

SLPs are obligated to: (1) Maintain a bid or an offer at the NBB or NBO in each assigned security in round lots at least 10% of the trading day on average; and (2) add a certain volume of liquidity for all assigned SLP securities. SLMMs have continuous two-sided quoting obligations and must meet certain pricing obligations for those quotes. As a benefit for incurring these obligations, SLPs receive a financial rebate for each transaction when liquidity that the SLP posts on the Exchange is executed against an inbound order. When it adopted the SLP Pilot, the Exchange represented that it would use the SLP Pilot period to identify and address any administrative or operational problems prior to expanding it.<sup>70</sup> The Exchange also opined that the Pilot period would provide SLPs with “essential practical experience with the new program and enable the SLPs to become proficient in the SLP role before expanding the assigned securities to all NYSE-listed securities.”<sup>71</sup>

In seeking to make the SLP Pilot permanent, the Exchange has explained that the number of stocks quoted by at least one SLP has increased substantially since it first launched the SLP Pilot.<sup>72</sup> The Exchange represents that: (1) Through December 2014, SLPs represented 25.2% of liquidity-providing execution; and (2) SLPs currently account for 13.3% of the liquidity-providing volume in issues outside of the Exchange’s 1,000 most active issues.<sup>73</sup> The Exchange also states that SLPs—along with DMMs—have been important contributors to the Exchange’s ability to set the NBBO.<sup>74</sup>

The Commission has reviewed the data analysis provided by the Exchange and believes that the Exchange has shown that the SLP Pilot, as part of the NMM Pilot, has produced sufficient execution quality to attract volume and sufficient incentives to liquidity providers to supply this execution quality. Accordingly, the Commission finds that making the provisions governing SLPs set forth in NYSE Rule 107B permanent is consistent with the requirements of the Act.

### C. Additional Proposed Rule Changes

The Exchange proposes to delete: (1) NYSE Rule 104T, which is no longer operative because the Commission approved the NMM Pilot; (2) NYSE Rule 104.05, which was only intended to be effective through October 31, 2009; and (3) a related reference to NYSE Rule 104.05. The Commission finds that these proposed deletions from the Exchange’s rule text are consistent with the Act because they remove text from the Exchange’s rulebook that is extraneous, particularly now that the Commission is approving the NMM and SLP programs on a permanent basis.

Furthermore, the Exchange proposes to: (1) Replace the term “Display Book” with either the term “Exchange systems” or “Exchange book” throughout NYSE Rules 104 and 1000; (2) in NYSE Rule 104(k), replace the term “NYSE Regulation’s Division of Market Surveillance” with the term “the Exchange” pursuant to NYSE Rule 0; and (3) correct an errant cross reference in NYSE Rule 107B(b). The Commission finds that these additional changes are consistent with the Act because they will provide additional clarity and consistency throughout the current NMM rules.

### IV. Conclusion

*It is therefore ordered* that, pursuant to Section 19(b)(2) of the Act,<sup>75</sup> the proposed rule change (SR–NYSE–2015–26) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>76</sup>

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2015–19288 Filed 8–5–15; 8:45 am]

**BILLING CODE 8011–01–P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–75582; File No. SR–CME–2015–014]

### Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Expand Performance Bond Collateral Program To Include Australian Government Debt, Singapore Government Debt, and Ontario and Quebec Canadian Provincial Debt

July 31, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on July 24, 2015, Chicago Mercantile Exchange Inc. (“CME”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared primarily by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b–4(f)(4)(ii) thereunder,<sup>4</sup> so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

CME is proposing to announce via Advisory Notice the expansion of its collateral program to include Australian Government debt, Singapore Government debt, and Ontario and Quebec Provincial debt. More specifically, CME is proposing to issue a CME Clearing Advisory Notice to clearing member firms announcing an expansion of its performance bond collateral program for Base, IRS and CDS Guaranty Fund products to include certain discount bills, notes and bonds issued by the Australian Government (“AGBs”), Singapore Government (“SGBs”), and the Canadian Provinces of Ontario and Quebec (“CPBs”). The text of the proposed rule change is below. *Italicized text indicates additions; bracketed text indicates deletions.*

\* \* \* \* \*

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

<sup>2</sup> 17 CFR 240.19b–4.

