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 not necessary or appropriate in furtherance of the purposes of the Act.

In terms of intra-market competition, the Exchange will apply the proposed Non-Priority Customer NDX options fees uniformly to all Non-Priority Customers. Continuing to assess a lower NDX options fees to Priority Customers as compared to Non-Priority Customers does not impose an undue burden on competition because Priority Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants to the benefit of all market participants who may interact with the order flow.

In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other options exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. As noted above, market participants are offered an opportunity to transact in NDX, NDXP, or XND, or separately execute options overlying QQQ. Offering these products provides market participants with a variety of choices in selecting the product they desire to use to gain exposure to the Nasdaq 100 Index.

In addition to the Exchange, market participants have alternative options exchanges that they may participate on and direct their order flow, which list proprietary products that compete with NDX options.[17] In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing options exchanges to maintain their competitive standing in the financial markets.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.[18] At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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–GEMX–2026–39 on the subject line.

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–GEMX–2026–39. 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–GEMX–2026–39 and should be submitted on or before December 4, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[19]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026–23107 Filed 11–12–26; 8:45 am]

BILLING CODE 8011–01–P

[17] *See e.g.,* pricing for RUT on Cboe's Fees Schedule. *See also* SPX pricing on Cboe's Fees Schedule. Both RUT and SPX are proprietary products on the Cboe markets that are broad-based index options, like NDX.

[18] 15 U.S.C. 78s(b)(3)(A)(ii).

[19] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–106868; File No. SR–FINRA–2026–024]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend the FINRA By-Laws, the FINRA Regulation By-Laws, the Plan of Allocation and Delegation of Functions by FINRA to Subsidiaries, FINRA's Restated Certificate of Incorporation, and FINRA Rule 5110

November 10, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on November 2, 2026, the Financial Industry Regulatory Authority, Inc. (''FINRA'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. 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

FINRA is proposing to (1) amend the By-Laws of the Corporation (''FINRA By-Laws''), the By-Laws of FINRA Regulation, Inc. (''FINRA Regulation By-Laws'') and the Plan of Allocation and Delegation of Functions by FINRA to Subsidiaries (''Delegation Plan'') to revise FINRA's governance structure, including the composition and operation of the Board of Governors of

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

FINRA (''FINRA Board'' or ''Board'') and committees established by the Board comprising solely Governors (''Board committees''); and (2) amend FINRA's Restated Certificate of Incorporation (''Certificate of Incorporation'') to conform relevant provisions to the amended and restated FINRA By-Laws. The proposed rule change also would make technical and conforming changes to the FINRA By-Laws, FINRA Regulation By-Laws, Delegation Plan, Certificate of Incorporation and FINRA rules.

The text of the proposed rule change is available on FINRA's website at *http://www.finra.org* and at the principal office of FINRA.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA 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 these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

The FINRA By-Laws, read together with the Certificate of Incorporation, govern the composition and operation of the FINRA Board. The Board includes individuals from member firms of various sizes and business models, as well as public leaders with expertise in markets, technology, regulatory oversight, business and law. In 1996, FINRA's predecessor, the National Association of Securities Dealers (''NASD''), amended its By-Laws to require that the number of non-industry Governors exceed the number of industry Governors.[3] The majority public structure was implemented when the By-Laws were last amended in 2007 in connection with the merger of NASD and NYSE Regulation to create FINRA.[4]

The FINRA By-Laws currently provide for a Board composed of up to 25 Governors, with 10 seats designated for ''Industry Governors,''[5] 11 to 14 seats designated for ''Public Governors''[6] and one seat reserved for FINRA's Chief Executive Officer (''CEO''), who is considered neither an Industry Governor nor a Public Governor.

Seven of the Industry Governor seats—three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors—are designated for individuals associated with FINRA members that correspond to each firm size. Pursuant to the FINRA By-Laws, a small firm employs at least one and no more than 150 registered persons; a mid-size firm employs at least 151 and no more than 499 registered persons; and a large firm employs 500 or more registered persons. (*See* FINRA By-Laws Article I.) Industry Governors are elected to these seats by the small, mid-size and large member firms, respectively. The three remaining Industry Governor seats are appointed, segment-specific seats, *i.e.,* a ''Floor Member Governor,'' an ''Independent Dealer/Insurance Affiliate Governor'' and an ''Investment Company Affiliate Governor,'' as those terms are defined in the FINRA By-Laws. (*See* FINRA By-Laws Article I.)

Overview of Proposed Amendments

FINRA is proposing to amend the FINRA By-Laws, FINRA Regulation By-Laws and Delegation Plan relating to the composition and operation of the FINRA Board and Board committees to modernize FINRA's governance structure and strengthen FINRA's self-regulatory model. As described below, FINRA is further proposing to amend the Certificate of Incorporation to conform relevant provisions to the amended and restated FINRA By-Laws and to make other updates and technical changes.

Among other changes, the proposed rule change would transition the FINRA Board from a majority of Public Governors to a majority of Industry Governors, while preserving a substantial role for public representatives on the Board—Public Governors would represent from 41.7 to 47.4 percent of the total number of Industry and Public Governors.[7] The proposed rule change also would potentially broaden industry representation, including among small firms, on the FINRA Board by converting the three appointed, segment-specific industry seats to three appointed, at-large industry seats. And, consistent with modern governance practices, the proposed rule change would reduce the size of the Board, which currently may have up to 25 members, to no more than 20 members.

With respect to the operation of the FINRA Board and Board committees, the proposed rule change would revise term limits, conform quorum requirements and provide more flexibility for the Board to manage the composition of the Board and its committees based on current needs, subject to minimum Industry and Public Governor representation requirements. The Audit Committee would continue to require a majority of Public Governors and continue to be chaired by a Public Governor, as is the case today.

FINRA believes that the proposed rule change would strengthen member engagement, increase access to industry expertise and better position FINRA to protect and serve investors, markets and member firms in an evolving industry and market environment. FINRA believes that the public benefits of the self-regulatory organization (''SRO'') model include the ability to leverage member knowledge, experience and insight. Appropriate member participation in FINRA's programs is important for capturing the deep, practical expertise that is central to self-regulation and helps FINRA effectively

[3] *See* Securities Exchange Act Release No. 37106 (April 11, 1996), 61 FR 16944 (April 18, 1996) (Order Approving File No. SR–NASD–96–02).

[4] *See* Securities Exchange Act Release No. 56145 (July 26, 2007), 72 FR 42169 (August 1, 2007) (Order Approving File No. SR–NASD–2007–023).

[5] Article I of the FINRA By-Laws currently defines ''Industry Governor'' or ''Industry committee member'' as: the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor and any other Governor (excluding the Chief Executive Officer of the Corporation and, during the Transitional Period, the Chief Executive Officer of NYSE Regulation, Inc.) or committee member who: (1) is or has served in the prior year as an officer, director (other than as an independent director), employee or controlling person of a broker or dealer, or (2) has a consulting or employment relationship with or provides professional services to a self regulatory organization registered under the Act, or has had any such relationship or provided any such services at any time within the prior year.

[6] Article I of the FINRA By-Laws currently defines ''Public Governor'' or ''Public committee member'' as: any Governor or committee member who is not the Chief Executive Officer of the Corporation or, during the Transitional Period, the Chief Executive Officer of NYSE Regulation, Inc., who is not an Industry Governor and who otherwise has no material business relationship with a broker or dealer or a self regulatory organization registered under the Act (other than serving as a public director of such a self regulatory organization).

