

of the effects of alternative GAAP methods on the financial statements.

(m) Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the company.

(n) Review earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.

(o) Establish procedures for: (1) the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters and (2) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting, internal accounting controls or auditing matters.

(iii) An annual performance evaluation of the audit committee.

(C) Composition/Expertise Requirement of Audit Committee Members.

(i) Each audit committee will consist of at least three independent directors, as defined in Rule 5.3(k)(1).

(ii) Each member of the audit committee must be financially literate, as such qualification is interpreted by the company's board of directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the audit committee.

(iii) At least one member of the audit committee must have accounting or related financial management expertise, as the board of directors interprets such qualification in its business judgment.

(D) Written Affirmation. As part of the initial listing process, and with respect to any subsequent changes to the composition of the audit committee, and otherwise approximately once each year, each company should provide the Exchange written confirmation regarding:

(i) Any determination that the company's board of directors has made regarding the independence of directors.

(ii) The financial literacy of the audit committee member.

(iii) The determination that at least one of the audit committee members has accounting or related financial management expertise.

(iv) The annual review and reassessment of the adequacy of the audit committee charter.

(6) Internal Audit Function. Each listed company must have an internal audit function. This does not necessarily mean that a company must establish a separate internal audit

department or dedicate employees to the task on a full-time basis. It is sufficient for the company to have in place an appropriate control process for reviewing and approving its internal transactions and accounting. A company may outsource this function to a firm other than its independent auditors.

Rule 5.3(l). Reserved

CEO Certification

Rule 5.3(m). CEO Certification

Each listed company CEO must certify to the Corporation each year that he or she is not aware of any violation by the company of the Corporation's corporate governance listing standards. The certification filed with the Corporation, as well as the CEO/CFO certifications required to be filed with the SEC regarding the quality of the company's public disclosure, must be disclosed in the listed company's annual report to shareholders.

Listed Foreign Private Issuers

Rule 5.3(n). Listed Foreign Private Issuers

Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under the Corporation's listing standards. Listed foreign private issuers must comply with the provisions of Rule 5.3(k)(5). Listed foreign private issuers may provide this disclosure either on their Web site (provided it is in the English language and accessible from the United States) and/or in their annual report as distributed to shareholders in the United States (again, in the English language). If the disclosure is only made available on the Web site, the annual report shall so state and provide the web address at which the information may be obtained.

Deadline for Compliance

Rule 5.3(o). Deadline for Compliance

Tier I listed issuers, other than Tier I foreign private issuers and Tier I small business issuers (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934), must be in compliance with all applicable sections of Rule 5.3 by the earlier of (1) their first annual shareholders meeting after January 15, 2004, or (2) October 31, 2004. Tier I foreign private issuers and Tier I small business issuers must be in compliance with all applicable sections of Rule 5.3 by July 31, 2005.

Section 4. Suspension, *Public Reprimand* or Issuer Withdrawal from Listing

¶7957E Suspension/*Public Reprimand*

Rule 5.4(a). The Corporation [Board of Directors] may suspend dealings in or institute proceedings to remove any security from listed or unlisted trading privileges. *The Corporation may issue a public reprimand letter to any listed company that violates a Corporation listing standard. The Corporation shall remove any security from listed or unlisted trading privileges if the listed company violates any provisions of Rule 5.3(k)(5).*

Rule 5.4(b)—No change.

Section 5. Maintenance Requirements and Delisting Procedures

¶7957G Maintenance Requirements and Delisting Procedures

Rule 5.5(a). The Corporation does not rate or evaluate any security dealt in on the Corporation. In making a determination concerning listing and delisting it acts normally upon information furnished it by the issuer, and it does not verify this information from independent sources or gather independent information about the issuers whose securities are dealt in on the Corporation.

As a matter of policy, when a listed company fails to meet any of the listing maintenance requirements and has more than one class of securities listed, the Corporation will give consideration to delisting all such classes. However, the Corporation may continue the listing of one class of securities regardless of its decision to delist another class, *except for failure to comply with Rule 5.3(k)(5) in which case all such classes shall be delisted.* The securities of a company will be subject to suspension and/or withdrawal from listing and registration as a listed issue if the Corporation finds that a listed company fails to meet the maintenance requirements as set forth in this Rule 5.5, or fails to comply with the Corporation's listing policies or agreements.

Commentary:

.01 When the issuer fails to meet any provision of the applicable maintenance requirements of this Rule 5.5, the Exchange shall determine whether to suspend dealings in the security and/or request the issuer to take action to remedy any identified deficiency. Should the issuer fail to correct any deficiency, the Exchange shall take action to delist the security.

.02 Securities listed under the Tier I designation will not be granted waivers from the Corporation's maintenance