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

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

<sup>70</sup> See SLP Notice, *supra* note 11, 73 FR at 65905.

<sup>71</sup> See *id.*

<sup>72</sup> See Notice, *supra* note 3, 80 FR at 34725. The Exchange represents that when it first launched the SLP Pilot, only 497 symbols were covered by an SLP and that, by the end of September 2014, “nearly every Exchange symbol, including operating companies, preferred stocks, warrants, rights and all other issue types, had at least once SLP quoting in it.” See *id.*

<sup>73</sup> See *id.*

<sup>74</sup> See *id.* at 34724.

<sup>75</sup> 15 U.S.C. 78s(b)(2).

<sup>76</sup> 17 CFR 200.30–3(a)(12).

## CME Group Advisory Notice

TO: Clearing Member, Firms Chief  
Financial Officers, Back Office  
Managers

FROM: CME Clearing.

SUBJECT: Canadian provincial debt,  
Australian sovereign debt and Singapore  
sovereign debt.

DATE: May 27, 2015.

CME Clearing (CME) announces the  
addition of Australia and Singapore to  
our list of acceptable foreign sovereign  
debt. CME also announces the addition  
of Canadian provincial debt from  
Ontario and Quebec. Australian and  
Singapore sovereign debt, and Canadian  
provincial debt are acceptable for Base,

CDS, and IRS performance bond  
requirements and are part of Category 4  
assets for Base and IRS and Category 3  
assets for CDS. These additions to our  
acceptable collateral list will be  
effective July 20, 2015, pending  
regulatory approval. Please see the  
applicable haircuts and limits below.

| Asset class                  | Description                                                                                                                   | Haircut schedule |                 | Notes                                                                           |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|---------------------------------------------------------------------------------|
|                              |                                                                                                                               | Time to maturity |                 |                                                                                 |
|                              |                                                                                                                               | 0 to ≤ 5 years   | >5 to ≤10 years |                                                                                 |
| Foreign Sovereign Debt ..... | Discount Bills from the following countries: <ul style="list-style-type: none"><li>• Australia</li><li>• Singapore</li></ul>  | 5%               | .....           | • Australian debt is capped at \$250 million USDE per clearing member.          |
|                              | Notes and Bonds from the following countries: <ul style="list-style-type: none"><li>• Australia</li><li>• Singapore</li></ul> | 6%               | 7.5%            | • Singapore debt is capped at \$100 million USDE per clearing member.           |
| Canadian Provincials .....   | Discount Bills from the following provinces: <ul style="list-style-type: none"><li>• Ontario</li><li>• Quebec</li></ul>       | 25%              | .....           | • Canadian Provincial debt is capped at \$100 million USDE per clearing member. |
| .....                        | Notes and Bonds from the following provinces: <ul style="list-style-type: none"><li>• Ontario</li><li>• Quebec</li></ul>      | 25%              | .....           | • Provincials that exceed 5 years time to maturity are not acceptable.          |

For questions regarding these new collateral types, please contact the Financial Unit at (312) 207-2594 or Collateral Services at (312) 648-3775.

\* \* \* \* \*

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

In its filings with the Commission, CME included statements concerning the purpose 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. CME 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

CME is registered as a derivatives clearing organization with the Commodity Futures Trading Commission ("CFTC") and operates a substantial business clearing futures and swaps contracts subject to the jurisdiction of the CFTC. CME is proposing to announce via Advisory Notice the expansion of its collateral program to include Australian

Government debt, Singapore Government debt, and Ontario and Quebec Provincial debt. More specifically, CME is proposing to issue a CME Clearing Advisory Notice to clearing member firms announcing an expansion of its performance bond collateral program for Base, IRS and CDS Guaranty Fund products to include certain discount bills, notes and bonds issued by the Australian Government ("AGBs"), Singapore Government ("SGBs"), and the Canadian Provinces of Ontario and Quebec ("CPBs").