[7] Under the proposed rule change, the minimum number of Industry Governors would be seven and the minimum number of Public Governors would be five. In that instance, Public Governors would represent 5/12 or 41.7 percent of Public and Industry Governors. At the Board's proposed maximum size of 20, Industry Governors would account for 10 seats and Public Governors would account for nine seats. In that instance, Public Governors would represent 9/19 or 47.4 percent of Public and Industry Governors. FINRA's CEO would remain on the Board in a seat that is neither Industry nor Public.

carry out its mission of protecting investors and market integrity—including by producing better visibility into emerging threats, risky business practices and unfair tactics. In addition, the proposed rule change would provide the Board greater flexibility to draw on expertise from a broader range of business models to adapt to changes in the industry and ensure appropriate representation from across the membership—enhancing opportunities for a wider spectrum of member firms, including more small firms, to participate in governance. Finally, with a somewhat smaller size and greater flexibility to manage its operations, the Board would be more nimble and better able to benefit from the insights of both Industry and Public Governors.

FINRA notes that several of the factors that supported NASD's adoption of a majority non-industry Board over 30 years ago are significantly different from the environment FINRA faces today. NASD's change to its Board composition was one of many changes made in connection with an SEC enforcement action against NASD, which found that NASD failed to adequately oversee the Nasdaq market and that Nasdaq market makers exercised undue influence over NASD's operations and regulatory affairs.[8]

NASD fully divested Nasdaq in 2006, eliminating the market-driven conflicts of interest that had previously existed between NASD's self-regulatory obligations and the competitive incentives of Nasdaq market makers.[9] And FINRA has a number of important institutional safeguards in place to ensure that it serves its mission of protecting investors and market integrity. These include, in addition to substantial Public Governor involvement, organizational guardrails, procedural requirements and other checks and balances to provide for robust and fair regulatory and disciplinary functions, and greater transparency into FINRA's regulatory operations, rulemaking and finances to facilitate accountability.

More specifically, FINRA maintains a fully independent internal audit staff, which reviews all aspects of FINRA and its subsidiaries and reports directly to what will continue to be a majority public, Public Governor-chaired Audit Committee.[10] In addition, FINRA's Office of the Ombuds provides an independent, neutral and confidential source of assistance for individuals who have questions or concerns about the activities of FINRA and its employees. FINRA's ombuds staff also reports directly to the Audit Committee.[11] This structure ensures that the Audit Committee can investigate issues of concern.[12]

To ensure independence in disciplinary functions, FINRA's Office of Hearing Officers (''OHO'') serves as FINRA's adjudicatory forum for disciplinary and expedited proceedings. OHO is an independent office within FINRA that employs impartial professional Hearing Officers who preside over proceedings commenced by FINRA's Enforcement Department. OHO maintains strict independence from FINRA's regulatory and enforcement programs, and Hearing Officers are not involved in the investigative and examination processes of FINRA. Employment protections exist for Hearing Officers to further ensure their independence, and any termination by FINRA's CEO can be appealed to the Audit Committee.[13]

In addition, FINRA's Office of Disciplinary Affairs (''ODA''), which is independent of Enforcement and not involved in the investigation or litigation of cases, is charged with reviewing proposed settlements and complaints. ODA provides an independent review of the legal and evidentiary sufficiency of charges proposed by the Enforcement staff. ODA also reviews settlements for consistency with FINRA's Sanction Guidelines and applicable precedent.[14]

In furtherance of FINRA's mission to protect investors, FINRA's Investor Education Foundation provides educational programs and supports innovative research to protect investors and help them achieve their financial goals.[15]

FINRA also produces regular reports on its activities and finances, with publicly available reports on its budget and financial performance. All FINRA rule changes are subject to public review and comment, and FINRA disciplinary actions are made public. FINRA also produces regular information about its examination program and broader regulatory operations, including insights into findings from those operations.[16]

FINRA believes that these safeguards, among others, along with comprehensive SEC oversight and evaluation of such oversight by the Government Accountability Office (''GAO''),[17] provide strong assurance that FINRA will continue to perform its investor protection responsibilities while benefiting from the revised governance structure and strengthened self-regulatory model that the proposed rule change provides.

Proposed Amendments Relating to the FINRA Board

FINRA is proposing to amend the FINRA By-Laws with respect to the composition and operation of the FINRA Board as follows.

First, the proposed rule change would amend the FINRA By-Laws to require that the Board have a majority of Industry Governors. (*See* FINRA By-Laws Article VII, Section 4(a).) The minimum number of Industry Governors would be the seven existing

[8] *See In the Matter of National Association of Securities Dealers, Inc.,* Admin. Proc. File No. 3–9056, Securities Exchange Act Release No. 37538 (August 8, 1996) (Order Instituting Public Proceedings Pursuant to Section 19(h)(1) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions) (the ''SEC Order''). The SEC Order imposes 14 undertakings, including that NASD maintain at least 50 percent independent public and non-industry membership on its Board, as well as specified subsidiaries, affiliates and committees. The SEC Order also requires that a majority of public and non-industry members and a public Chair serve on the Audit Committee. FINRA is separately applying to the SEC for relief solely from one undertaking relating to the composition of the Board and committees. This relief would not modify the separate undertaking that specifies the composition and Chair of the Audit Committee, as well as the maintenance of a substantial, independent audit staff.

[9] Such conflicts of interest were a ''primary focus'' of the SEC's enforcement action in 1996. *See* Report Pursuant to Section 21(a) of the Securities Exchange Act of 1934 Regarding the NASD and the NASDAQ Market (August 8, 1996), available at *https://www.sec.gov/litigation/investreports/nd21a-report.*

[10] *See, e.g.,* the 2025 FINRA Audit & Risk Committee Charter, available at *https://www.finra.org/about/governance/standing-committees/audit-committee-charter.*

[11] Additional information regarding the Office of the Ombuds can be found on FINRA's website at *https://www.finra.org/about/office-ombuds.*

[12] In addition to directing and overseeing the activities of FINRA's internal audit and ombuds functions, the Audit Committee monitors the performance of the independent outside auditors retained by FINRA, oversees FINRA's compliance with applicable legal and regulatory requirements and corporate policies, and assists the Board in its oversight of FINRA's enterprise risks.

[13] Additional information regarding OHO can be found on FINRA's website at *https://www.finra.org/rules-guidance/adjudication-decisions/office-hearing-officers-oho/about.*

[14] *See, e.g., Regulatory Notice* 09–17 (March 2009).

[15] Additional information regarding the Investor Education Foundation is available at *https://www.finrafoundation.org/.*

[16] *See, e.g.,* 2026 FINRA Annual Regulatory Oversight Report (December 9, 2025), available at *https://www.finra.org/rules-guidance/guidance/reports/2026-finra-annual-regulatory-oversight-report.*

[17] The GAO is required by statute to review the SEC's oversight of FINRA every three years in 10 specified areas, including conflicts of interest management and transparency of governance. *See, e.g.,* SEC's Oversight of the Financial Industry Regulatory Authority, GAO–25–107723 (November 12, 2024), available at *https://www.gao.gov/products/gao-25-107723.*

elected Industry Governor seats. The number of Public Governors would be required to be one or two less than the number of Industry Governors, meaning that at least 41.7 percent of Industry and Public Governors would be Public Governors. FINRA's CEO would remain on the Board in a seat that is neither Industry nor Public.

