

employee or Floor Member to serve on its Board of Directors.

(e) Listed companies are urged to develop and implement continuing education programs for all directors, including orientation and training programs for new directors (see also Commentary .01 to Section 807)

* Paragraph (c) is not intended to restrict the number of terms of office that a director may serve, whether consecutive or otherwise.

Sec. 803, Independent Directors and Audit Committee

(a) No security is eligible for listing unless the issuer is in compliance with the audit committee requirements of Rule 10A-3 under the Securities Exchange Act of 1934, subject to an opportunity to cure any defects thereof in accordance with the procedures set forth in Section 1009 and Part 12. If a member of the issuer's audit committee ceases to be independent in accordance with the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (and the corresponding provisions of Section 121B(2)(a)(i)) for reasons outside the member's reasonable control, that person, with notice to the Exchange, may remain an audit committee member of the issuer until the earlier of the next annual shareholders meeting of the issuer or one year from the occurrence of the event that caused the member to be no longer independent. The text of Rule 10A-3 under the Securities Exchange Act of 1934 is reproduced in Commentary .01.

(b) A listed issuer must notify the Exchange promptly after an executive officer of the issuer becomes aware of any material noncompliance by the listed issuer with the requirements of paragraph (a).

(c) Any notification required pursuant to paragraphs (a) or (b) should be provided to the Exchange's Listing Qualifications Department at (212) 306-1331 (telephone), (212)-306-5325 (facsimile).

(d) The requirements of paragraphs (a) and (b) are operative as of

(i) July 31, 2005 for foreign private issuers and small business issuers (as defined in Rule 12b-2 under the Securities Exchange Act of 1934); or

(ii) For all other listed issuers, the earlier of the listed issuer's first annual shareholders meeting after January 15, 2004 or October 31, 2004.

See also Section 121.

Commentary * * *

.01 For the convenience of listed companies, the text of Rule 10A-3 under the Securities Exchange Act of 1934 is reproduced below (as adopted

April 25, 2003). Rule 10A-3—Listing standards relating to audit committees.

(a) Pursuant to section 10A(m) of the Act (15 U.S.C. 78j-1(m)) and section 3 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7202):

(1) National securities exchanges. The rules of each national securities exchange registered pursuant to section 6 of the Act (15 U.S.C. 78f) must, in accordance with the provisions of this section, prohibit the initial or continued listing of any security of an issuer that is not in compliance with the requirements of any portion of paragraph (b) or (c) of this section.

(2) National securities associations. The rules of each national securities association registered pursuant to section 15A of the Act (15 U.S.C. 78o-3) must, in accordance with the provisions of this section, prohibit the initial or continued listing in an automated inter-dealer quotation system of any security of an issuer that is not in compliance with the requirements of any portion of paragraph (b) or (c) of this section.

(3) Opportunity to cure defects. The rules required by paragraphs (a)(1) and (a)(2) of this section must provide for appropriate procedures for a listed issuer to have an opportunity to cure any defects that would be the basis for a prohibition under paragraph (a) of this section, before the imposition of such prohibition. Such rules also may provide that if a member of an audit committee ceases to be independent in accordance with the requirements of this section for reasons outside the member's reasonable control, that person, with notice by the issuer to the applicable national securities exchange or national securities association, may remain an audit committee member of the listed issuer until the earlier of the next annual shareholders meeting of the listed issuer or one year from the occurrence of the event that caused the member to be no longer independent.

(4) Notification of noncompliance. The rules required by paragraphs (a)(1) and (a)(2) of this section must include a requirement that a listed issuer must notify the applicable national securities exchange or national securities association promptly after an executive officer of the listed issuer becomes aware of any material noncompliance by the listed issuer with the requirements of this section.

(5) Implementation.

(i) The rules of each national securities exchange or national securities association meeting the requirements of this section must be operative, and listed issuers must be in

compliance with those rules, by the following dates:

(A) July 31, 2005 for foreign private issuers and small business issuers (as defined in § 240.12b-2); and

(B) For all other listed issuers, the earlier of the listed issuer's first annual shareholders meeting after January 15, 2004, or October 31, 2004.

(ii) Each national securities exchange and national securities association must provide to the Commission, no later than July 15, 2003, proposed rules or rule amendments that comply with this section.

(iii) Each national securities exchange and national securities association must have final rules or rule amendments that comply with this section approved by the Commission no later than December 1, 2003.

(b) Required standards.

(1) Independence.

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent; provided that, where a listed issuer is one of two dual holding companies, those companies may designate one audit committee for both companies so long as each member of the audit committee is a member of the board of directors of at least one of such dual holding companies.

(ii) Independence requirements for non-investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is not an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

(iii) Independence requirements for investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is an investment company may not, other than in his or