



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103583; File No. SR-NYSETEX-2025-21]

Self-Regulatory Organizations; NYSE Texas, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Harmonize NYSE Texas Rule 11.3110 with FINRA Rule 3110

July 29, 2025.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on July 14, 2025, the NYSE Texas, Inc. (“NYSE Texas” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, 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 harmonize NYSE Texas Rule 11.3110 (Supervision) with certain changes by the Financial Industry Regulatory Authority, Inc. (“FINRA”) to FINRA Rule 3110 to permit eligible Participants to participate in FINRA’s remote inspections program (“FINRA Pilot Program”) and to adopt FINRA’s Residential Supervisory Location (“RSL”) classification. The proposed rule change is available on the Exchange’s website at www.nyse.com [and](#) at the principal office of the Exchange.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 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 to harmonize NYSE Texas Rule 11.3110 (Supervision) with certain changes by FINRA to FINRA Rule 3110 to permit eligible Participants to participate in the FINRA Pilot Program and to adopt FINRA’s RSL classification.⁴ The proposed rule change would harmonize the Exchange’s office and other location inspection rules with those of FINRA and thus promote uniform inspection standards across the securities industry. Additionally, because proposed Supplementary Material .18 to NYSE Texas Rule 11.3110 and proposed Supplementary Material .19 to NYSE Texas Rule 11.3110 would be substantially similar to FINRA Rule 3110.18 and FINRA Rule 3110.19, respectively, this rule change enables NYSE Texas Rule 11.3110 to continue to be incorporated into the agreement between NYSE Texas and FINRA to allocate regulatory responsibility for common rules (the “17d-2 Agreement”).⁵

Background and Proposed Rule Change

NYSE Texas Rule 11.3110 is based on FINRA Rule 3110⁶ and requires Participant Firms

⁴ This proposed change also aligns with NYSE Rule 3110, which was recently updated to conform with FINRA Rule 3110 regarding Supervision. See Securities Exchange Act Release No. 101325 (October 15, 2024), 89 FR 84221 (October 21, 2024) (SR-NYSE-2024-64). See also NYSE Rule 3110.

⁵ See Securities Exchange Act Release No. 60409 (July 30, 2009), 74 FR 39353, (August 6, 2009) (File No. 4-587). The 17d-2 Agreement includes a certification by NYSE Texas that states that the requirements contained in certain Exchange rules are identical to, or substantially similar to certain FINRA rules that have been identified as comparable.

⁶ See Securities Exchange Act Release No. 100187 (May 21, 2024), 89 FR 46191 (May 28, 2024) (SR-NYSECHX-2024-18). On March 28, 2025, NYSE Chicago, Inc. equities market became NYSE Texas,

to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules, and sets forth the minimum requirements for such supervisory system.⁷ Under NYSE Texas Rule 11.3110, final responsibility for proper supervision rests with the Participant Firm.

As part of an overall supervisory system, Participant Firms must conduct inspections of each of their offices or locations on a designated frequency depending on the classification of the location or the nature of the activities that take place: an office of supervisory jurisdiction (“OSJ”) and supervisory branch offices must be inspected at least annually;⁸ non-supervisory branch offices, at least every three years;⁹ and non-branch locations on a periodic schedule, presumed to be at least every three years.¹⁰ Moreover, Participant Firms must retain a written record of the date upon which each review and inspection occurred, reduce a location’s inspection to a written report and keep each inspection report on file either for a minimum of three years or, if the location’s inspection schedule is longer than three years, until the next inspection report has been written.¹¹ If applicable to the location being inspected, the inspection report must include the testing and verification of the Participant Firm’s policies and procedures, including supervisory policies and procedures, in specified areas.¹² Finally, the rule requires a Participant to ensure that the person conducting the inspection is not an associated person

Inc. See Securities Exchange Act Release No.102507 (February 28, 2025), 90 FR 11445 (March 6, 2025) (SR-NYSECHX-2025-01) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Repeal the Exchange’s Certificate of Incorporation; Adopt the Certificate of Formation of NYSE Texas, Inc.; Amend the Exchange’s By-Laws, Rules, and Certain Fee Schedules; and Amend the Certificate of Incorporation and By-Laws of the Exchange’s Holding Company To Reflect the Conversion of the Exchange to a Texas Corporation and the Renaming of NYSE Chicago Holdings, Inc.).

⁷ See NYSE Texas Rule 11.3110(a).

⁸ See NYSE Texas Rule 11.3110(c)(1)(A).

⁹ See NYSE Texas Rule 11.3110(c)(1)(B).

¹⁰ See NYSE Texas Rules 11.3110(c)(1)(C) and 11.3110.13 (General Presumption of Three-Year Limit for Periodic Inspection Schedules).

¹¹ See NYSE Texas Rule 11.3110(c)(2).

¹² See NYSE Texas Rule 11.3110(c)(2)(A).

assigned to the location or is not directly or indirectly supervised by, or otherwise reporting to, an associated person assigned to the location.¹³ The factors governing what constitutes a reasonable review are set out in NYSE Texas Rule 11.3110.12 (Standards for Reasonable Review).

In 2023, recognizing how operations and business models within the financial services industry have evolved with changes in technology that were accelerated by the COVID-19 pandemic, including in particular the implementation by a large number of firms of a hybrid work environment during the public health crisis, FINRA adopted two amendments to FINRA Rule 3110. First, FINRA established a voluntary, three-year remote inspections pilot program to allow eligible members to fulfill their FINRA Rule 3110(c)(1) inspection obligation of qualified branch offices, including OSJs and non-branch locations remotely, without an on-site visit to such offices or locations subject to certain conditions and criteria.¹⁴ The FINRA Pilot Program is set forth in Supplementary Material .18 of FINRA Rule 3110. Second, FINRA adopted new Supplementary Material .19 to FINRA Rule 3110 that treats an associated person's private residence where specified supervisory activities are conducted, subject to certain safeguards and limitations, as a non-branch location (i.e., unregistered office). As a non-branch location under FINRA Rule 3110(c), the RSL would be subject to inspections on a regular periodic schedule instead of the annual inspection currently required for every OSJ and supervisory branch offices.¹⁵

The Exchange proposes to incorporate each of these amendments into NYSE Texas Rule

¹³ See NYSE Texas Rule 11.3110(c)(3)(B). Rule 3110(c)(3)(C) provides a limited exception from this requirement if a firm determines compliance is not possible either because of the firm's size or its business model. See Rule 11.3110.14 (Exception to Persons Prohibited from Conducting Inspections).