Second, the proposed rule change would amend the FINRA By-Laws to convert the three appointed Industry Governor seats (as noted above, these are the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor) to appointed At Large Industry Governor seats. (*See* FINRA By-Laws Article VII, Section 4(a).) An ''At Large Industry Governor'' would be defined as a ''member of the Board to be appointed by the Board; provided however, to be eligible to serve, an At Large Industry Governor must qualify as an Industry Governor.'' (*See* FINRA By-Laws Article I.) The number of At Large Industry Governor seats would not exceed three.[18]

The FINRA Board would have flexibility to fill these seats based on the needs of FINRA by drawing from the expertise, experience and business models of the entire membership. In addition, the Board would be able to decide whether to further decrease its overall size by reducing the number of At Large Industry Governor seats. In such instance, the Board also would decrease the number of Public Governor seats to maintain the Industry Governor majority. In all scenarios, the total number of Public Governors on the Board would be one or two less than the total number of Industry Governors on the Board, thereby preserving substantial Public Governor participation in Board governance, as illustrated in greater detail below.

Third, the proposed rule change would reduce the total number of seats on the Board to a maximum of 20, comprising: (1) seven to 10 Industry Governors (seven elected Industry Governors, *i.e.,* three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors, and zero to three appointed At Large Industry Governors (as determined by the Board)); (2) five to nine Public Governors (as determined by the Board, always one or two less than the total number of Industry Governors); and (3) FINRA's CEO. As amended, Article VII, Section 4(a) of the FINRA By-Laws would provide that the FINRA Board shall consist of no fewer than 13 nor more than 20 Governors.

As noted, the proposed rule change provides for substantial continued public representation on the Board, with Public Governors comprising at least 41.7 percent of the total number of Industry and Public Governors. For example, if the Board has the minimum number of Industry Governors, *i.e.,* the seven elected Industry Governor seats, then the number of Public Governors can be no less than five and no more than six. If there are five Public Governors (*i.e.,* two less than the number of Industry Governors), then the Public Governors would comprise 41.7 percent of the total number of Industry and Public Governors. If there are six Public Governors (*i.e.,* one less than the number of Industry Governors), then the Public Governors would comprise 46.2 percent.

If the Board has the maximum number of Industry Governors, *i.e.,* the seven elected Industry Governor seats and the three appointed At Large Industry Governor seats, then the number of Public Governors can be no less than eight and no more than nine. If there are eight Public Governors (*i.e.,* two less than the number of Industry Governors), then the Public Governors would comprise 44.4 percent of the total number of Industry and Public Governors. If there are nine Public Governors (*i.e.,* one less than the number of Industry Governors), then the Public Governors would comprise 47.4 percent.[19]

Fourth, the proposed rule change would amend the FINRA By-laws to revise the quorum requirements to reflect the changes to the Board's composition. Specifically, a majority of the Board, including not less than 50 percent of the Public Governor members (which is currently required) and 50 percent of the Industry Governor members (which would be a new requirement) would be needed to constitute a quorum of the Board. (*See* FINRA By-Laws Article VII, Section 8.)

Finally, the proposed rule change would amend the FINRA By-Laws to extend the current Board term limits from two consecutive three-year terms to three consecutive three-year terms. (*See* FINRA By-Laws Article VII, Section 5.) This would provide the possibility that Governors could serve for up to nine years (versus six years currently).[20] Section 5 would also be amended to clarify that any appointed or elected Governor who fills a vacancy of a Governor position or a new Governor position shall serve for the remaining term of the class [21] or until a successor is duly appointed and qualified, or until death, resignation, disqualification or removal.

Proposed Amendments Relating to the FINRA Board Committees

The FINRA By-Laws provide for the following Board committees: the Nominating Committee,[22] Executive Committee, Audit Committee [23] and Finance Committee.[24] (*See* FINRA By-Laws Article VII, Section 9, and Article IX, Sections 4, 5 and 6, respectively.) The FINRA By-Laws also provide generally for any other committee or subcommittee appointed by the Board. (*See* FINRA By-Laws Article IX, Section 1(b).) Additional Board committees are provided for under the FINRA Regulation By-Laws (specifically, the FINRA Regulation Board of Directors (''FINRA Regulation Board'') [25] under Article IV) and the Delegation Plan (specifically, the Management Compensation Committee (''Compensation Committee'') [26] under Section I.C.).[27] FINRA is proposing to modify composition and other requirements for the Board committees and subcommittees as follows.

First, the proposed rule change would amend the FINRA By-Laws to establish

[18] FINRA is proposing to update the definition of ''Industry Governor'' to remove legacy language that, if not removed, would allow employees and consultants of SROs to qualify for the proposed At Large Industry Governor seats. (*See* FINRA By-Laws Article I.) In addition, FINRA is proposing to make related amendments to the definition of ''Public Governor'' to exclude persons that have, or had within the prior year, an employment relationship with an SRO (other than serving as a public director of such SRO). The proposed rule change would make conforming changes to the definitions of ''Industry Director'' and ''Public Director'' of the FINRA Regulation Board. (*See* FINRA By-Laws Article I and FINRA Regulation By-Laws Article I.)

[19] FINRA notes that the seat reserved for FINRA's CEO has been excluded from these calculations.

[20] FINRA notes that when evaluating whether to nominate a Governor to a third term, the Board's Nominating and Governance Committee or ''Nominating Committee,'' which is responsible for identifying qualified candidates for the appointed Industry and Public Governor seats on the Board, may consider, among other factors, whether there are succession or similar considerations that support such nomination, including extensive subject-matter knowledge, significant unplanned turnover and desired continuity in the Board or a committee Chair.

[21] The appointed and elected Governors are divided into classes pursuant to Article VII, Section 5 to stagger their terms of office.

[22] This committee is known as the Nominating and Governance Committee.

[23] This committee is known as the Audit and Risk Committee.

[24] This committee is known as the Finance, Operations and Technology Committee.

[25] This committee is known as the Regulatory Policy Committee, which sits as the FINRA Regulation Board.

[26] This committee is known as the Compensation and Human Capital Committee.

[27] Information regarding the Board committees can be found on FINRA's website at *https://www.finra.org/about/governance/standing-committees.*

minimum composition requirements for Board committees, as set out below. Subject to these requirements, other Board committee governance requirements (*e.g.,* number and composition of committee members and Chair designation) would be established by the Board in the committees' respective governing documents. This would provide the Board with greater discretion to establish and modify, as needed, the size, composition and leadership of its committees to best suit FINRA's circumstances and governance needs.

As noted above, the Audit Committee would continue to have a majority of Public Governors and be chaired by a Public Governor. Specifically, the amended and restated FINRA By-Laws would provide that the Audit Committee ''shall include a number of Public Governors as members thereof in excess of the number of Industry Governors which are members thereof'' and retain the requirement that a Public Governor serve as Chair of the Committee. (*See* FINRA By-Laws Article IX, Section 5(a).) This would ensure that the FINRA Board would continue to have an appropriately constituted committee to review any alleged concerns arising from FINRA's conduct or from industry participation in FINRA's governance and oversight of member firms. FINRA is proposing to delete the requirement that the Audit Committee consist of four or five Governors to provide the Board flexibility to determine the appropriate size of the Audit Committee, consistent with other Board committees. FINRA officers and employees would continue to be prohibited from being members of the Audit Committee. (*See* FINRA By-Laws Article IX, Section 5(a).)

For all other Board committees, the proposed rule change would delete requirements in the FINRA By-Laws relating to the size of any given committee and require that each Board committee have (1) at least two Public Governors and at least two Industry Governors; and (2) a minimum number of Public Governors that is one or two less than the number of Industry Governors, depending on the size of the committee.[28] (*See* FINRA By-Laws Article VII, Section 9(b) (relating to the Nominating Committee), Article IX, Section 1(b) (relating to Board committees and subcommittees generally), Article IX, Section 4(b) (relating to the Executive Committee) and Article IX, Section 6(b) (relating to the Finance Committee).) The first requirement would ensure a minimum representation of both Industry and Public Governors on each Board committee. The second requirement would ensure that Public Governors continue to have meaningful representation on each Board committee.

