SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43834; File No. SR–NYSE–00–58]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to an Interpretation with Respect to Rule 342 (''Offices—Approval, Supervision, and Control'')

January 10, 2001.

Pursuant to Section 19(b)(1) of the Securities and Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on December 15, 2000, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III 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

The proposed rule change consists of interpretations with respect to the meaning administration of existing NYSE Rule 342 (''Offices—Approval, Supervision, and Control'') with respect to the supervision of, and the experience requirements for, registered representatives working in small or residence branch offices. The text of the proposed rule change is available from the Office of the Secretary, the NYSE or the Commission.

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.

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

[2] 17 CFR 240.19b–4.

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

1. Purpose

The purpose of the proposed rule change is to amend interpretations concerning the meaning and administration of NYSE Rule 342 with respect to the supervision of, and the experience requirements for, registered representatives working in small or residence branch offices of Exchange member organizations. Interpretation will be published as an Interpretation Memorandum for inclusion in the Exchange's *Interpretation Handbook.*

NYSE Rule 342 requires that each office, department and business activity be under the supervision and control of the member organization establishing it and of the personnel delegated such authority and responsibility. Additionally, the structure and administration of Exchange rules mandate that all member organization employees, including registered representatives, be fully subject to the direct and ongoing supervision, control and discipline of their member organization employers. Further, Exchange Rule 342(c) requires that a member or member organization obtain the Exchange's prior written consent for each office established.

NYSE Rule 342.11 and Current Interpretations. NYSE Rule 342.11 provides that a registered representative (''RR'') may operate out of his or her residence, with Exchange approval, and that if the residence is advertised (through, *e.g.,* business cards or stationery), then the residence constitutes a branch office of the member organization employer. Further, and notwithstanding the above, Interpretation/01 to Rule 342.11 in the NYSE Interpretation Handbook states that if an RR regularly operates from his home during business hours (even on a part-time basis), the member organization employer must register the home as a branch office (a ''residence office''). Interpretation/03 to Rule 342.11 currently provides that an RR who will be working from his or her residence must have a minimum of six-months securities experience prior to being approved in a residence office.

Proposed Amendment to Interpretation/03 to Rule 342.11. The six-months securities industry experience requirement for RRs in residence offices has come to be viewed as unnecessary and restrictive in that member organizations are prohibited from permitting the RR from working for two additional months *beyond* the prescribed four-month training period of NYSE Rule 345. This six-month experience requirement has particularly affected member organizations structured with multiple one-person offices.

The additional training period for inexperience RRs was appropriate when the interpretation was implemented in the 1970s because of the remote physical location of supervisors. However now, with member organizations increasingly employing advanced technology and electronic communications in the supervision and review of RR activities, supervision can be readily performed without being dependent on close physical proximity of the manager to the RR.

Under the proposed amended Interpretation, the six-month experience requirement will be eliminated, thereby allowing the RR who operates from a residence or one-person office to begin working upon completion of the prescribed four-month training period, provided that the member organization develops and implements special supervisory procedures for heightened supervision for the two month period immediately following completion of prescribed training. The special supervision will include procedures such as:

- Daily review of all customer account activity;
- Daily review of all correspondence including prior approval of all outgoing correspondence;
- Review of all incoming and outgoing electronic communications, *e.g.,* internet use and electronic mail; and
- On-site inspection by the branch office manager (or qualified designee) responsible for supervision of the residence office in the two months following the prescribed training period.

Member organizations will be required to inform RRs operating from a residence or small one-person office of the special supervision, and to maintain records evidencing the implementation and conduct of the special supervision.

The amended interpretation will allow these RRs to begin working immediately after completing the prescribed four-month training period (like all other RRs), while also helping to ensure that, through special supervision, member organizations have appropriate supervision and control of RRs operating from a residence and their customer accounts. Moreover, while the special supervision is required for a limited time, there is the *ongoing* responsibility of the member organizations, beyond the two-month special supervision period, to have

appropriate policies and procedures in place for the supervision and control of all sales and operational activities of each branch office and of all registered employees and the customer accounts they service.

Proposed Amendments to Interpretations /01,/02, and a New Interpretation /04 to NYSE Rule 342.15. Generally, each location where member organization employees are engaged in activities on behalf on a member organization must be registered as a branch office (excluding locations on the Exchange Floor where member organizations conduct Floor Business).

A ''small'' office is a branch with three or less registered representatives, one of whom is designated as ''RR-in-charge'' (this designation is required only if there is more than one registered representative in the small office). A small office may engage in sales activities but may not conduct operational functions, such as cashiering (receipt and disbursement of funds and securities).

Interpretation /02 to NYSE Rule 342.15 currently requires small offices to be under the close supervision and control of the member organization's main office or to be supervised by a manager of another office within short travel distance. Such manager may be responsible for only two small offices.

The proposed amendments to the Interpretation will require that small offices be controlled and supervised by *either* the main office *or* another designated branch office having a qualified (*i.e.,* Series 9 and 10 exam-qualified) Branch Office Manager on the premises. Further, such supervisory arrangements must be made part of the member organization's written plan of supervision. Adoption of the interpretation will eliminate the current provision under Interpretation /01 to NYSE rule 342.15 that a manager may be responsible for only two small offices that are in close geographical proximity. Given modern electronic surveillance and monitoring techniques, this limitation regarding number of offices and geographical location is no longer necessary. New Interpretation /04 to NYSE Rule 342.15 provides that RRs operating from small, one-person branch offices must be subject to the same special supervision prescribed in Interpretation /03 to NYSE Rule 342.11 for residence offices.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b)(5) [3] that an exchange have rules that are 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, in that it will enhance the process for member organization supervision and control of small and residence branch offices, while also permitting registered representatives to engage in activities upon completion of a prescribed training period.

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

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

The Exchange has neither solicited nor received any written comments with respect to the proposed rule change.

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

Within 35 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 the 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–NYSE–00–58 and should be submitted by February 12, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[4]

Jonathan G. Katz,

Secretary.

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[3] 15 U.S.C. 78f(b)(5).

[4] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43838; File No. SR–NYSE–00–55]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 by the New York Stock Exchange, Inc. To Permit Firm Delivery of the Regulatory Element of the Continuing Education Program

January 12, 2001.

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 December 7, 2000, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On December 21, 2000, the NYSE amended the proposal.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons, and to grant accelerated approval to the proposed rule change, as amended.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposal consists of interpretations with respect to the

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

[2] 17 CFR 240.19b–4.

[3] *See* December 20, 2000 letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Nancy Sanow, Assistant Director, Division of Market Regulation (''Division''), SEC (''Amendment No. 1''). In Amendment No. 1, the NYSE requested accelerated approval of the proposed rule change, and made minor, non-substantive corrections to Exhibit A to the proposed rule change.