least: $0.125 for options trading under $2; $0.20 for options trading at or above $2 and up to $5; $0.25 for options trading above $5 and up to $10; $0.40 for options trading above $10 and up to $20; and $0.50 for options trading above $20. For series trading with bid-ask differentials that are a multiple of the widths established in Rule 8.7(b)(iv), the prescribed error amount would have the same multiple applied to the amounts prescribed above.

Second, the proposal revises the obvious price error provision as it relates to the handling of transactions involving only CBOE Market-Makers. Under the current rule, such erroneous price transactions are nullified. Under the proposal, CBOE-Market-Maker-to-CBOE-Market-Maker transactions would be subject to adjustment. In applying the proposed CBOE Market-Maker adjustment provision to index options and options on ETFs or HOLDRs, the adjustment price would be equal to the fair market value of the option minus the minimum error amount in the case of an erroneous sell transaction or the fair market value plus the minimum error amount in the case of an erroneous buy transaction. If the adjusted price is not in a multiple of the applicable minimum trading increment, the adjusted price would be rounded down (up) to the next price that is a multiple of the applicable minimum trading increment with respect to an erroneous sell (buy) transaction.

Third, the proposal would eliminate obvious quantity errors as a type of transaction that is subject to obvious error review. The elimination of this provision is consistent with the Exchange's current rule for equity options, which does not have an obvious error review for quantity errors.[5]

Lastly, the proposal would make various non-substantive changes to CBOE Rule 24.16, such as making cross-reference updates to correspond to the above-described revisions, changing the title of the rule to reflect its application to options on ETFs and HOLDRS (currently the title only references index options), clarifying that fair market value is to be determined by Exchange Trading Officials in accordance with the provisions of the definition of fair market value, and making other technical changes.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange[6] and, in particular, the requirements of Section 6(b) of the Act[7] and the rules and regulations thereunder. Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[8] in that the proposal promotes just and equitable principles of trade, prevents fraudulent and manipulative acts, removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest.

The Commission considers that in most circumstances trades that are executed between parties should be honored. On rare occasions, the price of the executed trade indicates an ''obvious error'' may exist, suggesting that it is unrealistic to expect that the parties to the trade had come to a meeting of the minds regarding the terms of the transaction. In the Commission's view, the determination of whether an ''obvious error'' has occurred should be based on specific and objective criteria and subject to specific and objective procedures. The revised scale for identifying the minimum error amount for an obvious price error and the elimination of obvious quantity errors set out a clear and objective methodology for determining when an obvious error has occurred. The proposed amendments with respect to obvious error transactions involving only CBOE Market Makers also establish specific and objective criteria governing the adjustment of such trades. In addition, the technical conforming and clarifying changes made by the proposed rule change, including the clarification with respect to the role of Trading Officials, should help facilitate understanding and application of CBOE Rule 24.16. Therefore, the Commission believes that the proposed rule change is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[9] that the proposed rule change (SR–CBOE–2006–62), as modified by Amendment No. 1, be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E7–2405 Filed 2–12–07; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–55239; File No. SR–DTC–2006–15]

Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to the Canadian Link Service

February 5, 2007.

I. Introduction

On October 10, 2006, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') proposed rule change SR–DTC–2006–15 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on December 8, 2006.[2] No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

The proposed rule change amends DTC's Rule 30, Canadian-Link Service, to allow certain Canadian-Link transactions to settle in U.S. dollars. DTC's Canadian-Link Service currently allows participants of DTC (''DTC Participants'') to clear and settle two categories of securities transactions in Canadian dollars: (1) transactions with participants of The Canadian Depository for Securities Limited CDS (''CDS Participants'') and (2) transactions with other DTC Participants. The Canadian-Link Service also allows DTC Participants to transfer Canadian dollar funds to CDS Participants through the facilities of CDS and to other DTC Participants through Canadian settlement banks acting for DTC and

offer for the series (across all exchanges trading the option). In multiply listed issues, if there are no quotes for comparison purposes, fair market value shall be determined by Trading Officials. For singly-listed issues and for transactions occurring as part of the Rapid Opening System (''ROS trades'') or Hybrid Opening System (''HOSS''), the Exchange clarified in the proposed rule change that the fair market value shall be the midpoint of the first quote after the transaction(s) in question that does not reflect the erroneous transaction(s).

[5] *See* CBOE Rule 6.25(a).

[6] In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78f(b)(5).

[9] 15 U.S.C. 78s(b)(2).

[10] 17 CFR 200.30–3(a)(12).

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

[2] Securities Exchange Act Release No. 54855, (December 1, 2006), 71 FR 71206.

such DTC Participants. The proposed rule change would add an additional functionality to the Canadian-Link Service to allow DTC Participants to settle certain securities transactions with CDS Participants in U.S. dollars (''cross border U.S. dollar securities transactions''). Set forth below is a description of the current Canadian-Link Service and a description of the proposed change.

