

Additions underscored  
Deletions [bracketed]

## NYSE Rules

### Rules

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#### Rule 4120. Regulatory Notification and Business Curtailment

##### (a) Notification

1. Each carrying or clearing member organization shall promptly, but in any event within 24 hours, notify the Exchange in writing if its net capital falls below the following percentages:
  - A. the member organization's net capital is less than 150 percent of its minimum dollar net capital requirement or such greater percentage thereof as may from time to time be designated by the Exchange;
  - B. the member organization is subject to the aggregate indebtedness requirement of SEA Rule 15c3-1, and its aggregate indebtedness is more than 1,000 percent of its net capital;
  - C. the member organization elects to use the alternative method of computing net capital pursuant to SEA Rule 15c3-1(a)(1)(ii), and its net capital is less than the level specified in SEA Rule 17a-11[(c)](b)(2);
  - D. the member organization is approved to use the alternative method of computing net capital pursuant to SEA Rule 15c3-1e, and
    - i. its tentative net capital as defined in SEA Rule 15c3-1(c)(15) is less than 50 percent of the early warning notification amount required by SEA Rule 15c3-1(a)(7)(ii), or
    - ii. its net capital is less than \$1.25 billion;
  - E. the member organization is registered as a Futures Commission Merchant pursuant to the Commodity Exchange Act, and its net capital is less than 120% of the minimum risk-based capital requirements of Commodity Exchange Act Rule 1.17; or

- F. the member organization's deduction of capital withdrawals, which it anticipates making, whether voluntarily or as a result of a commitment, including maturities of subordinated liabilities entered into pursuant to Appendix D of SEA Rule 15c3-1, during the next six months, would result in any one of the conditions described in paragraph (a)(1)(A) through (E) of this Rule.

(b) Restrictions on Business Expansion

1. Except as otherwise permitted by the Exchange in writing, a member organization that carries customer accounts or clears transactions shall not expand its business during any period in which any of the conditions described in paragraph (a)(1) continue to exist for more than 15 consecutive business days, provided that such condition(s) has been known to the Exchange or the member organization for at least five consecutive business days. The Exchange may issue a notice pursuant to Rule 9557 directing any such member organization not to expand its business; however, the Exchange's authority to issue such notice does not negate the member organization's obligation not to expand its business in accordance with this paragraph (b)(1).
2. No member organization may expand its business during any period in which the Exchange restricts the member organization from expanding its business for any financial or operational reason. In any such instance, the Exchange shall issue a notice pursuant to Rule 9557.
3. For purposes of paragraph (b) of this Rule, the term "expansion of business" may include:
  - A. net increase in the number of registered representatives or other producing personnel;
  - B. exceeding average capital commitments over the previous three months for market making or block positioning;
  - C. initiation of market making in new securities or any new proprietary trading or other commitment in securities or commodities in which a market is not made (other than riskless trades associated with customer orders);
  - D. exceeding average commitments over the previous three months for underwritings;
  - E. opening of new branch offices;
  - F. entering any new line of business or deliberately promoting or expanding any present lines of business;

- G. making unsecured or partially secured loans, advances, drawings, guarantees or other similar receivables; and
- H. such other activities as the Exchange deems appropriate under the circumstances, in the public interest or for the protection of investors.

(c) Reduction of Business

1. Except as otherwise permitted by the Exchange in writing, a member organization that carries customer accounts or clears transactions is obligated to reduce its business to a point enabling its available capital to exceed the standards set forth in paragraph (a)(1)(A) through (F) of this Rule, when any of the following conditions continue to exist for more than 15 consecutive business days, provided that such condition(s) has been known to the Exchange or the member organization for at least five consecutive business days:
  - A. the member organization's net capital is less than 125 percent of its minimum dollar net capital requirement or such greater percentage thereof as may from time to time be designated by the Exchange;
  - B. the member organization is subject to the aggregate indebtedness requirement of SEA Rule 15c3-1, and its aggregate indebtedness is more than 1,200 percent of its net capital;
  - C. the member organization elects to use the alternative method of computing net capital pursuant to SEA Rule 15c3-1(a)(1)(ii), and its net capital is less than one percentage point below the level specified in SEA Rule 17a-11[(c)](b)(2);
  - D. the member organization is approved to use the alternative method of computing net capital pursuant to SEA Rule 15c3-1e, and
    - i. its tentative net capital as defined in SEA Rule 15c3-1(c)(15) is less than 40 percent of the early warning notification amount required by SEA Rule 15c3-1(a)(7)(ii), or
    - ii. its net capital is less than \$1 billion;
  - E. the member organization is registered as a Futures Commission Merchant pursuant to the Commodity Exchange Act, and its net capital is less than 110% of the minimum risk-based capital requirements of Commodity Exchange Act Rule 1.17; or

- F. the member organization's deduction of capital withdrawals, including maturities of subordinated liabilities entered into pursuant to Appendix D of SEA Rule 15c3-1, scheduled during the next six months, would result in any one of the conditions described in paragraph (c)(1)(A) through (E) of this Rule.

The Exchange may issue a notice pursuant to Rule 9557 directing any such member organization to reduce its business to a point enabling its available capital to exceed the standards set forth in paragraph (a)(1)(A) through (F) of this Rule; however, the Exchange's authority to issue such notice does not negate the member organization's obligation to reduce its business in accordance with this paragraph (c)(1).

- 2. A member organization must reduce its business as directed by the Exchange for any financial or operational reason. In any such instance, the Exchange shall issue a notice pursuant to Rule 9557.
- 3. For purposes of paragraph (c) of this Rule, the term "business reduction" shall mean reducing or eliminating parts of a member organization's business in order to reduce the amount of capital required, which may include:
  - A. promptly paying all or a portion of free credit balances to customers;
  - B. promptly effecting delivery to customers of all or a portion of fully paid securities in the member organization's possession or control;
  - C. introducing all or a portion of its business to another member organization on a fully disclosed basis;
  - D. reducing the size or modifying the composition of its inventory and reducing or ceasing market making;
  - E. closing of one or more existing branch offices;
  - F. collecting unsecured or partially secured loans, advances, drawings, guarantees or other similar receivables;
  - G. accepting no new customer accounts;
  - H. restricting the payment of salaries or other sums to partners, officers, directors, shareholders, or associated persons of the member organization;
  - I. effecting liquidating or closing customer and/or proprietary transactions;

- J. accepting only unsolicited customer orders; and
- K. such other activities as the Exchange deems appropriate under the circumstances in the public interest or for the protection of investors.

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