

submissions should refer to File Number SR-Amex-2006-27 and should be submitted on or before August 3, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

Jill M. Peterson,

Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54107; File No. SR-CHX-2006-18]

### Self-Regulatory Organization; Chicago Stock Exchange, Inc.; Order Approving Proposed Rule Change Amending a Notice Provision Relating to the Renewal of Trading Permits

July 6, 2006.

On May 10, 2006, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to amend the 60-day notice requirement to cancel trading permits for 2006. The proposed rule change was published for comment in the **Federal Register** on June 1, 2006.<sup>3</sup> The Commission received no comments regarding the proposal.

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.<sup>4</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>5</sup> which requires that the rules of the 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 securities system, and, in general, to protect investors and the public interest.

CHX Article II, Rule 3, requires Participants to provide CHX with 60-days notice to cancel a trading permit. The Exchange proposes in Interpretation

and Policy .01 to CHX Article II, Rule 3, to allow a Participant to cancel a trading permit in 2006 if the Participant provided notice to CHX at any time during the 60 days preceding February 9, 2006. According to CHX, CHX Article II, Rule 3, caused some confusion among its Participants. The Commission therefore finds that the proposed rule change is an appropriate one time relief to allow CHX Participants to cancel their trading permits.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change (SR-CHX-2006-18) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Jill M. Peterson,

Assistant Secretary.

[FR Doc. E6-11004 Filed 7-12-06; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54113 File No. SR-ISE-2006-24]

### Self-Regulatory Organizations; International Securities Exchange, Inc.; Order Approving a Proposed Rule Change and Amendment No. 1 Thereto and Notice of Filing and Order Granting Accelerated Approval to Amendments No. 2 and 3 Thereto To Permit the Listing and Trading of Quarterly Options Series

July 7, 2006.

#### I. Introduction

On May 2, 2006, the International Securities Exchange, Inc. ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to initiate a one-year pilot program that would allow the Exchange to list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange filed Amendment No. 1 with the Commission on May 17, 2006.<sup>3</sup> The amended proposal was published for comment in

the **Federal Register** on June 1, 2006.<sup>4</sup> No comments were received regarding the amended proposal. The Exchange filed Amendments No. 2 and 3 with the Commission on July 6, 2006, and July 7, 2006, respectively.<sup>5</sup> This notice and order approves the proposed rule change and Amendment No. 1 thereto, solicits comment on Amendments No. 2 and 3, and approves Amendments No. 2 and 3 on an accelerated basis.

#### II. Description of Proposed Rule

ISE proposes to amend its rules to establish a pilot program to list and trade Quarterly Options Series, which would expire at the close of business on the last business day of a calendar quarter ("Pilot Program"). Under the proposal, the Exchange could select up to five approved options classes<sup>6</sup> on which Quarterly Options Series could be opened. A series could be opened on any business day and would expire at the close of business on the last business day of a calendar quarter. The Exchange also could list and trade Quarterly Options Series on any options class that is selected by another exchange that employs a similar pilot program. For each class selected for the Pilot Program, the Exchange would list series that expire at the end of the next four consecutive calendar quarters, as well as the fourth quarter of the following calendar year.

Quarterly Options Series listed on currently approved options classes would be P.M. settled and, in all other respects, would settle in the same manner as do the monthly expiration series in the same options class.

The strike price for each series would be fixed at a price per share, with two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The interval between strike prices on Quarterly Options Series would be the same as the interval between strike prices for series in the same options class that expire in accordance with the normal monthly expiration cycles. In Amendment No. 3,

<sup>4</sup> See Securities Exchange Act Release No. 53857 (May 24, 2006), 71 FR 31246 ("Notice").

<sup>5</sup> In Amendment No. 2, a partial amendment, the Exchange modified the provision of the proposed rule text under which the Exchange may list additional strike prices for Quarterly Options Series. In Amendment No. 3, a partial amendment, the Exchange modified the proposed rule text to provide that the Exchange may list Quarterly Options Series with strike prices that are within \$5.00 from the closing price of the underlying security on the preceding trading day. See discussion in Part II, *infra*.

<sup>6</sup> Quarterly Options Series may be opened on indexes or on Exchange Traded Funds that satisfy the applicable listing criteria under ISE rules.

<sup>11</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> See Securities Exchange Act Release No. 53859 (May 24, 2006), 71 FR 31241.

<sup>4</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</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> In Amendment No. 1, a partial amendment, the Exchange made minor modifications to the proposed rule text.