Thus, except for the Audit Committee—which must be majority public and have a public Chair—the Board could choose to appoint a committee with a majority of Public Governors, a majority of Industry Governors, or an equal number of Public and Industry Governors, based on the needs of FINRA at the time, *e.g.,* the expertise of particular Governors. Similarly, the Board could choose a committee Chair who is a Public Governor or an Industry Governor.

The proposed rule change would make conforming amendments to the FINRA Regulation By-Laws relating to the FINRA Regulation Board. Specifically, the FINRA Regulation Board must have at least two Public Directors and at least two Industry Directors and, depending on its size, must have a minimum number of Public Directors that is one or two less than the number of Industry Directors. (*See* FINRA Regulation By-Laws Article IV, Section 4.3(a).)

In addition, FINRA is proposing to delete the requirement that the FINRA Regulation Board consist of no fewer than five and no more than 17 Directors to provide the FINRA Board flexibility to determine the appropriate number of Directors based on FINRA's needs.[29] (*See* FINRA Regulation By-Laws Article IV, Section 4.2.) FINRA's CEO and the Chair of the FINRA Board would continue to serve as ex-officio non-voting members of the FINRA Regulation Board. (*See* FINRA Regulation By-Laws Article IV, Section 4.3.)

FINRA notes that the FINRA Regulation By-Laws also require that at least two and not less than 20 percent of the members of the FINRA Regulation Board be elected Governors, *i.e.,* Small Firm, Mid-Size Firm or Large Firm Governors.[30] The proposed rule change would not modify this provision.

Second, the proposed rule change would amend the FINRA By-Laws to remove the one-year term limits that currently exist for certain Board committees[31] and adopt a new provision, consistent with Delaware law and current governance practices, expressly authorizing the FINRA Board to appoint committee members for such terms as the Board deems advisable. Specifically, proposed FINRA By-Laws Article IX, Section 8 would provide that committee and subcommittee members shall hold office for such term as may be determined by the Board and until a successor is duly appointed, or until such member's earlier death, resignation, disqualification or removal.[32] In addition, the proposed rule change would adopt FINRA By-Laws Article IX, Section 3(b) to authorize the Board, in addition to appointing committee members for such terms as the Board deems advisable, to review the composition of the committees and subcommittees and change the membership of the committees and subcommittees from time to time as the Board deems advisable.[33] Consistent with its current practice, the FINRA Board intends to

[28] Specifically, if the number of members of the committee is seven or fewer, the minimum number of Public Governors must be one less than the number of Industry Governors. If the number of members is eight or greater, the minimum number of Public Governors must be two less than the number of Industry Governors. Thus, for example, on a seven-member committee, there must be a minimum of three Public Governors, which would comprise 42.9 percent of the committee. On an eight-member committee, there must be a minimum of three Public Governors, comprising 37.5 percent of the committee.

[29] The FINRA Regulation By-Laws provide that the number of FINRA Regulation Board members will be determined by resolution adopted by the stockholder of FINRA Regulation from time to time. *See* FINRA Regulation By-Laws Article IV, Section 4.2. Pursuant to Article XI, Section 11.1 of the FINRA Regulation By-Laws, FINRA is the sole stockholder of the capital stock of FINRA Regulation.

[30] The requirement for a minimum representation of elected Governors on the FINRA Regulation Board is unique to this committee and helps ensure that elected representatives of the industry have a role in the rulemaking and regulatory oversight functions of the Board.

[31] *See* FINRA By-Laws Article VII, Section 9(c) (relating to the Nominating Committee), Article IX, Section 4(c) (relating to the Executive Committee), Article IX, Section 5(a) (relating to the Audit Committee) and Article IX, Section 6(b) (relating to the Finance Committee).

[32] The provisions relating to the removal of a Board committee member would be amended to clarify that the member may be removed ''for cause during the term for which they have been appointed by the Board'' by majority vote, after appropriate notice. *See* FINRA By-Laws Article VII, Section 9(c) and Article IX, Section 3(a). The proposed amendments more closely align the FINRA By-Laws with Delaware law, the relevant provisions of which generally give a board of directors of a Delaware corporation broad discretion with respect to the composition of board committees. The proposed amendments give the Board greater flexibility with respect to the appointment and removal of Board committee members (and changes to the slate of members serving on a committee from time to time), while retaining and harmonizing the existing requirement that notice be given to Board committee members if they are going to be removed for grounds that would otherwise constitute cause.

[33] Proposed FINRA By-Laws Article IX, Section 3(b) also provides that ''For the avoidance of doubt, any action that may be taken by the Board pursuant to this Section 3(b) may be taken by any duly authorized committee thereof.''

review committee membership on an annual basis.

Third, the proposed rule change would amend the quorum requirements under the FINRA By-Laws to reflect the increased industry representation on the Board committees and create a simplified uniform requirement. Specifically, the current committee-specific quorum requirements [34] would be deleted, and pursuant to proposed FINRA By-Laws Article IX, Section 7, a quorum would consist of a majority of the committee (or subcommittee, as applicable), including not less than 50 percent of the Public Governor members (which is currently required) and not less than 50 percent of the Industry Governor members (which would be a new requirement).

Conforming amendments relating to the quorum requirements for the FINRA Regulation Board would be made to Article IV, Section 4.9 of the FINRA Regulation By-Laws.[35] This Section would also be amended to clarify that the ex-officio non-voting members of the FINRA Regulation Board do not count for purposes of determining quorum or whether a majority vote has been obtained.[36]

Fourth, the proposed rule change would amend the FINRA By-Laws to provide expressly that the Nominating Committee, Audit Committee and Finance Committee shall exercise any such other powers and duties, and perform such other functions, as may be authorized by the Board. (*See* proposed FINRA By-Laws Article VII, Section 16, and amended Article IX, Section 5(b) and Article IX, Section 6(a), respectively.)

Finally, the proposed rule change would delete Section I.C. (Management Compensation Committee) of the Delegation Plan in its entirety.[37] This committee, which is the only Board committee established in the Delegation Plan, would be governed by the general provisions of the FINRA By-Laws applicable to other committees appointed by the FINRA Board pursuant to Article IX, Section 1(b).

Comparison of Current and Proposed Requirements

The following chart summarizes the current and proposed composition, quorum and term requirements relating to the FINRA Board and Board committees. The following is only a summary; the text of the proposed rule change is [provided in] Exhibit 5.[38]

Topic	Current	Proposed
FINRA Board Composition	The Board consists of 16 to 25 Governors. The number of Public Governors exceeds the number of Industry Governors. The Board of Governors consists of (i) FINRA's CEO, (ii) a number of Public Governors determined by the Board, (iii) a Floor Member Governor, an Independent Dealer/Insurance Affiliate Governor and an Investment Company Affiliate Governor, and (iv) three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors.	The Board consists of 13 to 20 Governors. The number of Industry Governors exceeds the number of Public Governors. The Board of Governors consists of (i) FINRA's CEO, (ii) a number of Public Governors that is one or two less than the number of Industry Governors, as determined by the Board, (iii) a number of At Large Industry Governors, not to exceed three, as determined by the Board, and (iv) three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors.
At Large Industry Governor	Not applicable.	Means a member of the Board appointed by the Board who qualifies as an Industry Governor.
Industry Governor	Means the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor and any other Governor (excluding FINRA's CEO and, during the Transitional Period, the CEO of NYSE Regulation, Inc.) who: (1) is or has served in the prior year as an officer, director (other than as an independent director), employee or controlling person of a broker or dealer, or (2) has a consulting or employment relationship with or provides professional services to a self-regulatory organization registered under the Act, or has had any such relationship or provided any such services at any time within the prior year.	Means a Governor (excluding FINRA's CEO) who is or has served in the prior year as an officer, director (other than as an independent director), employee or controlling person of a broker or dealer.
Elected Governors	The Elected Governors include the three Small Firm Governors, one Mid-Size Firm Governor and the three Large Firm Governors, and are elected by the firms in the same category. A Small Firm Governor must be registered with a Small Firm member (a member with at least one and no more than 150 registered persons) and be an Industry Governor. A Mid-Size Firm Governor must be registered with a Mid-Size Firm member (a member with at least 151 and no more than 499 registered persons) and be an Industry Governor. A Large Firm Governor must be registered with a Large Firm member (a member with at least 500 registered persons) and be an Industry Governor.	No change to these definitions (other than removing provisions relating to the transitional period following the consolidation of NASD with NYSE Regulation).

