office servicing an options customer's account and the principal supervisory office having jurisdiction over the branch office retain account statements and other financial and background information for the account for supervisory purposes. With advances in data storage and retrieval capability available through optical disks, fax machines, microfiche and computers, coupled with the escalating costs of storing records on-site, member organizations increasingly are storing their records away from their principal supervisory offices.

According to the NYSE, NYSE members have obtained no-action positions from the Options Self-Regulatory Council ("OSRC") 3 on a case-by-case basis when moving their operational facilities off-site. The OSRC has determined that these arrangements are consistent with the record retention requirement rules so long as the documents are readily accessible and promptly retrievable. In view of the number of requests received by the options self-regulatory organizations ("SROs"), the OSRC has asked each of the options exchanges and NASD to consider amending their rules to permit the principal supervisory office to store customer account information off-site.

The Exchanges propose to amend their rules accordingly. The Exchanges believe that the off-site storage arrangements are consistent with the record retention requirement rules, provided the documents are readily accessible and promptly retrievable.4 In addition, the Exchanges do not believe that the supervisory obligations of member organizations will be compromised by the proposal since members will continue to be required to maintain customer option account documents and information at the branch office servicing the customer's account. To ensure compliance with the provisions of the rules, the Exchanges state that they will periodically examine the document retrieval capabilities of member firms using off-site document storage arrangements.

The Exchanges believe that the proposed rule changes are consistent with Section 6(b) of the Act, in general, and further the objectives of Section 6(b)(5), in particular, in that they are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and 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.

Additionally, the NYSE believes that the proposal will promote the maintenance of fair and orderly markets because it will provide member organizations with the opportunity to discharge their supervisory responsibilities in a more cost-effective manner, thereby improving the efficiency of NYSE member organizations, and, in turn, benefitting investors in the marketplace. Moreover, because the NYSE does not believe that the proposal will compromise the ability of members to satisfy their supervisory obligations, the NYSE believes the proposal is consistent with the protection of investors.

(B) Self-Regulatory Organizations' Statement on Burden on Competition

The Exchanges do not believe that the proposed rule changes will impose any burden on competition that are not necessary or appropriate in furtherance of the purposes of the Act.

(C) Self-Regulatory Organizations' Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others.

No written comments were either received or requested.

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

The Exchanges have requested that the proposed rule changes be given accelerated effectiveness pursuant to Section 19(b)(2) of the Act.

The Commission believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) in that they are designed to prevent fraudulent and manipulative acts and practices, to facilitate transactions in securities, and

to protect investors and the public interest.<sup>5</sup>

Specifically, by allowing off-site storage of customer account information maintained at supervisory offices, the Commission believes that the proposal should provide the Exchanges' members with a cost-effective means to utilize computers, facsimile machines, optical disks, and other technology to store the required customer account information off-site while ensuring that member firms will continue to have easy access to all of the customer account information necessary to discharge their supervisory responsibilities. In this regard, the proposals provide that options customer account information stored off-site must be "readily accessible and promptly retrievable," 6 thereby preserving the ability of the Exchanges to access and investigate customer account records. The Commission notes that the Exchanges plan to periodically examine the document retrieval capabilities of member firms using off-site storage arrangements. Thus, the Commission believes that both proposals strike a reasonable balance between the Exchanges' interest in allowing member organizations to reduce the cost of storing customer account information and ensuring that the information continues to be available for supervisory purposes.

In addition, the Commission believes that it is reasonable for the Exchanges to allow off-site storage of customer account information maintained at supervisory offices, but not of account information stored at branch offices, because branch offices are responsible for the day-to-day administration of customer accounts and require immediate access to account information. For example, by continuing to require branch offices to store customer account information on-site, the proposal facilitates broker compliance with the suitability requirements applicable to options customers.

The Commission finds good cause for approving the Exchanges' proposals prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register** because the proposals are identical to previously approved proposals submitted by the Chicago Board Options Exchange, Inc. ("CBOE"), the Philadelphia Stock Exchange, Inc. ("PHLX") and the American Stock Exchange, Inc.

³The ORSC is a committee comprised of representatives from each of the options exchanges and the National Association of Securities Dealers, Inc. ("NASD"). The OSRC was created pursuant to the plan submitted by the options SROs under Rule 17d–2 of the Act ("17d–2 Plan"). The 17d–2 Plan was adopted to reduce regulatory duplication relative to options-related sales practice matters for a large number of firms which are currently members of two or more SROs. The purpose of the OSRC is: (1) to administer the 17d–2 Plan; and (2) to address options-related sales practice matters in a common forum.

<sup>&</sup>lt;sup>4</sup> The NYSE defines "readily accessible and promptly retrievable" to mean that the requested information will be available by noon of the next business day. The PSE defines "readily accessible and promptly retrievable" to mean that the requested information can be returned to the principal supervisory office generally within 24 hours.

<sup>&</sup>lt;sup>5</sup> 15 U.S.C. 78f(b)(5) (1988).

<sup>&</sup>lt;sup>6</sup> See note 4, supra.