SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54982; File No. SR-NYSE-2006-61)

December 20, 2006

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Changes and Amendment No. 1 thereto to Rules 601, 607, 612 and 629 Relating to Single Arbitrators for Claims not Exceeding $200,000

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4[2] thereunder, notice is hereby given that on July 13, 2006, the New York Stock Exchange LLC ("NYSE" or the "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. On December 19, 2006, the NYSE filed Amendment No. 1 to the proposed rule change ("Amendment No. 1").[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

Under the proposed rule change, matters in controversy involving customer or non-member claims not exceeding $200,000 (excluding costs and interest) would be decided by one public arbitrator, unless the customer or non-member requests that the matter be decided by one

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

2 17 CFR 240.19b-4.

3 In Amendment No. 1, which supplemented the original filing, the Exchange provided more information regarding the proposed amendments to certain arbitration fees and hearing deposits, and clarified certain aspects of the rule filing.

securities industry arbitrator.[4] In addition, the proposed rule change would reduce several customers' fees and hearing deposits for matters involving one arbitrator. The text of the proposed rule change, as amended, is available on the NYSE's Web site (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. 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.

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

1. Purpose

The NYSE is proposing to amend Rules 601 (Simplified Arbitration), 607 (Appointment of Arbitrators), 612 (Initiation of Proceedings), and 629 (Schedule of Fees). As described in more detail below, the proposed amendments would provide that all arbitration matters involving customers or non-members not exceeding $25,000 would be resolved on the papers (i.e., without a hearing) by one public arbitrator or, upon request of the customer or non-member, by one securities industry arbitrator. The customer or non-member also could demand or consent to a hearing for matters not exceeding $25,000.

In addition, all arbitration matters involving customers or non-members exceeding $25,000, but not exceeding $200,000 (excluding costs and interest), would be heard by one

[4] NYSE stated that approximately one-third of NYSE arbitration matters since 2002 have involved claims of less than $200,000. Telephone conversation among Karen Kupersmith, Director of Arbitration, NYSE; Lourdes Gonzalez, Assistant Chief Counsel – Sales Practices, Commission; and Michael Hershaft, Special Counsel, Commission (Dec. 20, 2006).

public arbitrator at a hearing, unless the customer or non-member requests that the matter be heard by one securities industry arbitrator. The proposed amendments would clarify that, to the extent the rules provide for a choice in panel composition or method of arbitrator appointment, the customer's choice prevails.[5] Finally, the proposed amendments also would reduce several fees and hearing deposits for matters heard by one arbitrator.

Simplified Arbitration

NYSE Rule 601 currently provides that any dispute, claim or controversy between a customer and an associated person or a member not exceeding $25,000 is resolved by one public arbitrator on the papers, unless the customer requests or consents to a hearing, or the arbitrator calls a hearing.[6] If the respondent files a related counterclaim exceeding $25,000, the arbitrator may refer the claim, counterclaim and/or a third-party claim to a panel of three arbitrators.[7] The arbitrator also may dismiss the counterclaim and/or third-party claim, without prejudice to the counterclaimants and/or third-party claimants pursuing their claims in a separate proceeding.

The proposal would amend NYSE Rules 601(a) and 601(f) to provide that all arbitration matters involving customers or non-members not exceeding $25,000 would be resolved by one public arbitrator on the papers, unless the customer or non-member demands or consents to a hearing, or the arbitrator calls a hearing. The proposed amendments to NYSE Rule 601(f) also would clarify that the customer or non-member may request that the matter be resolved by one securities industry arbitrator.

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5 In arbitration matters involving non-members and members, but not customers, the non-member's choice prevails. See NYSE Rules 607(a)(1) and 607(c)(2)(i)(a)-(b).

6 NYSE Rule 601(f).

7 NYSE Rule 601(d).

The proposal also would amend NYSE Rule 601(d)(2) to provide that if the respondent files a related counterclaim or third-party claim exceeding $25,000 but not exceeding $200,000, any party or the arbitrator may request a hearing before one arbitrator. If the respondent files a related counterclaim or third-party claim exceeding $200,000, the proposed amendments to NYSE Rule 601(d)(2) would provide that the arbitrator may refer the claim, counterclaim and/or third-party claim to a panel of three arbitrators pursuant to NYSE Rule 607. Under the proposed amendments to Rule 601(d)(2), the arbitrator also may dismiss the counterclaim and/or third-party claim, without prejudice to the counterclaimants and/or third-party claimants pursuing their claims in a separate proceeding.

The proposed amendments to the "Fees for Simplified Arbitration, Industry as Claimant" Schedule in NYSE Rule 601 would reduce the hearing deposit that members, member firms, member corporations, or allied members and non-members pay for claims not exceeding $25,000. Specifically, the proposed amendments would reduce the hearing deposit from $600 to $450 when the industry is a claimant and the decision is made after a hearing. The filing fee ($500) and fee for a decision on the papers ($300) would not be changed under the proposal.

