

The monthly credit is applied against the first \$25,000 (or \$50,000, in the case of December 2006) in monthly specialist fixed fees otherwise due the CHX from a participant firm. If the participant firm's fixed fee liability is less than the credit amount, the CHX would apply a credit equal to the amount of the fixed fee liability, but would not issue a refund to such participant firm for the remaining balance of the credit, nor would the CHX carry forward the balance of the credit for application to future fixed fee liabilities.⁵

2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).⁶ The proposed rule change is consistent with Section 6(b)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees and other charges among the Exchange's members and will result in an additional credit for CHX specialist firms impacted by the Exchange's transition to its new trading model. The proposed rule change is consistent with Section 6(b)(5) of the Act because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by permitting the Exchange to provide incentives for its specialist firms to support the transition to new technology that will result in fully automated executions.

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.

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

No written comments were either solicited or received.

⁵ For example, if a specialist firm's monthly fixed fee liability for November 2006 was \$32,000, the CHX would apply the \$25,000 credit and the firm would be billed for the remaining balance of \$7,000 in net fixed fees. If a specialist firm's fixed fee liability was \$10,000, the CHX would apply a credit of \$10,000, offsetting the entire liability, and the CHX would not bill the specialist firm for any fixed fees. The CHX would not issue a refund of \$15,000 to the specialist firm on account of the unused portion of the available credit and the unused portion would not be available to offset fixed fee liabilities in future months.

⁶ 15 U.S.C. 78f(b).

III. Date of Effectiveness of the Proposed Rule Change and Timing of 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 Exchange 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-CHX-2007-02 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-CHX-2007-02. 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 offices 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-CHX-2007-02 and should be submitted on or before March 27, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E7-4325 Filed 3-9-07; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55405; File No. SR-NASDAQ-2007-020]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish a Directed Order Type

March 6, 2007.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 (the "Act") ² and Rule 19b-4 thereunder, ³ notice is hereby given that on March 2, 2007, The NASDAQ Stock Market LLC ("Nasdaq" 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 substantially prepared by the Exchange. Nasdaq has designated this proposal as non-controversial under Section 19(b)(3)(A) of the Act ⁴ and Rule 19b-4(f)(6) thereunder. ⁵ 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

Nasdaq proposes to amend Nasdaq Rule 4611 to update and codify the requirements applicable to Nasdaq members that provide sponsored access to other firms and customers to the Nasdaq execution system.

The text of the proposed rule change is below. Proposed new language is

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

italicized; proposed deletions are in brackets.⁶

* * * * *

4750. NASDAQ MARKET CENTER—EXECUTION SERVICES

4751. Definitions

The following definitions apply to the Rule 4600 and 4750 Series for the trading of securities listed on a national securities exchange other than Nasdaq.

(a)–(e) No change.

(f) The term “Order Type” shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include: (1)–(8) No change.

(9) “*Directed Orders*” are orders that are directed to an exchange other than Nasdaq as directed by the entering party without checking the Nasdaq book. If unexecuted, the order (or unexecuted portion thereof) shall be returned to the entering party. This option may only be used for orders with time-in-force parameters of IOC.

Directed Orders may be designated as intermarket sweep orders by the entering party to execute against the full displayed size of any protected bid or offer (as defined in Rule 600(b) of Regulation NMS under the Act). A broker-dealer that designates an order as an intermarket sweep order has the responsibility of complying with Rules 610 and 611 of Regulation NMS.

(g)–(i) No change.

* * * * *

4755. Order Entry Parameters

(a) System Orders

(1)

(A) No Change.

(B) A System order may also be designated as Reserve Order, a Pegged Order, a Non-Displayed Order, a Minimum Quantity Order, an Intermarket Sweep Order, a Price to Comply order, a Price to Comply Post order, [or] a Discretionary Order, or a *Directed Order*.

(C) No Change.

(2)–(4) No change.

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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 changes and discussed any comments it received

regarding the proposal. 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

Nasdaq proposes to create a new order type—the Directed Order—for use by its members in compliance with their obligations under Regulation NMS.⁷ Directed Orders will be entered by a Nasdaq member and sent to a market center other than Nasdaq without checking the Nasdaq book. The entering member will select the market center to receive the order. This functionality existed in Nasdaq’s former Brut and INET facilities in the form of a “Thru” order that members used to route trading interest directly to the New York Stock Exchange or American Stock Exchange to avoid trading through those markets.⁸ If unexecuted, the order (or unexecuted portion thereof) shall be returned to the entering party. This option may only be used for orders with time-in-force parameters of IOC.

This order will provide additional flexibility and functionality to Nasdaq’s system and to members that wish to use the system to comply with their obligation to avoid trading through any Protected Quotation within the meaning of Rule 600(b)(58) of Regulation NMS.⁹ Directed Orders may be designated as intermarket sweep orders (as defined in Rule 600(b)(30) of Regulation NMS¹⁰) and therefore will provide Nasdaq member’s the ability to execute against the full displayed size) of any Protected Bid or Protected Offer (as defined in Rule 600(b)(57) of Regulation NMS¹¹) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified in the intermarket sweep order.

