holder shall give any gratuity or gift in any one calendar year in excess of \$100 to any officer, director, employee or other agent of the Corporation without the prior written consent of the Corporation. All requests for such consent should contain the following information:

- (1) name and position of the Corporation director, officer, employee or agent;
- (2) nature of the gratuity or gift;
- (3) dollar amount of compensation or gratuity;
- (4) reason for the compensation, gift or gratuity; and
- (5) any other details which may be useful in considering the request.

(i) [(h)] An ETP Holder is required to [electronically] file a Form U[-]5 and any amendment thereto [with the CRD] within ten (10) business days of the termination date, when a person's employment by such ETP Holder terminates. For registrations available and maintained electronically through the CRD system, such filings must be submitted to CRD. Filings for registrations not available on CRD and maintained directly with the Corporation must be submitted directly to the Corporation.

[(i) Transition to Web CRD System. An ETP Holder and a person associated with an ETP Holder must electronically file a Form U[-]4 ~~U4~~ with the CRD system on or before such time as may be specified by the Corporation for each employee of the ETP Holder who has access to any electronic trading system.]

(j) Process to Register Employees or Obtain Officer Approval. To register an employee or obtain the approval for an officer, the employer must [electronically] file an application on Form U[-]4 and any amendment thereto in the manner prescribed by paragraph (a) of this Rule[to the CRD], as well as complete any [the] relevant application process prescribed by the Corporation.

Commentary:

.01 For purposes of this Rule, the term "registered person" means any ETP Holder, Allied Person thereof, registered representative or other person registered or required to be registered under the Rules of the Corporation.

.02 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, an ETP Holder.

.03 Reserved.

.04 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such

intervals that apply (second registration anniversary and every three years thereafter) based on their initial base date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety based on the most recent registration date.

.05 Any registration that is deemed inactive for a period of two calendar years pursuant to section (d)(1)(B) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Corporation.

.06 Any registered person associated with an ETP Holder who is a member of another self-regulatory organization ("SRO") shall be subject to the other SRO's implementation date for the elimination of the exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than September 30, 2005.

Rule 9

Conducting Business with the Public

Rule 9.27 Registration of Representatives

(a) General. No ETP Holder shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been registered with and approved by the Corporation pursuant to the provisions of Rule 2.21[(a) through Rule 2.21(d)]. Persons who perform duties for the ETP Holder which are customarily performed by sales representatives, solicitors, customers' men or branch office managers shall be designated as Representatives.

(b) Registered Options Representatives. No person associated with an ETP Holder shall transact any business with the public in option contracts, unless those persons are registered with and approved by the Corporation pursuant to the provisions of paragraph (a) of this Section and are registered with and approved by the Corporation as Options Representatives. In connection with their registration as Options Representatives, such persons shall file an application with the Corporation on a form prescribed by the Corporation, shall successfully complete a training course and an examination for the purpose of demonstrating adequate knowledge in the trading of option contracts, and

shall sign an agreement to abide by the Bylaws, Rules and procedures of the Corporation and the Rules of the Options Clearing Corporation; provided, however, that representatives of an ETP Holder which is a member of another national securities exchange or association which has standards of approval acceptable to the Corporation may be deemed to be registered with and approved by the Corporation, so long as such representatives are registered with and approved by such other exchange or association. An ETP Holder whose representatives are deemed registered and approved pursuant to the last clause of the preceding sentence shall inform their representatives of their obligation to adhere to the Bylaws, Rules and procedures of the Corporation and the Rules of the Options Clearing Corporation. Termination of employment or affiliation of any Registered Options Representative in such capacity shall be reported promptly to the Corporation together with a brief statement of the reason for such termination, pursuant to Rule 2.21[(h)](i).

Commentary .01 - .03 No Change

Rule 9.27 [Regulatory Element] Continuing Education Requirements

(c) No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of [this Rule 9.27(c)] Rule 2.21.

[Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, or as otherwise prescribed by the Corporation. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date, also known as the "base date", shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be determined by the Corporation for each registration category of persons subject to the Rule.

(1) Reserved.

(2) *Failure to Complete* --Unless otherwise determined by the Corporation, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration.

