

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54350; File No. SR-NYSE-2006-64]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 1 Thereto To Amend Section 102.01 of the Listed Company Manual To Reduce its Distribution Requirements for Companies Listing Common Equity Securities in Connection with an IPO, Transfer or Quotation

August 22, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 18, 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 and II below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as constituting a “non-controversial” rule change under Section 19(b)(3)(A)(iii) of the Act,<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. On August 21, 2006, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>5</sup> 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 NYSE proposes to amend Section 102.01A of the NYSE’s Listed Company Manual (the “Manual”) to reduce its distribution requirements from 2,000 to 400 round lot U.S. holders for companies listing common equity securities in connection with an initial public offering (“IPO”), transfer or quotation. The text of the proposed rule change is available on the NYSE’s Web site (<http://www.nyse.com>), at the NYSE’s Office of the Secretary, and at the Commission’s Public Reference Room.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> In Amendment No. 1, the NYSE made clarifying changes to the Purpose Section of the Exchange’s 19b-4 filing. See Amendment No. 1.

#### 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

Section 102.01A of the Manual sets out minimum distribution requirements for size and volume that must be met in order for U.S. companies to list common equity securities. The Exchange proposes to amend Section 102.01A of the Manual to reduce its distribution requirements from 2,000 to 400 round lot U.S. holders for companies listing common equity securities in connection with an IPO, transfer or quotation. As amended, Section 102.01A of the Manual would continue to allow the Exchange to include all North American holders toward the 400 round lot U.S. holder threshold under Section 102.01B when considering a listing application from a company organized under the laws of Canada, Mexico or the United States. In addition, all other financial standards included in the distribution requirements will remain the same.

Generally speaking, U.S. companies that are listing equity securities in connection with an IPO, transfer or quotation must demonstrate that a security to be listed is held by a minimum of 2,000 round lot U.S. holders.<sup>6</sup> Under Section 102.01B, when considering a listing application from a company organized under the laws of Canada, Mexico or the United States, the Exchange will include all North American holders and North American trading volume in applying the minimum holder threshold.<sup>7</sup> All U.S. companies listing common equity securities must also demonstrate that

<sup>6</sup> A quotation is the listing of a foreign private issuer without a concurrent offering.

<sup>7</sup> The Exchange currently has a pilot program in effect that establishes a 400 round lot holder requirement for companies listing following emergence from bankruptcy or which are affiliated with listed companies. See Exchange Act Release No. 52887 (December 5, 2005), 70 FR 73501 (December 12, 2005) (SR-NYSE-2005-82). The Exchange has filed a proposed rule change to extend this pilot (SR-NYSE-2006-62).

there are at least 1,100,000 publicly held shares outstanding at the time of listing.

According to the Exchange, the current 2,000 round lot U.S. holder threshold was established several decades ago when the composition of the investor population was such that the Exchange anticipated that specialists might be called upon to play more of a role in providing necessary liquidity in its stocks. In the NYSE’s view, the Exchange’s current round lot holder requirement helped facilitate an environment in which there would be healthy liquidity in an issuer’s stock independent of the specialist. Because both retail and institutional participation in the marketplace have grown tremendously over the last few decades, the Exchange now believes that it is less necessary to require such a large number of round lot holders. The Exchange notes that other U.S. markets currently require fewer round lot holders than the Exchange currently does, and that the Exchange has not had any negative experience with its current, albeit limited, pilot program.<sup>8</sup> The Exchange notes that the reduced requirement meets the requirements set forth in Rule 3a51-1 under the Exchange Act.<sup>9</sup>

###### 2. Statutory Basis

The Exchange believes that the basis under the Act for this proposed rule change, as amended, is the requirement under Section 6(b)(5)<sup>10</sup> that an exchange have rules that are designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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.

##### B. Self-Regulatory Organization’s Statement on Burden on Competition

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

<sup>8</sup> See, e.g., Nasdaq Stock Market LLC Marketplace Rule 4420 (requiring 400 round lot holders).

<sup>9</sup> 17 CFR 240.3a51-1.

<sup>10</sup> 15 U.S.C. 78f(b)(5).

*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, as amended.

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

Because the proposed rule change, as amended: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6) thereunder.<sup>12</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>13</sup> normally does not become operative prior to thirty days after the date of filing. NYSE requests that the Commission waive the 30-day operative delay, as specified in Rule 19b-4(f)(6)(iii), and designate the proposed rule change to become operative immediately. The Commission hereby grants the request. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the extension will allow NYSE to have substantially similar distribution requirements to other Exchanges and does not unduly burden the marketplace.<sup>14</sup> For these reasons, the Commission designates the proposed rule change, as amended, as effective and operative immediately.

At any time within 60 days of the filing of the proposed rule change, as amended, the Commission may summarily abrogate such proposed rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for

the protection of investors, or otherwise in furtherance of the purposes of the Act.<sup>15</sup>

**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. 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 an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSE-2006-64 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR-NYSE-2006-64. 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 the 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-2006-64 and should be submitted on or before September 19, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>16</sup>

Nancy M. Morris,  
Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54344; File No. SR-NYSE-2005-68]

**Self-Regulatory Organizations; New York Stock Exchange, Inc. (n/k/a New York Stock Exchange LLC); Order Approving Proposed Rule Change and Amendment No. 1 Thereto, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 3, Relating to Annual Financial Statement Distribution Requirements and Listed Company Manual Sections 103.00, 202.05, 203.00, 203.01, 203.02, 203.03, 204.00 Through .33, 303A.14, 313.00, 401.04, and 703.09**

August 21, 2006.

**I. Introduction**

On September 30, 2005, the New York Stock Exchange LLC ("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")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change relating to the Exchange's annual financial statement distribution requirements and Listed Company Manual Sections 103.00, 202.05, 203.00, 203.01, 203.02, 203.03, 204.00 through .33, 303A.14, 313.00, 401.04, and 703.09. On June 9, 2006, the Exchange submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> The proposed rule change, as amended, was published for comment in the **Federal Register** on June 29, 2006.<sup>4</sup> The Commission received five comments regarding the proposal.<sup>5</sup> On August 10, 2006, the

<sup>16</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Amendment No. 1 dated June 9, 2006 ("Amendment No. 1"). In Amendment No. 1, the Exchange eliminated from the present filing other proposed rule changes to Section 103 and 302 of the Listed Company Manual, and clarified certain details of its proposal.

<sup>4</sup> See Securities Exchange Act Release No. 54029 (June 21, 2006), 71 FR 37147 (June 29, 2006) ("Notice").

<sup>5</sup> See Letter from Richard J. Daly, Group Co-President, ADP Brokerage Services Group ("ADP"),

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6). Pursuant to Rule 19b-4(f)(6)(iii) under the Act, the Exchange is required to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has requested that the Commission waive the 5-day pre-filing notice requirement. The Commission has determined to waive this requirement.

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>15</sup> For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on August 21, 2006, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).