

Information Memo



New York
Stock Exchange, Inc.

Member Firm Regulation

20 Broad Street
New York, NY 10005

Number 00-21
September 12, 2000

ATTENTION: CHIEF EXECUTIVE OFFICER, MANAGING PARTNER, CHIEF COMPLIANCE OFFICER, REGISTRATION DEPARTMENT

TO: ALL MEMBERS AND MEMBER ORGANIZATIONS

SUBJECT: REVISIONS TO FORM AP-1

The Securities and Exchange Commission has approved revisions to FORM AP-1 [Release No. 34-43105 dated August 2, 2000; File No. SR-NYSE-00-24]. FORM AP-1 is an Exchange-prescribed application for persons requiring Approved Person status [see attached copy]. This Form becomes effective 30 days from the date of this memorandum.

By way of background, NYSE Rule 304(h) requires that “[a]ny person who controls a member or member organization, or who engages in a securities or kindred business and is controlled by or under common control with a member or member organization but is not a member or allied member or an employee of a member organization shall apply for approval by the Exchange as an approved person....” The approval process requires that certain pertinent information about the Approved Person Applicant be provided to the Exchange for review and that such person subject itself to the jurisdiction of the Exchange. FORM AP-1 is used by Approved Person Applicants who are entities and FORM U-4 is completed by natural person Applicants.

The revisions to FORM AP-1 will require Applicants to provide additional information and will otherwise enhance the Form’s effectiveness. The substantive revisions to FORM AP-1 are summarized as follows:

- Items 7A and 9A through C of the Form require greater detail regarding both the nature of an Applicant’s business and the Applicant’s relationship with the member organization thereby enabling a more thorough evaluation of the Applicant. For example, the Form asks for a general description of the Applicant’s business and requires Applicant to indicate specifically how it controls, is controlled by, or is under common control with the member or member organization.
- The circumstances and conditions under which an Applicant must file financial statements are clarified (Instruction Sheet, No. 8).
- Pursuant to Instruction Sheet Item No. 8, Item 12 of the Form asks the Applicant to submit to the Exchange its most recent balance sheet and income or profit and loss statement if the Applicant (a) controls the member organization; (b) is a subsidiary of the member organization for purposes of NYSE Rule 321 or its obligations or liabilities are guaranteed, endorsed or assumed by the member organization (under NYSE Rule 322); or (c) is a

“Material Associated Person” as the term is used in Rule 17h-1T under the Securities Exchange Act of 1934. Members and member organizations need not submit financial statements of persons under common control and subsidiaries not covered by (b) above unless, as previously indicated, the person is a “Material Associated Person.” The Exchange, however, reserves the right to request current financial statements from Applicants at any time.

- Item 12 also prescribes that required financial statements submitted to the Exchange must be current and in the English language. Further, Approved Person candidates that are registered broker-dealers are required to submit copies of their most recent FOCUS report (Instruction Sheet, No. 10).
- A provision has been added in which the Applicant agrees that the statements, warranties, representations and undertakings [in the Form] will continue to apply notwithstanding a change to the member organization’s name, form of organization, or legal status (but retains same SEC B/D number). This will eliminate the need for more frequent re-filings of FORM AP-1 (see page 4 of the Form, 5th paragraph).
- To clarify the relationship between the Applicant and the member organization, a complete organization chart of the Applicant and its affiliates must be submitted with the Form (Instruction Sheet, No. 9).

Additional changes include:

- a question (item 7B of the Form) to elicit the identity of any “foreign financial regulatory authority” to which the Applicant may be subject; and
- highlighting (on the Instruction Sheet) the responsibility of the Applicant to disclose whether it, or any person associated therewith, is subject to a statutory disqualification.

Several formatting revisions have also been made, such as italicizing defined terms and providing space for evidencing Exchange staff processing, which make the Form clearer and easier to use.

Any questions regarding the foregoing should be directed to Stephen A. Kasprzak at (212) 656-5226. Copies of this Form may be obtained from Al DiGiulio at (212) 656-2934 and are also available on the NYSE’s Website at www.NYSE.com.

Salvatore Pallante
Senior Vice President

Attachments