

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104543; File No. SR-NYSE-2025-50]

## Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a New Rule 5310

January 5, 2026.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on December 22, 2025, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to a new Rule 5310 governing member organization’s best execution obligations based on Nasdaq PHLX Rule General 9, Section 11. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com) and at the principal office of the Exchange.

### II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes a new Rule 5310 that would govern member organization's best execution obligations. Proposed Rule 5310 is based on Nasdaq PHLX Rule General 9, Section 11 (Best Execution and Interpositioning). The purpose of the proposed rule is to enhance customer order protection by helping customers to receive efficient executions of their transactions at the best market prices.

Background and Proposed Rule Change

Nasdaq PHLX Rule General 9, Section 11, adopted in 2010, was based on NASD Rule 2320.<sup>4</sup> In 2011, the Financial Industry Regulatory Authority ("FINRA") adopted NASD Rule 2320 as FINRA Rule 5310.<sup>5</sup> Both rules require broker-dealers to use "reasonable diligence" to ascertain the best market for a security and execute trades in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Other self-regulatory organizations have similar best execution rules.<sup>6</sup>

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<sup>4</sup> See Securities Exchange Act Release No. 62877 (September 9, 2010), 75 FR 56633 (September 16, 2010) (SR-PHLX-2010-79) (Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, Relating to the Establishment of NASDAQ OMX PSX as a Platform for Trading NMS Stocks).

<sup>5</sup> See Securities Exchange Act Release No. 65895 (December 5, 2011), 76 FR 77042 (December 9, 2011) (SR-FINRA-2011-052) (Order Granting Approval of Proposed Rule Change To Adopt NASD Rule 2320 (Best Execution and Interpositioning) and Interpretive Material ("IM") 2320 as FINRA Rule 5310 in the Consolidated Rulebook)).

<sup>6</sup> See, e.g., Municipal Securities Rulemaking Board (MSRB) Rule G-18 (Best Execution).

The Exchange proposes to adopt a new Rule 5310 that would govern the best execution obligations applicable to member organizations and persons associated with member organizations based on the Nasdaq PHLX rule.

Proposed Rule 5310(a)(1) would provide that, in any transaction for or with a customer or a customer of another broker-dealer, a member organization and persons associated with a member organization shall use “reasonable diligence” to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. The proposed Rule would identify five factors among those to be considered in determining whether a member organization has used reasonable diligence:

- (1) the character of the market for the security, e.g., price, volatility, relative liquidity, and pressure on available communications;
- (2) the size and type of transaction;
- (3) the number of markets checked;
- (4) accessibility of the quotation; and
- (5) the terms and conditions of the order which result in the transaction, as communicated to the member organization and persons associated with the member organization.<sup>7</sup>

Proposed Rule 5310(a)(1) is based on Nasdaq PHLX Rule General 9, Section 11(a)(1)(A)-(E) without change.

Proposed Rule 5310(a)(2) would prohibit a member organization or person associated with a member organization, in any transaction for or with a customer or a customer of another

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<sup>7</sup> See proposed Rule 5310(a)(1)(A)-(E).

broker-dealer, from interjecting a third party between the member organization or associated person and the best market for the subject security in a manner inconsistent with paragraph (a)(1) of the proposed Rule. Proposed Rule 5310(a)(2) is based on Nasdaq PHLX Rule General 9, Section 11(a)(2) without change.

Proposed paragraph (b) would provide when a member organization cannot execute directly with a market maker but must employ a broker's broker or some other means in order to insure an execution advantageous to the customer, the burden of showing the acceptable circumstances for doing so would be on the retail firm. The proposed Rule would further provide that examples of acceptable circumstances would be where a customer's order is "crossed" with another retail firm which has a corresponding order on the other side, or where the identity of the retail firm, if known, would likely cause undue price movements adversely affecting the cost or proceeds to the customer. Proposed Rule 5310(b) is based on Nasdaq PHLX Rule General 9, Section 11(b) without change.

Proposed paragraph (c) would provide that failure to maintain or adequately staff a department assigned to execute customers' orders cannot be considered justification for executing away from the best available market; nor can channeling orders through a third party as described above as reciprocation for service or business serve to relieve a member organization of its obligations. The proposed Rule would further provide that channeling of customers' orders through a broker's broker or third party pursuant to established correspondent relationships under which executions are confirmed directly to the member organization acting as agent for the customer, such as where the third party gives up the name of the retail firm, would not be prohibited if the cost of such service is not borne by the customer. Proposed Rule 5310(c) is based on Nasdaq PHLX Rule General 9, Section 11(c) without change.

Proposed paragraph (d) would provide that a member organization through which a retail order is channeled, as described in the proposed Rule, and which knowingly is a party to an arrangement whereby the initiating member organization has not fulfilled its obligations under the proposed Rule, will also be deemed to have violated the proposed Rule. Except for replacing “his” with “it” before “obligations” in the proposed Rule, proposed Rule 5310(d) is identical to Nasdaq PHLX Rule General 9, Section 11(d).

Proposed paragraph (e) provides that the obligations in paragraphs (a) through (d) of the proposed Rule exist where the member organization acts as agent for the account of its customer but also where retail transactions are executed as principal and contemporaneously offset. Except for replacing “his” with “it” before “customer” in the proposed Rule, proposed Rule 5310(d) is identical to Nasdaq PHLX Rule General 9, Section 11(e).

