

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51980; File No. SR-NYSE-2005-19)

July 6, 2005

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change to Require Members that Use Appendix E to Calculate Net Capital to File Supplemental and Alternative Reports

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 under the Act,² notice is given that on March 8, 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. These Items have been substantially 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 NYSE Rule 418 to require member organizations approved by the Commission to use the alternative method of computing net capital contained in Appendix E to Rule 15c3-1 under the Act (“Appendix E”)³ to file supplemental and alternative reports with the Exchange.

The text of the proposed rule change is available on the Exchange’s Internet Web site (<http://www.nyse.com>), at the principal office of the NYSE, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.15c3-1e. The Commission amended Rule 15c3-1 to establish this voluntary, alternative method of computing net capital, which is applicable to firms that qualify for consolidated supervised entity (“CSE”) treatment. Exchange Act Release No. 49830 (June 8, 2004), 69 FR 34428 (June 21, 2004).

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 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 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 purpose of this proposal is to provide the Exchange with the authority to require member organizations approved by the Commission to use the alternative method of computing net capital contained in Appendix E (“CSE broker-dealers”) to file certain supplemental and alternative reports with the Exchange.

Rule 17a-5 under the Act⁴ contains broker-dealer reporting requirements. Broker-dealers file the monthly and quarterly reports required by Rule 17a-5 on Form X-17A-5 (the “FOCUS Report”).⁵ Pursuant to Rule 17a-5(a)(5),⁶ CSE broker-dealers are required to file certain additional monthly and quarterly reports. The Exchange has created a modified FOCUS Report form for CSE broker-dealers. The form contains new line items to capture the additional required reports. The proposed rule amendment is designed to require CSE broker-dealers to provide the additional reports to the Exchange.

⁴ 17 CFR 240.17a-5.

⁵ 17 CFR 249.617.

⁶ 17 CFR 240.17a-5(a)(5).

Under NYSE Rule 418, the Exchange may at any time require any member or member organization to be audited in accordance with the requirements of Rule 17a-5. The proposed amendment adds NYSE Rule 418.25, which would require member organizations that are CSE broker-dealers to file such supplemental and alternative reports as may be prescribed by the Exchange. A copy of the modified FOCUS report that CSE broker-dealers would have to file with the Exchange under proposed Rule 418.25 is available on the Exchange's Internet Web site (<http://www.nyse.com>).

2. Statutory Basis

The Exchange believes that the proposed amendment to NYSE Rule 418 is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act⁸ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments and perfect the mechanism of a free and open market and to protect investors and the public interest.

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

The Exchange does not believe that the proposal will impose any inappropriate burden on competition.

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

Written comments were neither solicited nor received.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

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

Pursuant to Section 19(b)(2) of the Act,⁹ 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 Exchange 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 proposed rule change, 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 e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2005-19 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-2005-19. To help the Commission process and review your comments more efficiently, please use only one

⁹ 15 U.S.C. 78f(b)(2).

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, Washington, DC 20549. Copies of the filings will also be available for inspection and copying at the principal office of the NYSE and will be available on the Exchange's Internet Web site (<http://www.nyse.com>). 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-2005-19 and should be submitted on or before [insert date 21 days from date of publication].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

J. Lynn Taylor
Assistant Secretary

¹⁰ 17 CFR 200.30-3(a)(12).