SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52182; File No. SR-NYSE-2005-16)

August 1, 2005

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Approving Proposed Rule Change to Rescind the "Nine-Bond Rule"

On February 11, 2005, the New York Stock Exchange, Inc. ("NYSE") 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 to rescind NYSE Rule 396, commonly known as the "Nine-Bond Rule." The proposed rule change was published for comment in the Federal Register on June 29, 2005.[3] The Commission received no comments on the proposal. This order approves the proposed rule change.

NYSE Rule 396 prohibits a member, member organization, or affiliated person or firm from effecting any transaction in any NYSE-listed bond in the over-the-counter market, either as principal or agent, without first satisfying all public bids and offers on the NYSE at prices equal to, or better, than the price at which such portion of the order is executed over-the-counter. The rule contains a number of exceptions, including one for any order submitted for ten bonds or more.

The Commission finds that the NYSE's proposal to rescind Rule 396 is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 51899 (June 22, 2005), 70 FR 37461.

national securities exchange.[4] In particular, the Commission believes that the proposal consistent is with Section 6(b)(5) of the Act,[5] which requires that the rules of the exchange be designed to prevent fraudulent and manipulative acts, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market, and in general, to protect investors and the public interest. Eliminating NYSE Rule 396 should facilitate the efficient execution of bond transactions on the NYSE without compromising smaller customer orders. The Commission notes that the approval of the proposed rule change in no way diminishes or otherwise affects the best execution obligations of NYSE members, member organizations, or affiliated persons that are otherwise imposed by federal securities law or agency law.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[6] that the proposed rule change (SR-NYSE-2005-16) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Jill M. Peterson
Assistant Secretary

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[4] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

[5] 15 U.S.C. 78f(b)(5).

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30-3(a)(12).