Proposed Rule 5310 includes Supplementary Material based on Nasdaq PHLX Rule General 9, Section 11(f) and one section based on FINRA Rule 5310.08 to provide additional guidance and clarity regarding the obligations of member organizations and persons associated with member organizations with respect to best execution requirements.

First, the Exchange would include an introductory paragraph that provides that proposed Rule 5310(a) requires, among other things, that a member organization or person associated with a member organization comply with paragraph (a) when customer orders are routed to it from another broker/dealer for execution, and that the proposed Supplementary Material addresses certain interpretive questions concerning the applicability of the best execution rule. The proposed text is based on the first full paragraph of Nasdaq PHLX Rule General 9, Section 11(f) without change.

Proposed Supplementary Material .01 titled “Definition of Market” would define “market” and provides that the singular or plural term should be construed broadly, and it encompasses a variety of different venues, including, but not limited to, market centers that are trading a particular security. Proposed Supplementary Material .01 further provides that the expansive interpretation is meant to both inform broker-dealers as to the breadth of the scope of venues that must be considered in the furtherance of their best execution obligations and to promote fair competition among broker-dealers, exchange markets, and markets other than exchange markets, as well as any other venue that may emerge, by not mandating that certain trading venues have less relevance than others in the course of determining a firm’s best execution obligations. Proposed Supplementary Material .01 is based on the second full paragraph of Nasdaq PHLX Rule General 9, Section 11(f) without change.

Proposed Supplementary Material .02, titled “Best Execution and Executing Brokers,” clarifies that a member organization’s duty to provide best execution in any transaction “for or with a customer of another broker-dealer” does not apply in instances when another broker-dealer is simply executing a customer order against the member organization’s quote or, stated in another manner, the duty to provide best execution to customer orders received from other broker-dealers arises only when an order is routed from the broker-dealer to the member organization for the purpose of order handling and execution. As proposed Supplementary Material .02 further provides, the clarification is intended to draw a distinction between those situations in which the member organization is acting solely as the buyer or seller in connection with orders presented by a broker-dealer against the member organization’s quote, as opposed to those circumstances in which the member organization is accepting order flow from another broker-dealer for the purpose of facilitating the handling and execution of such orders. Proposed

Supplementary Material .02 is based on the third full paragraph of Nasdaq PHLX Rule General 9, Section 11(f) without change.

Finally, Supplementary Material .03, titled “Customer Instructions Regarding Order Handling,” would specify that if a member organization receives an unsolicited instruction from a customer to route that customer’s order to a particular market for execution, the member organization is not required to make a best execution determination beyond the customer’s specific instruction. However, member organizations are still required to process that customer’s order promptly and in accordance with the terms of the order. Further, where a customer has directed that an order be routed to another specific broker-dealer that is also a member organization, the receiving broker-dealer to which the order was directed would be required to meet the requirements of proposed Rule 5310 with respect to its handling of the order. Proposed Supplementary Material .03 is based on FINRA Rule 5310.08 without change except for conforming changes to reflect the Exchange’s membership.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. In addition, the Exchange believes that the proposed rule change is consistent with the

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

Section 6(b)(5)<sup>10</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that adopting best execution and interpositioning standards based on Nasdaq PHLX Rule General 9, Section 11 will promote just and equitable principles of trade and protect investors and the public interest by imposing consistent order execution standards that member organizations must observe when handling customer orders that directly serve investor protection. Moreover, the Exchange believes that incorporating the proposed Supplementary Material containing additional guidance and clarification of the obligations of member organizations and their associated persons under the proposed Rule based on Nasdaq PHLX Rule General 9, Section 11 with an additional provision containing important clarifications about the interaction between a broker-dealer's best execution obligations and their obligations with respect to specific customer instructions based on FINRA Rule 5310.08 will potentially enhance compliance with those obligations, thus furthering the prevention of manipulative acts and practices and the protection of investors and the public interest.

As discussed in the Purpose section, proposed Rule 5310 is substantially similar to Nasdaq PHLX Rule General 9, Section 11, thus promoting the application of consistent regulatory standards for customer order execution across self-regulatory organizations. As such, the proposed rule change would facilitate rule harmonization among self-regulatory organizations with respect to customer order execution, thereby fostering cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system. In addition, the Exchange believes that the proposed rule change will maintain the

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<sup>10</sup> 15 U.S.C. 78f(b)(5).



necessary protection of customer orders designed to prevent fraudulent and manipulative acts, without imposing any undue regulatory costs on industry participants. Finally, the Exchange believes that the proposed rule change is not designed to permit unfair discrimination between customers, issuers, brokers and dealers, consistent with Section 6(b)(5) of the Act<sup>11</sup> because the proposed rule change will impose the same requirements on all member organizations on an equal basis.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will reduce the burdens on member organizations that result from their having to comply with varying rules related to best execution, thus reducing the complexity of customer order protection rules, particularly for those member organizations subject to the rules of multiple trading venues. Overall, the Exchange believes the proposed rule change will enhance customer order handling rules by harmonizing best execution and interpositioning standards across self-regulatory organizations, which ultimately benefits market participants and does not impose a burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of

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<sup>11</sup> 15 U.S.C. 78f(b)(5).

the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>14</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>15</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>16</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>16</sup> 15 U.S.C. 78s(b)(2)(B).

may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-NYSE-2025-50 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSE-2025-50. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NYSE-2025-50 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Vanessa A. Countryman,**

*Secretary.*

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<sup>17</sup> 17 CFR 200.30-3(a)(12).