

filing, concurrently with this proposal, a separate proposal to charge a fee to recipients of orders that are sent through this service.<sup>8</sup>

The Exchange would provide these routing services in compliance with its rules and with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements of Sections 6(b)(4) and (5) of the Act<sup>9</sup> that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

## 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).<sup>10</sup> The Exchange believes that the proposed changes are consistent with Section 6(b)(5) of the Act,<sup>11</sup> because they 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 confirming that the CHX would operate its routing services as a facility of the Exchange, in a manner consistent with the requirements of the Act.

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

The Exchange does not believe that the proposed rule changes 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.

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

The Exchange has designated the proposed rule change as one that: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and

manner of operation of any destination to which the participant asked that an order be routed.

<sup>8</sup> See File No. SR-CHX-2006-36.

<sup>9</sup> 15 U.S.C. 78f(b)(4)-(5).

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

(iii) does not become operative for 30 days from the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Therefore, the foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

Pursuant to Rule 19b-4(f)(6)(iii) under the Act, a proposal does not become operative for 30 days after the date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The CHX has requested that the Commission waive the 30-day operative delay. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because it will allow participants to begin to utilize the proposed routing function in connection with the implementation of the Exchange's new trading model. For these reasons, the Commission designates that the proposed rule change become operative immediately.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the 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.

## 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-CHX-2006-34 on the subject line.

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). Pursuant to Rule 19b-4(f)(6)(iii) under the Act, the 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 waive this requirement for this filing.

## 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-CHX-2006-34. 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 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 No. SR-CHX-2006-34 and should be submitted on or before December 28, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E6-20719 Filed 12-6-06; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54833; File No. SR-CHX-2006-33]

### Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Amending Rules To Require Listed Companies To Make Securities Eligible for the Direct Registration System

November 29, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>14</sup> 17 CFR 200.30-3(a)(12).

("Act"),<sup>1</sup> notice is hereby given that on October 30, 2006, the Chicago Stock Exchange, Inc. ("CHX") 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 CHX. 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**

CHX proposes to amend its listing standards to require certain issuers to make their securities eligible for a Direct Registration System ("DRS") operated by a securities depository registered as a clearing agency under Section 17A of the Act.

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

In its filing with the Commission, CHX 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. CHX has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>2</sup>

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

##### **(1) Purpose**

The Direct Registration System ("DRS") allows an investor to establish, either through an issuer's transfer agent or through the investor's broker-dealer, a book-entry position in a security and to electronically transfer that position between the transfer agent and the investor's broker-dealer through a facility currently administered by The Depository Trust Company ("DTC").<sup>3</sup> DRS, therefore, enables an investor to have securities registered in her name without having a securities certificate

issued to her and to electronically transfer her securities to her broker-dealer in order to effect a securities transaction without the risk and delays associated with the use of securities certificates.

Investor holding securities in DRS retain the rights associated with securities certificates (such as voting) without the responsibility of holding and safeguarding those certificates. In addition, corporate actions (such as reverse stock splits and mergers) can be handled electronically with no securities certificates to be returned to or received from the transfer agent.

To reduce the number of transactions in securities for which settlement is effected by the physical delivery of securities certificates to and reduce the risks, costs, and delays associated with the physical processing of securities certificates, the CHX seeks to amend its listing standards by adding paragraph (h) to Rule 1<sup>4</sup> that would require certain issuers to make their securities eligible for DRS.<sup>5</sup> As proposed, the new rule would require that any security initially listing on CHX on or after January 1, 2007, must be eligible for a DRS that is operated by a securities depository.<sup>6</sup> This requirement, however, would not extend to (i) securities of companies which already have securities listed on CHX, (ii) securities of companies which immediately prior to such listing had securities listed on another national securities exchange, (iii) derivative products, or (iv) securities (other than stocks) which are book-entry only. Under the proposed rule, on and after January 1, 2008, all securities listed on CHX must be eligible for a DRS that is operated by a securities depository.<sup>7</sup>

CHX understands that issuers and transfer agents may incur initial costs when making an issue DRS-eligible. As an initial matter, the issuer must have

<sup>4</sup> The exact text of the CHX proposed rule change is set forth in its filing, which can be found at [http://www.chx.com/rules/proposed\\_rules.htm](http://www.chx.com/rules/proposed_rules.htm).

<sup>5</sup> The Commission has approved rule changes filed by the New York Stock Exchange LLC, NASDAQ Stock Market LLC, the American Stock Exchange LLC, and the NYSE Arca, Inc. that would require certain listed companies securities become DRS eligible. Securities Exchange Act Release Nos. 54289 (August 8, 2006), 71 FR 47278 (August 16, 2006) [File No. SR-NYSE-2006-29]; 54288 (August 8, 2006), 71 FR 47276 (August 16, 2006) [File No. SR-NASDAQ-2006-008]; 54290 (August 8, 2006), 71 FR 47262 (August 16, 2006) [File No. SR-Amex-2006-40]; 54410 (September 7, 2006), 71 FR 54316 (September 14, 2006) [File No. SR-NYSE Arca-2006-31].

