

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56894; File No. SR-NYSE-2007-107]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to the Exchange's NYSE Bonds<sup>SM</sup> System and Trade Execution Fees

December 4, 2007.

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 November 27, 2007, 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 substantially prepared by the NYSE. 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 implement a four-month pilot program, effective December 1, 2007, that will issue liquidity providers a \$20 credit for certain bond trades executed on the NYSE Bonds<sup>SM</sup> system ("NYSE Bonds") with an execution size of less than 20 bonds. This pilot program will terminate on the close of business March 31, 2008, and will apply to all orders. The text of the proposed rule change is available at the Exchange's principal office, in the Commission's Public Reference Room, and at <http://www.nyse.com>.

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

In its filing with the Commission, NYSE 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. 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 Exchange proposes to implement a four-month pilot program pursuant to which it will issue liquidity providers a \$20 credit for every execution on NYSE Bonds that is less than 20 bonds. This pilot program will commence on December 1, 2007 and will terminate at the close of business March 31, 2008.

A liquidity provider is one who posts liquidity to the system. During the course of clearing their bond trades, liquidity providers absorb clearing costs. To offset these clearing costs, liquidity providers may increase the offer price or decrease the bid price of the bond. In doing so, the best execution of a bond order may be compromised as clearing costs increase with smaller orders.

Accordingly, the Exchange proposes that liquidity providers be issued a \$20 credit for executions of bond orders with an execution size of less than 20 bonds. For a liquidity provider to be eligible to receive this \$20 credit, the original order posted by the liquidity provider must be for 20 bonds or more. For example, if a liquidity provider posts an order for 100 bonds and a contra side order comes in for 50 bonds, the liquidity provider will not receive a \$20 credit. However, if a contra side order comes in for 10 bonds against the liquidity provider's original posted order of 100 bonds, the liquidity provider will receive a credit of \$20 for that execution from the Exchange.

NYSE Bonds, which was implemented in March 2007, will continue to update its functionality to provide competitive bond trading for customers. The Exchange believes that this \$20 credit will incentivize the liquidity provider to display the best price available on NYSE Bonds.

##### 2. Statutory Basis

NYSE believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>3</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>4</sup> in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

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

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

#### 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.

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>5</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder.<sup>6</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such 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.

#### 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:

##### 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-2007-107 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-2007-107. 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

<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. 78f.

<sup>4</sup> 15 U.S.C. 78f(b)(4).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(f)(2).

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, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of 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-2007-107 and should be submitted on or before January 2, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Florence E. Harmon,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56895; File No. SR-NYSE-2007-109]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the NYSE Rule 98 Guidelines for Approved Persons Associated With a Specialist's Member Organization

December 4, 2007.

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 November 28, 2007, 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 substantially by the

Exchange. The Exchange has filed the proposal pursuant to section 19(b)(3)(A) 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. 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 is proposing to amend the NYSE Rule 98 Guidelines for Approved Persons Associated with a Specialist's Member Organization ("Rule 98 Guidelines") to provide NYSE Regulation, Inc. ("NYSE Regulation") with the authority to grant a prospective specialist member organization a temporary exemption from section (b)(i) of the NYSE Rule 98 Guidelines. The text of the proposed rule change is available at <http://www.nyse.com>, NYSE and 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

For purposes of seeking NYSE Rule 98 exemptive relief, the NYSE is proposing to amend the Rule 98 Guidelines to allow NYSE Regulation<sup>5</sup> to grant prospective specialist firms with a temporary exemption from section (b)(i) of such guidelines, which currently require a specialist member organization and its approved person be separate and distinct organizations. The Exchange has consistently interpreted this provision to require that the specialist and the approved person be in separate,

registered broker-dealer organizations. Pursuant to the proposed rule change, while NYSE Regulation would be permitted to grant a temporary exemption from section (b)(i), specialist firms and their approved persons would still be required to comply with sections (b)(ii) through (b)(x) of the Rule 98 Guidelines and thus maintain the functional separation contemplated by the rule.

Recent changes among the specialist firms, including the recent decisions by Van der Moolen Specialists USA, LLC and SIG Specialists, Inc. to close their respective specialist businesses at the Exchange,<sup>6</sup> have warranted the need for greater flexibility to permit new firms to qualify as specialist member organizations. NYSE Rule 98, which requires certain barriers between a specialist member organization and an approved person, has the potential to impede the approval process for a prospective specialist firm. In particular, because of the time delay necessary for an NYSE member organization to form a separate NYSE member organization from which to run a specialist business, the requirement to maintain a separate and distinct organization could impact the ability of a current member organization to expeditiously begin operating as a specialist organization.

The NYSE is in the process of reviewing Rule 98 and, in particular, whether revising the Rule 98 Guidelines would provide sufficient protection to meet the stated goals of Rule 98. Nevertheless, the NYSE is not seeking to amend Rule 98 comprehensively at this time. Rather, pending further review by the NYSE of the continued applicability of Rule 98 in its current form, the NYSE proposes to grant NYSE Regulation exemptive authority to allow prospective specialist firms and their approved persons to temporarily operate without having to be separate and distinct organizations. The NYSE proposes granting this exemptive authority to expedite the process for new entrants to apply for and be approved as specialist organizations at the NYSE.

The NYSE notes that prospective specialist organizations and their approved persons would continue to be subject to sections (b)(ii) through (b)(x) of the Rule 98 Guidelines, which set

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

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

<sup>5</sup> Rule 98(b) requires an approved person seeking a Rule 98 exemption to obtain the prior written agreement of the Exchange. Pursuant to a Delegation Agreement, the Exchange has delegated to NYSE Regulation the authority to review and approve such Rule 98 exemption requests.

<sup>6</sup> See Press Release, NYSE, NYSE to Reallocate Certain Specialist Rights to Kellogg Specialist Group (Nov. 14, 2007), available at <http://www.nyse.com/press/1195039877990.html>; Press Release, Van der Moolen, Van der Moolen to terminate U.S. specialist activities (Nov. 15, 2007), available at <http://www.vandermoolen.com/?sid=17&press=151>.

<sup>7</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.