#### AGBs

CME continues to seek diversification of both its clearing member and collateral bases where appropriate. Acceptance of AGBs will diversify CME's performance bond collateral base and enable posting of high-quality assets widely held by participants in Australia, where CME obtained local regulatory authorization to offer direct clearing services. CME's credit team evaluated AGBs as eligible performance bond collateral pursuant to requests from market participants and recommended their acceptance to CME's clearing house risk committee ("CHRC"). The decision to accept AGBs is reflective of the global nature of the IRS swaps market as these instruments are likely to be held by, or accessible to, AUD IRS participants. We believe high quality

foreign sovereign debt subject to prudent limits will increase the likelihood that high quality financial institutions from foreign jurisdictions will consider clearing membership at CME. Additional clearing members from foreign jurisdictions will add an increased element of geographic diversification to CME's membership base and potentially mitigate the negative impact of systemic events through reduced geographic concentration.

CME deemed AGBs with a time to maturity of 10 years or less as eligible collateral after reaching a favorable determination regarding these instruments' liquidity profile in a stressed market environment. The AGBs will be category 4 assets for products supported by the Base and IRS guaranty funds and Category 3 assets for products supported by the CDS guaranty fund. Assets in these categories are capped per clearing firm at a level established to ensure such assets are convertible into cash on a same-day basis via pledge to CME's credit facility. To better ensure liquidity is available to CME in times of market stress, the AGBs are further subject to a sub-limit restricting clearing firms from posting more than \$250 million of AGBs at any one time.

All clearing members will be eligible to post AGBs as performance bond but CME expects such collateral to originate

primarily if not exclusively from Australian market participants in OTC IRS markets due to their natural access to AGBs. Currently, CME has a limited number of indirect Australian IRS participants and no direct Australian IRS participants. As such, the per-clearing member cap on AGBs should result in these instruments accounting for a de minimis portion of CME's overall collateral holdings. As a comparative example, CME accepts as performance bond debt instruments issued by the Japanese government with per-firm limits at four times than the proposed limits for AGBs (*i.e.*, up to \$1B per clearing member for JPY debt). Currently, only 0.5% of the overall limit for JPY debt is being utilized. Initially, we expect similarly de minimis amounts of AGBs.

Acceptance of AGBs will not impact the overall nature and level of risk presented by CME as the level of margin collected will remain the same; only the constitution of CME's collateral holdings may change. CME analysis indicates the AGBs satisfy each of the characteristics for high-quality liquid assets the Bank for International Settlements (BIS) has created for collateral evaluation, and thus exhibit minimal credit, market and liquidity risk. The risk profile and haircut schedule for AGBs are consistent with those for similarly rated foreign-issued debt accepted by CME as performance bond collateral.

#### SGBs

Acceptance of SGBs will diversify CME's performance bond collateral base and enable posting of high-quality assets widely held by participants in Singapore, where CME is seeking regulatory authorization to offer direct clearing services. CME's credit team evaluated SGBs as eligible performance bond collateral pursuant to requests from market participants and recommended their acceptance to CME's clearing house risk committee. The decision to accept SGBs is reflective of the global nature of the CME's markets as these instruments are likely to be held by, or accessible to, Singaporean participants. We believe high quality foreign sovereign debt subject to prudent limits will increase the likelihood that high quality financial institutions from foreign jurisdictions will consider clearing membership at CME. Additional clearing members from foreign jurisdictions will add an increased element of geographic diversification to its membership base and potentially mitigate the negative impact of systemic events through reduced geographic concentration.

CME deemed SGBs with a time to maturity of 10 years or less as eligible collateral after reaching a favorable determination regarding these instruments' liquidity profile in a stressed market environment. The SGBs will be category 4 assets for products supported by the Base and IRS guaranty funds and Category 3 assets for products supported by the CDS guaranty fund. Assets in these categories are capped per clearing firm at a level established to ensure such assets are convertible into cash on a same-day basis via pledge to CME's credit facility. To better ensure liquidity is available to CME in times of market stress, the SGBs are further subject to a sub-limit restricting clearing firms from posting more than \$100 million of SGBs at any one time.