The Corporation may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(3) *Disciplinary Actions* --Unless otherwise determined by the SRO, a registered person will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(A) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;

(B) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule of standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) or (C) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(d) Firm Element

(1) *Persons Subject to the Firm Element* --The requirements of this Rule 9.27(d) shall apply to any registered person who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(2) *Standards*

(A) Each ETP Holder must maintain a continuing and current education program for its covered registered person to enhance their securities knowledge, skills and professionalism. At a minimum, each ETP Holder shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the ETP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element.

(B) *Minimum Standards for Training Programs* --Programs used to implement an ETP Holder's training plan must be appropriate for the business of the ETP Holder and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the ETP Holder:

(i) General investment features and associated risk factors;

(ii) Suitability and sales practice considerations; and

(iii) Applicable regulatory requirements.

(C) *Administration of Continuing Education Program* --Each ETP Holder must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) *Participation in the Firm Element* --Covered registered persons included in an ETP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the ETP Holder.

(4) *Specific Training Requirements* --The Corporation may require an ETP Holder, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas that the Corporation deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

Commentary:

.01 For purposes of this Rule, the term "registered person" means any ETP Holder, Allied Person thereof, registered representative or other person registered or required to be registered under the Rules of the Corporation, but does not include any such person whose activities are limited solely to the transaction of business on the facilities of the Corporation with ETP Holders or registered broker-dealers.

.02 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, an ETP Holder.

.03 Reserved.

.04 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter) based on the new base date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety based on the most recent registration date.

.05 Any registration that is deemed inactive for a period of two calendar years pursuant to section (c)(2) of this Rule for failure of a registered person to complete the Regulatory

Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Corporation.

.06 Any registered member who is an ETP Holder who is also a member of another self-regulatory organization ("SRO") shall be subject to the other SRO's implementation date for the elimination of the exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than September 30, 2005.]

Text of the Proposed Rule Change:¹**Rules of NYSE Arca Equities, Inc.****Rule 2****Equity Trading Permits**

Rule 2.4 Denial of or Conditions to ETPs

(a) – (b) No change.

(c) The Corporation may, at its discretion in exceptional cases where good cause is shown, waive the applicable examination requirement and accept other standards as evidence of an applicant's qualifications for registration. Advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive an examination requirement. Experience in fields ancillary to the investment banking or securities business may constitute sufficient grounds to waive an examination requirement. In such cases, the Corporation must be satisfied that the candidate is qualified for registration. [waive or modify a required examination for any Trader who has been a member of a self regulatory organization within six months of applying for trading privileges under an ETP if appropriate basis for an exemption from a required examination exists based on the following standards of evidence regarding an applicant's qualifications:

- (1) length and quality of securities industry experience or professional experience in investment related fields;
- (2) specific registration requested by the applicant and type of business to be conducted in relation to the applicant's experience;
- (3) previous registration history with the Corporation and nature of any pre-existing regulatory matters; and
- (4) other examinations (e.g. Series 1 Examination) taken by the applicant that may be acceptable substitutes in conjunction with securities industry experience.]

Within fifteen calendar days after the Corporation reviews a request for a waiver of the

¹ New text is underscored and deleted text is in [brackets].

examination requirement, the Corporation shall provide the applicant with a written determination of whether the waiver was granted or denied. If the Corporation denies the request for a waiver, the notice shall include a statement with the reasons for the denial. An applicant whose request for a waiver is denied may appeal the decision of the Corporation in accordance with the terms and conditions of Rule 10.13.

(d) – (f) No change.

Rule 2.21 Employees of ETP Holders Registration

(a) Each employee of an ETP Holder compensated directly or indirectly for the solicitation or handling of business in securities, including trading in securities for the account of the organization must be registered with the Corporation. In connection with their registration, such individuals shall electronically file a Form U[-]4 with the CRD by appropriately checking the Pacific Exchange as a requested registration on the electronic Form U[-]4 filing; provided, however, that for registration categories (e.g., Floor Clerk) not available electronically on CRD, individuals must file a Form U4, any required amendments, or registration documentation prescribed by the Corporation, directly with the Corporation. [Any individual] Individuals for whom registration is maintained on CRD are required to [complete Form U-4 shall] promptly electronically file any required amendments to Form U[-]4 with the CRD.

(b) In order to satisfy the registration requirement, employees of ETP Holders must satisfy applicable examination requirements as prescribed by the Corporation, complete documentation and pay the related fees. Continuance of any registered employee is at the sole discretion of the Corporation.

