



To: New York Stock Exchange LLC Members and Member Organizations

From: NYSE Regulation

Subject: **Elimination of FINRA Membership Requirement for Member Organizations**

New York Stock Exchange LLC (“NYSE” or “Exchange”) recently amended NYSE Rule 2 (“Member,” “Membership,” “Member Firm,” etc.). As a result of this amendment, a registered broker-dealer that does not conduct business with the public is no longer required to be a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) or another national securities exchange in order to become or remain an NYSE member organization.¹ The changes became effective September 11, 2018.²

Rule 2

Rule 2 sets forth definitions of various terms used in the NYSE rulebook, including a definition of “member organization” in paragraph (b)(1). In order to make Exchange membership more readily available to registered broker-dealers that are not FINRA members or members of another national securities exchange, the Exchange amended Rule 2(b)(1) to remove the requirement that firms be members of FINRA or another registered securities exchange in order to meet the definition of a “member organization.” As amended, Rule 2(b)(1) defines a “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

¹ Section 15(b)(8) of the Securities Exchange Act of 1934 prohibits a registered broker or dealer from effecting transactions in, or inducing or attempting to induce the purchase or sale of most securities “unless such broker or dealer is a member of a securities association registered pursuant to” Section 15A of that act or that broker or dealer “effects transactions in securities solely on a national securities exchange of which it is a member.”

² See Exchange Act Release No. 84077 (September 11, 2018) (SR-NYSE-2018-33).

designate an associated natural person to effect transactions on the floor of the Exchange or any facility thereof.

associated natural person to effect transactions on the floor of the Exchange or any facility thereof.

Finally, Rule 2(b)(ii) was amended to state that “[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.”

Member organizations will continue to be subject to a comprehensive regulatory regime regardless of whether they are members of FINRA or another self-regulatory organization. This regulatory regime includes oversight of member organizations conducted directly by the Exchange as well as, among other things, work performed by FINRA pursuant to its Regulatory Services Agreement with the NYSE, *e.g.*, examinations of member organizations conducted by FINRA and investigations and enforcement matters arising from FINRA’s cross-market surveillances.

Rule Text Changes

With language deleted from the rule in brackets, the text below identifies the recent changes to Rule 2:

Rule 2. “Member,” “Membership,” “Member Firm,” etc.

(a) (No change).

(b)

(i) The term “member organization” means a registered broker or dealer (unless exempt pursuant to the Securities Exchange Act of 1934) (the “Act”), including sole proprietors, partnerships, limited liability partnerships, corporations, and limited liability corporations, approved by the Exchange pursuant to Rule 311 [that is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) or another registered securities exchange. Member organizations that transact business with public customers or conduct business on the Floor of the Exchange shall at all times be members of FINRA]. 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. [This term shall include a natural person so registered, approved and licensed who directly effects transactions on the floor of the Exchange or any facility thereof.]

(ii) The term “member organization” also includes any registered broker or dealer [that is a member of FINRA or a registered securities exchange,

consistent with the requirements of section 2(b)(i) of this Rule,]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.

Staff Contacts

Questions concerning interpretations of Exchange rules in connection with this Information Memo should be directed to NYSE-Regulation@theice.com.

Questions concerning the NYSE membership application process should be directed to crs@nyse.com.