The NSS is governed by the Federal Reserve's Operating Circular No. 12 (''Circular''). Under the Circular, DTC, as FICC's settlement agent, has certain responsibilities with respect to an indemnity claim made by a relevant Federal Reserve Bank as a result of the NSS process. FICC will apportion the entirety of any such liability to the MBSD clearing participant or clearing participants for whom the cash settling bank to which the indemnity claim relates is acting. This allocation will be done in proportion to the amount of each MBSD clearing participant's cash settlement amount on the business day in question. If for any reason such allocation is not sufficient to fully satisfy the Federal Reserve Bank's indemnity claim, then the remaining loss will be allocated among all MBSD clearing participants in proportion to their relative usage of the facilities of the MBSD based on fees for services during the period in which loss is incurred.

The proposed rule change also amends the GSD's rules regarding the use of the NSS. An additional category for eligible funds-only settling banks is added to include MBSD cash settling banks. This means that an MBSD cash settling bank would be able to become a GSD funds-only settling bank by signing the requisite agreements.

III. Discussion

The Commission previously approved a proposed rule change to FICC's GSD's rules to require funds-only settlement at GSD to be made through the NSS.[7] In the order granting approval of the GSD proposal, the Commission found that the rule change was designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities in FICC's possession or control or for which FICC is responsible under Section 17A(b)(3)(F) of the Act because the rule was designed to improve the efficiency of GSD's funds-only settlement process without affecting the responsibility of GSD's members to make their funds-only settlement payments on time.

The proposed rule change to Article II, Rule 8 of FICC's MBSD's Rules is essentially the same as the previously approved proposed rule change to GSD Rule 13. The new provisions to MBSD Rule 8 regarding the NSS, the new limited membership category for ''cash settling banks,'' and the procedures for processing payments through NSS are virtually identical to the provisions that are currently in GSD Rule 13. Accordingly, for the same reason we approved GSD Rule 13 we are approving MBSD Rule 8. Namely, that the NSS offered by the Federal Reserve System is a reliable and proven service that should promote the efficiency of cash settlement at MBSD and that the changes to MBSD Rule 8 with respect to membership financial requirements, transaction processing, and loss allocation are designed to prevent any risk of loss to MBSD or to its members. As a result, we find that the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions under Section 17A(b)(3)(F) of the Act and should not affect FICC's obligation under Section 17A(b)(3)(F) to assure the safeguarding of securities and funds in its possession or under its control or for which it is responsible.[8]

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–FICC–2006–13) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[9]

Nancy M. Morris,

Secretary.

[FR Doc. E6–20626 Filed 12–5–06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–54819; File No. SR–FICC–2006–17]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Clearing Fund Deficiency Calls

November 27, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on October 16, 2006, the Fixed Income Clearing Corporation (''FICC'') 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 prepared primarily by FICC. 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 proposed rule change would adjust the deadline for satisfying a clearing fund deficiency call from 10:30 a.m. to 9:30 a.m. in the Schedule of Timeframes in FICC's Government Securities Division (''GSD'') rulebook.

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

In its filing with the Commission, FICC 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. FICC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.[2]

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

The purpose of this rule filing is to amend GSD's rules to change the time when clearing fund deficiency calls are due from netting members. In 2005, the Commission approved a FICC rule filing that established the Federal Reserve's National Settlement System (''NSS'') as the method by which GSD netting members could satisfy their funds-only settlement amounts.[3] FICC believes that this rule filing improved GSD's funds-only settlement process because it created a more automated and centralized payment system for the satisfaction of funds-only settlement debits and credits. Through NSS, the GSD funds-only settlement debit and credit process is run by 10 a.m.[4] each business day.

Currently, clearing fund deficiency call payments are due from GSD netting members at 10:30 a.m. In addition, clearing fund deficiencies due to FICC from netting members must be satisfied prior to the release of funds-only

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[7] Securities Exchange Act Release No. 52853 (November 29, 2005), 70 FR 72682 (December 6, 2005) [File No. SR–FICC–2005–14].

[8] 15 U.S.C. 78q–1(b)(3)(F).

[9] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] The Commission has modified the text of the summaries prepared by FICC.

[3] Securities Exchange Act Release No. 52853 (Nov. 29, 2005), 70 FR 72682 (Dec. 6, 2005) [SR–FICC–2005–14].

[4] All times referenced herein are New York times.

settlement credits. When a netting member has not satisfied its clearing fund deficiency payment by approximately 9:50 a.m., GSD must remove that member from the automated NSS process and settle with them manually outside the NSS system. Such manual processing results in administrative burdens for FICC staff and undermines the efficiencies FICC sought to achieve by using the NSS system.

For this reason, FICC proposes to change the timing of GSD clearing fund deficiency calls to 9:30 a.m. from 10:30 a.m.[5] Doing so would enable GSD to resolve any unsatisfied deficiencies with netting members well in advance of the 10 a.m. funds-only settlement process that takes place through NSS and would allow GSD to better utilize the automated NSS process. GSD intends to implement the new timeframe for clearing fund deficiency calls on January 1, 2007.

As is currently the case in its rules, FICC will reserve the right to extend this deadline on days on which there are operational or systems difficulties that would reasonably prevent members from satisfying a deficiency call by 9:30 a.m.

FICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act[6] and the rules and regulations thereunder because it will improve the efficiency of FICC's margining and settlement processes and therefore will help FICC to safeguard securities and funds in its possession or for which it is responsible.

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

FICC does not believe that the proposed rule change will have any impact or impose any burden on competition.

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

FICC has not solicited or received written comments relating to the proposed rule change. FICC will notify the Commission of any written comments it receives.

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, 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*. Please include File No. SR–FICC–2006–17 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 No. SR–FICC–2006–17. 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 filing also will be available for inspection and copying at FICC's principal office and on FICC's Web site at *http://ficc.com/gov/gov.docs.jsp?NS-query=#rf*. 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 submission should refer to File No. SR–FICC–2006–17 and should be submitted on or before December 27, 2006.

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

Nancy M. Morris,

Secretary.

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[5] This rule filing does not affect a netting member's obligation to make its funds-only settlement payment to FICC on time.

[6] 15 U.S.C. 78q–1.

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–54825; File No. SR–NASDAQ–2006–047]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change To Clarify the Process Surrounding a Reverse Merger

November 28, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on November 13, 2006, The NASDAQ Stock Market LLC ("Nasdaq") 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 prepared by Nasdaq. 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 the Substance of the Proposed Rule Change

Nasdaq proposes to clarify the process an issuer must follow when applying for initial listing in connection with a transaction that is a reverse merger. Nasdaq would implement the proposed rule immediately upon approval. The text of the proposed rule change is below. Proposed new language is in *italic;* proposed deletions are in [brackets].[3]

* * * * *

4340. Application for Re-Listing by Listed Issuers

(a) Reverse Mergers. An issuer must apply for initial listing [following] *in*

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Changes are marked to the rule text that appears in the electronic manual of Nasdaq found at *http://www.complinet.com/nasdaq*.