

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51899; File No. SR-NYSE-2005-16)

June 22, 2005

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change to Rescind the “Nine-Bond” Rule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 11, 2005, the New York Stock Exchange, Inc. (“NYSE” or “Exchange”), filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NYSE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to rescind NYSE Rule 396 (Off Floor Transactions in Bonds), commonly known as the “Nine-bond” rule. The text of the proposed rule change is available on the NYSE’s Web site (<http://www.nyse.com>), at the NYSE’s principal office, and at the Commission’s Public Reference Room.

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 Item IV below. The NYSE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

1. Purpose

NYSE Rule 396 addresses off-floor trading of bonds. The rule, in essence, prohibits a member firm from effecting any transaction in any listed bond in the over-the-counter market, either as principal or agent, without first satisfying all public bids and offers on the Exchange at prices equal to, or better, than the price at which such portion of the order is executed over-the-counter. A member organization may execute, as agent, a transaction for a customer in the over-the-counter market in a listed convertible bond.

The rule contains several exceptions, including:

- Any order for the purchase or sale of ten bonds or more (hence the name of the rule);
- Orders involving less than one unit of trading (generally less than \$1,000);
- Orders where the customer has specifically directed that the trade not be executed on the floor of the Exchange;
- Orders for the purchase or sale of U. S. government bonds, municipal bonds, or bonds which have been called or otherwise are to be redeemed within 12 months; and
- Bond transactions related to primary or special distributions.

The Exchange believes that the characteristics of bond trading no longer necessitate that NYSE Rule 396 be retained. In addition, in a separate submission, the Exchange has requested that the Commission provide an exemption from the provisions

of Section 12(a) of the Act³ to permit NYSE members and member organizations to trade certain unregistered debt securities on the Automated Bond System.⁴ If the Commission grants this exemption, the Exchange could add substantially to the inventory of bonds traded in its market. Although the additional bonds would not be subject to NYSE Rule 396 since they would not be “listed” bonds, Rule 396 may be viewed as anti-competitive, particularly because the rule would apply only to a small segment of bonds traded on the Exchange. The Exchange, therefore, proposes to rescind NYSE Rule 396 in its entirety.

2. Statutory Basis

The NYSE believes that the proposed rule change is consistent with the provisions of Section 6(b) of the Act,⁵ in general, and with Section 6(b)(5) of the Act,⁶ in particular, which requires that NYSE rules be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and to protect investors and the public interest.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The NYSE does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

³ 15 U.S.C. 78j(a).

⁴ See letter from Mary Yeager, Assistant Secretary, NYSE, to Jonathan G. Katz, Secretary, Commission, dated May 26, 2005.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 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 90 days of such date if 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-2005-16 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-NYSE-2005-16. 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, 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the NYSE. 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-2005-16 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.⁷

J. Lynn Taylor
Assistant Secretary

⁷ 17 CFR 200.30-3(a)(12).