

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53780; File No. SR-NYSE-2006-24)

May 10, 2006

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change Relating to Exchange Rule 104(d) Governing Specialist Trading in the NYSE Hybrid Market

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 April 7, 2006, the New York Stock Exchange LLC (“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 Exchange. 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 Substance of the Proposed Rule Change

The Exchange proposes to amend Exchange Rule 104(d) governing specialist trading in the NYSE HYBRID MARKETSM (“Hybrid Market”).³ Specifically, the Exchange proposes to amend Exchange Rule 104(d) to provide that specialists shall have the ability to maintain undisplayed reserve interest on behalf of the dealer account at the Exchange best bid and offer, provided at least 1,000 shares of dealer interest is displayed at that price, on the same side of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ On March 22, 2006, the Commission approved the Exchange’s proposal to establish a “Hybrid Market.” See Securities Exchange Act Release No. 53539, 71 FR 16353 (March 31, 2006) (“Hybrid Market Approval Order”). In the Hybrid Market Approval Order, the Commission approved the Exchange’s plan to implement the Hybrid Market in multiple phases. To date, the Exchange has not implemented the approved changes to Exchange Rule 104(d). The Commission notes that in this proposal, the Exchange proposes to amend the text of Rule 104(d) as approved in the Hybrid Market Approval Order. Further, the Commission notes that the Exchange’s description of Rule 104(d) herein refers to the approved text of Rule 104(d).

market as the reserve interest. The text of the proposed rule change is available on the Exchange's Web site (<http://www.nyse.com>), at the Exchange's Office of Secretary, 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 Exchange included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange notes that the Hybrid Market was approved by the Commission on March 22, 2006.⁴ In the Hybrid Market, Exchange Rule 104(d) provides that specialists may, but are not required to, have non-displayed "reserve" interest at the best bid and offer. Reserve interest is interest at the best bid or offer that is not displayed. Reserve interest will participate in automatic executions after displayed interest on that side trades. Currently, the specialist must have a minimum amount of 2,000 shares displayed at the best bid or offer in order to have reserve interest on that side of the quote. Floor brokers also are permitted to have reserve interest.⁵ However, Floor brokers are only required to display 1,000 shares at the best bid or offer in order to have reserve interest. Accordingly, the Exchange proposes to conform the minimum display requirements for reserve interest for specialists and Floor brokers. Therefore,

⁴ See Securities Exchange Act Release No. 53539 (March 22, 2006), 71 FR 16353 (March 31, 2006) (SR-NYSE-2004-05).

⁵ See Exchange Rule 70.20(c)(ii).

the Exchange proposes to amend Exchange Rule 104(d)(i) to provide that specialists shall have the ability to maintain undisplayed reserve interest on behalf of the dealer account at the Exchange best bid and offer, provided at least 1,000 shares of dealer interest is displayed at that price, on the same side of the market as the reserve interest.

In addition, the Exchange proposes to amend Exchange Rule 104(d)(ii) to conform it to the 1,000 share minimum display requirement. Thus, this rule will require that after an execution, if specialist interest remains at the best bid or offer, the amount of such displayed interest will be replenished by the specialist's reserve interest, if any, so that at least a minimum of 1,000 shares (instead of the current 2,000 shares) of specialist interest is displayed or whatever specialist interest remains at the best bid or offer, if less than 1,000 shares (instead of the current 2,000 shares).

The Exchange believes that it is best to have a uniform standard for the minimum amount of interest required to be displayed at the best bid or offer in order to have reserve interest as it will deter market participants from trying to deduce if a certain amount of liquidity on the Display Book® is associated with a Floor broker versus a specialist.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act⁶ because it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule change also is designed to support the principles of Section 11A(a)(1) of the

⁶ 15 U.S.C. 78f(b)(5).

Act⁷ in that it seeks to assure economically efficient execution of securities transactions, make it practicable for brokers to execute investors' orders in the best market, and provide an opportunity for investors' orders to be executed without the participation of a dealer.

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

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

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

The Exchange has neither solicited nor received written comments on 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:

⁷ 15 U.S.C. 78k-1(a)(1).

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-2006-24 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSE-2006-24. 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 Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. 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-2006-24 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.⁸

Nancy M. Morris
Secretary

⁸ 17 CFR 200.30-3(a)(12).