[34] *See* FINRA By-Laws Article VII, Section 9(e) (relating to the Nominating Committee), Article IX, Section 4(d) (relating to the Executive Committee), Article IX, Section 5(e) (relating to the Audit Committee) and Article IX, Section 6(c) (relating to the Finance Committee).

[35] Pursuant to the proposed rule change, Section 4.9 would be renumbered as Section 4.8.

[36] Similar language would be added to FINRA Regulation By-Laws Article IV, Section 4.15 (which would be renumbered as Section 4.14) to clarify that consent by the ex-officio non-voting members of the FINRA Regulation Board would not be required to approve actions taken without a meeting.

[37] Pursuant to the proposed rule change, subsections D. through E. of Delegation Plan Section I. would be redesignated as C. through D.

[38] [See asterisk at the end of the table.]

Topic	Current	Proposed
Floor Member Governor	Means an appointed member of the Board who is a person associated with a member (or a firm in the process of becoming a member) which is a specialist or floor broker on the New York Stock Exchange trading floor.	Deleted from the FINRA By-Laws
Independent Dealer/Insurance Affiliate Governor	Means an appointed member of the Board who is a person associated with a member which is an independent contractor financial planning member firm or an insurance company, or an affiliate of such a member.	Deleted from the FINRA By-Laws
Investment Company Affiliate Governor	Means an appointed member of the Board who is a person associated with a member which is an Investment Company or an affiliate of such a member.	Deleted from the FINRA By-Laws
Public Governor	Means an appointed member of the Board (excluding FINRA's CEO) who is not an Industry Governor and who otherwise has no material business relationship with a broker or dealer or SRO registered under the Act (other than serving as a public director of such SRO).	Means an appointed member of the Board (excluding FINRA's CEO) who (1) is not an Industry Governor, (2) does not have, and has not had within the prior year, an employment relationship with an SRO registered under the Act (other than serving as a public director of such SRO) and (3) otherwise has no material business relationship with a broker or dealer or an SRO registered under the Act (other than serving as a public director of such SRO).
Term of Office of Governors	Governors may serve no more than two consecutive three-year terms. If a Governor is appointed or elected to fill a vacancy where the remaining term is less than one year, the Governor may serve up to two consecutive terms following the expiration of the Governor's initial term.	Governors may serve no more than three consecutive three-year terms. If a Governor is appointed or elected to fill a vacancy where the remaining term is less than one year, the Governor may serve up to three consecutive terms following the expiration of the Governor's initial term.
Board Quorum	A quorum for the transaction of business consists of a majority of the Board, including not less than 50 percent of the Public Governors.	A quorum for the transaction of business consists of a majority of the Board, including not less than 50 percent of the Public Governors and not less than 50 percent of the Industry Governors.
Audit Committee Composition	The Audit Committee consists of four or five Governors, none of whom are officers or employees of FINRA. The Audit Committee must include a majority of Public Governors and must include at least two Public Governors. A Public Governor serves as Chair of the Audit Committee.	No members of the Audit Committee shall be officers or employees of FINRA. The Audit Committee must include a majority of Public Governors. A Public Governor serves as Chair of the Audit Committee.
Executive Committee Composition	The Executive Committee consists of no fewer than five and no more than eight Governors and must include a majority of Public Governors.	The Executive Committee consists of at least two Public Governors and at least two Industry Governors. If the number of members is seven or fewer, the Executive Committee has a minimum number of Public Governors that is one less than the number of Industry Governors. If the number of members is eight or greater, the Executive Committee has a minimum number of Public Governors that is two less than the number of Industry Governors.
Finance Committee Composition	The Finance Committee consists of four or more Governors and must include a majority of Public Governors.	The Finance Committee consists of at least two Public Governors and at least two Industry Governors. If the number of members is seven or fewer, the Finance Committee has a minimum number of Public Governors that is one less than the number of Industry Governors. If the number of members is eight or greater, the Finance Committee has a minimum number of Public Governors that is two less than the number of Industry Governors.
Nominating Committee Composition	The number of Public Governors on the Nominating Committee equals or exceeds the number of Industry Governors.	The Nominating Committee includes at least two Public Governors and at least two Industry Governors. If the number of members is seven or fewer, the Nominating Committee has a minimum number of Public Governors that is one less than the number of Industry Governors. If the number of members is eight or greater, the Nominating Committee has a minimum number of Public Governors that is two less than the number of Industry Governors.

Topic	Current	Proposed
Composition of all Other Board Committees	Any other committee having the authority to exercise the powers and authority of the Board has a number of Public Governors as members in excess of the number of Industry Governors.	Any other committee having the authority to exercise the powers and authority of the Board has at least two Public Governors and at least two Industry Governors. If the number of members is seven or fewer, the committee has a minimum number of Public Governors that is one less than the number of Industry Governors. If the number of members is eight or greater, the committee has a minimum number of Public Governors that is two less than the number of Industry Governors.
FINRA Regulation Board Composition	The FINRA Regulation Board consists of no fewer than five and no more than 17 Directors and must include a majority of Public Directors. The Chairman of the FINRA Board and FINRA's CEO are ex-officio non-voting members. At least two, and not less than 20 percent, of the Directors are Small Firm, Mid-Size Firm or Large Firm Governors.	The FINRA Regulation Board consists of at least two Public Directors and at least two Industry Directors. If the number of Directors is seven or fewer, the FINRA Regulation Board has a minimum number of Public Directors that is one less than the number of Industry Directors. If the number of Directors is eight or greater, the FINRA Regulation Board has a minimum number of Public Directors that is two less than the number of Industry Directors. The Chairman of the FINRA Board and the FINRA's CEO are ex-officio non-voting members. At least two, and not less than 20 percent, of the Directors are Small Firm, Mid-Size Firm or Large Firm Governors.
Management Compensation Committee Composition	The Management Compensation Committee consists of no fewer than four and no more than seven Governors. The number of Non-Industry members equals or exceeds the number of Industry members. FINRA's CEO is an ex-officio non-voting member.	Deleted from the Delegation Plan.*
Committee Quorum Requirements	A quorum for the transaction of business for the Nominating Committee consists of a majority of the Nominating Committee. A quorum for the transaction of business for the Executive Committee, Audit Committee and Finance Committee consists of a majority of the committee, including not less than 50 percent of the Public Committee members.	A quorum for the transaction of business consists of a majority of the committee, including not less than 50 percent of the Public Governor committee members and not less than 50 percent of the Industry Governor committee members.
Terms of Committee Members	Members of the Audit Committee, Executive Committee and Finance Committee hold office for one-year terms. Members of the Nominating Committee are appointed annually by the Board.	Members of the Board committees are appointed by the Board to hold office for such term as may be determined by the Board.