<sup>6</sup> Under the proposed rule, a "securities depository" would mean a securities depository registered as a clearing agency under Section 17A(b)(2) of the Act.

<sup>7</sup> Securities (other than stock) that are book-entry-only and derivative products would continue to be excluded from the DRS requirement.

a transfer agent that is a DRS Limited Participant.<sup>8</sup> Transfer agents will need to meet certain DTC criteria, such as insurance and connectivity requirements in order to become DRS Limited Participants and an issuer's corporate documents, such as its bylaws or corporate charters, may need to be amended to permit the issuance of book-entry shares. CHX believes that the proposed deadlines as set forth above would allow issuers and transfer agents an appropriate amount of time to meet applicable requirements.

##### **(2) Statutory Basis**

CHX believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange. In particular, the proposed rule change is consistent with Section 6(b)(5) of the Act because it would promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest by confirming that certain CHX's issuers would be required to make their securities eligible for a DRS operated by a securities depository.<sup>9</sup>

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

CHX 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 Act.

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

CHX has neither solicited nor received written comments on the proposed rule change.

### **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:

<sup>8</sup> DTC's rules require that a transfer agent (including an issuer acting as its own transfer agent) acting for a company issuing securities in DRS must be a DRS Limited Participant. Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600 (November 15, 1996), [File No. SR-DTC-96-15].

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission has modified portions of the text of the summaries prepared by the CHX.

<sup>3</sup> Currently, the only registered clearing agency operating a DRS is DTC. For a description of DRS and the DRS facilities administered by DTC, see Securities Exchange Act Release Nos. 37931 (November 7, 1996), 61 FR 58600 (November 15, 1996), [File No. SR-DTC-96-15] (order granting approval to establish DRS) and 41862 (September 10, 1999), 64 FR 51162 (September 21, 1999), [File No. SR-DTC-99-16] (order approving implementation of the Profile Modification System).

(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 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-CHX-2006-33 in 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-2006-33. 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 CHX and on CHX's Web site, [www.chx.com](http://www.chx.com). 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-2006-33 and should be submitted on or before December 28, 2006.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Nancy M. Morris,  
Secretary.

[FR Doc. E6-20731 Filed 12-6-06; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54841; File No. SR-ISE-2006-69]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Fee Changes

November 30, 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 November 27, 2006, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The ISE has designated this proposal as one changing a fee imposed by the ISE 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 from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The ISE is proposing to amend its Schedule of Fees to extend until June 30, 2007, a pilot program that (i) caps and waives execution and comparison fees for transactions in options on the NASDAQ-100 Index Tracking Stock® ("QQQQ®") when a member transacts a certain number of QQQQ option contracts, and (ii) reduces and waives the facilitation execution and comparison fees when a member

transacts a certain number of contracts through the Exchange's Facilitation Mechanism. The text of the proposed rule change is available on the Exchange's Web site at (<http://www.iseoptions.com/legal/proposed-rule-changes.asp>), at the ISE's principal office, 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 ISE 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 ISE 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

The ISE proposes to amend its Schedule of Fees to extend until June 30, 2007, a pilot program that (i) caps and waives execution and comparison fees for transactions in options on the QQQQ when a member transacts a certain number of QQQQ option contracts, and (ii) reduces and waives the facilitation execution and comparison fees when a member transacts a certain number of contracts through the Exchange's Facilitation Mechanism.<sup>5</sup>

Under the QQQQ pilot program, when a member's monthly average daily volume ("A.D.V.") in QQQQ options reaches 10,000 contracts, the member's execution fee for the next 2,000 QQQQ option contracts is reduced by \$.10 per contract.<sup>6</sup> Further, when a member's monthly A.D.V. in QQQQ options reaches 12,000 contracts, the Exchange waives the entire execution fee and the comparison fee for each QQQQ option contract traded thereafter. The Exchange instituted this pilot program in November 2003 for a six month period,

<sup>5</sup> Earlier this year, the Exchange amended the pilot program by increasing the threshold levels at which the fee waiver and reduction applied. See Securities Exchange Act Release No. 54016 (June 19, 2006), 71 FR 36575 (June 27, 2006).

<sup>6</sup> Telephone conversation between Samir Patel, Assistant General Counsel, ISE, and Hong-anh Tran, Special Counsel, Division of Market Regulation, Commission, on November 28, 2006 (clarifying that the A.D.V. threshold is calculated on a monthly basis).

<sup>10</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.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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