

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53912; File No. SR-NYSE-2006-29)

May 31, 2006

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange LLC Amending the Listed Company Manual to Mandate Listed Companies Become Eligible to Participate in a Direct Registration System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on May 6, 2006, the New York Stock Exchange LLC (“NYSE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by the NYSE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The NYSE proposes to amend its Listed Company Manual (“Manual”) to mandate that all listed companies become eligible to participate in a Direct Registration System (“DRS”) administered by a clearing agency registered under Section 17A of the Act.

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 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.

¹ 15 U.S.C. 78s(b)(1).

The NYSE has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.²

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

(1) Purpose

The NYSE proposes to amend its Manual to mandate that all listed companies become eligible to participate in DRS administered by a clearing agency registered under Section 17A of the Act.

A DRS is a system that allows an investor to establish either through the issuer's transfer agent or through the investor's broker-dealer a book-entry position in eligible securities on the books of the issuer and to electronically transfer her position between the transfer agent and the broker-dealer.³ DRS, therefore, allows an investor to have eligible securities registered in her name without having a certificate issued to her and to electronically transfer, thereby eliminating the risk and delays associated with the use of certificates, her securities to her broker-dealer in order to effect a transaction. In 1996 the NYSE amended its rules to permit companies to participate in DRS although such participation was voluntary.⁴ Approximately 649 issuers listed on the NYSE currently participate in DRS.

² The Commission has modified portions of the text of the summaries prepared by the NYSE.

³ Currently, the only registered clearing agency operating a DRS is the Depository Trust Company ("DTC"). For a description of DRS and the DRS facilities administered by DTC, see Securities Exchange Act Release Nos. 37931 (November 7, 1996), 61 FR 58600 (November 15, 1996), [File No. SR-DTC-96-15] (order granting approval to establish DRS) and 41862 (September 10, 1999), 64 FR 51162 (September 21, 1999), [File No. SR-DTC-99-16] (order approving implementation of the Profile Modification System).

⁴ Securities Exchange Act Release No. 37937 (November 8, 1996), 61 FR 58728 (November 18, 1996), [File No. SR-NYSE-96-29].

In 2004, the Commission issued a concept release, Securities Transaction Settlement, discussing whether self-regulatory organizations (“SROs”) that list securities should adopt rules to require issuers to participate in DRS.⁵ Subsequently, representations of the NYSE, the NASDAQ Stock Market, the American Stock Exchange, DTC, and the Securities Industry Association entered into discussions that resulted in the decision to propose a common approach that would require listed companies to become eligible to participate in DRS but would not require listed companies to participate in DRS.⁶ There is an expectation that requiring listed companies to be eligible to participate in DRS will accelerate the trend already evident among companies to participate in DRS.

Under the proposed rule change, NYSE will impose its DRS eligibility requirement pursuant to proposed new Section 501.00 of the Manual.⁷ Proposed Section 501.00 does not specifically require that securities must be eligible for the DRS. Rather it requires listed companies’ securities to be eligible for a direct registration system operated by a clearing agency, as defined in Section 3(a)(23) of the Act,⁸ that is registered with the Commission pursuant to Section 17A(b)(2) of the Act. Therefore, while the DRS currently operated by DTC

⁵ Securities Exchange Act Release No. 49405 (March 11, 2004), 69 FR 12922 (March 18, 2004), [File No. S7-13-04].

⁶ NASDAQ Stock Market LLC and the American Stock Exchange LLC have also filed proposed rule changes with the Commission that would require certain listed companies securities DRS eligible. Securities Exchange Act Release Nos. 53913 (May 31, 2006) [File No. SR-NASDAQ-2006-008] and 53911 (May 31, 2006) [File No. SR-Amex-2006-40]. NYSE expects that NYSE Arca will submit a similar rule filing in the near future.

⁷ The exact text of the NYSE prepared rule change is set forth in its filing which can be found at www.nyse.com/RegulationFrameset.

⁸ 15 U.S.C. 78a.

is currently the only DRS facility meeting the definition, Section 501.00 will provide issuers with the option of using another qualified DRS if one should exist in the future.

In order to make a security DRS-eligible, as currently operated by DTC, the issuer must have a transfer agent which is a DTC DRS Limited Participant.⁹ NYSE understands that the larger transfer agents serving NYSE's listed company community are already eligible to participate in DRS. However, taking into account all the diverse issuers and transfer agents involved across all the markets that will be proposing similar rules regarding DRS eligibility, some transfer agents may need to take steps to become eligible to participate in DRS, and some issuers may wish to change their transfer agent in connection with this process. In addition, NYSE has been notified that some issuers may need to amend their certificate of incorporation or by-laws to become DRS eligible.

To allow sufficient time for any such necessary actions, NYSE proposes to impose the DRS eligibility requirement in two steps. Companies listing for the first time should have greater flexibility to conform to the eligibility requirements; therefore, proposed Section 501.00 would require all securities initially listing on NYSE on or after January 1, 2007, to be eligible for DRS at the time of listing. This provision does not extend to securities of companies (i) which already have securities listed on the NYSE, (ii) which immediately prior to such listing had securities listed on another registered securities exchange in the U.S., or (iii) which are specifically permitted under NYSE's rules to be and which are book-entry only.¹⁰ On and after

⁹ DTC's rules require that a transfer agent (including an issuer acting as its own transfer agent) acting for a company issuing securities in DRS must be a DRS Limited Participant. Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600 (November 15, 1996), [File No. SR-DTC-96-15].

¹⁰ Securities which the NYSE permits to be book-entry-only include all debt securities, securities issued pursuant to Section 703.19 of the Manual, and nonconvertible preferred stock.

January 1, 2008, all securities listed on the NYSE will be required to be eligible for DRS, again excepting those securities which are specifically permitted under NYSE rules to be and which are book-entry only.

NYSE also proposes to amend Section 601.01 of the Manual (“Exchange Approval of Transfer Agents and Registrars”) to require that any issuer required to make a listed security eligible for DRS pursuant to proposed Section 501.00 must maintain a transfer agent for that security which is eligible either for DRS operated by DTC or by another registered clearing agency. In addition, the NYSE proposes to amend the transfer agent agreements in Section 906 of the Manual to require transfer agents for securities subject to proposed Section 501.00 to agree that they will at all times be eligible either for the DRS operated by DTC or by another registered clearing agency.

(2) Statutory Basis

The statutory basis under the Act for this proposed rule change is the requirement under Section 6(b)(5) of the Act, which requires, among other things, that the rules of an exchange are designed to prevent fraudulent and manipulative acts and practices, 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 perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.¹¹ NYSE believes that the proposed amendments to Sections 501.00, 601.01, and 906 of the Manual are consistent with its obligations under Section 6(b)(5) because issuers will be encouraged to use

¹¹ 15 U.S.C. 78f(b)(5).

DRS, which should facilitate reducing the use of securities certificates and in turn should promote more efficient clearing and settling of securities transactions.

(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 thirty-five 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 ninety 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 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 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. Please include File Number SR-NYSE-2006-29 in 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-2006-29. 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 Section, 100 F Street, NE, Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of the NYSE and on the NYSE's Web site, 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-2006-29 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.¹²

Nancy M. Morris
Secretary

¹² 17 CFR 200.30-3(a)(12).