

MEMO# 22034

December 12, 2007

NYSE Proposes Temporary Exemption to Specialist Firm Approval Process

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 63-07 RE: NYSE PROPOSES TEMPORARY EXEMPTION TO SPECIALIST FIRM APPROVAL PROCESS

A proposed rule change filed by The New York Stock Exchange to provide NYSE Regulation with the authority to grant a prospective specialist member organization a temporary exemption from section (b)(i) of the NYSE Rule 98 Guidelines has become effective upon filing with the Securities and Exchange Commission. [\[1\]](#)

NYSE Rule 98 Guidelines currently require that a specialist member organization and its approved person be separate and distinct organizations – meaning that the specialist and the approved person are in separate, registered broker-dealer organizations. Accordingly, prospective specialist firms must form a separate NYSE member organization from which to run a specialist business before applying for and attaining approval of the Exchange. In light of the recent withdrawal of some specialist firms from the NYSE, the Exchange is seeking to smoothly and quickly transfer the former specialist firms' books to new member organizations by temporarily expediting the application and approval process to permit new firms to qualify as specialist member organizations.

Specifically, the proposal will permit NYSE Regulation to grant prospective specialist firms a temporary exemption from the structurally "separate and distinct" requirement provided that a specialist member organization and its approved person both maintain the functional divisions and information barriers as enumerated in the NYSE Rule 98 Guidelines and promptly seek to form a separate member organization. The exemption also will be contingent upon the Exchange approving the member organization as a specialist organization and the non-specialist division of the firm qualifying both as an approved person and for an exemption under NYSE Rule 98.

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endnotes

[1] SEC Release No. 34-56895 (December 4, 2007), 72 FR 70363 (December 11, 2007). The proposal can be found on the SEC's website at <http://www.sec.gov/rules/sro/nyse/2007/34-56895.pdf>. Comments on the proposal are due to the SEC no later than January 2, 2008.

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