Appointment of Arbitrators

NYSE Rule 607(a)(1) currently provides that in all matters involving customers or non-members where the matter in controversy exceeds $25,000 or where the matter in controversy does not involve or disclose a money claim, the Director of Arbitration appoints a panel of three arbitrators, a majority of whom are public, unless the customer or non-member requests that a majority be from the securities industry. The proposed amendments to NYSE Rule 607(a)(1)(i) would provide that all arbitration matters involving customers or non-members where the matter in controversy exceeds $25,000, but does not exceed $200,000 (excluding costs and interest),

would be heard by one public arbitrator, unless the customer or non-member requests a securities industry arbitrator.

Under the proposed amendments to NYSE Rule 607(a)(1)(ii), all arbitration matters involving customers or non-members where the matter in controversy exceeds $200,000 would be heard by three arbitrators, a majority of whom would be public, unless the customer or non-member requests that a majority be from the securities industry.

The proposed amendments also would add a new paragraph (2) to NYSE Rule 607(b) which would clarify that, in all arbitration matters involving customers or non-members, to the extent the NYSE arbitration rules provide for a choice in panel composition or method of arbitrator appointment, the customer's choice would prevail.[8]

Initiation of Proceedings

Current NYSE Rule 612 sets forth the procedures for initiating a customer or non-member arbitration proceeding that is not being filed under NYSE Rule 601, which governs Simplified Arbitration. The proposed amendments to NYSE Rule 612 are intended to conform that rule with the proposed changes to NYSE Rules 601 and 607. In particular, the proposed amendments to NYSE Rule 612(c)(1) would provide that in matters exceeding $25,000, but not exceeding $200,000, if the respondent(s) files a related counterclaim, third-party claim, or cross-claim exceeding $200,000, the arbitrator may refer the claim, counterclaim, third-party claim, and/or cross-claim, to a panel of three arbitrators in accordance with Rule 607. The arbitrator also may dismiss the counterclaim, third-party claim, and/or cross-claim without prejudice to the counterclaimants, third-party claimants, and/or cross-claimants pursuing their claims in a separate proceeding pursuant to the proposed amendments to NYSE Rule 612(c)(1).

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[8] See footnote 5.

Schedule of Fees

NYSE Rule 629 sets forth the required fees and hearing deposits for arbitrations in the NYSE arbitration forum. The proposed amendments to NYSE Rule 629 would reduce the fees and hearing deposits that customers, members, and non-members pay for claims exceeding $25,000 and not exceeding $200,000, to reflect the reduced costs associated with a hearing by one arbitrator, rather than three. The proposed amendments to the schedules contained in NYSE Rules 629(c)(1)-(2) and 629(i) would reduce the hearing deposits to $450 from a maximum of $750 under the existing rule.

In Amendment No. 1, the NYSE stated that it is proposing to reduce fees and hearing deposits because the costs of administering an arbitration matter with one arbitrator is less than the costs associated with three arbitrators. In cases with one arbitrator, the proposed fees and hearing deposits are based on either the current hearing deposit or the fee charged for a pre-hearing conference with one arbitrator, whichever is less. The NYSE also notes in Amendment No. 1 that the costs associated with a pre-hearing conference, generally conducted either on the papers submitted or by telephone, are less than those associated with an in-person hearing.

In Amendment No. 1, the NYSE stated that the proposed fees and hearing deposits are intended to permit the NYSE to recover some of its direct, actual costs of administering arbitration cases. The NYSE further stated that those direct, actual costs are attributable in part to arbitrator compensation and travel expenses, court reporters and (when a hearing takes place outside New York) conference rooms. The NYSE also stated in Amendment No. 1 that under the proposed rule changes, the actual costs it bears for administering arbitration hearings involving a single arbitrator would remain greater than fees paid by customers or non-members.

Statutory Basis

The NYSE stated that it believes that the proposed rule change is consistent with Section 6(b)(4)[9] of the Act requiring exchanges to have rules that provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities, and Section 6(b)(5)[10] of the Act requiring exchanges to have rules designed 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 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 NYSE 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 the proposed rule change, or

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

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9 15 U.S.C. 78f(b)(4).

10 15 U.S.C. 78f(b)(5).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. The proposed rule change, as amended, is based on, but not identical to, the Uniform Code of Arbitration ("SICA Uniform Code") adopted by the Securities Industry Conference on Arbitration ("SICA").

The Commission requests comments on the differences between the NYSE proposal and the SICA Uniform Code. In particular, under SICA Uniform Code Section 16(a), one arbitrator hears claims up to $100,000; whereas the NYSE proposes that one arbitrator would hear claims not exceeding $200,000. Should NYSE's proposed rule be consistent with the SICA Uniform Code and only permit matters to be resolved by one arbitrator if they involve claims of $100,000 or less? In the alternative, should customers or non-members be able to request one arbitrator for claims exceeding $200,000? In addition, the SICA Uniform Code does not contain provisions similar to the amendments proposed to NYSE Rules 601(d)(2) and 612(c)(1), as discussed above

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 e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2006-61 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-2006-61. 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 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-2006-61 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.[11]

Florence E. Harmon
Deputy Secretary

[11] 17 CFR 200.30–3(a)(12).