

Press Release

SEC Adopts Amendments to Exemption From National Securities Association Membership

Amendments will enhance FINRA oversight of firms that trade securities proprietarily across markets

FOR IMMEDIATE RELEASE

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Washington D.C., Aug. 23, 2023 — The Securities and Exchange Commission today adopted rule amendments that narrow the exemption from Section 15(b)(8) of the Securities Exchange Act of 1934, which requires any broker or dealer registered with the Commission to become a member of a national securities association unless the broker or dealer effects transactions in securities solely on an exchange of which it is a member. The Financial Industry Regulatory Authority Inc. (FINRA) currently is the only registered national securities association.

"Some of today's broker-dealers continue to rely on an exemption from national securities association registration that's older than the cell phone era," said SEC Chair Gary Gensler. "This has led to a regulatory gap whereby a number of firms that have cross-market, monthly trading volume valued in the hundreds of billions of dollars are exempt from national securities association oversight. These amendments update and narrow the circumstances in which broker-dealers do not need to register with a national securities association. National securities association membership will help enhance robust and consistent oversight, particularly with regard to cross-market and off-exchange oversight."

Exchange Act Rule 15b9-1 provides an exemption from Section 15(b)(8) under which certain Commission-registered dealers may engage in unlimited proprietary trading of securities on any national securities exchange of which they are not a member or in off-exchange market without triggering Section 15(b)(8)'s national securities association membership requirement.

The rule amendments set forth narrower exemptions from Section 15(b)(8)'s national securities association membership requirement. The narrower exemptions apply when a broker or dealer that does not carry customer accounts and is a member of at least one exchange effects off-member-exchange securities transactions that: (1) result solely from orders that are routed by a national securities exchange of which it is a member to comply with order protection regulatory requirements, or (2) are solely for the purpose of executing the stock leg of a stock-option order.

The final rule will become effective 60 days after the date of publication of the adopting release in the Federal Register. The compliance date will be 365 days from the date of publication of the adopting release in the Federal Register.

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Related Materials

- [Final Rule](#)
- [Fact Sheet](#)