

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65944; File No. SR-FINRA-2011-062)

December 13, 2011

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving a Proposed Rule Change to Repeal Incorporated NYSE Rule 2A (Jurisdiction)

I. Introduction

On October 20, 2011, 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”)¹ and Rule 19b-4 thereunder,² a proposed rule change to repeal incorporated NYSE Rule 2A. The proposed rule change was published for comment in the Federal Register on November 3, 2011.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal and Discussion

FINRA proposed to repeal incorporated NYSE Rule 2A (Jurisdiction) as part of the process of developing a consolidated rulebook (“Consolidated FINRA Rulebook”). NYSE Rule 2A generally addresses jurisdictional authority with respect to, among other things, rulemaking, examinations, disciplinary actions, and listing applications. NYSE Rule 2A was adopted in 2006 as part of the merger between the New York Stock Exchange LLC (“NYSE”) and Archipelago Holdings, Inc. since the NYSE Constitution, which contained provisions detailing the NYSE’s jurisdiction, was eliminated in the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 65656 (November 3, 2011), 76 FR 68240 (“Notice”).

merger.⁴

FINRA, in its filing with the Commission, stated that the FINRA By-Laws address the powers and authority of the FINRA Board of Governors and, together with the Act, set forth FINRA's authority and responsibilities as a registered securities association. FINRA further stated that its authority to regulate those matters that are addressed in NYSE Rule 2A and that are relevant to FINRA's role as a registered securities association, such as its jurisdictional authority with respect to: (i) rulemaking; (ii) general supervisory powers over members, member organizations and their offices, partnership and corporate arrangements, their principal executives, employees and approved persons in connection with their conduct of the business of member organizations; (iii) ability to discipline members, member organizations, principal executives, employees and approved persons in connection with their conduct of the business of member organizations; and (iv) any and all other functions of members, member organizations, principal executives, employees and approved persons in connection with the conduct of the business of member organizations, are contained in the FINRA By-Laws.

FINRA further noted that other matters addressed by NYSE Rule 2A either are not applicable to the operations of a registered securities association that does not operate a listing market or are otherwise unique to the NYSE. FINRA stated that the transfer of NYSE Rule 2A to the Consolidated FINRA Rulebook was unnecessary and proposed that it be eliminated. FINRA advised that it would announce the implementation date of the proposed rule change in a Regulatory Notice to be published no later than 90 days

⁴ See Securities Exchange Act Release No. 53382 (February 27, 2006), 71 FR 11251 (March 6, 2006) (Order Approving File No. SR-NYSE-2005-77).

following Commission approval of the proposed rule change and that the operative date of the proposal would be no later than 150 days following Commission approval.

III. Commission's Findings

After carefully considering the proposed rule change, the Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association. In particular, the Commission finds that the proposal is consistent with Section 15A(b)(6) of the Act,⁵ which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest.⁶

The Commission believes that the proposal will streamline FINRA's rulebook by eliminating a rule that is duplicative of provisions of FINRA's By-Laws that already are in place for FINRA members and govern jurisdictional matters. The Commission notes that NYSE Rule 2A remains in NYSE's own rulebook and will continue to apply to NYSE-only members.

⁵ 15 U.S.C. 78o-3(b)(6).

⁶ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (SR-FINRA-2011-062), be, and it hereby is, approved.

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

Kevin M. O'Neill
Deputy Secretary

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).