

proposed rule change would clarify Nasdaq's listing requirements related to Reverse Mergers and thereby provide additional transparency to the rules. This proposed clarification is designed to protect investors and the public interest by allowing Nasdaq to confirm that the post-transaction entity will meet all initial criteria at the time it begins trading.

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

Nasdaq does not believe that the proposed rule change would result in 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*

Written comments 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 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2006-047 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2006-047. 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 also will be available for inspection and copying at the principal office of Nasdaq. 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-2006-047 and should be submitted on or before December 27, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Nancy M. Morris,**  
Secretary.

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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54822; File No. SR-NSCC-2006-11]

#### **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend its Rules and Procedures With Respect to Clearing Fund Collateral**

November 28, 2006.

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 October 3, 2006, the National Securities Clearing Corporation ("NSCC") 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 NSCC. 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 proposed rule change seeks to modify NSCC's Rules with respect to Clearing Fund collateral in order to improve liquidity and to minimize risk for NSCC and its members. NSCC has also made certain technical corrections to the text of Rule 4 to conform the rule to actual practice.<sup>3</sup>

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>4</sup>

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

Under NSCC's Rules,<sup>5</sup> members are required to make deposits to the Clearing Fund. The amount of each member's required deposit ("Required Deposit") is fixed by NSCC in accordance with one or more formulas. A member's Required Deposit may be satisfied with a cash deposit, and a portion of a member's Required Deposit may be evidenced by an open account indebtedness secured by Qualifying Bonds and/or one or more irrevocable letters of credit issued under certain guidelines established within NSCC's Rules.<sup>6</sup> NSCC haircuts the value that Qualifying Bonds receive when used to

<sup>3</sup> For example, the reference in Rule 4, Section 1 to the "market value" of Qualifying Bonds has been corrected to accurately reference the "collateral value" of Eligible Clearing Fund Securities.

<sup>4</sup> The Commission has modified the text of the summaries prepared by NSCC.

<sup>5</sup> Rule 4 (Clearing Fund), Procedure XV (Clearing Fund Formula and Other Matters), and Annex 1 (Version 2 of Procedure XV—Limited Applicability).

<sup>6</sup> Mutual Fund/Insurance Service Members are not permitted to use Qualifying Bonds or irrevocable letters of credit to satisfy their Required Deposits.

<sup>8</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.

meet a member's Clearing Fund requirement and will not allow a letter of credit to be used if by doing so more than twenty percent of NSCC's total Clearing Fund would consist of letters of credit issued by that approved letter of credit issuing bank. Each member is entitled to any Clearing Fund interest earned or paid on Qualifying Bonds and cash deposits.

NSCC proposes to modify its Rules to:

- (1) Expand the types of instruments which NSCC may accept as Qualifying Bonds ("Eligible Clearing Fund Securities") securing a member's open account Clearing Fund indebtedness and establish concentration requirements with regard to their use;
- (2) create a correlating range of haircuts to be applied to these expanded types of Eligible Clearing Fund Securities; and
- (3) eliminate letters of credit as a generally acceptable form of collateral securing the member's open account Clearing Fund indebtedness.

#### 1. Revised Clearing Fund Components

(a) *Cash*. The current Clearing Fund minimum cash deposit requirement will remain unchanged: each member must contribute a minimum of \$10,000 with the first forty percent but no less than \$10,000 of a member's Required Deposit being in cash.<sup>7</sup>

(b) *Securities*. NSCC proposes to replace the term Qualifying Bonds<sup>8</sup> with a new set of definitions for Eligible Clearing Fund Securities. These securities will be unmatured bonds which are either an Eligible Clearing Fund Agency Security, Eligible Clearing Fund Mortgage-Backed Security, or Eligible Clearing Fund Treasury Security. An Eligible Clearing Fund Agency Security will be defined as a direct obligation of those U.S. agencies or government sponsored enterprises as NSCC may designate from time to time that satisfies such criteria set forth in notices issued by NSCC from time to time. An Eligible Clearing Fund Mortgage-Backed Security will be defined as a mortgage-backed pass through obligation issued by those U.S. agencies or government sponsored enterprises as NSCC may designate from time to time that satisfies such criteria set forth in notices issued by NSCC from time to time. An Eligible Clearing Fund Treasury Security will be defined as a direct obligation of the U.S. Government that satisfies the criteria set forth in

notices issued by NSCC from time to time.

Initial eligibility criteria for each type of Eligible Clearing Fund Security will be announced to members in an Important Notice prior to the effective date of these proposed rule changes. Any future changes to the eligibility criteria will also be announced to members in Important Notices in advance of such changes becoming effective.

