

## Rule 11.18. Supervision

NYSE Arca Guide

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(a) No OTP Holder or OTP Firm for whom the Exchange is the Designated Examining Authority ("DEA") and no ETP Holder may engage in conduct in violation of the federal securities laws, the Bylaws or the Rules of the Exchange. Every ETP Holder, OTP Holder or OTP Firm must supervise persons associated with the ETP Holder, OTP Holder or OTP Firm as to assure compliance therewith.

(b) Supervisory System

Each ETP Holder, OTP Holder or OTP Firm must establish and maintain a system to supervise the activities of its associated persons and the operations of its business. Such system must be reasonably designed to ensure compliance with applicable federal securities laws and regulations and NYSE Arca Rules. Final responsibility for proper supervision will rest with the ETP Holder, OTP Holder or OTP Firm. The ETP Holder's, OTP Holder's or OTP Firm's supervisory system must provide, at a minimum, for the following:

- (1) The establishment and maintenance of written procedures as required by paragraph (c) of this Rule.
- (2) The designation of a person with authority to reasonably discharge his/her duties and obligation in connection with supervision and control of the activities of the associated persons of the ETP Holder, OTP Holder or OTP Firm.
- (3) The ETP Holder, OTP Holder or OTP Firm must undertake reasonable efforts to determine that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities.
- (4) Each ETP Holder, OTP Holder or OTP Firm must designate and specifically identify to the Exchange one or more persons who will be responsible for such supervision.

(c) Written Procedures

Each ETP Holder, OTP Holder or OTP Firm must establish, maintain, and enforce written procedures to supervise the business in which it engages and to supervise the activities of its associated persons that are reasonably designed to ensure compliance with applicable federal securities laws and regulations, and with the NYSE Arca Rules.

(d) Each individual not associated with an ETP Holder and in the case of an ETP Holder, the person (or persons) designated to direct day-to-day compliance activity (such as the Compliance Officer, Partner or Director) and each other person at the ETP Holder directly supervising ten or more persons engaged in compliance activity should have overall knowledge of the securities laws and Exchange rules and must pass the General Securities Principal Examination (Series 24) and, if the ETP Holder does business with the public, the General Securities Sales Supervisor Qualification Examination (Series 9/10). Where good cause is shown, the Exchange, at its discretion, may waive all or a portion of the examination requirements. The Exchange may give consideration to the scope of the ETP Holder's activity, to previous related employment, and to examination requirements of other self-regulatory organizations. In such cases, the Exchange must be satisfied that the person is qualified for the position.

### **Commentary .01**

(a) ETP Holders shall comply with NASD Rule 3010(a)(1), (b)(1), and (c)(1) as if such rule were part of NYSE Arca's Rules.

(b) For Purposes of this rule:

(1) References to "NASD Rules", "FINRA Rules", "Rules of FINRA", or "Rules of this Association" shall be construed as references to "NYSE Arca Rules", and

(2) references to registration with FINRA or the Association shall be construed as references to registration with NYSE Arca.

**Commentary .02** For purposes of this rule, for ETP Holders that are registered Market Makers in products listed under Exchange Rules 5-E and 8-E, references to the term associated persons shall be construed to include affiliates.

**Approved:** May 17, 2004 (PCX-04-08); April 7, 2006 (PCX-06-24); June 26, 2008 (NYSEArca-2008-49); August 17, 2017 (NYSEArca-2017-40).

**History of predecessor NYSE Arca Equities Rule:** July 12, 2002 (PCX-02-35); January 14, 2005 (PCX-04-96); March 2, 2005 (PCX-05-24); April 7, 2006 (PCX-2006-24); June 30, 2008 (NYSEArca-2008-32); September 1, 2009 (NYSEArca-2009-78); May 23, 2010 (NYSEArca-2010-35); December 21, 2010 (NYSEArca-2010-88).

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