¹⁴ See Securities Exchange Act Release No. 98982 (November 17, 2023), 88 FR 82464 (November 24, 2023) (SR-FINRA-2023-007) (Order Approving a Proposed Rule Change To Adopt Supplementary Material .18 (Remote Inspections Pilot Program) Under FINRA Rule 3110 (Supervision)).

¹⁵ See Securities Exchange Act Release No. 98980 (November 17, 2023), 88 FR 82447 (November 24, 2023) (File No. SR-FINRA-2023-006) (Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Adopt Supplementary Material .19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision)).

11.3110, as follows.

NYSE Texas Rule 11.3110, Supplementary Material .18¹⁶

The Exchange proposes, consistent with current FINRA Rule 3110, Supplementary Material .18, to adopt new Supplementary Material .18 to NYSE Texas Rule 11.3110 in order to provide eligible Participant Firms that are also FINRA members¹⁷ with the flexibility to opt into the FINRA Pilot Program, consisting of a voluntary, three-year remote inspections pilot program to fulfill their office inspection obligations under NYSE Texas Rule 11.3110(c) by conducting inspections of eligible OSJs, branch offices, and non-branch locations remotely without an on-site visit to such locations, subject to certain conditions and criteria. The requirements in connection with the participation in the FINRA Pilot Program under proposed Supplementary Material .18 would mirror in all material respects the requirements with respect to a FINRA member's participation under FINRA rules in the FINRA Pilot Program. Participant Firms opting into the FINRA Pilot Program would do so pursuant to the provisions of proposed Supplementary Material .18 and through the mechanisms and processes established by FINRA in connection with the FINRA Pilot Program. The proposed rule change also re-orders and streamlines some of the provisions of FINRA Rule 3110.18, as described below.

Proposed NYSE Texas Rule 11.3110.18(a) (Scope)

Proposed Supplementary Material .18(a) of NYSE Texas Rule 11.3110 would establish the standards by which a Participant Firm that is also a FINRA member may participate in the FINRA Pilot Program.

Proposed subsection (a) would permit Participant Firms to avail themselves of the FINRA Pilot Program for the required inspection of OSJs, branch offices and non-branch locations pursuant to, as applicable, paragraphs (c)(1)(A), (B) and (C) of NYSE Texas Rule

¹⁶ The Exchange would add new Supplementary Material .17 marked "Reserved" in order to maintain consistency with FINRA.

¹⁷ Currently, all NYSE Texas Participant Firms with one exception are also FINRA members.

11.3110, for a period starting on the effective date of the proposed rule filing and expiring on June 30, 2027. If FINRA extends the pilot program and the proposed Supplementary Material .18 is not amended to allow continued participation by Participant Firms in the FINRA Pilot Program, Participant Firms would not be able to participate in the FINRA Pilot Program after the prescribed provisions under the proposed Supplementary Material sunset.

With the exception of conforming and technical changes,¹⁸ proposed NYSE Texas Rule 11.3110.18(a) is substantially the same as FINRA Rule 3110.18(a).

Proposed NYSE Texas Rule 11.3110.18(b) (Risk Assessment)

Proposed Supplementary Material .18(b) of NYSE Texas Rule 11.3110 governing risk assessment would outline the need for Participant Firms to undertake a risk assessment in order to participate in the FINRA Pilot Program.

Proposed Supplementary Material .18(b)(1) would set forth the applicable standard for review and would provide that a Participant Firm could elect to conduct the applicable inspection remotely, without an on-site visit for an office or location, when such Participant Firm reasonably determines that the purposes of the Supplementary Material can be accomplished by conducting such required inspection remotely. The Participant Firm would be required to develop a reasonable risk-based approach to using remote inspections and conduct and document a risk assessment for an office or location prior to conducting a remote inspection. The risk assessment must document the factors considered, including, among other things, the factors set forth in current NYSE Texas Rule 11.3110.12 such as a firm's size, organizational structure, scope of business activities, number and location of the firm's offices, the nature and complexity of the products and services offered by the firm, the volume of business done, the number of associated persons assigned to a location, the disciplinary history of registered representatives or

¹⁸ Where the Exchange states herein that only conforming and technical changes have been made, the Exchange is referring to instances in which it changed FINRA's "member" to the Exchange's equivalent "Participant Firm;" changed cross-references to FINRA rules to cross-references to Exchange rules unless there was no equivalent NYSE Texas rule; and made other non-substantive technical or grammatical changes.

associated persons, and any indicators of irregularities or misconduct (i.e., “red flags”), and must take into account any higher-risk activities that take place at, or higher-risk associated persons that are assigned to, that office or location. Additionally, proposed Supplementary Material .18(b)(1) would require a Participant Firm to conduct an on-site inspection on the required cycle for such offices or locations that are ineligible for remote office inspections because of not having met the firm or location level requirements under proposed Supplementary Material .18(f) or (g), respectively. Notwithstanding proposed Supplementary Material .18, a Participant Firm would remain subject to the other requirements of NYSE Texas Rule 11.3110(c).

Proposed Supplementary Material .18(b)(2) would address other risk assessment factors and would provide that when conducting the risk assessment of each office or location in accordance with proposed paragraph (b)(1) of the Supplementary Material, a Participant Firm must consider, among other things, the following factors with respect to an office or location in making its risk assessment for remotely inspecting an office or location:

- the volume and nature of customer complaints;¹⁹
- the volume and nature of outside business activities, particularly investment-related;²⁰
- the volume and complexity of products offered;²¹
- the nature of the customer base, including vulnerable adult investors;²²
- whether associated persons are subject to heightened supervision;²³
- failures by associated persons to comply with the Participant Firm’s written supervisory procedures;²⁴ and

¹⁹ See proposed NYSE Texas Rule 11.3110.18(b)(2)(A), mirroring FINRA Rule 3110.18(b)(2)(A).

²⁰ See proposed NYSE Texas Rule 11.3110.18(b)(2)(B), mirroring FINRA Rule 3110.18(b)(2)(B).

²¹ See proposed NYSE Texas Rule 11.3110.18(b)(2)(C), mirroring FINRA Rule 3110.18(b)(2)(C).

²² See proposed NYSE Texas Rule 11.3110.18(b)(2)(D), mirroring FINRA Rule 3110.18(b)(2)(D).

²³ See proposed NYSE Texas Rule 11.3110.18(b)(2)(E), mirroring FINRA Rule 3110.18(b)(2)(E).

²⁴ See proposed NYSE Texas Rule 11.3110.18(b)(2)(F), mirroring FINRA Rule 3110.18(b)(2)(F).

