

**SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55079); File No. SR-NYSE-2006-97)**

January 10, 2007

Self-Regulatory Organizations; New York Stock Exchange LLC; Order Approving Proposed Rule Change Relating to Exchange Rule 342 (“Offices – Approval, Supervision and Control”)

I. INTRODUCTION

On October 26, 2006, the New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change amending NYSE Rule 342.30 (“Annual Reports”) to require submission of the process report prepared in connection with the Chief Executive Officer (“CEO”) certification, as required under Rule 342.30(e)(iii), to the Board of Directors and Audit Committee (if such committee exists) of the member organization on or before April 1st of each year. The proposed rule change was published for comment in the Federal Register on December 7, 2006.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. DESCRIPTION OF THE PROPOSED RULE CHANGE

A. Description of the Proposal

1. Background

NYSE Rule 342 requires supervision of the offices, departments and business activities of members and member organizations. NYSE Rule 342.30 requires members and member organizations to prepare an Annual Report addressing specified compliance issues by April 1 of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 54847 (November 30, 2006), 71 FR 71012 (December 7, 2006) (the “Notice”).

each year. The Exchange proposed to amend Rule 342.30 to require the report required pursuant to Rule 342.30(e)(iii) (the “Process Report”) in connection with a member organization’s CEO certification to be submitted to the member organization’s board of directors and audit committee (if such committee exists) on or before April 1st of each year. The purpose of the rule change was to better harmonize the requirements of Rule 342.30 with those of NYSE Rule 354 (“Reports to Control Persons”).

Background

Rule 342.30

Rule 342.30 requires each member not associated with a member organization and each member organization to file with the Exchange, by April 1st of each year, a report (the “Annual Report”) outlining its supervision and compliance efforts in prescribed regulatory areas during the preceding year and assessing the adequacy of its ongoing compliance processes and procedures. The Annual Report submitted to the Exchange is also required to include, pursuant to Rule 342.30(e), a certification by the CEO of each member organization confirming that the member organization has in place processes to:

- (A) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange rules and federal securities laws and regulations;
- (B) modify such policies and procedures as business, regulatory and legislative changes and events dictate; and
- (C) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange and federal securities laws and regulations.

Subsection (e)(iii) of Rule 342.30 requires these processes to be evidenced in the Process Report, which is to be reviewed by the CEO, the Chief Compliance Officer, and any other officers that the member organization may deem necessary to make the certification. Subsection (e)(iii) also requires the Process Report to be submitted to the member organization's board of directors and audit committee (if such committee exists), although the timing of this submission was not explicitly stated in the rule. Prior to the proposed rule change, the Exchange interpreted the rule to require the submission prior to CEO certification.

Rule 354

Subsection (a) of Rule 354 requires, in relevant part, that each member organization submit, by April 1st of each year, a copy of the Rule 342.30 Annual Report (also due to the Exchange by April 1st) to one or more of its control persons or, if the member organization has no control person, to the audit committee of its board of directors or its equivalent committee or group.

In order to better harmonize the Process Report submission requirements of Rule 342.30(e)(iii) with the Annual Report submission requirements of Rule 354(a), the Exchange proposed to amend Rule 342.30(e)(iii) to require each member organization to submit the Process Report to its board of directors and audit committee (if such committee exists) on or before April 1st of each year, consistent with the timing requirements of Rule 354(a) with respect to submission of the Annual Report. The Exchange stated that it believed that this would promote timely submission of the Process Report to member organizations' boards of directors and audit committees, while also serving the practical purpose of allowing member organizations to submit the Process Report together with the Annual Report so that the two may be reviewed as a single comprehensive package.

III. DISCUSSION

After careful review, the Commission finds that the proposed rule change is consistent with Section 6(b)⁴ of the Act in general and Section 6(b)(5) of the Act⁵ in particular, which require that the rules of the Exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest.⁶ The proposed rule change promotes timely submission of substantive regulatory material to member organizations' governing bodies by coordinating the timing requirements of Rule 342.30(e)(iii) (Process Report) and Rule 354(a) (Submission of Annual Report to Control Persons). This should promote compliance by allowing member organizations' governing bodies to review both reports at the same time. The proposed rule change will also clarify the appropriate timing for submission of the Process Report and the Annual Report.

⁴ 15 U.S.C. 78f(b)

⁵ 15 U.S.C. 78f(b)(5)

⁶ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

V. CONCLUSION

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act⁷ that the proposed rule change (SR-NYSE-2006-97) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Florence E. Harmon
Deputy Secretary

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).