* As noted above, with the deletion of Delegation Plan Section I.C., the composition of the Compensation Committee will be governed by the general provisions of the FINRA By-Laws applicable to Board committees. (See FINRA By-Laws Article IX, Section 1(b).) Specifically, the Compensation Committee will have at least two Public Governors and at least two Industry Governors. If the number of members is seven or fewer, the Compensation Committee will have a minimum number of Public Governors that is one less than the number of Industry Governors. If the number of members is eight or greater, the Compensation Committee will have a minimum number of Public Governors that is two less than the number of Industry Governors.

Proposed Amendments Consistent With Delaware Law

FINRA is proposing additional amendments to update and clarify the FINRA By-Laws and FINRA Regulation By-Laws consistent with Delaware law. The proposed rule change would:

- update the FINRA By-Laws to expressly allow the Chair of any meeting of FINRA's members to convene, recess or adjourn the meeting, which is a common feature of the by-laws of Delaware corporations (*see* FINRA By-Laws Article XXI);
- update the provisions relating to conflicts of interest to reflect updates to Section 144 of the Delaware General Corporation Law, which was overhauled in 2025 (*see* FINRA By-Laws Article XV, Section 4, and FINRA Regulation By-Laws Article IV, Section 4.14(b));[39]
- update the provision in the FINRA By-Laws relating to the removal of FINRA officers, as permitted by Delaware law and common practice for Delaware corporations, to provide additional flexibility for removal by a duly authorized officer or an officer who appointed the officer (*see* FINRA By-Laws Article VIII, Section 6(b));
- clarify and harmonize provisions in the FINRA Regulation By-Laws governing the voting standard required for the FINRA Regulation Board to remove officers (*see* FINRA Regulation By-Laws Article VII, Section 7.1);[40]
- incorporate references in the FINRA Regulation By-Laws to the statutory requirement that actions taken by the stockholder of FINRA Regulation without a meeting be delivered to FINRA Regulation (*see* FINRA Regulation By-Laws Article III, Section 3.1);
- update and harmonize provisions in the FINRA Regulation By-Laws relating to the removal, resignation and disqualification of Directors,[41] and the

[39] Pursuant to the proposed rule change, FINRA Regulation By-Laws Article IV, Section 4.14 would be renumbered as Section 4.13.

[40] FINRA notes that the standard for removal of officers is specified in FINRA Regulation By-Laws Article VII, Section 7.5(b), which is not being modified by the proposed rule change.

[41] With respect to the proposed deletion of language in Article IV, Section 4.7(a) relating to disqualification, because FINRA Regulation is a

Continued

filling of vacancies and newly-created directorships in a manner consistent with applicable provisions of Delaware law (*see* FINRA Regulation By-Laws Article IV, Sections 4.6, 4.7 and 4.8);[42]

- update and clarify provisions in the FINRA Regulation By-Laws relating to the appointment of committees by the FINRA Regulation Board and the powers that can be delegated to such committees under Delaware law (*see* FINRA Regulation By-Laws Article IV, Section 4.13, which would be renumbered as Section 4.12);[43]
- delete provisions in the FINRA Regulation By-Laws that specifically provide for two committees of the FINRA Regulation Board that do not currently exist and are not needed today for the operation of the FINRA Regulation Board, *i.e.,* an Executive Committee[44] and Finance Committee; FINRA notes that the creation of any such committees in the future would be governed by the provisions of the FINRA Regulation By-Laws relating to committees generally, and the size, composition and other requirements for such committees would be specified in the committee governing documents (*see* FINRA Regulation By-Laws Article IV, Section 4.13 (which, as noted above, would be renumbered as Section 4.12));
- update provisions in the FINRA Regulation By-Laws pertaining to indemnification and advancement of expenses to reflect market practice and current case law, and clarify that certain indemnification provisions do not apply to committee members who are not Directors (*see* FINRA Regulation By-Laws Article X);[45]
- clarify requirements in the FINRA Regulation By-Laws regarding FINRA Regulation's share certificates, stock ledger and corporate seal (*see* FINRA Regulation By-Laws Article XI, Sections 11.2 through Section 11.4 and Article XII, Section 12.1, respectively);
- clarify in the FINRA Regulation By-Laws that records may be maintained by any method permitted by Delaware law (*see* FINRA Regulation By-Laws Article XII, Section 12.5); and
- make additional updates and clarifying changes to ensure internal consistency and conformity with Delaware law.

Proposed Technical and Conforming Updates

FINRA is proposing a number of technical and conforming changes to the FINRA By-Laws and FINRA Regulation By-Laws. The proposed rule change would:

- delete defined terms and provisions in the FINRA By-Laws relating to the closing of the transaction to consolidate NASD with NYSE Regulation, the subsequent transitional period and legacy committees that were only operable during the transitional period following the closing (among others, *see* FINRA By-Laws Article I, Article IX, Section 7 and Article XXII);
- change references from NASD and NASD Regulation to FINRA and FINRA Regulation (among others, *see* FINRA By-Laws Article I and FINRA Regulation By-Laws Article I);
- remove references in the FINRA By-Laws to NASD Dispute Resolution, which was merged into FINRA Regulation in 2015 (among others, *see* FINRA By-Laws Article I);
- update the provisions relating to mailing notices and other information to allow for electronic communication in lieu of paper mailing (*see* FINRA By-Laws Article XXI and FINRA Regulation By-Laws Article VI, Section 6.3);
- update the provisions relating to FINRA's registered agent, as they are currently outdated and may change from time to time (*see* FINRA By-Laws Article II and FINRA Regulation By-Laws Article II);
- update defined terms, including adding a definition of ''Restated Certificate of Incorporation'' and deleting ''beginning with the Rule 0100 Series'' in the definition of ''Rules of the Corporation'' (*see* FINRA By-Laws Article I and FINRA Regulation By-Laws Article I); and delete definitions that are no longer used, such as ''Floor Member Governor,'' ''Independent Dealer/Insurance Affiliate Governor'' and ''Investment Company Affiliate Governor'' (*see* FINRA By-Laws Article I);[46] and
- renumber provisions and update cross-references throughout the FINRA By-Laws and FINRA Regulation By-Laws.

Proposed Amendments to the Certificate of Incorporation

FINRA is proposing to amend the Certificate of Incorporation, which will be filed with the Delaware Secretary of State, to conform relevant provisions to the amended and restated FINRA By-Laws. Specifically, the proposed rule change would amend Article Second to update FINRA's registered office and registered agent; Article Eighth to update provisions relating to the composition of the FINRA Board, terms of office and classes of appointed and elected Governors; and Article Twelfth[47] to update definitions in accordance with the proposed amendments to the FINRA By-Laws.

In addition, Article Fifth of the Certificate of Incorporation would be amended to update the provisions relating to indemnification, advancement of expenses and liability insurance to align with current Delaware law and market practice. The amended Certificate of Incorporation also would clarify that certain indemnification and insurance provisions do not apply to committee members who are not Governors, other than members of FINRA's Investment Committee.

Finally, the proposed rule change would make technical conforming changes to the Certificate of Incorporation, *e.g.,* to change NASD to FINRA and remove references to the transitional period following the closing of the transaction to consolidate NASD with NYSE Regulation, including the deletion of Article Eleventh.

If the Commission approves the proposed rule change, the effective date will be the date of filing with the Delaware Secretary of State of an amended and restated Certificate of Incorporation, which is intended to be no later than the commencement of the 2027 Annual Meeting. FINRA anticipates that the 2027 Annual Meeting will take place during the third or fourth quarter of 2027.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(2) of the Act,[48] which requires that FINRA be so organized and have the capacity to be able to carry out

stock corporation, FINRA, as the sole stockholder, would be required to remove a Director described therein.