Current Functionality of the Canadian-Link Service

The Canadian-Link Service currently allows DTC Participants to clear and settle valued securities transactions in Canadian dollars with CDS Participants through the link between DTC and CDS. The securities that may be the subject of these transactions are securities that are eligible for book-entry transfer through the facilities of CDS and DTC (''Full-Service Canadian-Link Securities'') and securities that are eligible for book-entry transfer through the facilities of CDS but not through DTC (''Limited Service Canadian-Link Securities''). The securities are delivered to and from CDS Participants through the facilities of CDS. Money settlement between DTC and CDS is included in Canadian dollar money settlement at CDS. Money settlement between DTC and DTC Participants takes place between Canadian settlement banks acting for DTC and such DTC Participants.

The Canadian-Link Service allows DTC Participants to clear and settle valued transactions in Canadian dollars with other DTC Participants through the facilities of DTC. The securities that may be the subject of these transactions are Full-Service Canadian-Link Securities. The securities are delivered to and from DTC Participants through the facilities of DTC. Money settlement between DTC and DTC Participants takes place through Canadian settlement banks acting for DTC and such DTC Participants.

The Canadian-Link Service allows DTC Participants to transfer Canadian dollar funds without any corresponding delivery or receipt of securities to CDS Participants or other DTC Participants. Transactions between DTC Participants and CDS Participants are processed through the facilities of CDS. Transactions between DTC Participants and other DTC Participants are processed through Canadian settlement banks acting for such DTC Participants.

The proposed rule change would not change any of the existing components of the Canadian-Link Service and except for cross border U.S. dollar securities transactions, as set forth below, would not change how securities transactions are currently processed through the Canadian-Link Service.

Enhancement to the Canadian-Link Service

The proposed rule change enhances the Canadian-Link Service to allow DTC Participants to clear and settle certain valued securities transactions in U.S. dollars with CDS Participants through the link between DTC and CDS.[3] The securities that will be the subject of U.S. dollar settlement are Limited-Service Canadian-Link Securities (*i.e.*, securities that are eligible for book-entry transfer through the facilities of CDS but not DTC). The securities will be delivered to and from CDS Participants through the facilities of CDS. Money settlement between DTC and CDS will be included in U.S. dollar money settlement at DTC. Money settlement between DTC and DTC Participants will also be included in U.S. dollar money settlement at DTC together with the settlement of DTC Participants' other transactions at DTC. As the foregoing indicates, these cross border U.S. dollar securities transactions will be processed in substantially the same way that transactions are now processed except that these transactions would settle in U.S. dollars rather than in Canadian dollars and the place of money settlement will be at DTC rather than at CDS or through Canadian settlement banks.

The proposed rule change also adds new definitions to DTC Rule 30 to distinguish between transactions between DTC Participants and CDS Participants (''Cross-Border Securities Transactions'') and transactions between only DTC Participants (''Intra-DTC Securities Transactions''). The proposed rule change also adds new definitions to distinguish between transactions that settle in U.S. dollars and transactions that settle in Canadian dollars (for example, ''Cross-Border CAD Securities Transactions'' and ''Intra-DTC USD Securities Transactions'').

Risk Management Controls

Set forth below is a description of DTC's risk management controls with respect to the Canadian-Link Service and how these risk management controls will be affected as a result of the proposed rule change.

[3] DTC has represented to the Commission that some transactions executed in Canadian markets, either on a stock exchange or over-the-counter, are settled in U.S. dollars. Transactions that settle in U.S. dollars are reported to DTC in U.S. dollar amounts. DTC does not convert settlement amounts from Canadian to U.S. dollars.

1. *Canadian-Link Required Participants Fund Deposit.* A DTC Participant that uses the Canadian-Link Service is currently required to make an additional required deposit to the DTC participants fund that is determined in accordance with a formula that takes into account the volume of cross-border Canadian dollar securities transactions processed by DTC for such DTC Participant. Under the proposed rule change, such formula will also take into account the volume of cross-border U.S. dollar securities transactions processed by DTC for such DTC Participant.

2. *Security for Canadian-Link Transactions.* A DTC Participant that uses the Canadian-Link Service is currently required to pledge to DTC its interest in the securities subject to cross-border Canadian dollar securities transactions that are held by DTC for such DTC Participant at CDS. Under the proposed rule change, such DTC Participant will also be required to pledge to DTC its interest in the securities subject to cross-border U.S. dollar securities transactions that are held by DTC for such DTC Participant at CDS.

3. *Canadian-Link Service Net Debit Caps of Canadian-Link Participants.* A DTC Participant that uses the Canadian-Link Service is currently subject to a net debit cap on the negative Canadian dollar balance that may, from time to time, be incurred by such DTC Participant with respect to its use of the Canadian-Link Service. Under the proposed rule change, a DTC Participant will also be subject to a net debit cap on the negative U.S. dollar balance that may from time to time be incurred by such DTC Participant with respect to its cross-border U.S. dollar securities transactions. The proposed rule change will add new definitions to DTC Rule 30 to take into account that there will be separate Net Debit Caps for U.S. and for Canadian dollar transactions.

