

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55624; File No. SR-NSX-2007-04]

### Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Effective Period for Rule 2.12 Regarding Third-Party Routing Services in Respect of Orders Entered Into NSX BLADE

April 12, 2007.

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 April 3, 2007, 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 and II below, which Items have been substantially prepared by NSX. The Exchange has filed the proposal as a "non-controversial" rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it 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 is proposing to extend the effective period for Rule 2.12, which describes the terms under which the Exchange provides routing services procured from a third party with respect to orders entered into its new state of the art trading system, NSX BLADE. The text of the proposed rule change is available at NSX, the Commission's Public Reference Room, and <http://www.nsx.com>.

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

In its filing with the Commission, NSX 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. NSX 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 Exchange is proposing to amend Exchange Rules 2.11 and 2.12 to extend the effective period for Rule 2.12 (relating to the Exchange's use of a third party to provide outbound routing of orders from the Exchange to other trading centers ("Routing Services")) through June 30, 2007, and to delay the effectiveness of Rule 2.11 (relating to the outbound routing function of the Exchange's affiliate, NSX Securities, LLC ("NSX Securities")) until July 1, 2007.

Rule 2.11 provides for certain terms and conditions under which NSX Securities, an affiliate of the Exchange, will provide Routing Services. Rule 2.11 was approved by the Commission in connection with the approval of the Exchange's new trading rules relating to NSX BLADE on August 31, 2006.<sup>5</sup> The Exchange subsequently filed and received approval for the addition of Rule 2.12, which provides for terms and conditions of the Exchange's use of a third party to provide Routing Services.<sup>6</sup>

Rule 2.12 currently provides that it is effective through February 28, 2007, with Rule 2.11 becoming effective on March 1, 2007. In connection with the rule filing adding Rule 2.12,<sup>7</sup> the Exchange requested this finite period of effectiveness so that the Exchange could offer routing services through NSX BLADE while NSX Securities completed its registration process as a broker-dealer with the National Association of Securities Dealers, Inc. (and thus became available to provide routing services),<sup>8</sup> and while the Exchange evaluated its options for providing routing services to ETP Holders.

In the instant rule filing, the Exchange is proposing to extend the effectiveness of Rule 2.12 through June 30, 2007, and to delay the effectiveness of Rule 2.11 until July 1, 2007, in order to allow the Exchange more time to evaluate its options for providing routing services to

ETP Holders. The ability to route orders entered into NSX BLADE to away markets for execution at the best available prices is a key feature of NSX's new system.

The Exchange intends to provide routing services in accordance with Rule 2.12 until June 30, 2007, unless the Exchange, with the Commission's approval, amends Rule 2.12 before such date. During such time period, the Exchange intends to evaluate its options for providing routing services. At the conclusion of such time period, the Exchange may decide to (i) Continue the approach provided for in Rule 2.12 on a permanent basis, and not use NSX Securities as the outbound router (by filing a proposed rule change to delete Rule 2.11 and renumbering Rule 2.12); (ii) use the Exchange's original approach of NSX Securities as an outbound router and discontinue the approach provided for in Rule 2.12 (by filing a proposed rule change to delete Rule 2.12) or (iii) file a proposed rule change to allow ETP Holders to use either NSX Securities or the approach provided for in proposed Rule 2.12 for outbound routing.

##### 2. Statutory Basis

NSX believes the proposed rule change is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange 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

No written comments were either solicited or received.

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

Because the foregoing rule change does not: (1) Significantly affect the protection of investors or the public

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

<sup>6</sup> See Securities Exchange Act Release No. 54808 (November 21, 2006), 71 FR 69163 (November 29, 2006) (SR-NSX-2006-15).

<sup>7</sup> *Id.*

<sup>8</sup> In January 2007, NSX Securities' application for registration as a broker-dealer was approved by the National Association of Securities Dealers, Inc. As of March 1, 2007, the Exchange had not yet begun using NSX Securities for routing services.

<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).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

interest; (2) impose any significant burden on competition; and (3) become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6) thereunder.<sup>12</sup>

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.<sup>13</sup> However, Rule 19b-4(f)(6)(iii)<sup>14</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange 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 such waiver would permit the Exchange to immediately update the effective dates for NSX Rules 2.11 and 2.12. For this reason, the Commission designates the proposed rule change to be operative upon filing with the Commission.<sup>15</sup>

At any time within 60 days of the filing of such proposed rule change the Commission may summarily abrogate such 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-NSX-2007-04 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-NSX-2007-04. 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 NSX. 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-NSX-2007-04 and should be submitted on or before May 10, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>16</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E7-7422 Filed 4-18-07; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55631; File No. SR-NSX-2006-16]

### Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Regarding the Annual Certification of Compliance and Supervisory Processes

April 13, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 22, 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 prepared by the Exchange. On April 9, 2007, the NSX filed Amendment No. 1 to the proposed rule change ("Amendment No. 1").<sup>3</sup> 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 adopt NSX Rule 5.7 and accompanying Interpretations and Policies .01 (Annual Compliance and Supervision Certification) to require each Equity Trading Permit ("ETP") Holder's Chief Executive Officer ("CEO") to certify annually to having in place a process to establish, maintain, review, modify, and test policies and procedures reasonably designed to achieve compliance with applicable Rules of the Exchange, and federal securities laws and regulations. The text of the proposed rule and interpretation is set forth below. Proposed new language is italicized.

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#### CHAPTER V.

##### SUPERVISION

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#### Rule 5.7. Annual Certification of Compliance and Supervisory Processes

*Each ETP Holder shall have its chief executive officer (or equivalent officer) certify annually, as set forth in*

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

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

<sup>3</sup> Amendment No. 1, which supplemented the original filing, the NSX provided more information regarding the certification process and corrected a grammatical error.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6)(iii) requires that a self-regulatory organization submit to 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. NSX has satisfied the five-day pre-filing notice requirement.

<sup>14</sup> *Id.*

<sup>15</sup> For the purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>16</sup> 17 CFR 200.30-3(a)(12).