

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-56854; File No. SR-NYSE-2007-53)

November 28, 2007

Self-Regulatory Organizations; The New York Stock Exchange LLC; Order Approving Proposed Rule Change, as Modified by Amendments No. 1 and 2 Thereto, to Amend NYSE Rule 342.13 (“Acceptability of Supervisors”)

I. Introduction

On June 20, 2007, The New York Stock Exchange LLC (“NYSE” or “Exchange”), filed with the Securities and Exchange Commission (“Commission”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend NYSE Rule 342.13 (“Acceptability of Supervisors”) to eliminate the current requirement in the rule that the General Securities Principal Examination (“Series 24 Examination”) be passed after July 1, 2001 in order to be recognized by the Exchange as an acceptable alternative to the General Securities Sales Supervisor Qualification Examination (“Series 9/10 Examination”).

On September 27, 2007, NYSE filed Amendment No. 1 to the proposed rule change. On October 15, 2007, NYSE filed Amendment No. 2 to the proposed rule change. The proposed rule change, as modified by Amendments No. 1 and 2, was published for comment in the Federal Register on October 29, 2007.<sup>3</sup> The Commission received one comment letter, which expressed

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 56686 (October 23, 2007), 72 FR 61193 (October 29, 2007) (the “Notice”).

support for the proposed rule change.<sup>4</sup> This order approves the proposed rule change, as amended.

## II. Description of the Proposal

Rule 342 (“Offices – Approval, Supervision and Control”) prescribes the Exchange’s general supervisory requirements for member organizations. Among the requirements, Rule 342.13 (“Acceptability of Supervisors”) sets forth the Exchange’s qualification standards for personnel delegated supervisory responsibility. Before 2001, this provision provided, in part, that a person delegated supervisory responsibility must pass the General Securities Sales Supervisor Qualification Examination (“Series 9/10 Examination”) or an historical equivalent (i.e., the Series 8 Examination).

In 2002, the Exchange amended Rule 342.13<sup>5</sup> to recognize the National Association of Securities Dealers, Inc. (“NASD”)<sup>6</sup> General Securities Principal Examination (“Series 24 Examination”), if taken and passed after July 1, 2001, as an alternative to the Series 9/10 Examination requirement for persons whose duties did not include supervision of options or municipal securities sales activities.<sup>7</sup> At that time, the Exchange represented that NASD, as of July 2, 2001, had enhanced the Series 24 Examination by including test questions sufficient to provide appropriate coverage of the NYSE Rules. The Commission approved the proposed rule

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<sup>4</sup> See letter from Marian H. Desilets, President, Association of Registration Management, Inc. to Nancy M. Morris, Secretary, Commission, dated November 15, 2007.

<sup>5</sup> See Securities Exchange Act Release No. 46425 (August 28, 2002), 67 FR 56863 (September 5, 2002) (SR-NYSE-2002-24).

<sup>6</sup> NASD is now known as the Financial Industry Regulatory Authority, Inc. (“FINRA”).

<sup>7</sup> The Series 24 Examination does not address these activities.

change on October 17, 2002.<sup>8</sup> The Exchange is now proposing to amend Rule 342.13 to eliminate the requirement that the Series 24 Examination be passed after July 1, 2001 in order for it to be an acceptable alternative to the Series 9/10 Examination.<sup>9</sup>

### III. Discussion and Commission Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>10</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>11</sup> which, among other things, requires that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Commission believes that the proposed amendment to NYSE's rules to eliminate the requirement that the Series 24 Examination be passed after July 1, 2001 in order for it to be recognized as an acceptable alternative to the Series 9/10 Examination is consistent with the Act. The Commission notes that the NYSE and the NASD rulebooks have converged significantly in the last six years. Thus, the persons who took the Series 24 before July 1, 2001 have been

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<sup>8</sup> See Securities Exchange Act Release No. 46631 (October 9, 2002), 67 FR 64187 (October 17, 2002) (order approving SR-NYSE-2002-24). See also NYSE Information Memo 02-51 (November 12, 2002).

<sup>9</sup> Prospectively, persons may continue to qualify to supervise options or municipal securities sales activity by taking and passing the Series 24 Examination and also taking and passing the Registered Options Principal (Series 4) and/or Municipal Securities Principal (Series 53) examinations.

<sup>10</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

subject to regulatory standards that have, to a large degree, been harmonized.<sup>12</sup> Further, persons who took the Series 24 Examination before July 1, 2001 have been subject to regulatory and firm element continuing education,<sup>13</sup> which provides ongoing training with respect to current regulatory requirements, including NYSE Rules, applicable to duties and responsibilities of those persons.

In addition, the Commission believes that the proposed amendment furthers the goals of the Exchange's and FINRA's continuing Rule Harmonization Initiative<sup>14</sup> in that it should result in more closely aligned requirements under Rule 342.13 and the corresponding supervisory requirements under FINRA's regulatory scheme.<sup>15</sup>

#### IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>16</sup> that the

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<sup>11</sup> Convergence between the NYSE Rules and FINRA Rules has included, in part, standards relating to anti-money laundering, supervision, research and internal controls, etc.

<sup>13</sup> See NYSE Rule 345A.

<sup>14</sup> The purpose of the Rule Harmonization Initiative is to achieve, to the extent practicable, substantive harmonization of the two regulatory schemes in an effort to reduce regulatory duplication and streamline the rules of self-regulatory organizations.

<sup>15</sup> See FINRA Rule 1022(a).

<sup>16</sup> 15 U.S.C. 78s(b)(2).

proposed rule change, as amended, (SR-NYSE-2007-53), be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

Nancy M. Morris  
Secretary

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<sup>17</sup> 17 CFR 200.30-3(a)(12).