
SEC Gets SCI-entific About Trading Systems with Proposed Regulation SCI

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On March 7, 2013, the Securities and Exchange Commission (“Commission” or “SEC”) voted unanimously to propose Regulation Systems Compliance and Integrity (“Reg SCI”) under the Securities Exchange Act of 1934 (“Exchange Act”). The Commission believes that the dependence of today’s trading markets on sophisticated automated systems, the lessons of recent market events, and the limitations of the SEC’s current approach to the oversight of automated systems important to the national market system highlight the need to consider an updated and formalized regulatory framework for such systems. Therefore, the SEC has proposed replacing the voluntary requirements of the existing Automation Review Policy (“ARP Program”) and the requirements of Rule 301(b)(6) of Regulation ATS with mandatory uniform requirements relating to the automated systems of “SCI entities.” The term “SCI entities,” as currently defined, would include:

- self-regulatory organizations (“SROs”);
- alternative trading systems (“ATSS”);
- plan processors; and
- exempt clearing agencies subject to the ARP Program.

The SEC has asked, however, whether Reg SCI also should apply to other types or categories of broker-dealers, such as OTC market makers, exchange market makers, order entry firms, clearing broker-dealers and/or large multi-service broker-dealers.

Read [SEC Gets SCI-entific About Trading Systems with Proposed Regulation SCI](#).

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