(i) For employees of ETP Holders for which the Corporation serves as the Designated Examining Authority, all the requirements of subsection (b) apply;

(ii) For employees of ETP Holders for which the Corporation does not serve as the Designated Examining Authority, such employees shall be deemed registered with the Corporation if the ETP Holder has recorded registration of such employees with the Corporation in the manner prescribed in paragraph (a) of this Rule [via Web CRD].

(c) No change.

(d) Continuing Education. No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this Rule 2.21(d).

(1) Regulatory Element-- Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, or as otherwise prescribed by the Corporation. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be consistent with the standards set forth by the Corporation and other self regulatory organizations for each registration category of persons subject to the Rule.

(A) Reserved.

(B) Failure to Complete --Unless otherwise determined by the Corporation, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration.

The Corporation may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(C) Disciplinary Actions --Unless otherwise determined by the SRO, a registered person will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(i) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with, rule, or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or

the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(D) Regulatory Element Notifications--Each ETP Holder shall designate an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository ("Web CRD") regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each ETP Holder must, no less than quarterly, review and, if necessary, update the information regarding its Regulatory Element contact person(s) with Web CRD.

(2) Firm Element

(A) Persons Subject to the Firm Element --The requirements of this Rule 2.21(d)(2) shall apply to any registered person who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(B) Standards

(i) Each ETP Holder must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each ETP Holder shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the ETP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If an ETP Holder's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the ETP Holder's training plan.

(ii) Minimum Standards for Training Programs --Programs used to implement an ETP Holder's training plan must be appropriate for the business of the ETP Holder and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the ETP Holder:

(a) General investment features and associated risk factors;

(b) Suitability and sales practice considerations; and

(c) Applicable regulatory requirements.

(iii) Administration of Continuing Education Program --Each ETP Holder must administer its continuing education program in accordance with its annual evaluation and written plan and must

maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(C) Participation in the Firm Element --Covered registered persons included in an ETP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the ETP Holder.

(D) Specific Training Requirements --The Corporation may require an ETP Holder, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas that the Corporation deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(e) [(d)] A registered employee may not be engaged in any other business or be employed by another employer in any capacity or receive compensation without the prior written and continuing approval of his or her ETP Holder and such registered employee shall devote a substantial portion of the business day to the activities of his or her ETP Holder.

(f) [(e)] No ETP Holder may employ a Corporation employee during regular Corporation business hours. No ETP Holder may employ a Corporation employee outside regular Corporation employment hours without having obtained the prior written approval of the Corporation and registering the name of the employee, the nature of the services rendered and the amount of related compensation.

(g) [(f)] No ETP Holder shall give any compensation or gratuity in any one calendar year in excess of \$100 to any employee of any other ETP Holder, or to any employee of a broker or dealer, bank or institution that is not an ETP Holder, without the prior consent of the employee's employer.

(h) [(g)] No ETP Holder shall give any compensation to any officer, director, employee or other agent of the Corporation without the prior written consent of the Corporation. No ETP Holder shall give any gratuity or gift in any one calendar year in excess of \$100 to any officer, director, employee or other agent of the Corporation without the prior written consent of the Corporation. All requests for such consent should contain the following information:

- (1) name and position of the Corporation director, officer, employee or agent;
- (2) nature of the gratuity or gift;
- (3) dollar amount of compensation or gratuity;
- (4) reason for the compensation, gift or gratuity; and

(5) any other details which may be useful in considering the request.

(i) [(h)] An ETP Holder is required to [electronically] file a Form U[-]5 and any amendment thereto [with the CRD] within ten (10) business days of the termination date, when a person's employment by such ETP Holder terminates. For registrations available and maintained electronically through the CRD system, such filings must be submitted to CRD. Filings for registrations not available on CRD and maintained directly with the Corporation must be submitted directly to the Corporation.

[(i) Transition to Web CRD System. An ETP Holder and a person associated with an ETP Holder must electronically file a Form U-4 with the CRD system on or before such time as may be specified by the Corporation for each employee of the ETP Holder who has access to any electronic trading system.]

(j) Process to Register Employees or Obtain Officer Approval. To register an employee or obtain the approval for an officer, the employer must [electronically] file an application on Form U[-]4 and any amendment thereto in the manner prescribed by paragraph (a) of this Rule[to the CRD], as well as complete any [the] relevant application process prescribed by the Corporation.

Commentary:

.01 For purposes of this Rule, the term "registered person" means any ETP Holder, Allied Person thereof, registered representative or other person registered or required to be registered under the Rules of the Corporation.