- any recordkeeping violations.²⁵

Further, proposed Supplementary Material .18(b)(2) would prescribe that Participant Firms should conduct on-site inspections or make more frequent use of unannounced, on-site inspections for high-risk offices or locations or when there are red flags, and supervisory systems must take into consideration any red flags when determining whether to conduct a remote inspection of an office or location, consistent with NYSE Texas Rule 11.3110(a).

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.18(b) is substantially the same as FINRA Rule 3110.18(b).

Proposed NYSE Texas Rule 11.3110.18(c) (Written Supervisory Procedures for Remote Inspections)

Proposed Supplementary Material .18(c) would provide that, consistent with a Participant Firm's obligation under NYSE Texas Rule 11.3110(b), a Participant Firm that elects to participate in the FINRA Pilot Program must establish, maintain, and enforce written supervisory procedures regarding remote inspections that are reasonably designed to detect and prevent violations of and achieve compliance with applicable securities laws and regulations, and with applicable FINRA and Exchange rules.

As proposed, reasonably designed procedures for conducting remote inspections of offices or locations must address, among other things:

- the methodology, including technology, that may be used to conduct remote inspections;²⁶
- the factors considered in the risk assessment made for each applicable office or location pursuant to proposed Supplementary Material .18(b);²⁷

²⁵ See proposed NYSE Texas Rule 11.3110.18(b)(2)(G), mirroring FINRA Rule 3110.18(b)(2)(G).

²⁶ See proposed NYSE Texas Rule 11.3110.18(c)(1), mirroring FINRA Rule 3110.18(c)(1).

²⁷ See proposed NYSE Texas Rule 11.3110.18(c)(2), mirroring FINRA Rule 3110.18(c)(2).

- the procedures specified in paragraph (h)(1)(G) and (h)(4) of FINRA Rule 3310.18;²⁸ and
- the use of other risk-based systems employed generally by the Participant Firm to identify and prioritize for review those areas that pose the greatest risk of potential violations of applicable securities laws and regulations, and of applicable FINRA and Exchange rules.²⁹

With the exception of conforming and technical changes and the addition of a reference to Exchange rules in proposed NYSE Texas Rule 11.3110.18(c)(4), proposed NYSE Texas Rule 11.3110.18(c) is substantially the same as FINRA Rule 3110.18(c).

Proposed NYSE Texas Rule 11.3110.18(d) (Effective Supervisory System)

Proposed NYSE Texas Rule 11.3110.18(d) would provide that the requirement to conduct inspections of offices and locations is one part of the Participant Firm’s overall obligation to have an effective supervisory system and therefore the Participant Firm must maintain its ongoing review of the activities and functions occurring at all offices and locations, whether or not the Participant Firm conducts inspections remotely.

Further, a Participant Firm’s use of a remote inspection of an office or location will be held to the same standards for review as set forth under NYSE Texas Rule 11.3110.12. Where a Participant Firm’s remote inspection of an office or location identifies any “red flags,” the Participant Firm may need to impose additional supervisory procedures for that office or location or may need to provide for more frequent monitoring of that office or location, including potentially a subsequent on-site visit on an announced or unannounced basis.

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.18(d) is substantially the same as FINRA Rule 3110.18(d).

Proposed NYSE Texas Rule 11.3110.18(e) (Documentation Requirement)

²⁸ See proposed NYSE Texas Rule 11.3110.18(c)(3), mirroring FINRA Rule 3110.18(c)(3).

²⁹ See proposed NYSE Texas Rule 11.3110.18(c)(4), mirroring FINRA Rule 3110.18(c)(4).

Proposed NYSE Texas Rule 11.3110.18(e) would set forth documentation requirements for a Participant Firm's participating in the FINRA Pilot Program. In particular, proposed NYSE Texas Rule 11.3110.18(e) would require Participant Firms to maintain and preserve a centralized record for each of the Pilot Years specified in this FINRA Pilot Program that separately identifies all offices or locations that were inspected remotely.³⁰ In addition, proposed NYSE Texas Rule 11.3110.18(e) would require documentation of the results of a remote inspection for any offices or locations for which the Participant Firm determined to impose additional supervisory procedures or more frequent monitoring, as provided in proposed NYSE Texas Rule 11.3110.18(d). Further, a Participant Firm's documentation of the results of a remote inspection for an office or location must identify any additional supervisory procedures or more frequent monitoring for that office or location that were imposed as a result of the remote inspection, including whether an on-site inspection was conducted at such office or location.³¹

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.18(e) is substantially the same as FINRA Rule 3110.18(e).

Proposed NYSE Texas Rule 11.3110.18(f) (Firm Level Requirements)

Proposed NYSE Texas Rule 11.3110.18(f)(1) would set forth certain firm level ineligibility conditions for further participation in the FINRA Pilot Program. As proposed, a Participant Firm would be ineligible to conduct remote inspections of any of its offices or locations under the FINRA Pilot Program if at any time during the Pilot Period that Participant Firm:

- is or becomes designated as a Restricted Firm under FINRA Rule 4111;³²
- is or becomes designated as a Taping Firm under FINRA Rule 3170;³³
- receives a notice pursuant to NYSE Texas Rule 10.9557 regarding capital

³⁰ See proposed NYSE Texas Rule 11.3110.18(e)(1), mirroring FINRA Rule 3110.18(e)(1).

³¹ See proposed NYSE Texas Rule 11.3110.18(e)(2), mirroring FINRA Rule 3110.18(e)(2).

³² See proposed NYSE Texas Rule 11.3110.18(f)(1)(A), mirroring FINRA Rule 3110.18(f)(1)(A). The Exchange has not adopted FINRA Rule 4111.