All clearing members will be eligible to post SGBs as performance bond but CME expects such collateral to originate primarily if not exclusively from Singapore market participants due to their natural access to SGBs. Currently, CME has a limited number of indirect Singapore participants and no direct Singapore clearing members. As such, the per-clearing member cap on SGBs should result in these instruments accounting for a de minimis portion of CME's overall collateral holdings. As a comparative example, CME accepts as performance bond debt instruments issued by the Japanese government with per-firm limits at ten times than the proposed limits for SGBs (*i.e.*, up to \$1B per clearing member for JPY debt). Currently, only 0.5% of the overall limit for JPY debt is being utilized. Initially, we expect similarly de minimis amounts of SGBs.

Acceptance of SGBs will not impact the overall nature and level of risk presented by CME as the level of margin collected will remain the same; only the constitution of CME's collateral holdings may change. CME analysis indicates the SGBs satisfy each of the characteristics for high-quality liquid assets the Bank for International Settlements (BIS) has created for collateral evaluation, and thus exhibit minimal credit, market and liquidity risk. The risk profile and haircut schedule for SGBs are consistent with those for similarly rated foreign-issued debt accepted by CME as performance bond collateral.

#### CPBs

Acceptance of CPBs will diversify CME's performance bond collateral base and enable posting of high-quality assets widely held by participants in Ontario and Quebec, where CME has local regulatory authorization to offer direct clearing services. CME's credit team

evaluated CPBs as eligible performance bond collateral pursuant to requests from market participants and recommended their acceptance to CME's clearing house risk committee ("CHRC"). The decision to accept CPBs is reflective of the global nature of the CME's markets as these instruments are likely to be held by, or accessible to, Canadian clearing members and market participants. We believe high quality foreign sovereign debt subject to prudent limits will increase the likelihood that high quality financial institutions from foreign jurisdictions will consider clearing membership at CME. Additional clearing members from foreign jurisdictions will add an increased element of geographic diversification to CME's membership base and potentially mitigate the negative impact of systemic events through reduced geographic concentration.

CME deemed CPBs with a time to maturity of 5 years or less as eligible collateral after reaching a favorable determination regarding these instruments' liquidity profile in a stressed market environment. The CPBs will be category 4 assets for products supported by the Base and IRS guaranty funds and Category 3 assets for products supported by the CDS guaranty fund. Assets in these categories are capped per clearing firm at a level established to ensure such assets are convertible into cash on a same-day basis via pledge to CME's credit facility. To better ensure liquidity is available to CME in times of market stress, the CPBs are further subject to a sub-limit restricting clearing firms from posting more than \$100 million of CPBs at any one time.

All clearing members will be eligible to post CPBs as performance bond but CME expects such collateral to originate primarily if not exclusively from Canadian market participants due to their natural access to CPBs. The per-clearing member cap on CPBs should result in these instruments accounting for a de minimis portion of CME's overall collateral holdings. As a comparative example, CME accepts as performance bond debt instruments issued by the Japanese government with per-firm limits at ten times than the proposed limits for CPBs (*i.e.*, up to \$1B per clearing member for JPY debt). Currently, only 0.5% of the overall limit for JPY debt is being utilized. Initially, we expect similarly de minimis amounts of CPBs.

Acceptance of CPBs will not impact the overall nature and level of risk presented by CME as the level of margin collected will remain the same; only the constitution of CME's collateral

holdings may change. CME analysis indicates the CPBs satisfy each of the characteristics for high-quality liquid assets the Bank for International Settlements (BIS) has created for collateral evaluation, and thus exhibit

minimal credit, market and liquidity risk. The risk profile and haircut schedule for CPBs are consistent with those for similarly rated foreign-issued

debt accepted by CME as performance bond collateral.

\* \* \* \* \*

A summary of the changes described in the Advisory Notice is set forth in the following chart:

