

SEC fines NYSE US\$4.5 million over lax market oversight
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The New York Stock Exchange and affiliates will pay a US\$4.5 million (RM14 million) fine to settle charges it violated market rules, the Securities and Exchange Commission said yesterday.

The NYSE "engaged in business practices that either violated exchange rules or required a rule when the exchanges had none in effect," the SEC said in a statement.

The NYSE's affiliated routing broker Archipelago Securities was also charged.

The NYSE agreed to hire an independent consultant to review its policies and procedures and to pay, together with Archipelago, the US\$4.5 million penalty, the SEC said.

None of the parties charged admitted or denied the SEC's findings of violations that occurred from 2008 to 2012, which included failure to notify the agency of proposed rules and rules changes.

The agency hit the stock exchange for permitting customers to place computer systems at NYSE data centers without having an exchange rule in place governing the practice.

So-called "co-location" services allow market participants to trade more quickly than from a greater distance.

The NYSE did not file a proposed rule with the SEC on co-location and it charged customers "disparate" rates for the service, the SEC said.

SEC director of enforcement Andrew Ceresney said the NYSE's actions violated rules for ensuring non-discrimination among customers and uniform prices.

Regulators also criticized NYSE for permitting trades from a so-called "error account" containing securities positions that were the result of computer system malfunctions, unmatched orders or other mistakes.

The NYSE permitted trading from these accounts despite not having rules in place to allow the practice, the SEC said.

Moreover, the managers of the error account had access to "material nonpublic information" on securities trades, it said.

NYSE Euronext was acquired by Intercontinental Exchange last November. – AFP, May 2, 2014.

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