

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-84077; File No. SR-NYSE-2018-33)

September 11, 2018

Self-Regulatory Organizations; New York Stock Exchange LLC; Order Approving a Proposed Rule Change to Amend Rule 2 To Remove Requirement That a Registered Broker-Dealer Be a Member of the Financial Industry Regulatory Authority, Inc. or Another National Securities Exchange

I. Introduction

On July 25, 2018, the New York Stock Exchange LLC (“Exchange” or “NYSE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Rule 2, “Member,” “Membership,” “Member Firm,” etc., to remove the requirement that a registered broker-dealer be a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) or another national securities exchange. The proposed rule change was published for comment in the Federal Register on August 3, 2018.³ The Commission received one comment letter on the proposed rule change.⁴ This order approves the proposed rule change.

II. Description of the Proposed Rule Change

As described in more detail in the Notice,⁵ the Exchange proposes to amend Rule 2 to remove a requirement that a registered broker-dealer be a member of FINRA or another national

¹ 15 U.S.C. 78s(b)(1).

² 17 C.F.R. 240.19b-4.

³ See Securities Exchange Act Release No. 83740 (July 30, 2018), 83 FR 38195 (August 3, 2018) (“Notice”).

⁴ See Letter from Ray Delao, The Michael’s Copanys.Inc [sic], dated August 15, 2018. The letter does not address the change that the NYSE is proposing to make to Rule 2.

⁵ See Notice, supra note 3.

securities exchange to become a member of the Exchange. The Exchange proposes to amend Rule 2(b)(i) to define “member organization” as a “registered broker or dealer (unless exempt pursuant to the Securities Exchange Act of 1934) . . . , including sole proprietors, partnerships, limited liability partnerships, corporations, and limited liability corporations, approved by the Exchange pursuant to Rule 311. A registered broker or dealer must also be approved by the Exchange and authorized to designate an associated natural person to effect transactions on the floor of the Exchange or any facility thereof.” Furthermore, the Exchange proposes to amend Rule 2(b)(ii) to state: “[t]he term ‘member organization’ also includes any registered broker or dealer which does not own a trading license and agrees to be regulated by the Exchange as a member organization and which the Exchange has agreed to regulate.” The Exchange noted that this proposed change will not result in “any regulatory impact because member organizations will continue to be subject to a comprehensive regulatory regime regardless of whether they are a member of another [self-regulatory organization] or not” and that the Exchange “performs the necessary regulatory oversight of member organizations.”⁶

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act⁷ and the rules and regulations thereunder applicable to a national securities exchange.⁸ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(2) of the Act,⁹ which states that “any registered broker or dealer or natural person associated with a registered broker or dealer may become a member of such

⁶ Id. at 38196.

⁷ 15 U.S.C. 78f.

⁸ In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78f(b)(2).

exchange and any person may become associated with a member thereof.” The rule, as revised, is consistent with the statutory requirement. Thus, the Commission finds that the proposed amendment to Rule 2 is consistent with the Act.

IV. Conclusion

IT IS THEREFOR ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-NYSE-2018-33) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

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Assistant Secretary

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 C.F.R. 200.30-3(a)(12).