³³ See proposed NYSE Texas Rule 11.3110.18(f)(1)(B), mirroring FINRA Rule 3110.18(f)(1)(B).

compliance related matters under NYSE Texas Article 7, Rule 3 (Net Capital and Aggregate Indebtedness) or NYSE Texas Article 7, Rule 8 (Operational Capability);³⁴

- is or becomes suspended from Exchange or FINRA membership;³⁵
- based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months;³⁶ or
- is or has been found by the Commission, FINRA or the Exchange to be in violation of office inspection obligations under FINRA Rule 3110(c) (Internal Inspections) or NYSE Texas Rule 11.3110(c) (Internal Inspections) within the past three years.³⁷

Proposed NYSE Texas Rule 11.3110.18(f)(2) would set forth the firm-level conditions a Participant Firm must satisfy as part of the requirements in NYSE Texas Rule 11.3110.18(b) to develop a reasonably designed risk-based approach to using remote inspections and to conduct and document a risk assessment for each office or location. Specifically, Participant Firms must have a recordkeeping system:

- to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, Exchange rules, and the Participant Firm's own written supervisory procedures under NYSE Texas Rule 3110;³⁸
- such records are not physically or electronically maintained and preserved at the office or location subject to the remote inspection;³⁹ and
- the Participant Firm has prompt access to such records.⁴⁰

³⁴ See proposed NYSE Texas Rule 11.3110.18(f)(1)(C), mirroring FINRA Rule 3110.18(f)(1)(C). Proposed NYSE Texas Rule 11.3110.18(f)(1)(C) differs from FINRA Rule 3110.18(f)(1)(C) in that the proposed rule refers to NYSE Texas Article 7, Rule 3 and NYSE Texas Article 7, Rule 4 rather than to FINRA Rules 4110, 4120 and 4130, which rules have not been adopted by the Exchange.

³⁵ See proposed NYSE Texas Rule 11.3110.18(f)(1)(D), mirroring FINRA Rule 3110.18(f)(1)(D).

³⁶ See proposed NYSE Texas Rule 11.3110.18(f)(1)(E), mirroring FINRA Rule 3110.18(f)(1)(E).

³⁷ See proposed NYSE Texas Rule 11.3110.18(f)(1)(F), mirroring FINRA Rule 3110.18(f)(1)(F).

³⁸ See proposed NYSE Texas Rule 11.3110.18(f)(2)(A)(i), mirroring FINRA Rule 3110.18(f)(2)(A)(i).

³⁹ See proposed NYSE Texas Rule 11.3110.18(f)(2)(A)(ii), mirroring FINRA Rule 3110.18(f)(2)(A)(ii).

⁴⁰ See proposed NYSE Texas Rule 11.3110.18(f)(2)(A)(iii), mirroring FINRA Rule 3110.18(f)(2)(A)(iii).

In addition, Participant Firms must determine that its surveillance and technology tools are appropriate to supervise the types of risks presented by each such remotely supervised office or location. As proposed, these tools may include but are not limited to:

- firm-wide tools such as electronic recordkeeping systems; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections;⁴¹
- tools specifically applied to such office or location based on the activities of associated persons, products offered, restrictions on the activity of the office or location (including holding out to customers and handling of customer funds or securities);⁴² and
- system security tools such as secure network connections and effective cybersecurity protocols.⁴³

With the exception of conforming and technical changes and the addition of a reference to Exchange rules in proposed NYSE Texas Rule 11.3110.18(f)(2)(A)(i), proposed NYSE Texas Rule 11.3110.18(f)(1) and (2) are substantially the same as FINRA Rule 3110.18(f)(1) and (2).

Proposed NYSE Texas Rule 11.3110.18(g) (Location Level Requirements)

Proposed NYSE Texas Rule 11.3110.18(g) would set forth the criteria under the FINRA Pilot Program that would render a particular office or location ineligible for remote office inspection. As proposed, NYSE Texas Rule 11.3110.18(g)(1), offices or locations would be ineligible for a remote office inspection if at any time during the FINRA Pilot Period:

⁴¹ See proposed NYSE Texas Rule 11.3110.18(f)(2)(B)(i), mirroring FINRA Rule 3110.18(f)(2)(B)(i).

⁴² See proposed NYSE Texas Rule 11.3110.18(f)(2)(B)(ii), mirroring FINRA Rule 3110.18(f)(2)(B)(ii).

⁴³ See proposed NYSE Texas Rule 11.3110.18(f)(2)(B)(iii), mirroring FINRA Rule 3110.18(f)(2)(B)(iii).

- one or more associated persons at such office or location is or becomes subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or a state regulatory agency;⁴⁴
- one or more associated persons at such office or location is or becomes statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Participant Firm and is not subject to a mandatory heightened supervisory plan under paragraph (g)(1)(A) of this Supplementary Material or otherwise as a condition to approval or permission for such association;⁴⁵
- the firm is or becomes subject to FINRA Rule 1017(a)(7) as a result of one or more associated persons at such office or location;⁴⁶
- one or more associated persons at such office or location has an event in the prior three years that required a “yes” response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4;⁴⁷
- one or more associated persons at such office or location is or becomes subject to a disciplinary action taken by the Participant Firm that is or was reportable under NYSE Texas Rule 11.4530(a)(2);⁴⁸
- one or more associated persons at such office or location is engaged in proprietary trading, including the incidental crossing of customer orders, or the direct supervision of such activities;⁴⁹ or

⁴⁴ See proposed NYSE Texas Rule 11.3110.18(g)(1)(A), mirroring FINRA Rule 3110.18(g)(1)(A).

⁴⁵ See proposed NYSE Texas Rule 11.3110.18(g)(1)(B), mirroring FINRA Rule 3110.18(g)(1)(B).

⁴⁶ See proposed NYSE Texas Rule 11.3110.18(g)(1)(C), mirroring FINRA Rule 3110.18(g)(1)(C).

⁴⁷ See proposed NYSE Texas Rule 11.3110.18(g)(1)(D), mirroring FINRA Rule 3110.18(g)(1)(D).

⁴⁸ See proposed NYSE Texas Rule 11.3110.18(g)(1)(E), mirroring FINRA Rule 3110.18(g)(1)(E).

⁴⁹ See proposed NYSE Texas Rule 11.3110.18(g)(1)(F), mirroring FINRA Rule 3110.18(g)(1)(F).

- the office or location handles customer funds or securities.⁵⁰

In addition, as part of the requirement to develop a reasonably designed risk-based approach to using remote inspections, and the requirement to conduct and document a risk assessment, proposed NYSE Texas Rule 11.3110.18(g)(2) would require that a specific office or location satisfy the following conditions to be eligible for remote inspections under the Pilot Program:

- electronic communications (e.g., e-mail) are made through the Participant Firm's electronic system;⁵¹
- the associated person's correspondence and communications with the public are subject to the firm's supervision in accordance with NYSE Texas Rule 11.3110;⁵² and
- no books or records of the Participant Firm required to be made and kept current, and preserved under applicable securities laws and regulations, FINRA and Exchange rules and the Participant Firm's own written supervisory procedures under NYSE Texas Rule 11.3110 are physically or electronically maintained and preserved at such office or location.⁵³

With the exception of conforming and technical changes and the inclusion of references to Exchange rules in proposed NYSE Texas Rule 11.3110.18(g)(1)(A) and (B), proposed NYSE Texas Rule 11.3110.18(g)(1) and (2) are substantially the same as FINRA Rule 3110.18(g)(1) and (2).

