SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-52328; File No. SR-NYSE-2005-45)  

August 24, 2005  

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Approving Proposed Rule Change to Amend NYSE Rule 80A (Index Arbitrage Trading Restrictions) to Calculate Limitations on Index Arbitrage Trading Based on the NYSE Composite Index  

On June 28, 2005, the New York Stock Exchange, Inc. (“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 to amend NYSE Rule 80A (Index Arbitrage Trading Restrictions) relating to limitations on index arbitrage trading. The proposed rule change was published for comment in the Federal Register on July 25, 2005.3 The Commission received no comments on the proposal. This order approves the proposed rule change.  

Current NYSE Rule 80A provides for limitations on index arbitrage trading in any component stock of the S&P 500 Stock Price Index on any day that the Dow Jones Industrial Average (“DJIA”)4 advances or declines at least 2%5 from its previous day’s closing value.6 The NYSE proposes to amend NYSE Rule 80A to calculate the limitations on index arbitrage trading

4  “Dow Jones Industrial Average” is a service mark of Dow Jones & Company, Inc.  
5  Current NYSE Rule 80A provides that collars are based on a quarterly calculation of “two percent value,” which is 2%, rounded down to the nearest ten points, of the average closing value of the DJIA for the last month of the previous calendar quarter.  
6  NYSE Rule 80A’s current limitations on index arbitrage trading provide that if the market advances by 2% or more, all index arbitrage orders to buy must be stabilizing (buy minus); similarly, if the market declines by 2% or more, all index arbitrage orders to sell...
as provided in the rule based on the average closing value of the NYSE Composite Index®
(“NYA”), replacing the current usage of the DJIA.

The Commission finds that the proposed rule change is consistent with the requirements
of the Act and the rules and regulations thereunder applicable to a national securities exchange
and, in particular, the requirements of Section 6 of the Act and the rules and regulations
thereunder. Specifically, the Commission finds the proposal to be consistent with Section
6(b)(5) of the Act, in that 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. According to the
Exchange, the NYA is a better reflection of market activity with respect to the S&P 500 and thus,
a better indicator as to when the restrictions on index arbitrage trading provided by NYSE Rule
80A should be triggered. Therefore, the Commission believes that it is consistent with the Act
for the NYSE to amend NYSE Rule 80A to calculate limitations on index arbitrage trading based
on the NYA.

must be stabilizing (sell plus). The stabilizing requirements are removed if the DJIA
moves back to or within 1% of its closing value.

In approving this proposed rule change, the Commission has considered the proposed


The Commission notes that approval of the proposed rule change is based, in part, on the
fact that NYSE Rule 80A affects only certain types of trading by NYSE members trading
on the floor of the Exchange. The rule’s cross-market implications are minimal. The
Commission, therefore, believes that the NYSE should have considerable discretion in
determining which index to apply under this rule. The Commission’s approval of the
proposed rule change should in no way be interpreted as an indication that a similar
change to NYSE Rule 80B (Trading Halts Due to Extraordinary Market Volatility),
IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,\textsuperscript{11} that the proposed rule change (SR-NYSE-2005-45) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.\textsuperscript{12}

Margaret H. McFarland
Deputy Secretary

\textsuperscript{12} 17 CFR 200.30-3(a)(12).