

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

[Add](#) [Remove](#) [View](#)

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

[Add](#) [Remove](#) [View](#)

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

[Add](#) [Remove](#) [View](#)

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

[Add](#) [Remove](#) [View](#)

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

[Add](#) [Remove](#) [View](#)

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

[Add](#) [Remove](#) [View](#)

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

[Add](#) [Remove](#) [View](#)

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

ITEM 1. Text of the Proposed Rule Change

NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”), through its wholly owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities” or the “Corporation”), proposes to amend language within NYSE Arca Equities Rule 7.26 requiring information barrier procedures to be submitted to the Corporation by certain Equity Trading Permit (“ETP”) Holders.¹ The text of the proposed rule change is attached as Exhibit 5.

ITEM 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change is being submitted to the Securities and Exchange Commission (the “Commission”) by Exchange staff pursuant to authority delegated by the Exchange’s Board of Directors and the NYSE Arca Equities Board of Directors.

(b) Questions and comments regarding the proposed rule change may be directed to the following:

Janet Angstadt
Acting General Counsel
NYSE Arca, Inc.
100 S. Wacker Drive, Suite 1800
Chicago, Illinois 60606
Phone: (312) 442-7147
Fax: (312) 960-9637

ITEM 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Purpose

NYSE Arca Equities proposes to amend language within its Rule 7.26 requiring information barrier policies and procedures to be submitted by Market Makers applicants on the Exchange who conduct outside business activities. These amendments are being made in connection with the development of the Market Maker program with the Corporation and the requirements of Market Makers to have

specific procedures, approved by the Corporation, in place to prevent the misuse of material, non-public information if such firms or their affiliate conducts certain outside business activities as defined by this Rule. Additionally, the Exchange proposes to clarify the manner in which these information barrier procedures will be reviewed and approved by NYSE Arca.

Outside Business Activities

Current language within Rule 7.26 requires Market Makers who conduct “outside business activities” to submit to the Exchange, for approval, their information barrier policy and procedures. For the purposes of this Rule, the Corporation has defined what is considered as an outside business activity; however, in consideration of applicants who act as a specialist on another national securities exchange, the Corporation believes such applicants should be required, under this Rule, to develop and maintain information barriers in the event the such applicant or an affiliate acts as a specialist in securities of the same or a related entity for which the applicant is applying as a Market Maker or Lead Market Maker with NYSE Arca Equities. For this purpose, the Exchange proposes to add such activity to the list of “outside business activities” defined within the Rule.

Approval of Information Barrier Procedures

To be consistent with its practices, the Exchange proposes to remove language within the current Rule text stating a separate, written approval will be granted by the Corporation for information barrier procedures submitted by Market Makers. Applicants requiring such procedures are granted approval concurrently with their Market Maker application, eliminating the necessity of this separate approval.

¹ See NYSE Arca Equities Rule 1.1(n)

Basis

The proposed rule change is consistent with Section 6(b)² of the Securities Exchange Act of 1934 (the “Exchange Act”), in general, and furthers the objectives of Section 6(b)(5)³ in particular in that it is 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

ITEM 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange 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 Exchange Act.

ITEM 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on the proposed rule change were neither solicited nor received.

ITEM 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Exchange Act.

ITEM 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange does not request summary effectiveness pursuant to Section 19(b)(3) of the Exchange Act or accelerated effectiveness pursuant to Section 19(b)(2) of the Exchange Act.

² 15 U.S.C. 78f(b).

ITEM 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

ITEM 9. Exhibits

1. Exhibit 1
2. Exhibit 5.

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSEArca-2006-56)

[DATE]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by NYSE Arca, Inc. Relating to Amending the List of Outside Business Activities In Which Approved Market Makers Would Be Required to Have In Place Information Barrier Policies and Procedures.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 5, 2006, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comment 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, through its wholly owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities” or the “Corporation”), proposes to amend language within NYSE Arca Equities Rule 7.26 requiring information barrier procedures to be submitted to the Corporation by certain Equity Trading Permit (“ETP”) Holders.³ The text of the proposed rule change is attached as Exhibit 5.

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

¹ 15 U.S.C. § 78s(b)(1).

² 17 CFR 240.19b-4.

