

investigations and proceedings and clarifying its jurisdiction over applicants for registration.

IV. Conclusion

For the above reasons, the Commission finds that the proposed rule change is consistent with the provisions of the Act, and in particular with Section 15A(b)(6).

It is therefore ordered, pursuant to Section 19(b)(2) ¹⁰ of the Act, that the proposed rule change (SR-NASD-99-35) is hereby approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42033; File No. SR-NYSE-99-23]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Revisions to the Exchange's Branch Office Application

October 19, 1999.

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 June 8, 1999, 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. The proposal was amended on September 9, 1999,³ so as to be filed as a "non-controversial" rule change under Rule 19b-4(f)(6).⁴ 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 NYSE proposes to revise its Branch Office Application form to require more detailed information relating to the establishment of new branch offices by Exchange members and member organizations and to adopt a new Office Space Sharing form. The test of the proposed rule change is available at the Office of the Secretary, the NYSE and at 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 NYSE 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 NYSE 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 purpose of this proposed rule change is to submit to the Commission the following two forms: the revised Branch Office Application and the new Office Space Sharing form. The Branch Office Application is employed by Exchange members and member organizations seeking Exchange approval of a new branch office in accordance with Exchange Rule 342 ("Offices—Approval, Supervision and Control"). Exchange Rule 342(c) requires that a member or member organization obtain the Exchange's prior written consent for each office established, other than a main office. Exchange Rule 343 ("Offices—Sole Tenancy, Hours, Disply of Membership Certificates") contains criteria under which members or member organizations may share office space with the securities-related individuals and organizations. The NYSE proposes to adopt an Office Space Sharing form, which will be used by members and member organizations seeking to share office space pursuant to NYSE Rule 343.

The Exchange determined to revise its Branch Office Application so that the form will provide more meaningful and

detailed information concerning the personnel and activities of a member's or member organization's proposal branch office. Such additional information on the Application will enable the Exchange to make a better-informed decision concerning approval of the location.

Specifically, additional information required by the revised Application includes:

- (i) A description of the types of activities to be conducted and the products to be offered at the branch office;
- (ii) The estimated number of accounts to be serviced by the office;
- (iii) Whether any persons assigned to the office are subject to Statutory Disqualification or have reportable adverse disciplinary histories;
- (iv) Whether the office will have independent contractors assigned to it;
- (v) Whether the office has been acquired from another broker-dealer or financial institution;
- (vi) Where records pertaining to the office are maintained;
- (vii) whether any person other than the member organization have a financial interest in the office;
- (viii) Whether the broker-dealer and the office's registered representatives have required state registrations; and
- (ix) Submission of the social security number and Central Registration Depository ("CRD") number of each registered person to be assigned to the office.

If the office will be shared with another person or organization, an Office Space Sharing form, which addresses compliance with the Exchange's space sharing rule, NYSE Rule 343, will be completed as part of the Branch Office Application.

Generally, NYSE Rule 343 prohibits Exchange members and member organizations from sharing office space with other broker-dealers, investment advisors or any other persons who conduct a securities or commodities business with the public, without prior approval of the Exchange. However, the rule sets forth certain conditions under which Exchange members or member organizations may share office space with securities-related individuals or organizations. If each of the appropriate rule provision's enumerated conditions is met, the Exchange may permit a space-sharing arrangement. The new Office Space Sharing form will serve as an attestation by the member or member organization that the conditions required by NYSE Rule 343 have been met. Exchange approval of the branch office location will encompass, where applicable, approval of the space

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter to Belinda Blaine, Associate Director, Division of Market Regulation, SEC, from James E. Buck, Senior Vice President and Secretary, NYSE, dated September 8, 1999 ("Amendment No. 1"). The NYSE originally filed the proposed rule change under Section 19(b)(3)(A)(iii) of the Act. 15 U.S.C. 78s(b)(3)(A)(iii). Amendment No. 1 also includes a rearranged version of the revised Branch Office Application Form. Additionally, in Amendment No. 1, the NYSE further clarifies the intent of the proposal and describes the implementation plan for the electronic filing program.