Nasdaq members will be required to comply with the requirements of Rules 610 and 611 of Regulation NMS¹² when designating Directed Orders as intermarket sweep orders. A broker-dealer that designates an order as an intermarket sweep order has the responsibility of complying with Rules 610 and 611 of Regulation NMS. When

Nasdaq’s execution system receives a Directed Order that is designated as an intermarket sweep order, Nasdaq’s system will pass that order to NASDAQ Execution Services, LLC, Nasdaq’s broker-dealer subsidiary. Nasdaq Execution Services has connectivity to route to all automated trading centers displaying protected quotations.¹³ Nasdaq Execution Services will accept orders only from Nasdaq, which in turn accepts orders only from Nasdaq members. Because Nasdaq Execution Services will be routing orders strictly on behalf of Nasdaq members, and Nasdaq members that designate Directed Orders as intermarket sweep orders are obligated to comply with Rules 610 and 611 of Regulation NMS, Nasdaq Execution Services will not perform additional validations to ensure that orders are properly designated as intermarket sweep orders.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁴ in general, and with Section 6(b)(5) of the Act,¹⁵ in particular, in that the proposal 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 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 will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act.

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.

⁷ See 17 CFR 242.600 *et seq.*

⁸ See former NASD Rules 4903(b) and 4956(a).

⁹ 17 CFR 242.600(b)(58).

¹⁰ 17 CFR 242.600(b)(30).

¹¹ 17 CFR 242.600(b)(57).

¹² 17 CFR 242.610; 17 CFR 242.611.

¹³ See Responses to Frequently Asked Questions, posted on the nasdaqtrader.com Web site at http://www.nasdaqtrader.com/trader/tradingservices/regnms_faqs.pdf.

¹⁴ 15 U.S.C. 78f.

¹⁵ 15 U.S.C. 78f(b)(5).

⁶ Changes are marked to the rule text that appears in the electronic Nasdaq Manual found at nasdaq.complinet.com/nasdaq/display/index.html.

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

Because the proposed rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) 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 Act¹⁶ and Rule 19b-4(f)(6) thereunder.¹⁷

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.

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)¹⁸ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest.¹⁹ The Commission believes that the proposed rule change will facilitate the ability of Nasdaq members to utilize Nasdaq's automated system to comply with their respective obligations under Regulation NMS.

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 e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2007-020 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-NASDAQ-2007-020. 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 filings will also 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-NASDAQ-2007-020 and should be submitted on or before April 2, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁰

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55406; File Nos. SR-NASD-2006-131; SR-NYSE-2006-111; SR-Amex-2007-05]

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; New York Stock Exchange LLC; American Stock Exchange LLC; Order Approving Proposed Rule Changes To Increase the Frequency of the Short Interest Reporting Requirements

March 6, 2007.

On December 4, 2006, December 7, 2006, and January 10, 2007, respectively, the National Association of Securities Dealers, Inc. ("NASD"), the New York Stock Exchange LLC ("NYSE"), and the American Stock Exchange LLC ("Amex") (collectively, the "SROs"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act" or the "Exchange Act")¹ and Rule 19b-4 thereunder,² filed with the Securities and Exchange Commission (the "Commission") the proposed rule changes as described below:

○ NASD proposed to increase the frequency of the short interest reporting requirements under NASD Rule 3360 from monthly to twice per month. Currently, NASD Rule 3360, Short-Interest Reporting, requires members to maintain a record of total short positions in all customer and proprietary firm accounts in OTC Equity Securities³ and securities listed on a national securities exchange if not reported to another self-regulatory organization and to regularly report such information in the manner prescribed by NASD.⁴ Thus, no changes to the text of NASD rules are required by this proposed rule change.

○ NYSE proposed an amendment to NYSE Rule 421.10 (Short Positions), which would increase the frequency of the short interest reporting requirements under Rule 421.10 from monthly to twice per month. In addition, NYSE proposed additional amendments to the Rule 421.10's text in light of recent changes to NYSE organizational

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ NASD Rule 3360 provides that the term "OTC Equity Securities" refers to any equity security that is not listed on The Nasdaq Stock Market or a national securities exchange.

⁴ Non-self-clearing broker-dealers generally are considered to have satisfied their reporting requirement by making appropriate arrangements with their respective clearing organizations. See NASD Notice to Members 03-08 (January 2003).

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6). When filing a proposed rule change pursuant to Rule 19b-4(f)(6) under the Act, an 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 grant this request.

¹⁸ 17 CFR 19b-4(f)(6)(iii).

¹⁹ 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).

²⁰ 17 CFR 200.30-3(a)(12).