



REGULATORY INFORMATION MEMO – ALL NYSE MARKETS

TO: ALL NYSE, NYSE MKT AND NYSE ARCA MEMBERS AND MEMBER ORGANIZATIONS

FROM: NYSE REGULATION

SUBJECT: NYSE REGULATION JANUARY 1, 2016 LAUNCH OF CERTAIN SURVEILLANCE, INVESTIGATIONS, AND ENFORCEMENT FUNCTIONS CURRENTLY PERFORMED BY FINRA – **INFORMATION MEMO #1**

I. PURPOSE

The purpose of this Information Memo is to advise members and member organizations of the transfer of certain regulatory responsibilities from Financial Industry Regulatory Authority (FINRA) to NYSE Regulation (NYSER) on January 1, 2016.

II. BACKGROUND

NYSER is in the process of launching certain surveillance, investigation and enforcement functions currently performed by FINRA on behalf of NYSER. This work will relate to the regulation of rules that specifically govern the NYSE's equities and options markets: the New York Stock Exchange LLC (equities and bonds), NYSE Arca, Inc. (equities and options), and NYSE MKT LLC (equities and options) (collectively, the NYSE Exchanges). It is currently anticipated that this repatriation will take place as of January 1, 2016, subject to SEC approval.

There are two major drivers for this change. First, the quality of NYSE's markets is of paramount importance, and NYSER wants to take direct responsibility for monitoring the activity that occurs on these markets. Second, the program is designed to support early detection of potentially violative behavior and prompt disposition of such instances.

Because certain responsibilities will continue to be performed by FINRA, NYSE and FINRA are committed to working together to coordinate efforts to avoid regulatory duplication and disruption to the members. An efficient, effective program is the goal.

III. NYSE RESPONSIBILITIES

Beginning in January 2016, NYSER will retain primary responsibility to monitor activities across the five NYSE markets in order to identify potential non-compliance with each market's rules and the federal securities laws. The main objective is a regulatory program that is focused on promoting investor and issuer confidence through the early detection and prompt disposition of potentially violative conduct on the Exchanges.

NYSER will be able to monitor for and address regulatory issues affecting the markets in close proximity to the time of the activity or conduct under review. NYSER intends to actively communicate with members to resolve regulatory issues as they arise.

IV. FINRA RESPONSIBILITIES

FINRA will continue to perform certain regulatory functions on behalf of NYSER. FINRA presently occupies the unique position of having access to most U.S. exchange, TRF and ATS data and, thus, is in the best position currently to handle potential misconduct that occurs across multiple venues. For efficiency reasons, examination services, as well as services relating to member applications, registration and qualifications, will also continue to be performed by FINRA.

V. REGULATORY INQUIRIES, INVESTIGATIONS AND DISCIPLINARY PROCEEDINGS

Beginning in January 2016, regulatory inquiries concerning conduct primarily occurring on any of the five NYSE markets will come from NYSER. Investigations and prosecutions resulting from such inquiries will be conducted by NYSER through final disposition. FINRA will continue to assist NYSER on matters associated with activity or conduct that occurred prior to January 1, 2016.

VI. ELECTRONIC DOCUMENT SUBMISSION

In order to allow members to respond efficiently to NYSER regulatory inquiries, NYSER has employed a utility called Axway for use in transmitting very large data sets via secure FTP. NYSER recognizes that not all members presently use Axway and will assist members to implement and test this tool. Testing will be available beginning in mid-November 2015. NYSER is committed to working closely with the appropriate departments at member firms in order to set up this technology and make this onboarding seamless; any member that is not certain of its ability to connect to Axway should provide NYSER the appropriate technology or operations contact(s) so that NYSER can help in setting up and testing the system. A separate member notice specific to Axway testing, setup and requests for IP addresses; Bluesheet reporting; and other communications and reporting processes will be communicated in a follow-up Information Memo.

VII. RULES

NYSER is in the process of working to revise each of the NYSE Exchange's disciplinary rules so that they are generally aligned internally. By doing so NYSER aims to simplify, clarify, and modernize the disciplinary process. Additional notices to members will be published as these rule changes are approved by the SEC.

VIII. MEMBER OUTREACH

Over the next few weeks, NYSER will be conducting a series of Webinars to further explain the scope of its program. Invitations to these webinars will be sent by NYSER in a follow-up Information Memo. In addition, member organizations wishing to discuss the program in greater detail may send an email to NYSERegulation@theice.com to set up a call or in person visit with NYSER staff.

IX. NYSER STAFF CONTACTS

NYSER's staff is committed to working with all members through this transition and look forward to a partnership that will support market integrity and investor confidence.

For questions relating to this memo, please contact NYSER at NYSERegulation@theice.com or (212) 656-5102.