Proposed NYSE Texas Rule 11.3110.18(h) (Data and Information Collection Requirement)

⁵⁰ See proposed NYSE Texas Rule 11.3110.18(g)(1)(G), mirroring FINRA Rule 3110.18(g)(1)(G).

⁵¹ See proposed NYSE Texas Rule 11.3110.18(g)(2)(A), mirroring FINRA Rule 3110.18(g)(2)(A).

⁵² See proposed NYSE Texas Rule 11.3110.18(g)(2)(B), mirroring FINRA Rule 3110.18(g)(2)(B).

⁵³ See proposed NYSE Texas Rule 11.3110.18(g)(2)(C), mirroring FINRA Rule 3110.18(g)(2)(C).

FINRA Rule 3110.18(h) outlines requirements for FINRA members that elect to participate in the Pilot Program to collect specific data and information as part of the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(h) requires firms to collect specific data points and to provide such data and information to FINRA on a quarterly basis, in the manner and format determined by FINRA, including:

- the number of offices and locations with an inspection completed during each calendar quarter;⁵⁴
- the number of those offices or locations in each calendar quarter that were inspected remotely;⁵⁵
- the number of those offices or locations in each calendar quarter that were the subject of an on-site inspection, as well as the number of such inspections that were on-site because of a finding;⁵⁶
- the number of offices and locations for which a remote office inspection was conducted in the calendar quarter that identified a finding, the number of findings, a list of the significant findings;⁵⁷ and
- the number of locations for which an on-site inspection was conducted in the calendar quarter that identified a finding, the number of findings, and a list of the significant findings.⁵⁸

Moreover, FINRA members are required to provide FINRA with their written supervisory procedures for remote inspections that account for escalating significant findings; new hires; supervising brokers with a significant history of misconduct; and outside business

⁵⁴ See FINRA Rule 3110.18(h)(1)(A).

⁵⁵ See FINRA Rule 3110.18(h)(1)(B).

⁵⁶ See FINRA Rule 3110.18(h)(1)(C) and (D). Pursuant to FINRA Rule 3110.18(h)(1), a finding means a discovery made during an inspection that led to a remedial action or was listed on the member's inspection report.

⁵⁷ See FINRA Rule 3110.18(h)(1)(E).

⁵⁸ See FINRA Rule 3110.18(h)(1)(F).

activities and “doing business as” (or DBA) designations.⁵⁹ In addition, FINRA Rule 3110.18(h)(2) outlines requirements for FINRA member firms electing to participate in the Pilot Program to provide certain data and information for Pilot Year 1 if it is less than a full calendar year and FINRA Rule 3110.18(h)(3) lists additional data and information to be provided to FINRA for calendar year 2019 for member firms electing to participate in the FINRA Pilot Program.

Proposed NYSE Texas Rule 11.3110.18(h) on data and information collection requirement would require Participant Firms to comply with the FINRA requirements with respect to the collection and submission of specified data and information, and in the manner and format required under the Pilot Program. In addition, proposed NYSE Texas Rule 11.3110.18(h) which substantially mirrors FINRA Rule 3110.18(h)(4) would require Participant Firms that elect to participate in the Pilot Program to establish, maintain and enforce written policies and procedures that are reasonably designed to comply with any specified data and information collection, and transmission requirements prescribed by FINRA.

Proposed NYSE Texas Rule 11.3110.18(i) (Election to Participate in Pilot Program)

FINRA Rule 3110.18(i) specifies how a firm elects to participate in, or subsequently withdraws from, the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(i) states that a firm must, at least five calendar days before the beginning of a Pilot Year, provide FINRA an “opt-in notice” in the manner and format determined by FINRA.⁶⁰ Moreover, FINRA Rule 3110.18(i) specifies that a FINRA member that elects to withdraw from subsequent Pilot Years (i.e., Pilot Year 2, Pilot Year 3, and Pilot Year 4, if applicable) shall, at least five calendar days before the end of the then current Pilot Year, provide FINRA with an “opt-out notice” in the manner and format determined by FINRA.

Proposed NYSE Texas Rule 11.3110.18(i) would govern elections to participate in the

⁵⁹ See FINRA Rule 3110.18(h)(1)(G).

⁶⁰ FINRA Rule 3110.18(i) contains provisions for firms wishing to opt-in of the FINRA Pilot Program.

Pilot Program and would require Participant Firms electing to participate in the Pilot Program to make their election in the manner and format as prescribed, in accordance with FINRA Rule 3110.18(i). In addition, the proposed rule would require Participant Firms that elect to withdraw from the Pilot Program for subsequent years to provide such notice in the manner and format as prescribed in accordance with FINRA Rule 3110.18(i). These requirements will ensure that Participant Firms can properly elect to participate in, or subsequently withdraw from, the Pilot Program.

Proposed NYSE Texas Rule 11.3110.18(j) (Failure to Satisfy Conditions)

FINRA Rule 3110.18(j) governs failure to satisfy conditions and addresses situations in which a member fails to satisfy the requirements for participating in the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(j) provides that FINRA members that fail to satisfy the conditions set forth to avail themselves of the FINRA Pilot Program, including the requirement to timely collect and submit the data and information to FINRA as set forth under FINRA Rule 3110.18(h), shall be ineligible to participate in the FINRA Pilot Program. Such FINRA members would be required to conduct on-site inspections of each office and location on the required cycle in accordance with FINRA Rule 3110(c) on internal inspections.

Consistent with FINRA Rule 3110.18(j), proposed NYSE Texas Rule 11.3110.19(j) on failure to satisfy conditions would specify that any Participant Firm that fails to satisfy the conditions of proposed Supplementary Material .18 and of FINRA Rule 3110.18, including the specified requirement to timely collect and submit data, would no longer be eligible to participate in the FINRA Pilot Program. Such Participant Firms would need to conduct on-site inspections of each office and location on the required cycle in accordance with NYSE Texas Rule 11.3110(c).

Proposed NYSE Texas Rule 11.3110.18(k) (Determination of Ineligibility)

FINRA Rule 3110.18(k) governs determinations of ineligibility and provides that FINRA may make a determination in the public interest and for the protection of investors that a FINRA

member is no longer eligible to participate in the FINRA Pilot Program if the FINRA member fails to comply with the requirements of FINRA Rule 3110.18. In such instances, FINRA will provide written notice to the FINRA member of such determination and the member would no longer be eligible to participate in the FINRA Pilot Program and must conduct on-site inspections of required offices and locations in accordance with FINRA Rule 3110(c).