| Asset class                  | Description                                                                                                                                                                                                                                                | Haircut schedule |                 | Notes                                                                                                                          |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------|
|                              |                                                                                                                                                                                                                                                            | Time to maturity |                 |                                                                                                                                |
|                              |                                                                                                                                                                                                                                                            | 0 to ≤5 years    | >5 to ≤10 years |                                                                                                                                |
| Foreign Sovereign Debt ..... | Discount Bills from the following countries: <ul style="list-style-type: none"><li>• Australia</li><li>• Singapore</li></ul> Notes and Bonds from the following countries: <ul style="list-style-type: none"><li>• Australia</li><li>• Singapore</li></ul> | 5%               | .....           | <ul style="list-style-type: none"><li>• Australian debt is capped at \$250 million USDE per clearing member</li></ul>          |
| Canadian Provincials .....   | Discount Bills from the following provinces: <ul style="list-style-type: none"><li>• Ontario</li><li>• Quebec</li></ul> Notes and Bonds from the following provinces:.. <ul style="list-style-type: none"><li>• Ontario</li><li>• Quebec</li></ul>         | 6%               | 7.5%            | <ul style="list-style-type: none"><li>• Singapore debt is capped at \$100 million USDE per clearing member</li></ul>           |
|                              |                                                                                                                                                                                                                                                            | 25%              |                 | <ul style="list-style-type: none"><li>• Canadian Provincial debt is capped at \$100 million USDE per clearing member</li></ul> |
|                              |                                                                                                                                                                                                                                                            | 25%              | .....           | <ul style="list-style-type: none"><li>• Provincials that exceed 5 years time to maturity are not acceptable</li></ul>          |

\* \* \* \* \*

The proposed rule changes that are described in this filing are limited to CME's business as a derivatives clearing organization clearing products under the exclusive jurisdiction of the Commodity Futures Trading Commission ("CFTC"). CME has not cleared security based swaps and does not plan to and therefore the proposed rule changes do not impact CME's security-based swap clearing business in any way. The proposed changes would become effective immediately. CME notes that it has also submitted the proposed rule changes that are the subject of this filing to its primary regulator, the CFTC, in CME Submission Numbers 15-228R, 15-229RR, and 15-230R.

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

CME does not believe that the proposed rule change will have any impact, or impose any burden, on competition. The proposed changes involve expanding its collateral program to include Australian Government debt, Singapore Government debt, and Ontario and Quebec Provincial debt. More specifically, CME is proposing to issue a CME Clearing Advisory Notice to clearing member firms announcing an expansion of its performance bond collateral program for Base, IRS and CDS Guaranty Fund products to include certain discount bills, notes and bonds issued by the Australian Government

("AGBs"), Singapore Government ("SGBs"), and the Canadian Provinces of Ontario and Quebec ("CPBs").

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

CME has not solicited, and does not intend to solicit, comments regarding this proposed rule change. CME has not received any unsolicited written comments from interested parties.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)<sup>5</sup> of the Act and Rule 19b-4(f)(4)(ii)<sup>6</sup> thereunder. CME has designated that this proposal constitutes a change in an existing service of CME that (a) primarily affects the clearing operations of CME with respect to products that are not securities, including futures that are not security futures, and swaps that are not security-based swaps or mixed swaps, and forwards that are not security forwards; and (b) does not significantly affect any securities clearing operations of CME or any rights or obligations of CME with respect to securities clearing or persons using such securities-clearing service,

which renders the proposed change effective upon filing.

CME believes that the proposal does not significantly affect any securities clearing operations of CME because CME recently filed a proposed rule change that clarified that CME has decided not to clear security-based swaps, except in a very limited set of circumstances.<sup>7</sup> The rule filing reflecting CME's decision not to clear security-based swaps removed any ambiguity concerning CME's ability or intent to perform the functions of a clearing agency with respect to security-based swaps. Therefore, this proposal will have no effect on any securities clearing operations of CME.

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.

<sup>7</sup> See Securities Exchange Act Release No. 73615 (Nov. 17, 2014), 79 FR 69545 (Nov. 21, 2014) (SR-CME-2014-49). The only exception is with regards to Restructuring European Single Name CDS Contracts created following the occurrence of a Restructuring Credit Event in respect of an iTraxx Component Transaction. The clearing of Restructuring European Single Name CDS Contracts will be a necessary byproduct after such time that CME begins clearing iTraxx Europe index CDS.

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

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

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CME-2015-014 on the subject line.