(c) *Security Concentration Provisions*. NSCC also proposes to establish security concentration provisions for Clearing Fund deposits. As is currently required, each member must contribute a minimum of \$10,000 with the first forty percent but no less than \$10,000 of a member's Required Deposit being in cash.<sup>9</sup> The remainder of a member's deposit may be secured by the pledge of Eligible Clearing Fund Securities in any combination of Eligible Clearing Fund Treasury Securities, Eligible Clearing Fund Agency Securities, and/or Eligible Clearing Fund Mortgage-Backed Securities, subject to the following two limitations. First, any deposits of Eligible Clearing Fund Agency Securities or Eligible Clearing Fund Mortgage-Backed Securities in excess of twenty-five percent of the member's Required Deposit will be subject to an additional haircut equal to twice the percentage noted in the haircut schedule. Second, no more than twenty percent of a member's Required Deposit secured by pledged Eligible Clearing Fund Agency Securities may be of a single issuer.<sup>10</sup>

(d) *Letters of Credit and Other Adequate Assurances*. Because letters of credit will no longer be accepted by NSCC as a form of Clearing Fund collateral,<sup>11</sup> the current requirements within NSCC's Rules that pertain to Letter of Credit Issuers will be modified to reflect this. For those members who currently have letters of credit posted as collateral (other than members, if any, that have been required to post letters of

credit for legal risk), effective April 1, 2007, (which date corresponds with the regular expiration date of letters of credit) members will be required to replace that portion of their Clearing Fund deposit with either cash or Eligible Clearing Fund Securities.

(e) *Implementation Timeframes*. The foregoing rule changes will become effective thirty days after an Important Notice is issued to members informing them that NSCC's systems are ready to accommodate such changes with the corresponding changes to NSCC's rules being made at that time.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>12</sup> and the rules and regulations thereunder because it will enable NSCC to diversify Clearing Fund collateral in order to improve liquidity and to minimize risk for NSCC and its members. As such, NSCC believes it will better enable NSCC to safeguard securities and funds in its possession or control or for which it is responsible.

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

NSCC 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

Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

### 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

<sup>9</sup> See *supra* note 6.

<sup>10</sup> No member may post as collateral Eligible Clearing Fund Agency Securities for which it is the issuer. However, a member may pledge Eligible Clearing Fund Mortgage-Backed Securities for which it is the issuer subject to a premium haircut. That haircut shall be fourteen percent as an initial matter, and if the member also exceeds the twenty-five percent concentration limit, the haircut shall be twenty-one percent.

<sup>11</sup> NSCC has found that in practice letters of credit are not as liquid as cash and securities, and therefore potentially pose more risk to NSCC and its members when accepted by NSCC as Clearing Fund collateral. NSCC will, however, reserve the right to require letters of credit from members in those instances where a particular member has been found, by NSCC in its discretion, to present legal risk.

<sup>12</sup> 15 U.S.C. 78q-1.

<sup>7</sup> See *supra* note 6.

<sup>8</sup> "Qualifying Bonds" is defined in Rule 4 as unmatured bonds that are either direct obligations of, or obligations guaranteed as to principal and interest by, the United States or its agencies.

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-NSCC-2006-11 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-NSCC-2006-11. 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 NSCC and on NSCC's Web site at <http://www.nsccl.com/legal/2006/2006-11.pdf>. 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-NSCC-2006-11 and should be submitted on or before December 27, 2006.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Nancy M. Morris,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54829; File No. SR-NSX-2006-13]

### Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 1 Thereto To Implement a Fee Schedule Under NSX Rule 16.1(a) and 16.1(c) for Transactions Executed Through NSX BLADE

November 29, 2006.

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 October 23, 2006, the National Stock Exchange, Inc. ("NSX" or "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 Exchange. On November 17, 2006, NSX submitted Amendment No. 1 to the proposed rule change. The Exchange has designated this proposal as one establishing or changing a due, fee, or other charge applicable only to a member imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) 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, as amended, 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 fee schedule pursuant to the newly approved Chapter XVI of the Exchange Rules. The Fee Schedule would apply to executions through NSX's new trading system, NSX BLADE. The fees for executions through the Exchange's current trading system, National Securities Trading System ("NSTS"),

during the phase-in period of NSX BLADE are the fees contained in old Exchange Rule 11.10. Below is the text of the proposed rule change, as amended. Proposed new language is in *italics*.

#### NATIONAL STOCK EXCHANGE, INC. FEE SCHEDULE

*For Executions via NSX BLADE<sup>SM</sup> as of October, 2006*

*The following reflects the Schedule of Fees (pursuant to Rule 16.1(a) and Rule 16.1(c)) for all transactions executed via the National Stock Exchange System known as NSX BLADE<sup>SM</sup> (the "System"):*

*1. Order Matching. Orders in Tape C securities that are matched in the System will be subject to the following rebates and execution fees (computed on a monthly basis):*

*A. Rebate for adding liquidity (per share executed):*

<i>Average Daily Shares of Liquidity Provided</i>	<i>Rebate for Adding Liquidity (Per Share Executed)</i>
<i>Greater than 30 million .....</i>	<i>.....</i>
<i>30 million or less .....</i>	<i>\$0.0027</i>

*B. Execution fee for removing liquidity: \$0.0030 per share executed.*

*2. Order Routing. Orders that are routed through the System and executed in another market center shall be charged \$0.0040 per share executed.*

\* \* \* \* \*

#### 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, as amended, 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 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

In anticipation of the approval of the new trading rules,<sup>5</sup> the Exchange

<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. 78s(b)(3)(A)(ii).

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

<sup>5</sup> See Securities Exchange Act Release No. 54391 (August 31, 2006), 71 FR 52836 (September 7, 2006) (order approving File No. SR-NSX-2006-08).

<sup>13</sup> 17 CFR 200.30-3(a)(12).