4. *Collateral Monitor of Canadian-Link Participants.* A DTC Participant that uses the Canadian-Link Service is currently subject to the DTC collateral monitor with respect to its use of the Canadian-Link Service. Under the proposed rule change, a DTC Participant will also be subject to the DTC collateral monitor with respect to its cross-border U.S. dollar securities transactions.

As the foregoing indicates, cross-border U.S. dollar securities transactions will be subject to essentially the same risk management controls that are already applicable to the other securities transactions currently processed through the Canadian-Link Service.

III. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission first approved Rule 30 to permit DTC to provide the Canadian-Link Service in 2005.[4] In its order granting approval of Rule 30, the Commission found that rule satisfies the requirements of Section 17A of the Act because while streamlining the clearance and settlement of Canadian Dollar transactions at DTC, it includes sufficient procedures to assure the safeguarding of securities and funds which are in DTC's custody or control or for which it is responsible.

The proposed rule change, by adding to the transactions that are eligible to be cleared and settled through the Canadian-Link Service, is designed to encourage more CDS-Link Participants to use and to benefit from the operational and cost efficiencies of the Canadian-Link Service. We are satisfied with DTC's description of the rule change as an enhancement that does not otherwise affect the operation of the Canadian-Link Service as it was previously approved by the Commission. In addition, the corresponding changes made to DTC's risk management procedures and the clarifying amendments made to the terminology in Rule 30 should assure that DTC can offer U.S. Dollar settlement for the Canadian-Link Service without affecting DTC's ability to safeguard securities and funds which are in its custody or control or for which it is responsible.

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.[5]

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–DTC–2006–15) be and hereby is approved.

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

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E7–2419 Filed 2–12–07; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–55244; File No. SR–NYSE–2007–11]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rule 122 (Orders With More Than One Broker) Until the Availability of Full d-Quote Functions in a Particular Security or March 5, 2007, Whichever Comes First

February 5, 2007.

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 February 5, 2007, the New York Stock Exchange LLC (''NYSE'' 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 self-regulatory organization. NYSE filed the proposed rule change pursuant to Section 19(b)(3) of the Act[3] and Rule 19b–4(f)(6) thereunder,[4] which renders the proposed rule change effective upon filing with the Commission. 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 Exchange proposes to continue the Floor brokers' ability to maintain discretionary e-Quotes (''d-Quotes'')[5] and CAP–DI orders[6] in a security on the same side of the market for the same order that are capable of trading at the same price until the completion of Phase IV implementation of the HYBRID MARKET℠ (''Hybrid Market'') in the relevant security or until March 5, 2007, whichever comes first. The text of the proposed rule change is available on the Exchange's Web site (*www.nyse.com*), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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 self-regulatory organization included statements concerning the purpose of and basis for 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

1. Purpose

On October 25, 2006, the Exchange filed with the Commission an amendment to Rule 122 to permit Floor brokers to enter d-Quotes and CAP–DI orders in a security on the same side of the market for the same underlying order that are capable of trading at the same price until the implementation of full d-Quoting functionality in the relevant security or until February 5, 2007, whichever came first.[7]

On January 25, 2007, the Exchange commenced the implementation of Phase IV of the Hybrid Market, which includes the remaining d-Quote functions: (i) The ability to trade against non-marketable interest within a Floor broker's discretionary range and (ii) routing control for Floor brokers with respect to d-Quotes.[8]

The Exchange anticipates that the implementation of Phase IV will not be completed as originally anticipated by February 5, 2007. Through this filing the Exchange therefore requests to extend Floor brokers' ability to enter d-Quotes and CAP–DI orders in a security on the same side of the market for the same orders that are capable of trading at the same price until the implementation of

[4] Securities Exchange Act Release No. 52784 (November 16, 2005), 71 FR 70902 (November 23, 2005) (File No. SR–DTC–2005–08).

[5] In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

[6] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(3)(A).

[4] 17 CFR 240.19b–4(f)(6).

[5] *See* Securities Exchange Act Release No. 54577 (October 5, 2006), 71 FR 60208 (October 12, 2006) (SR–NYSE–2006–36).

[6] *See* Exchange Rules 13 and 123A.30(a). Exchange Rule 123A.30(a) describes a CAP–DI order as: ''The elected or converted portion of a 'percentage order that is convertible on a destabilizing tick and designated immediate execution or cancel election' (''CAP–DI order'') may be automatically executed and may participate in a sweep.''

[7] *See* Securities Exchange Act Release No. 54653 (October 26, 2006), 71 FR 64594 (November 2, 2006) (SR–NYSE–2006–94).

[8] Other d-Quote functions were implemented in Phase III.