.02 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, an ETP Holder.

.03 Reserved.

.04 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter) based on their initial base date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety based on the most recent registration date.

.05 Any registration that is deemed inactive for a period of two calendar years pursuant to section (d)(1)(B) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Corporation.

.06 Any registered person associated with an ETP Holder who is a member of another self-regulatory organization ("SRO") shall be subject to the other SRO's implementation date for the elimination of the exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than September 30, 2005.

Rule 9

Conducting Business with the Public

Rule 9.27 Registration of Representatives

(a) General. No ETP Holder shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been registered with and approved by the Corporation pursuant to the provisions of Rule 2.21[(a) through Rule 2.21(d)]. Persons who perform duties for the ETP Holder which are customarily performed by sales representatives, solicitors, customers' men or branch office managers shall be designated as Representatives.

(b) Registered Options Representatives. No person associated with an ETP Holder shall transact any business with the public in option contracts, unless those persons are registered with and approved by the Corporation pursuant to the provisions of paragraph (a) of this Section and are registered with and approved by the Corporation as Options Representatives. In connection with their registration as Options Representatives, such persons shall file an application with the Corporation on a form prescribed by the Corporation, shall successfully complete a training course and an examination for the purpose of demonstrating adequate knowledge in the trading of option contracts, and shall sign an agreement to abide by the Bylaws, Rules and procedures of the Corporation and the Rules of the Options Clearing Corporation; provided, however, that representatives of an ETP Holder which is a member of another national securities exchange or association which has standards of approval acceptable to the Corporation may be deemed to be registered with and approved by the Corporation, so long as such representatives are registered with and approved by such other exchange or association. An ETP Holder whose representatives are deemed registered and approved pursuant to

the last clause of the preceding sentence shall inform their representatives of their obligation to adhere to the Bylaws, Rules and procedures of the Corporation and the Rules of the Options Clearing Corporation. Termination of employment or affiliation of any Registered Options Representative in such capacity shall be reported promptly to the Corporation together with a brief statement of the reason for such termination, pursuant to Rule 2.21[(h)](i).

Commentary .01 - .03 No Change

Rule 9.27 [Regulatory Element] Continuing Education Requirements

(c) No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of [this Rule 9.27(c)] Rule 2.21.

[Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, or as otherwise prescribed by the Corporation. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date, also known as the "base date", shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be determined by the Corporation for each registration category of persons subject to the Rule.

(1) Reserved.

(2) *Failure to Complete* --Unless otherwise determined by the Corporation, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration.

The Corporation may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(3) *Disciplinary Actions* --Unless otherwise determined by the SRO, a registered person will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(A) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;

(B) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or

rule of standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) or (C) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(d) Firm Element

(1) *Persons Subject to the Firm Element* --The requirements of this Rule 9.27(d) shall apply to any registered person who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(2) *Standards*

(A) Each ETP Holder must maintain a continuing and current education program for its covered registered person to enhance their securities knowledge, skills and professionalism. At a minimum, each ETP Holder shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the ETP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element.

(B) *Minimum Standards for Training Programs* --Programs used to implement an ETP Holder's training plan must be appropriate for the business of the ETP Holder and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the ETP Holder:

(i) General investment features and associated risk factors;

(ii) Suitability and sales practice considerations; and

(iii) Applicable regulatory requirements.

(C) *Administration of Continuing Education Program* --Each ETP Holder must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) *Participation in the Firm Element* --Covered registered persons included in an ETP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the ETP Holder.

(4) *Specific Training Requirements* --The Corporation may require an ETP Holder, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas that the Corporation deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

Commentary:

.01 For purposes of this Rule, the term "registered person" means any ETP Holder, Allied Person thereof, registered representative or other person registered or required to be registered under the Rules of the Corporation, but does not include any such person whose activities are limited solely to the transaction of business on the facilities of the Corporation with ETP Holders or registered broker-dealers.

.02 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, an ETP Holder.

.03 Reserved.

.04 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter) based on the new base date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety based on the most recent registration date.

.05 Any registration that is deemed inactive for a period of two calendar years pursuant to section (c)(2) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Corporation.

.06 Any registered member who is an ETP Holder who is also a member of another self-regulatory organization ("SRO") shall be subject to the other SRO's implementation date for the elimination of the exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than September 30, 2005.]