

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51372; File No. SR-NYSE-2004-62)

March 15, 2005

Self-Regulatory Organizations; New York Stock Exchange Inc.; Notice of Filing of Proposed Rule Change to Eliminate Rule 496 and to Amend to Listed Company Manual Relating to Transfer Agents

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on October 29, 2004, the New York Stock Exchange Inc. (“NYSE”) filed with the Securities and Exchange Commission (“Commission”) and on December 3, 2004, and February 9, 2005, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by the NYSE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The NYSE proposes to: (i) eliminate Rule 496; (ii) amend the Listed Company Manual (“LCM”) to remove references to the current requirement of Rule 496 that transfer agents for listed companies maintain an office or an agent in Manhattan below Chambers Street; (iii) incorporate in the LCM certain other requirements currently in Rule 496; and (iv) codify exceptions to the transfer agent provisions that the NYSE has historically applied.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NYSE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

Item IV below. The NYSE has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.²

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The NYSE proposes to eliminate Rule 496 and proposes to amend its LCM to retain and to continue to impose certain current significant requirements of Rule 496 with respect to entities acting as transfer agents for listed companies. The NYSE believes it is appropriate that the transfer agent requirements be set forth solely in the LCM due to the fact that its rules are generally applicable to members rather than listed companies. In addition, the current requirements of Rule 496 are referred to, and to some extent, repeated in various sections of the LCM. Accordingly, the NYSE believes that the transfer agent requirements are more properly contained in the LCM.

Rule 496 requires, among other things, that transfer agents for listed companies maintain an office or obtain an agent located south of Chambers Street in the Borough of Manhattan, City of New York, where securities can be delivered in person for registration of transfer and can be picked up after completion of such registration (often referred to in the industry as a “drop”). The current requirement was implemented when most securities traded on the NYSE were held in certificated form and were settled with physical delivery. The transfer agents' presence in lower Manhattan, where the brokers were also concentrated, facilitated the speedy settlement of transactions and processing of securities transfers. However, most securities are now held in “street name” at The Depository Trust Company (“DTC”), a securities depository registered as

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The Commission has modified the text of the summaries prepared by the NYSE.

clearing agency under Section 17A of the Exchange Act,³ and transfers of such securities occur through automated book-entry systems at DTC without the need for transfer of physical certificates. As a result, very few transfers are facilitated any longer by the drop in lower Manhattan. The NYSE believes that marketplace participants, including securityholders, would not be harmed by elimination of the drop requirement in Rule 496.

Rule 496 also requires transfer agents to record the transfer of securities received at the transfer agent's drop before the close of business on a record date as being transferred on the record date in order to establish the transferee's rights on the record date. As revised, the LCM will provide the same protection for securities mailed by the close of business on a record date by a registered clearing agency (i.e., DTC). Because the vast majority of securities are now held in "street name," the NYSE believes that securityholders will not be disadvantaged by providing this record date protection only to registered clearing agencies.

Rule 496 also requires transfer agents to meet certain capital and insurance standards. Currently under the rule, transfer agents are required to (i) have capital, surplus (both capital and earned), undivided profits, and capital reserves aggregating at least \$10,000,000 and (ii) maintain blanket bond insurance coverage of at least \$25,000,000 to protect securities while in transit or being processed. The proposed revisions to the LCM will retain the capital and insurance requirements of current Rule 496 and will codify several long-standing policies and practices of the NYSE by providing for the qualification of certain transfer agents that do not otherwise meet the capital and insurance requirements of Rule 496. Accordingly, the LCM will specify that a bank, trust company, or other qualified organization acting as transfer agent may:

³ 15 U.S.C. 78q-1(b).

1. Act in a dual capacity as transfer agent/co-transfer agent and registrar if (i) a majority of its equity is owned by an entity that meets the standard capital requirements, (ii) its parent guarantees the subsidiary's performance, and (iii) the subsidiary maintains the \$25,000,000 blanket bond insurance coverage or the parent maintains the coverage for the benefit of the subsidiary;
2. Act in dual capacity as transfer agent/co-transfer agent and registrar if it (i) has capital of at least \$2,000,000 and errors and omissions insurance which, taken together with its capital, equals at least \$10,000,000 and (ii) maintains the standard \$25,000,000 blanket bond insurance coverage; or
3. Act as co-transfer agent or co-registrar (but not in a dual capacity) for securities listed on the NYSE if it has capital equal to at least \$2,000,000 without maintaining the \$25,000,000 blanket bond insurance coverage.

Additionally a listed company may act as its own transfer agent provided that it complies with all the requirements applicable to transfer agents not affiliated with the listed company apart from the capital and insurance requirements. However, a listed company may not act as sole registrar for its listed securities unless it also acts as transfer agent. The NYSE believes the foregoing exceptions to the capital and insurance requirements are policies that have been applied by the NYSE for many years. The NYSE believes that these policies are consistent with the protections provided to securityholders by the general standards applicable to transfer agent, as in each case the listed company must have at least one transfer agent which directly or indirectly has the equivalent of at least \$10,000,000 in capital and \$25,000,000 blanket bond insurance coverage.

Section 6(b)(5) of the Act that requires rules of an exchange are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and to perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.⁴ The NYSE believes that the proposed rule is consistent with its obligations under Section 6(b)(5) of the Act because it allows transfer agents acting for listed companies to provide for transfers of securities in a more efficient and cost effective manner by eliminating the drop office requirement, which is now obsolete. Furthermore the proposed rule is consistent because the remainder of the changes are technical in nature. Although the capital and insurance requirements will be removed from Rule 496 and added to the LCM, the amount of capital and insurance required will remain the same.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NYSE does not believe that the proposed rule change will have an impact on or impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments relating to the proposed rule change have been solicited or received. NYSE will notify the Commission of any written comments it receives.

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

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date if

⁴ 15 U.S.C. 78f(b)(5).

it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change; or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE 2004-62 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-NYSE 2004-62. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the NYSE or on the NYSE's Web site at www.nyse.com. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSE 2004-62 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland
Deputy Secretary

⁵ 17 CFR 200.30-3(a)(12).