[42] Pursuant to the proposed rule change, FINRA Regulation By-Laws Article IV, Sections 4.6 and 4.7 would be consolidated into Section 4.6, and the remaining paragraphs of Article IV would be renumbered accordingly.

[43] Pursuant to the proposed rule change, paragraphs (b) and (c) of renumbered Section 4.12 would be consolidated and streamlined, paragraph (c) would be deleted and the remaining paragraphs would be redesignated accordingly.

[44] A conforming change would be made to FINRA Regulation By-Laws Article VI, Section 6.14 and Article VIII, Section 8.18 to clarify that the Executive Committee referred to therein is the Executive Committee of the FINRA Board.

[45] This proposed change conforms to the proposed amendment to the Certificate of Incorporation, discussed below, clarifying that indemnification does not extend to committee members who are not Governors, other than members of FINRA's Investment Committee.

[46] The proposed rule change would redesignate the remaining paragraphs of Article I of the FINRA By-Laws accordingly and make a conforming change to update the cross-reference to Article I(rr) that appears in FINRA Rule 5110(j)(1).

[47] The proposed rule change would renumber Article Twelfth as Article Eleventh.

[48] 15 U.S.C. 78*o*–3(b)(2).

the purposes of the Act, to comply with the Act and to enforce compliance by FINRA members and persons associated with members with the Act, the rules and regulations thereunder, FINRA rules and the rules of the MSRB; Section 15A(b)(4) of the Act,[49] which requires that FINRA's rules assure a fair representation of its members in the selection of its directors and administration of its affairs and provide that one or more directors shall be representative of issuers and investors and not be associated with a member of FINRA, broker or dealer; and Section 15A(b)(6) of the Act,[50] which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

FINRA believes that the proposed rule change to revise FINRA's Board governance structure provides for the organization of FINRA in a manner that will continue to enable FINRA to carry out the purposes of the Act and to comply and enforce compliance by FINRA members with the Act. FINRA believes that the proposed rule change assures a fair representation of FINRA's members in the selection of its Governors and administration of its affairs and complies with the public participant requirements of the Act, including the issuer and investor representation requirement.

As discussed above, the proposed rule change would transition the FINRA Board to a majority of Industry Governors, while preserving a substantial role for public representatives on the Board. Seven Industry Governor seats (*i.e.,* three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors) would continue to be elected by small, mid-size and large member firms, respectively. The conversion of three appointed segment-specific Industry seats to three appointed At Large Industry seats would potentially broaden industry representation, including among small firms.

FINRA members will continue to have extensive involvement in the administration of FINRA's affairs through participation in advisory committees, disciplinary hearing panels and the National Adjudicatory Council, among others. The Commission has previously found that such participation further provides for the fair representation of members in the administration of the affairs of an SRO, particularly with respect to participation on committees relating to rulemaking and relating to the disciplinary process.[51]

At the same time, the proposed rule change would preserve a substantial role for public representatives on the Board by requiring that the number of Public Governors on the Board be one or two less than the number of Industry Governors. The Public Governors would represent no less than 41.7 percent of the total number of Industry and Public Governors on the Board. In addition, the proposed rule change provides for a minimum number of Public Governors on Board committees, and the Audit Committee must continue to be public majority and chaired by a Public Governor. The Commission has previously found that Public Governors, none of which may have a material relationship with a broker or dealer or registered SRO, satisfy the requirement under the Act to have at least one director representative of issuers and investors.[52]

FINRA believes its internal safeguards, along with comprehensive SEC oversight and evaluation of such oversight by the GAO, provide strong assurance that FINRA will continue to perform its investor protection responsibilities and safeguard market integrity.

Finally, FINRA believes that the proposed amendments to make technical and other conforming changes to, among other things, update defined terms and cross-references, will provide greater clarity to members and the public regarding FINRA rules and FINRA's corporate documents as they appear in the FINRA Manual.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The regulatory need for the proposed rule change is described above in Item II.A.1.

Economic Baseline

The economic baseline for the proposed rule change consists of the current FINRA By-Laws governing the composition, structure and operation of the FINRA Board and its committees.

In general, corporate boards provide direction, monitoring and accountability to help ensure stewardship and enable the organization to have access to vital external resources and information.[53] As the Board of an SRO, FINRA's Board differs from conventional corporate boards in that it is meant to provide fair representation across its membership and serve the other statutory requirements of the Act.[54] Although there may be broad agreement on the importance of these requirements, individual Governors may differ in their perspectives and beliefs as how to best meet FINRA's statutory obligations. Industry Governors will typically have more technical and detailed current knowledge regarding the brokerage industry, member-firm business models and evolving industry conditions, while Public Governors will have a wider variety of backgrounds reflective of the governance needs of the organization, which will not always include knowledge of the brokerage industry that is comparable to Industry Governors.

Industry and Public Governors will, given the requirements of their classification, have different backgrounds, business affiliations and relationships. Each individual Governor will be informed by their own experience and current situation, thus perspectives, knowledge and incentives may differ both between the groups and among Governors within each group. The balance of these may influence the Board's oversight of and advice to management and, in turn, how FINRA fulfills its mission.[55] Differences among

[49] 15 U.S.C. 78*o*–3(b)(4).

[50] 15 U.S.C. 78*o*–3(b)(6).

[51] *See* Securities Exchange Act Release No. 56145 (July 26, 2007), 72 FR 42169, 42185 (August 1, 2007) (Order Approving File No. SR–NASD–2007–023).

[52] *See supra* note 51.

[53] *See, e.g.,* Eugene F. Fama & Michael C. Jensen, Separation of Ownership and Control, 26 Journal of Law and Economics (1983), Michael Jensen & William Meckling, Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure, 3(4) Journal of Financial Economics 305 (1976). Jeffrey Pfeffer & Gerald R. Salancik, The External Control of Organizations (1978), argue that directors strategically link the firm with vital external resources and information.

[54] The nature and impact of the potential challenges in a board's ability to provide direction, monitoring and accountability are different in the setting of SRO governance than in a corporate board. In a corporate setting, economic theory typically focuses on the influence of self-interested behaviors of certain board members in the organization's pursuit of its goals, whereas the focus of theory for SRO boards is typically the influence of the regulated industry in the SRO's pursuit of its mission. Different SRO models address this influence differently, including through structures, policies and procedures. *See, e.g.,* John W. Carson, Self-Regulation in Securities Markets, 2011, World Bank Policy Research Paper No. 5542, and George Stigler, The Theory of Economic Regulation, 2(1) Bell Journal of Economics and Management Science 3 (1971).

[55] Economic theory suggests trade-offs can exist when determining corporate board composition, including between the informational advantages of individuals with specific expertise and knowledge and the costs associated with managing the influence of such individuals. *See* Milton Harris &

Continued

Industry Governors' interests and incentives along with substantial participation by Public Governors can contribute to ensuring balance in governance and fulfillment of FINRA's statutory obligations. These same characteristics of the board also support the public's confidence in its stewardship of the public interest.

The relevance of the extent and type of expertise accessible to the Board and Board committees will vary depending on the context. For example, when considering if or how to respond to new industry products or business practices, detailed technical Board knowledge informed by different experiences may be of particular importance. In other contexts, there may be a stronger emphasis on the Board's needs in broader areas that extend outside the industry, such as corporate governance, technology management or public policy.

