

MEMO# 11694

March 3, 2000

IMPLEMENTATION OF NEW NYSE AUDIT COMMITTEE RULES

1 Securities Exchange Act Release No. 42434 (February 16, 2000), 65 FR 10139 (February 25, 2000). 2 Securities Exchange Act Release No. 42233 (December 14, 1999), 64 FR 71529 (December 21, 1999). [11694] March 3, 2000 TO: ACCOUNTING/TREASURERS COMMITTEE No. 10-00 CLOSED-END INVESTMENT COMPANY COMMITTEE No. 8-00 SEC RULES COMMITTEE No. 31-00 RE: IMPLEMENTATION OF NEW NYSE AUDIT COMMITTEE RULES

The Securities and Exchange Commission ("SEC") has approved the attached proposed rule change filed by the New York Stock Exchange ("NYSE")¹ clarifying the transition policy for the recently approved NYSE rules governing audit committees.² Under the amended NYSE rules, at least one member of each audit committee is required to have accounting or related financial management expertise, as the company's board interprets such qualification in its business judgment. In addition, each audit committee member must be financially literate, or become financially literate within a reasonable period of time after his or her appointment to the audit committee, as such qualification is interpreted by the company's board in its business judgment. The rules provide issuers eighteen months after the rule change is approved by the SEC to meet the audit committee structure and membership requirements. The NYSE rules grandfather all public company audit committee members qualified under current NYSE rules until they are re-elected or replaced. The purpose of the proposed rule change is to clarify that a listed company that does not have an audit committee member with "accounting or related financial management expertise" has eighteen months from December 14, 1999, the date of approval of the new NYSE audit committee rules, to recruit an individual with such experience. Regardless of the number of members of a company's audit committee, the company need only ensure that by June 14, 2001, the requisite individual is added to its audit committee. The proposed rule change also states that this clarification has no effect on the implementation of the "financial literacy" requirement in the new rules. Ari Burstein Assistant Counsel Attachment