³ See NYSE Arca Equities Rule 1.1(n)

In its filing with the Commission, the self-regulatory organization 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 self-regulatory organization 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

Purpose

NYSE Arca Equities proposes to amend language within its Rule 7.26 requiring information barrier policies and procedures to be submitted by Market Makers applicants on the Exchange who conduct outside business activities. These amendments are being made in connection with the development of the Market Maker program with the Corporation and the requirements of Market Makers to have specific procedures, approved by the Corporation, in place to prevent the misuse of material, non-public information if such firms or their affiliate conducts certain outside business activities as defined by this Rule. Additionally, the Exchange proposes to clarify the manner in which these information barrier procedures will be reviewed and approved by NYSE Arca.

Outside Business Activities

Current language within Rule 7.26 requires Market Makers who conduct "outside business activities" to submit to the Exchange, for approval, their information barrier policy and procedures. For the purposes of this Rule, the Corporation has defined what is considered as an outside business activity; however, in consideration of applicants who act as a specialist on another national securities exchange, the Corporation believes such

applicants should be required, under this Rule, to develop and maintain information barriers in the event the such applicant or an affiliate acts as a specialist in securities of the same or a related entity for which the applicant is applying as a Market Maker or Lead Market Maker with NYSE Arca Equities. For this purpose, the Exchange proposes to add such activity to the list of “outside business activities” defined within the Rule.

Approval of Information Barrier Procedures

To be consistent with its practices, the Exchange proposes to remove language within the current Rule text stating a separate, written approval will be granted by the Corporation for information barrier procedures submitted by Market Makers. Applicants requiring such procedures are granted approval concurrently with their Market Maker application, eliminating the necessity of this separate approval.

Basis

The proposed rule change is consistent with Section 6(b)⁴ of the Exchange Act, in general, and furthers the objectives of Section 6(b)(5)⁵ in particular in that it is 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

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

The Exchange 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 Exchange Act.

⁴ 15 U.S.C. 78f(b).

⁵ 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

Written comments on the proposed rule change were neither solicited nor received.

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

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 self-regulatory organization consents, the Commission will:

(A) by order approve the proposed modifications, 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 Exchange 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 email to rules-comments@sec.gov. Please include File No. SR-NYSEArca-2006-56 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.

All submissions should refer to File No. SR-NYSEArca-2006-56. 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 such filing will also be available for inspection and copying at the principal office of NYSE Arca. 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 No. SR-NYSEArca-2006-56 and should be submitted [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Nancy M. Morris
Secretary

⁶ 17 CFR 200.30-3(a)(12).

Text of the Proposed Rule Change:¹**Rules of NYSE Arca Equities, Inc.****Rule 7****Equities Trading**

Rule 7.26 Limitations on Dealings

(a) *General.* A Market Maker on the Corporation may engage in Other Business Activities, or it may be affiliated with a broker-dealer that engages in Other Business Activities, only if there is an Information Barrier (also commonly referred to as "Chinese Wall") between the market making activities and the Other Business Activities. "Other Business Activities" mean:

- (1) conducting an investment banking or public securities business;
- (2) making markets in the options overlying the security in which it makes markets; [or]
- (3) functioning as a GAT, except where such Market Maker, or a broker-dealer with which such Market Maker is affiliated: (A) engages solely in proprietary trading and does not, under any circumstance, maintain customer accounts or solicit or accept orders or funds from or on behalf of public customers, including broker-dealers and other securities firms, and (B) does not place directed orders or utilize any other order types which call for the participation of, or interaction with, public customers, including broker-dealers and other securities firms[.]; or
- (4) acting as a dealer or specialist on another exchange for the same security, or for a security issued by a company affiliated with the issuing company of the security, for which the Market Maker is registered with the Corporation.

(b) – (c) – No change.

(d) *Approval of Information Barrier Procedures.* The written statement required by paragraph (c) of this Rule must detail the internal controls that the ETP Holder will implement to satisfy each of the conditions stated in that Rule, and the compliance and audit procedures proposed to implement and ensure that the controls are maintained. If the Corporation determines that the organizational structure and the compliance and audit procedures proposed by the ETP Holder are acceptable under this Rule, the Corporation shall so inform the ETP Holder[, in writing].

¹ New text is underscored and deleted text is in [brackets].

Absent the Corporation finding an ETP Holder's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities.

(e) – No change.
