Press Release

NYSE to Pay $14 Million Penalty for Multiple Violations

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Washington D.C., March 6, 2018 — The Securities and Exchange Commission today announced that it charged the New York Stock Exchange and two affiliated exchanges with regulatory failures in connection with multiple episodes, including several disruptive market events. The charges arose from five separate investigations and include the first-ever charged violation of Regulation SCI. The Commission adopted Reg SCI to strengthen the technology infrastructure and integrity of the U.S. securities markets, and today charged two NYSE exchanges with violating Reg SCI's business continuity and disaster recovery requirement. In settlement, the exchanges agreed to pay a $14 million penalty.

According to the SEC's order, the violations include erroneously implementing a market-wide regulatory halt, negligently misrepresenting stock prices as "automated" despite extensive system issues ahead of a total shutdown of two of the exchanges, and applying price collars during unusual market volatility on Aug. 24, 2015, without a rule in effect to permit them – a move that resulted in order imbalances being resolved more slowly.

"Exchanges play an important role in protecting investors," said Stephanie Avakian, Co-Director of the SEC's Division of Enforcement. "For retail investors to have confidence in our markets, exchanges must provide accurate information and comply with legal requirements, including being equipped for unexpected market disruptions."

The SEC's order also finds, among other things, that the NYSE exchanges broke rules regarding business continuity and disaster recovery in violation of Regulation SCI and also violated Regulation NMS. NYSE, NYSE Arca, and NYSE American neither admitted nor denied the findings in the SEC's order, which includes more specific details about the charges.

"Two NYSE exchanges previously settled rule-filing violations in 2014, and now we've found further problems," said Steven Peikin, Co-Director of the SEC's Division of Enforcement. "NYSE's violation of the prior SEC order was a significant factor in assessing the civil penalties in this matter."

The SEC's investigations were conducted by the Market Abuse Unit and New York Regional Office, including Charu A. Chandrasekhar, Susan Cooke Anderson, Nicholas Chung, Alice Liu Jensen, Ainsley Kerr, Mandy Sturmfelz, Steven D. Buchholz, Michele T. Perillo, Diana K. Tani, Kristin M. Pauley, and Sheldon L. Pollock. The cases were supervised by Robert A. Cohen and Sanjay Wadhwa.