Consistent with FINRA Rule 3110.18(k), proposed NYSE Texas Rule 11.3110.18(k) would govern ineligibility determinations and provide that FINRA or the Exchange may make a determination in the public interest and for the protection of investors that a Participant Firm is no longer eligible to participate in the FINRA Pilot Program if the Participant Firm fails to comply with the requirements of FINRA or NYSE Texas Rule 11.3110.18. The proposed rule would further provide that, in such instances, FINRA or the Exchange will provide written notice to the Participant Firm of such determination and the Participant Firm would no longer be eligible to participate in the FINRA Pilot Program and must conduct on-site inspections of required offices and locations in accordance with FINRA or NYSE Texas Rule 11.3110(c). With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.18(k) is substantially the same as FINRA Rule 3110.18(k).

Proposed NYSE Texas Rule 11.3110.18(l) (Definitions)

The Exchange proposes to adopt FINRA Rule 3110.18(l) setting forth definitions applicable to Supplementary Material .18 verbatim. As proposed, NYSE Texas Rule 11.3110.18(l) would provide that for purposes of the Supplementary Material, the term “Pilot Year” shall mean the following:

- Pilot Year 1 is the period beginning on July 1, 2024 and ending on December 31 of the same year;
- Pilot Year 2 means the calendar year period following Pilot Year 1, beginning on January 1 and ending on December 31;

- Pilot Year 3 means the calendar year period following Pilot Year 2, beginning on January 1 and ending on December 31; and
- If applicable, where Pilot Year 1 covers a period that is less than a full calendar year, then Pilot Year 4 means the period following Pilot Year 3, beginning on January 1 and ending on June 30, 2027.

Finally, FINRA also adopted FINRA Rule 3110.18(m) describing the sunset of FINRA Rule 3110.17, which the Exchange has not adopted. The Exchange accordingly does not propose to incorporate a provision similar to FINRA Rule 3110.18(m).

NYSE Texas Rule 11.3110, Supplementary Material .19

NYSE Texas Rule 11.3110.19(a) (Conditions for Designation as a Residential Supervisory Location (RSL))

FINRA Rule 3110.19(a) lists the conditions for FINRA members to designate an office or location as an RSL. Proposed NYSE Texas Rule 11.3110.19(a) would set forth the conditions for designation as an RSL that would mirror the conditions set forth in FINRA Rule 3110.19(a) for Participant Firms to designate a location that is the associated person's private residence where specified supervisory activities are conducted as an RSL.

As proposed, NYSE Texas Rule 11.3110.19 would provide that, notwithstanding any other provisions of NYSE Texas Rule 11.3110(e) and subject to paragraphs (b) through (d) of the proposed Supplementary Material, a location that is the associated person's private residence where supervisory activities are conducted, including those described in NYSE Texas Rule 11.3110(e)(1)(D) through (G) or in NYSE Texas Rule 11.3110(e)(2)(B), shall be considered for those activities a non-branch location, provided that:

- only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;⁶¹

⁶¹ See proposed NYSE Texas Rule 11.3110.19(a)(1), mirroring FINRA Rule 3110.19(a)(1).

- the location is not held out to the public as an office;⁶²
- the associated person does not meet with customers or prospective customers at the location;⁶³
- any sales activity that takes place at the location complies with the conditions set forth under NYSE Texas Rule 11.3110(e)(2)(A)(ii) or (iii);⁶⁴
- neither customer funds nor securities are handled at that location;⁶⁵
- the associated person is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, retail communications and other communications to the public by such associated person;⁶⁶
- the associated persons correspondence and communications with the public are subject to the firm's supervision in accordance with this Rule;⁶⁷
- the associated persons electronic communications (e.g., e-mail) are made through the Participant Firm's electronic system;⁶⁸
- (A) the Participant Firm must have a recordkeeping system to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, Exchange rules, and the Participant Firm's own written supervisory procedures under NYSE Texas Rule 11.3110; (B) such records are not physically or electronically maintained and preserved at the office or location; and (C) the Participant Firm has prompt access

⁶² See proposed NYSE Texas Rule 11.3110.19(a)(2), mirroring FINRA Rule 3110.19(a)(2).

⁶³ See proposed NYSE Texas Rule 11.3110.19(a)(3), mirroring FINRA Rule 3110.19(a)(3).

⁶⁴ See proposed NYSE Texas Rule 11.3110.19(a)(4), mirroring FINRA Rule 3110.19(a)(4).

⁶⁵ See proposed NYSE Texas Rule 11.3110.19(a)(5), mirroring FINRA Rule 3110.19(a)(5).

⁶⁶ See proposed NYSE Texas Rule 11.3110.19(a)(6), mirroring FINRA Rule 3110.19(a)(6).

⁶⁷ See proposed NYSE Texas Rule 11.3110.19(a)(7), mirroring FINRA Rule 3110.19(a)(7).

⁶⁸ See proposed NYSE Texas Rule 11.3110.19(a)(8), mirroring FINRA Rule 3110.19(a)(8).

to such records;⁶⁹ and

- the Participant Firm must determine that its surveillance and technology tools are appropriate to supervise the types of risks presented by each Residential Supervisory Location, and these tools may include but are not limited to: (A) firm-wide tools such as, electronic recordkeeping system; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections; (B) tools specific to the RSL based on the activities of associated person assigned to the location, products offered, restrictions on the activity of the RSL; and (C) system tools such as secure network connections and effective cybersecurity protocols.⁷⁰

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.19(a) is substantially the same as FINRA Rule 3110.19(a).

NYSE Texas Rule 11.3110.19(b) (Participant Firm Ineligibility Criteria)

FINRA Rule 3110.19(b) outlines the conditions that would render its members ineligible from designating an office as an RSL. As proposed, NYSE Texas Rule 11.3110.19(b) would mirror these criteria and provide that a Participant Firm is ineligible from designating an office or location as an RSL if the Participant Firm:

- is currently designated as a restricted firm under FINRA Rule 4111;⁷¹
- is currently designated as a Taping Firm under FINRA Rule 3170;⁷²
- is currently undergoing, or is required to undergo, a review under FINRA Rule 1017(a)(7) as a result of one or more associated persons at such location;⁷³
- receives a notice pursuant to NYSE Texas Rule 10.9557, regarding compliance

⁶⁹ See proposed NYSE Texas Rule 11.3110.19(a)(9), mirroring FINRA Rule 3110.19(a)(9).