Economic Impacts

The proposed rule change would alter the composition of the Board and its committees in several respects, as outlined above. Specifically, these changes may improve FINRA's ability to fulfill its mission by modernizing the organization's governance and strengthening the self-regulatory model. This would include increasing access to industry expertise and providing greater flexibility to manage the Board's operations. In particular, the proposed rule change may broaden the range of business models represented on the Board, including those of small firms, and enhance the Board's ability to draw on expertise relevant to evolving market and industry conditions. Greater access to member knowledge, experience and insight may, in turn, support more informed and responsive decision-making.[56] For the wide range of issues coming before the Board of Governors that are informed by the technical considerations of financial services, the option for broader industry input—over potentially a wider range of perspectives—may lead to better designed regulatory outcomes, enhancing investor protections and market integrity. At the same time, where technical considerations may be of lesser importance, the proposed rule change preserves substantial Public Governor representation that should continue to enable the Board to meet its obligations critical for governance. Greater potential diversity of representation across Industry Governors, combined with the continued substantial Public Governor representation, should serve to mitigate risk that any one set of interests or incentives could predominate in governance. Moreover, Public Governors would continue to have the Chair and a majority on the Audit Committee, providing another important mitigant.

The above discussion about changes in the Board composition also broadly applies to Board committees. While the Board retains oversight of the Board committees' decisions, to the extent that there are resulting shifts in the composition of Board committees, the same considerations related to achieving a mix of industry and public representation apply to Board committees as well.

The existing structural safeguards detailed above would provide additional assurance that FINRA will continue to perform its statutory obligations. Among other things, the composition and responsibilities of offices within FINRA, such as OHO and ODA, that have a high degree of defined independence, would not change. Also, external governance such as comprehensive SEC oversight and the GAO's evaluation of that oversight may complement internal governance.

In addition to the amendments altering the composition of the Board and its committees, the proposed rule change would alter Board structure and continuity. A smaller Board may facilitate coordination and decision-making but may include fewer voices with differing experience and knowledge to address complex issues.[57] Under the proposed rule change, however, the Board would continue to have a broad range of pertinent expertise and experience. In particular, the conversion of three Industry Governor seats currently reserved for specific segments to at-large seats, as well as the broad expertise residing with Public Governors, may provide the Board greater ability to draw on expertise based on the needs of the organization.

Finally, the number of consecutive three-year terms a Governor may serve would increase from two to three. The additional term may preserve institutional knowledge and Board experience by allowing Governors whose continued service would benefit the Board to serve for another three years.[58]

Alternatives Considered

No alternatives were considered for purposes of this statement.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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–FINRA–2026–024 on the subject line.

Artur Raviv, A Theory of Board Control and Size, 21(4) Review of Financial Studies 1797 (2008). Although the theory focuses on corporate boards of directors, similar considerations regarding expertise and its value to oversight bear on FINRA's governance structure.

[56] *See, e.g.,* Nishant Dass et al., Board Expertise: Do Directors from Related Industries Help Bridge the Information Gap?, 27(5) Review of Financial Studies 1533 (2014).

[57] Economic theory provides a frame to consider board size for effective decision-making. Earlier empirical research suggests a negative relationship between board size and firm performance, suggesting small boards may lead to better outcomes for shareholders. More recent studies, however, indicate that optimal board size may vary on a firm's advising needs. *See,* Jeffrey L. Coles, Naveen D. Daniel, & Lalitha Naveen, Boards: Does One Size Fit All?, 87(2) Journal of Financial Economics 329 (2008).

[58] Empirical research suggests a concave relationship between board tenure and measures of accounting performance. *See,* Sterling Huang & Gilles Hilary, Zombie Board: Board Tenure and Firm Performance, 56(4) Journal of Accounting Research 1285 (2018). Using the average tenure of outside directors, the authors find that the benefits of board tenure peak at approximately 10 years. The results may not be directly applicable to FINRA, however, because the authors study public companies, which generally do not impose specific director term limits.

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–FINRA–2026–024. 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 FINRA. 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–FINRA–2026–024 and should be submitted on or before December 4, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[59]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026–23185 Filed 11–12–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–106854; File No. SR–CboeBYX–2026–041]

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Description of Cboe Aggregated Market Feed (Cboe One) in Rule 11.22

November 9, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on November 3, 2026, Cboe BYX Exchange, Inc. (the ''Exchange'' or ''BYX'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. 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

Cboe BYX Exchange, Inc. (''BYX'' or the ''Exchange'') proposes to amend Rule 11.22(i)[3] to describe the Cboe Aggregated Market (''Cboe One'') Feed by reference to the specific data feeds from which its content is obtained, namely the Multicast Depth feed of the Exchange described in Rule 11.22(c) and the Multicast Depth feeds of its affiliated exchanges and information disseminated by the securities information processors (''SIPs''), and to state that the Cboe One Feed is offered in two versions, Cboe One Summary and Cboe One Premium, which differ in the quotation information each provides, consistent with the manner in which other exchanges describe comparable aggregated market data products. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (*https://www.sec.gov/rules/sro.shtml*), the Exchange's website (*https://www.cboe.com/us/equities/regulation/rule_filings/byx/*), and at the principal office of the Exchange.

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 Exchange 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 these 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 aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 11.22(i), which currently lists the specific data elements and message types in the Cboe One Feed, to instead identify the sources of the Cboe One Feed: (1) the Multicast Depth feed of the Exchange described in Rule 11.22(c) and the Multicast Depth feeds of BZX, EDGA, and EDGX (collectively, the ''Multicast Depth Feeds''); and (2) the SIPs. The proposed rule text also states that the Cboe One Feed is offered in two versions, which differ in the quotation information each provides: Cboe One Summary provides the aggregate best bid and offer of all displayed orders on the Exchange, BZX, EDGA, and EDGX, and Cboe One Premium provides aggregated two-sided quotations for displayed orders on each such exchange at multiple price levels. This approach is consistent with the manner in which other exchange groups describe comparable aggregated market data products by identifying their sources rather than specifying message formats or field-level content, as discussed below.

By way of background, the Cboe One Feed is currently offered in two versions, Cboe One Summary and Cboe One Premium, each of which contains information obtained from the Multicast Depth Feeds and from the SIPs.[4] The versions differ only in the quotation information each provides. Cboe One Summary provides the aggregate best bid and offer of all displayed orders, and Cboe One Premium provides aggregated two-sided quotations at multiple price levels, currently up to twelve per side per exchange.[5] Execution information, administrative messages, and consolidated market information are the same in both versions. The current Cboe One Feed includes the following information from the Multicast Depth Feeds: individual last sale information for the Exchange and each of its affiliated exchanges, as well as Symbol Summary, Market Status, Retail Liquidity Identifier, Trading Status, and Trade Break messages. It also includes the following information from the SIPs: consolidated volume, the primary listing market's official opening and closing price, and the current day consolidated high and low price for all listed equity securities. The Cboe One Feed also disseminates the following information obtained from the Multicast Depth Feeds: the Cboe One Opening Price and Cboe One Closing Price. For securities listed on BZX, the Cboe One Opening Price is the

[59] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Exchange Rule 11.22(i).

[4] The Exchange's affiliated equities exchanges are BZX, EDGA, and EDGX. *See* Securities Exchange Act Release No. 73918 (December 23, 2014), 79 FR 78920 (December 31, 2014) (File Nos. SR–EDGX–2014–25; SR–EDGA–2014–25; SR–BATS–2014–055; SR–BYX–2014–030) (Notice of Amendments No. 2 and Order Granting Accelerated Approval to Proposed Rule Changes, as Modified by Amendments Nos. 1 and 2, to Establish a New Market Data Product called the Cboe (formerly Bats) One Feed) (''Cboe One Approval Order'').

[5] *See* Securities Exchange Act Release No. 105192 (April 9, 2026), 91 FR 19238 (April 14, 2026) (SR–CboeBYX–2026–011) (providing twelve price levels per side for the Cboe One Premium data feed).