



Investors Exchange Regulatory Information Circular 2018 - 0004

Date: September 28, 2018

To: Members of Investors Exchange LLC

Subject: Amendments to Membership Registration and Qualification Requirements

Overview

The Investors Exchange LLC (“IEX” or the “Exchange”) filed an immediately effective rule change with the Securities and Exchange Commission (“SEC”) that will be operative on October 1, 2018 to amend Rule 2.160 to (i) harmonize IEX rules with certain Financial Industry Regulatory Authority, Inc. (“FINRA”) rules related to qualification and registration requirements for associated persons of a Member and (ii) specify when associated persons of a Member are required to be registered with the Exchange. The rule change also deletes Rule 2.150 related to a temporary membership application process and waive-in, which is obsolete.

Background

FINRA Qualification and Registration Requirements and Securities Industry Essentials Examination

FINRA recently amended its rules relating to its qualification and registration requirements in a number of respects.¹ These amended FINRA rules will be effective beginning on October 1, 2018.

FINRA restructured its representative-level qualification exam program by creating the Securities Industry Essentials (“SIE”) exam and revising the representative-level qualification exams. The SIE examination was developed in consultation with a committee of industry representatives and representatives of several self-regulatory organizations (“SROs”). The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE. Particularly, the SIE will assess basic product knowledge; the structure and function of the securities industry markets, regulatory agencies and their functions; and regulated and prohibited practices.

Individuals are not required to be associated with an Exchange or any other SRO member to be eligible to take the SIE. However, passing the SIE alone will not qualify an individual for registration with the Exchange. To be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification examination for a representative or principal and satisfy the other requirements relating to the registration process.

Rule Changes Operative October 1, 2018

Representative-Level Qualification Examinations

The Exchange adopted amendments to Rule 2.160(h) to specify that before the registration of a qualifying person can be effective, such person shall pass the SIE examination and an appropriate registration

¹ See [FINRA Regulatory Notice 17-30](#) (October 2017) for [new and amended rule text](#) and [FINRA Regulatory Notice 18-17](#) (September 2018) for additional information.



qualification examination, as specified in Rule 2.160(h).

Individuals who are registered as of October 1, 2018 are eligible to maintain their registrations without being subject to any additional requirements. Individuals who had been registered within the past two years prior to October 1, 2018, would also be eligible to maintain those registrations without being subject to any additional requirements, provided they register within two years from the date of their last registration. However, with respect to an individual who is not registered as of October 1, 2018 but was registered within the past two years prior to October 1, 2018, the individual's SIE status in the CRD system would be administratively terminated if such individual does not register with the Exchange within four years from the date of the individual's last registration.²

Individuals who are in good standing as representatives with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator would be exempt from the requirement to pass the SIE, and thus will be required only to pass a specialized knowledge examination to register with the Exchange as a representative.

Exchange Registration Exceptions

The Exchange adopted amendments to Rule 2.160(m), to specify that certain associated persons of a Member are not required to be registered with the Exchange, because such person's roles and responsibilities are unrelated to the Exchange's operations, and registration therefore serves no regulatory purpose. The following categories of associated persons of a Member are not required to be registered with the Exchange:

- (1) Associated persons of a Member whose functions are solely and exclusively clerical or ministerial.
- (2) Associated persons of a Member whose functions are related solely and exclusively to:
 - (A) effecting transactions on the floor of a national securities exchange and who are appropriately registered with such exchange;
 - (B) transactions in municipal securities;
 - (C) transactions in commodities; or
 - (D) transactions in securities futures, provided that any such person is appropriately registered with a registered futures association.
- (3) Associated persons of a Member that are restricted from accessing the Exchange and that do not engage in the securities business of the Member relating to activity that occurs on the Exchange.

Deletion of Obsolete Rule 2.150

As approved by the Commission as part of the Exchange's Form 1 application, Rule 2.150 provided a temporary Member Application and Waive-In Process that permitted current subscribers to the alternative trading system previously operated by the Exchange's affiliate, IEX Services, LLC, to apply to become a Member of the Exchange by submitting a "waive-in application" within ninety (90) days of approval of the Form 1 by the Commission. The Commission approved the Exchange's Form 1 application on June 17, 2016, meaning that waive-in applications must have been received by the Exchange on or prior to September 15, 2016. Accordingly, Rule 2.150 is obsolete, and the Exchange proposed to delete the rule.

These changes will be operative on October 1, 2018.

The text of the amended rules is available at <https://iextrading.com/docs/rule-filings/SR-IEX-2018-19.pdf>

Further Information

Please contact IEX Regulation at regulation@iextrading.com with any questions regarding this

² See [FINRA Information Notice, Presentation Changes and New Functionality in the Central Registration Depository \(CRD\) System](#) (September 2018), [FINRA Exam Restructuring](#) guidance for more information.



Regulatory Circular.