

have the fingerprints of their partners, directors, officers, and employees processed by the Attorney General of the United States or his designee (hereinafter "Attorney General") as required by Section 17(f)(2) and Rule 17f-2, thereunder. NASD, pursuant to a Plan filed with and declared effective by the Commission, processes fingerprint records of securities industry participants as described herein consistent with those provisions.

NASD accepts fingerprints and identifying information from member firms and other securities industry participants required to be fingerprinted pursuant to Rule 17f-2. Securities industry participants may submit fingerprints and identifying information on paper or electronically, provided such submissions are consistent with protocols and requirements established by the Attorney General.

NASD accepts a single set of fingerprints and identifying information for an associated person in lieu of separate fingerprint submissions by affiliated NASD member firms with which the individual is associated in satisfaction of the Section 17(f)(2) fingerprinting requirement, provided that the NASD affiliate member firms are under common ownership or control as reported on Form BD, and that affiliate information is provided with the initial application for registration.

NASD transmits fingerprints and identifying information, on paper or electronically, to the Attorney General for identification and processing, consistent with protocols and requirements established by the Attorney General.

NASD receives processed results from the Attorney General (on paper or electronically) and transmits those results via paper or electronic means to authorized recipients (*i.e.*, to a member or other securities industry participant that submitted the fingerprints and to regulators for licensing, registration and other regulatory purposes), consistent with protocols and requirements established by the Attorney General. In cases where the Attorney General's search on the fingerprints submitted fails to disclose prior arrest data, NASD transmits that result to the securities industry participant that submitted the fingerprints. In cases where the Attorney General's search yields Criminal History Record Information (CHRI), NASD transmits that information to the securities industry participant that submitted the fingerprints. With respect to members, NASD also reviews any CHRI returned by the Attorney General to identify persons who may be subject to statutory

disqualification under the Exchange Act and to take action, as appropriate, with respect to such persons.

NASD advises its members and member applicants of the availability of fingerprint services and any fees charged by NASD in connection with those services and the processing of fingerprints pursuant to this Plan. NASD will file any such NASD member fees with the Commission pursuant to Section 19(b) of the Exchange Act.

NASD maintains copies of fingerprint processing results received from the Attorney General with respect to fingerprints submitted by NASD pursuant to this Plan, in accordance with NASD's Record Retention Plan filed with the Commission. Any maintenance of fingerprint records by NASD shall be for NASD's own administrative purposes, and NASD is not undertaking to maintain fingerprint records on behalf of NASD members pursuant to Rule 17f-2(d)(2). NASD records in the Central Registration Depository (CRD®) the status of fingerprints submitted to the Attorney General. Through the CRD system, NASD makes available to a member that has submitted fingerprints the status and results of such fingerprints after submission to the Attorney General.

NASD shall not be liable for losses or damages of any kind in connection with its fingerprinting services, as a result of its failure to follow, or properly to follow, the procedures described above, or as a result of lost or delayed fingerprint cards, electronic fingerprint records, or fingerprint reports, or as a result of any action by NASD or NASD's failure to take action in connection with this Plan.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53752; File No. SR-PCX-2006-14]

Self-Regulatory Organizations; Pacific Exchange, Inc. (n/k/a NYSE Arca, Inc.); Order Approving Proposed Rule Change To Reduce the Fee Charged to a Lead Market Maker When It Transfers Options Issues to Another Lead Market Maker

May 2, 2006.

I. Introduction

On February 23, 2006, the Pacific Exchange, Inc. (n/k/a NYSE Arca, Inc.) ("Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change

pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² to reduce the fee charged to a Lead Market Maker ("LMM") when it transfers options issues to another LMM. The proposed rule change was published for comment in the **Federal Register** on March 20, 2006.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

In its filing, the Exchange proposed to reduce the fee charged to an LMM, when the LMM transfers an allocated options issue to another LMM. The Exchange presently charges an LMM a \$1000 fee, per issue, in the event that the LMM transfers the issue to another LMM, in accordance with the Exchange's allocation procedures. The \$1000 per issue fee is subject to a cap when multiple issues are included as part of the same transfer. Under the new proposal, the fee will be \$100 per issue transferred. The new lower fee will not be subject to a rate cap when multiple issues are transferred.

The Exchange proposes to make this fee effective retroactive to September 26, 2005, which coincides with the date that Archipelago Holdings Inc. acquired the Exchange ("Merger"). The Exchange will review all transfers that have occurred or may occur from September 26, 2005 through the effective date of this proposal and will make any fee adjustments that are deemed warranted pursuant to the proposed rate schedule contained in this filing.

III. Discussion

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b) of the Act⁴ and the rules and regulations thereunder applicable to a national securities exchange.⁵ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(4) of the Act,⁶ which requires, among other things, that an exchange's rules provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities. The

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 53476 (March 13, 2006), 71 FR 14046.

⁴ 15 U.S.C. 78f(b).