⁴ 17 CFR 240.19b-4(f)(6).

sharing arrangement; there will not be a separate approval of the space sharing arrangement.

The Exchange intends that, commencing in or about the second calendar quarter of 2000, the filing and processing of all Branch Office Applications will be performed electronically by all member firms that have Internet access via a software package that the Exchange will provide free of charge to all member organizations.⁵ The NYSE has represented that, during December 1999, it will issue an Information Memorandum informing all members and member organizations that, as of February 1, 2000, all new branch office applications must be submitted on the revised form.⁶ Electronic filings will be made by firms who have had the appropriate software installed; all others will manually file the revised form. By June 30, 2000, all members and member organizations with Internet access will have the software installed to enable electronic filing.

As a security measure, member organizations will be required to identify to the Exchange those persons who will become registered users and who will have access to the program and the ability to transmit information to the Exchange. Once submitted to the Exchange, the application and its current status may be viewed at any time by the authorized member organization personnel through the software program. The Exchange has been testing this electronic program since April 1999. This application is Internet-based and will be the sole method for submission of Branch Office Applications to the Exchange, although member organizations that do not have Internet access may submit the applications in hard copy.

The Exchange believes that revisions to the Branch Office Application will enhance the utility of the form in connection with the Exchange's regulatory oversight responsibilities by providing more detailed reporting and substantive disclosures. The revised form will also aid in monitoring for compliance with NYSE Rule 342 which mandates that each office, department

and business activity of the member organization be under the supervision and control of the member organization establishing it and of the personnel delegated such authority and responsibility.

2. Statutory Basis

The Exchange believes the proposed rule change in consistent with Section 6(b)(5) of the Act⁷ which requires that the rules of the Exchange 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, in that it will enhance the process of Exchange review and approval of new branch offices established by Exchange members and member organizations. Further, the revised Branch Office Application and new Office Space Sharing forms will provide the Exchange with a centralized and efficient means of maintaining information concerning member organizations, their branch offices, and associated persons.

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.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act,⁸ and Rule 19b-4(f)(6) thereunder,⁹ because the proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) does not become operative for 30 days from the date of filing, or such shorter time that the Commission may designate if consistent with the protection of investors and the public interest; and (4) the NYSE provided the Commission with written notice of its intent to file the proposed

rule change at least five business days prior to the filing date.¹⁰ At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.¹¹

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, N.W., Washington, D.C. 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 also will be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-99-23 and should be submitted by November 16, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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⁵ In Amendment No. 1, the Exchange explains that implementation will be gradual instead of immediate implementation by all member organizations because the Exchange Technology staff and all applicable member organization staff will be focusing efforts and resources on overall Y2K compliance during the last quarter of 1999. Installation of the software will be prioritized by firms who are the most active in submitting new branch office applications. See Amendment No. 1, *supra* note 3.

⁶ *Id.*

⁷ 15 U.S.C. 78f(b)(5).

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6). In reviewing this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78(c)f.

¹⁰ Although originally filed under Section 19(b)(3)(A)(iii) on June 8, 1999, the Exchange refiled the proposed rule change under Rule 19b-4(f)(6) on September 9, 1999, at the suggestion of the Commission. See Amendment No. 1, *supra* note 3. Because the Commission had the proposed rule filing for more than five business days, because Amendment No. 1 did not substantively alter the proposed rule change already before the Commission, and because the Commission instructed the Exchange to refile the proposed rule change under Rule 19b-4(f)(6), the Commission waives the five-day written notice requirement for a proposed rule change under Rule 19b-4(f)(6).

¹¹ 15 U.S.C. 78s(b)(3)(C).

¹² 17 CFR 200.30-3(a)(12).