⁷⁰ See proposed NYSE Texas Rule 11.3110.19(a)(10), mirroring FINRA Rule 3110.19(a)(10).

⁷¹ See proposed NYSE Texas Rule 11.3110.19(b)(1), mirroring FINRA Rule 3110.19(b)(1).

⁷² See proposed NYSE Texas Rule 11.3110.19(b)(2), mirroring FINRA Rule 3110.19(b)(2).

⁷³ See proposed NYSE Texas Rule 11.3110.19(b)(3), mirroring FINRA Rule 3110.19(b)(3).

with NYSE Texas Article 7, Rule 3 or NYSE Texas Article 7, Rule 8, unless the Exchange has otherwise permitted such activities in writing pursuant to such rule;⁷⁴

- is or becomes suspended by the Exchange or FINRA;⁷⁵
- based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months;⁷⁶ or
- is or has been found to be in violation of office inspection obligations under NYSE Texas Rule 11.3110(c) or FINRA Rule 3110(c) within the past three years.⁷⁷

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.19(b) is substantially the same as FINRA Rule 3110.19(b).

NYSE Texas Rule 11.3110.19(c) (Location Ineligibility Criteria)

FINRA Rule 3110.19(c) sets forth the criteria that would render a particular office or location that is an associated person's private residence where specified supervisory activities are conducted ineligible for an RSL designation. Proposed NYSE Texas Rule 11.3110.19(c) would mirror these criteria. As proposed, NYSE Texas Rule 11.3110.19(c) would make an office ineligible for the RSL designation if one or more associated persons at such office or location:

- is a designated supervisor who has less than one year of direct supervisory experience with the Participant Firm, or an affiliate or subsidiary of the Participant Firm that is registered as a broker-dealer or investment adviser;⁷⁸

⁷⁴ See proposed NYSE Texas Rule 11.3110.19(b)(4), mirroring FINRA Rule 3110.19(b)(4). Proposed NYSE Texas Rule 11.3110.19(b)(4) differs from FINRA Rule 3110.19(b)(4) in that the proposed rule refers to NYSE Texas Article 7, Rule 3 and NYSE Texas Article 7, Rule 8 rather than to FINRA Rules 4110, 4120 and 4130, which rules have not been adopted by the Exchange.

⁷⁵ See proposed NYSE Texas Rule 11.3110.19(b)(5), mirroring FINRA Rule 3110.19(b)(5).

⁷⁶ See proposed NYSE Texas Rule 11.3110.19(b)(6), mirroring FINRA Rule 3110.19(b)(6).

⁷⁷ See proposed NYSE Texas Rule 11.3110.19(b)(7), mirroring FINRA Rule 3110.19(b)(7).

⁷⁸ See proposed NYSE Texas Rule 11.3110.19(c)(1), mirroring FINRA Rule 3110.19(c)(1).

- is functioning as a principal for a limited period in accordance with NYSE Texas Rule 11.1210.03;⁷⁹
- is subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or state regulatory agency;⁸⁰
- is statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Participant Firm and is not subject to a mandatory heightened supervisory plan under paragraph (c)(3) of this Supplementary Material or otherwise as a condition to approval or permission for such association;⁸¹
- has an event in the prior three years that required a “yes” response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4;⁸² or
- has been notified in writing that such associated person is now subject to, any Investigation or Proceeding, as such terms are defined in the Explanation of Terms for the Form U4 (Uniform Application for Securities Industry Registration or Transfer), by the SEC, a self-regulatory organization, including the Exchange, or state securities commission (or agency or office performing like functions) (each, a “Regulator”) expressly alleging they have failed reasonably to supervise another person subject to their supervision, with a view to preventing the violation of any provision of the Securities Act, the Act, the Investment Advisers Act, the Investment Company Act, the Commodity Exchange Act, any state law pertaining

⁷⁹ See proposed NYSE Texas Rule 11.3110.19(c)(2), mirroring FINRA Rule 3110.19(c)(2).

⁸⁰ See proposed NYSE Texas Rule 11.3110.19(c)(3), mirroring FINRA Rule 3110.19(c)(3).

⁸¹ See proposed NYSE Texas Rule 11.3110.19(c)(4), mirroring FINRA Rule 3110.19(c)(4).

⁸² See proposed NYSE Texas Rule 11.3110.19(c)(5), mirroring FINRA Rule 3110.19(c)(5).

to the regulation of securities or any rule or regulation under any of such Acts or laws, or any of the rules of the Exchange or other self-regulatory organization, including the Exchange; provided, however, such office or location may be designated or redesignated as an RSL subject to the requirements of this Supplementary Material upon the earlier of: (i) the Participant Firm's receipt of written notification from the applicable Regulator that such Investigation has concluded without further action; or (ii) one year from the date of the last communication from such Regulator relating to such Investigation.⁸³

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.19(c) is substantially the same as FINRA Rule 3110.19(c).

NYSE Texas Rule 11.3110.19(d) (Obligation to Provide Information Identifying RSLs)

Proposed NYSE Texas Rule 11.3110.19(d) setting forth the obligations to provide information identifying RSLs would fully mirror the provisions of FINRA Rule 3110.19(d) and would require Participant Firms electing to designate any office or location of that Participant Firm as an RSL to provide current information identifying all locations designated as RSLs in the frequency, manner and format (e.g., through an electronic process or such other process) as FINRA may prescribe.⁸⁴

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.19(d) is substantially the same as FINRA Rule 3110.19(d).

NYSE Texas Rule 11.3110.19(e) (Risk Assessment)

FINRA Rule 3110.19(e) requires its members, prior to designating an office or location as an RSL, to develop a reasonable risk-based approach to designating such office or location as an RSL, and conduct and document a risk assessment for the associated person assigned to that

⁸³ See proposed NYSE Texas Rule 11.3110.19(c)(6), mirroring FINRA Rule 3110.19(c)(6).