##### *Paper Comments*

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

All submissions should refer to File Number SR-CME-2015-014. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of CME and on CME's Web site at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

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-CME-2015-014 and should be submitted on or before August 27, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

[FR Doc. 2015-19290 Filed 8-5-15; 8:45 am]

**BILLING CODE 8011-01-P**

#### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-75581; File No. SR-FINRA-2015-015]**

#### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving a Proposed Rule Change To Provide a Web-Based Delivery Method for Completing the Regulatory Element of the Continuing Education Requirements**

July 31, 2015

##### **I. Introduction**

On June 4, 2015, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to change the method of delivery for the Regulatory Element of the Continuing Education ("CE") program. The proposed rule change was published for comment in the **Federal Register** on June 17, 2015.<sup>3</sup> The Commission received four comment letters on the proposed rule change.<sup>4</sup> This order approves the proposed rule change.

##### **II. Description of the Proposed Rule Change**

###### *A. Web-Based Delivery*

As FINRA described in the Notice, the CE requirements under FINRA Rule 1250 consist of a Regulatory Element and a Firm Element. The Regulatory Element applies to registered persons

and consists of periodic computer-based training on regulatory, compliance, ethical, and supervisory subjects and sales practice standards, which must be completed within prescribed timeframes.<sup>5</sup> There are four Regulatory Element programs: (1) The S106 for Investment Company and Variable Contracts Representatives; (2) the S201 for registered principals and supervisors; (3) the S901 for Operations Professionals; and (4) the S101 for all other registration categories. Currently, the Regulatory Element may be administered in a test center or at a firm that meets the requirements in Rule 1250 for in-firm delivery of CE.<sup>6</sup>

FINRA proposed to amend FINRA Rule 1250 to provide that the Regulatory Element program will be administered through Web-based delivery or such other technological manner and format as specified by FINRA, and to eliminate the requirements for in-firm delivery of the Regulatory Element.<sup>7</sup> FINRA proposed to implement Web-based delivery for the S106, S201, and S901 Regulatory Element programs on October 1, 2015, and to implement Web-based delivery for the S101 Regulatory Element program on January 4, 2016. FINRA also proposed to phase-out test-center delivery by no later than six months after January 4, 2016.<sup>8</sup>

In proposing these changes, FINRA noted that Web-based delivery will provide registered persons the flexibility to complete the Regulatory Element at a location of their choosing and at any time during their 120-day window for completion of the Regulatory Element, consistent with their firm's requirements. In addition, there will be no three and a half hour time limitation, as there is currently. FINRA also noted that the Web-based format will include safeguards to authenticate the identity of the CE candidate (e.g., by asking the candidate to provide a portion of his

<sup>5</sup> See Notice, *supra* note 3 at 34778 (describing the Regulatory Element in more detail, including the timeframes for completing the Regulatory Element). Currently, candidates have three and a half hours to complete their CE session.

<sup>6</sup> See *id.* at n. 8 (describing in-firm delivery procedures).

<sup>7</sup> FINRA also proposed to delete Incorporated NYSE Rule 345A (Continuing Education for Registered Persons) and Incorporated NYSE Rule Interpretation 345A (Continuing Education for Registered Persons). According to FINRA, these rules are substantially similar to FINRA Rule 1250.

<sup>8</sup> Under the proposal, firms will not be able to establish new in-firm delivery programs after October 1, 2015. Firms that have pre-existing in-firm delivery programs that are established before October 1, 2015 will not be able to use that delivery method for the S106, S201, and S901 Regulatory Element programs after October 1, 2015, and they will not be able to use that delivery method for the S101 Regulatory Element program after January 4, 2016.

<sup>8</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 75154 (June 11, 2015), 80 FR 34777 ("Notice").

<sup>4</sup> See letters from Kevin Zambrowicz, Associate General Counsel & Managing Director and Stephen Vogt, Assistant Vice President & Assistant General Counsel, Securities Industry and Financial Markets Association, dated July 7, 2015 ("SIFMA Letter"); Daniel Kosowsky, Chief Compliance Officer, Morgan Stanley Smith Barney LLC and Rose-Anne Richter, Chief Compliance Officer, Morgan Stanley & Co. LLC, dated July 8, 2015 ("Morgan Stanley Letter"); David T. Bellaire, Executive Vice President & General Counsel, Financial Services Institute, dated July 8, 2015 ("FSI Letter"); and Michele Van Tassel, President, Association of Registration Management, dated July 8, 2015 ("ARM Letter").