⁵ In approving the proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁶ 15 U.S.C. 78f(b)(4).

Commission notes that, following the Merger, new management of the Exchange has reviewed fees and charges and determined to make this fee reduction retroactive to the date of the Merger.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (SR-PCX-2006-14) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Nancy M. Morris,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53754; File No. SR-Phlx-2006-25]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to its Equity Options Payment for Order Flow Program

May 3, 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 April 19, 2006, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 prepared by the Exchange. The Phlx has designated this proposal as one changing a fee imposed by the Phlx under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ 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 Phlx proposes to amend its equity options payment for order flow program to rebate, on a quarterly basis, any excess payment for order flow funds

that were collected but not requested for rebate by a specialist or Directed Registered Options Trader ("ROT"). The Exchange would calculate after the end of each calendar quarter, any excess funds from the previous calendar quarter and would rebate, on a pro-rata basis, to the applicable specialists, Directed ROTs and ROTs who paid into that pool of funds. Rebated funds would be reflected as a credit on the members' invoices.

The Phlx states that the proposal would remain in effect as part of the Exchange's payment for order flow pilot program that is currently scheduled to expire on May 27, 2006.⁵

Below is the text of the proposed rule change. Proposed additions are *italicized*.

SUMMARY OF EQUITY OPTION CHARGES (p. 3/6)

* * * * *

REAL-TIME RISK MANAGEMENT FEE

\$.0025 per contract for firms/members receiving information on a real-time basis.

EQUITY OPTION PAYMENT FOR ORDER FLOW FEES*

(1) For trades resulting from either Directed or non-Directed Orders that are delivered electronically and executed on the Exchange: Assessed on ROTs, specialists and Directed ROTs on those trades when the specialist unit or Directed ROT elects to participate in the payment for order flow program.* * *

(2) No payment for order flow fees will be assessed on trades that are not delivered electronically.

QQQQ (NASDAQ-100 Index Tracking StockSM)—\$.075 per contract.

Remaining Equity Options, except FXI Options—\$.060 per contract.

See Appendix A for additional fees.

* Assessed on transactions resulting from customer orders. This proposal will be in effect for trades settling on or after October 1, 2005 and will remain in effect as a pilot program that is scheduled to expire on May 27, 2006.

* * * Any excess payment for order flow funds billed but not utilized by the specialist or Directed ROT will be carried forward unless the Directed ROT or specialist elects to have those funds rebated to the applicable ROT, Directed ROT or specialist on a pro rata basis,

reflected as a credit on the monthly invoices. *At the end of each calendar quarter, the Exchange will calculate the amount of excess funds from the previous quarter and subsequently rebate excess funds on a pro-rata basis to the applicable ROT, Directed ROT or specialist who paid into that pool of funds.*

* * * * *

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 Phlx 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 Phlx 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

According to the Phlx, currently, the following payment for order flow rates are in effect at the Exchange: (1) Equity options other than QQQQ⁶ and FXI Options are assessed \$.060 per contract; (2) options on QQQQ are assessed \$.075 per contract; and (3) no payment for order flow fees are assessed on FXI Options.⁷ Trades resulting from either Directed or non-Directed Orders that are delivered electronically over AUTOM and that are executed on the Exchange, are assessed a payment for order flow fee, while non-electronically-delivered

⁶ The Nasdaq-100®, Nasdaq-100 Index®, Nasdaq®, The Nasdaq Stock Market®, Nasdaq-100 SharesSM, Nasdaq-100 TrustSM, Nasdaq-100 Index Tracking StockSM, and QQQSM are trademarks or service marks of The Nasdaq Stock Market, Inc. ("Nasdaq") and have been licensed for use for certain purposes by the Philadelphia Stock Exchange pursuant to a License Agreement with Nasdaq. The Nasdaq-100 Index® ("Index") is determined, composed, and calculated by Nasdaq without regard to the Licensee, the Nasdaq-100 TrustSM, or the beneficial owners of Nasdaq-100 SharesSM. The Exchange states that Nasdaq has complete control and sole discretion in determining, comprising, or calculating the Index or in modifying in any way its method for determining, comprising, or calculating the Index in the future.

⁷ Specialists and Directed ROTs who participate in the Exchange's payment for order flow program are assessed a payment for order flow fee, in addition to ROTs. See Securities Exchange Act Releases Nos. 52568 (October 6, 2005), 70 FR 60120 (October 14, 2005) (SR-Phlx-2005-58) and 53078 (January 9, 2006), 71 FR 2289 (January 13, 2006) (SR-Phlx-2005-88).

⁷ 15 U.S.C. 78s(b)(2).

⁸ 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)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ The Exchange states that the current payment for order flow program is in effect as a pilot program that is scheduled to expire on May 27, 2006, the same date as the one-year pilot program in effect in connection with Directed Orders. See Securities Exchange Act Release No. 51759 (May 27, 2005), 70 FR 32860 (June 6, 2005) (SR-Phlx-2004-91).