⁸⁴ Pursuant to Rule 0, reference to Exchange staff or Exchange departments in the NYSE Texas rules should be understood as also referring to FINRA staff and FINRA departments acting on behalf of the Exchange.

office or location. Proposed NYSE Texas Rule 11.3110.19(e) would mirror the provisions of FINRA Rule 3110.19(e). Specifically, a Participant Firm would be required, prior to designating an office or location as an RSL, to develop a reasonable risk-based approach to designating such office or location as an RSL and conduct and document a risk assessment for the associated person(s) assigned to that office or location. In line with FINRA Rule 3110.19(e), the proposed rule would list certain factors, among others, that Participant Firms must consider in the risk assessment that include whether each associated person at such office or location is subject to:

- customer complaints, taking into account the volume and nature of the complaints;⁸⁵
- heightened supervision other than where such office or location is ineligible for RSL designation under paragraph (c)(3) of this Supplementary Material;⁸⁶
- any failure to comply with the Participant Firm’s written supervisory procedures;⁸⁷
- any recordkeeping violation;⁸⁸ and
- any regulatory communications from a Regulator, indicating that the associated person at such office or location failed reasonably to supervise another person subject to their supervision, including but not limited to, subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations. The Participant Firm must take into account any higher risk activities that take place or a higher risk associated person that is assigned to that office or location.

Consistent with its obligation under NYSE Texas Rule 11.3110(a), the Participant

⁸⁵ See proposed NYSE Texas Rule 11.3110.19(e)(1), mirroring FINRA Rule 3110.19(e)(1).

⁸⁶ See proposed NYSE Texas Rule 11.3110.19(e)(2), mirroring FINRA Rule 3110.19(e)(2).

⁸⁷ See proposed NYSE Texas Rule 11.3110.19(e)(3), mirroring FINRA Rule 3110.19(e)(3).

⁸⁸ See proposed NYSE Texas Rule 11.3110.19(e)(4), mirroring FINRA Rule 3110.19(e)(4).

Firm’s supervisory system must take into consideration any indicators of irregularities or misconduct (i.e., “red flags”) when designating an office or location as an RSL. Red flags should also be reviewed in determining whether it is reasonable to maintain the RSL designation of such office or location in accordance with the requirements of this Supplementary Material and the Participant Firm should consider evidencing steps taken to address those red flags where appropriate.⁸⁹

With the exception of conforming and technical changes, proposed NYSE Texas Rule 11.3110.19(e) is substantially the same as FINRA Rule 3110.19(e).

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁹⁰ in general, and furthers the objectives of Section 6(b)(5),⁹¹ in particular, because 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.

The Exchange believes that the proposed rule change furthers the objectives of the Act by permitting Participant Firms that are FINRA members to participate in the FINRA Pilot Program and for all Participant Firms to utilize the RSL designation in order to continue to meet the core regulatory obligation to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and applicable Exchange rules that directly serve investor protection. The Exchange believes that the proposed changes, taken together, reasonably account for evolving work models while maintaining effective

⁸⁹ See proposed NYSE Texas Rule 11.3110.19(e)(5), mirroring FINRA Rule 3110.19(e)(5).

⁹⁰ 15 U.S.C. 78f(b).

⁹¹ 15 U.S.C. 78f(b)(5).

supervision. The Exchange believes that the proposed safeguards and controls built into both the remote inspection program and the RSL designation will, as FINRA noted,⁹² provide Participant Firms with greater flexibility to adapt to changing work conditions without compromising investor protection. The robust nature of the criteria that must be satisfied and circumstances that would make a location ineligible for remote office inspections, as well as requirements for supplemental written supervisory procedures related to remote inspections, documentation requirements, and obligations to share data with FINRA to allow for assessment of the pilot program, serve an important role in reducing the potential for fraud and manipulative acts. Similarly, important safeguards such as requiring risk assessments in connection with the RSL designation in addition to delineating specific criteria for locations that would be ineligible for designation as an RSL furthers the prevention of manipulative acts and practices and the protection of investors and the public interest.

As discussed in the Purpose section, because proposed Supplementary Material .18 to NYSE Texas Rule 11.3110 and proposed Supplementary Material .19 to NYSE Texas Rule 11.3110 are substantially similar to FINRA Rule 3110.18 and FINRA Rule 3110.19, respectively, this rule change enables NYSE Texas Rule 11.3110 to continue to be incorporated into the 17d-2 Agreement, resulting in less burdensome and more efficient regulatory compliance. Specifically, the proposed change will conform the Exchange's rules to changes made to corresponding FINRA rules insofar as a Participant Firm's compliance with FINRA Rules 3110.18 and 3110.19 shall mean the Participant Firm is also in compliance with proposed Supplementary Material.18 to NYSE Texas Rule 11.3110 and proposed Supplementary Material .19 to NYSE Texas Rule 11.3110, thus promoting the application of consistent regulatory

⁹² See Securities Exchange Act Release No. 97398 (November 17, 2023), 88 FR 28620, 28635 (May 4, 2023) (SR-FINRA-2023-007) (Notice of Filing of a Proposed Rule Change To Adopt Supplementary Material .18 (Remote Inspections Pilot Program) Under FINRA Rule 3110 (Supervision)); Securities Exchange Act Release No. 97237 (March 31, 2023), 88 FR 20568 (April 6, 2023) (SR-FINRA-2023-006) (Notice of Filing of a Proposed Rule Change To Adopt Supplementary Material .19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision)).

standards with respect to rules that FINRA enforces pursuant to the 17d-2 Agreement. As previously noted, except for conforming and technical changes, the proposed text of proposed Supplementary Material .18 and .19 to NYSE Texas Rule 11.3110 is substantially the same as the text of FINRA Supplementary Material .18 and .19, respectively, to FINRA Rule 3110. As such, the proposed rule change would facilitate rule harmonization among self-regulatory organizations with respect to inspection of Participant Firms and a consistent and uniform regulatory framework for which Participant Firms can avail themselves of the RSL designation, 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.

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 proposed rule change is not intended to address competitive issues but rather is intended solely to reduce potential compliance burdens on Participant Firms by aligning NYSE Texas Rule 11.3110 with FINRA Rule 3110, resulting in less burdensome and more efficient regulatory compliance for common members and facilitating FINRA's performance under the 17d-2 Agreement.

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 the Act⁹³ and Rule 19b-4(f)(6) thereunder.⁹⁴ Because the proposed rule change does not: (i)

⁹³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁹⁴ 17 CFR 240.19b-4(f)(6).

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)⁹⁵ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),⁹⁶ 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)⁹⁷ 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 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. Please include file number SR-NYSETEX-2025-21 on the subject line.

⁹⁵ 17 CFR 240.19b-4(f)(6).

⁹⁶ 17 CFR 240.19b-4(f)(6)(iii).

⁹⁷ 15 U.S.C. 78s(b)(2)(B).

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-NYSETEX-2025-21. 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-NYSETEX-2025-21 and should be submitted on or before [INSERT DATE 21 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹⁸

Sherry R. Haywood,

Assistant Secretary.

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