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.* Please include File No. SR–ISE–2005–24 on the subject line.

Paper Comments

• Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549–0609.

All submissions should refer to File Number SR–ISE–2005–24. 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 Commissions 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 such filing also will be available for inspection and copying at the principal office of the ISE. 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–ISE–2005–24 and should be submitted by June 29, 2005.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. E5–2937 Filed 6–7–05; 8:45 am]

BILLING CODE 8010–01–P

[10] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–51745; File No. SR–NSCC–2005–04]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Accelerated Approval of a Proposed Rule Change To Establish a Confirmation and Matching Service for Over-the-Counter U.S. Equity Options Transactions

May 26, 2005.

I. Introduction

On April 29, 2005, the National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commission'') proposed rule change File No. SR–NSCC–2005–04 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 May 10, 2005.[2] The comment period ended on May 25, 2005. No comment letters were received. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

II. Description

NSCC is permanently adding Addendum M to its Rules and Procedures to establish a confirmation and matching service for over-the-counter (''OTC'') U.S. equity options transactions. The service is called the Equity Options Service.[3]

Currently, confirmation of trade details among dealers and the dealers' buy-side customers in the OTC equity options market is supported largely by faxes and telephone communications. It is widely acknowledged by the industry that this current operational infrastructure, which depends upon nonstandardized, manual processing, results in excessive processing costs, delays, and errors. The industry is seeking to reduce the attendant operational risks associated with OTC equity options processing by automating and standardizing the trade confirmation process for OTC equity options.

In response to similar conditions prevailing in the credit default swaps industry, The Depository Trust & Clearing Corporation (''DTCC''), the corporate parent of NSCC, created a subsidiary, DTCC Deriv/SERV LLC (''Deriv/SERV''), in 2003. Deriv/SERV currently offers a confirmation and matching service for OTC credit default swaps transactions and the associated cash flows. This service is now used by approximately 75 entities, which includes all of the largest OTC credit default swaps dealers.

Deriv/SERV has developed a confirmation and matching service for OTC equity options transactions and the associated cash flows (''Deriv/SERV Equity Options Service''). The Deriv/SERV Equity Options Service provides for confirmation and matching either between two OTC equity options dealers or between an OTC equity options dealer and its buy-side customer. Where either the buyer or the seller of an OTC equity option is a U.S. person and the OTC equity option is issued by a U.S. issuer (''U.S. Equity Option Transaction''), NSCC provides confirmation and matching services through its Equity Options Service to Deriv/SERV pursuant to a service agreement between NSCC and Deriv/SERV (''Service Agreement'').[4] In connection with the NSCC Equity Options Service, Deriv/SERV has become a Data Services Only Member of NSCC.[5]

The Deriv/SERV Equity Options Service is operated pursuant to the operating procedures of Deriv/SERV (''Deriv/SERV Operating Procedures''). U.S. Equity Option Transactions are also subject to Addendum M of NSCC's Rules and Procedures. Therefore, each user of the Deriv/SERV Equity Options Service enters into an agreement with Deriv/SERV obligating the user to abide by the terms of the Deriv/SERV Operating Procedures and obligating them to abide by Addendum M for any U.S. Equity Option Transactions. Pursuant to the Service Agreement, NSCC has the right to require Deriv/SERV to cause Deriv/SERV's users to abide by the terms of Addendum M. In addition, pursuant to the Service Agreement, NSCC and Deriv/SERV have agreed that should the Commission request that NSCC provide to the Commission any information relating to

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

[2] Securities Exchange Act Release No. 51649 (May 3, 2005), 70 FR 24666.

[3] The Commission approved NSCC's Equity Options Service on a temporary basis through May 31, 2005, so that NSCC could evaluate the operations of the service and report its findings to the Commission. Securities Exchange Act Release No. 50652 (November 17, 2004), 69 FR 67377. NSCC staff has communicated its findings to Commission staff during various meetings and conversations.

[4] DTC has represented that the continued processing of Deriv/SERV's transactions will not be a strain on the capacity of DTC's systems. The host computer and other automated facilities associated with the NSCC Equity Options Service are provided by DTC pursuant to service agreements between NSCC and DTCC and between DTCC and DTC.

[5] NSCC Rules and Procedures, Rule 31.

the NSCC Equity Options Service, Deriv/SERV will provide any such information in its possession to NSCC so that NSCC may provide such information to the Commission.

NSCC is responsible neither for the content of the messages transmitted through the NSCC Equity Options Service nor for any errors, omissions, or delays that may occur relating to the NSCC Equity Options Service in the absence of gross negligence on NSCC's part. Both the Service Agreement and the Deriv/SERV Operating Procedures provide that NSCC has no liability in connection with the NSCC Equity Options Service in the absence of gross negligence on NSCC's part. The NSCC Equity Options Service does not involve netting or money settlement through the facilities of NSCC, and it is a nonguaranteed service of NSCC.[6]

Deriv/SERV will charge its users fees in connection with the Deriv/SERV Equity Options Service and pursuant to the Service Agreement will make payments to NSCC for the services that NSCC provides. NSCC will file proposed rule changes under Section 19(b) of the Act for fees that NSCC charges to Deriv/SERV for the NSCC Equity Options Service and for any changes made by NSCC to the Equity Options Service.

III. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.[7] The Commission finds the proposed rule change to be consistent with Section 17A(b)(3)(F) of the Act because the NSCC Equity Options Service should provide for the prompt and accurate clearance and settlement of U.S. OTC equity option transactions by facilitating the transmission of automated, standardized information on a centralized communications platform. This should reduce processing errors, delays, and risks that are typically associated with manual processes.

NSCC has requested that the Commission approve the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of the notice of the filing because the Commission's current approval of NSCC's Equity Options Service expires May 31, 2005.

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.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–NSCC–2005–04) be and hereby is approved on an accelerated basis.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. E5–2932 Filed 6–7–05; 8:45 am]

BILLING CODE 8010–01–P

[6] The NSCC Equity Options Service is a nonguaranteed service limited to the matching and communication of information and does not involve settlement of securities transactions or funds through the facilities of NSCC. In its Matching Release, the Commission concluded that matching (*i.e.*, the "comparison of data respecting the terms of settlement of securities transactions") constitutes a clearing agency function within the meaning of Section 3(a)(23)(A) of the Exchange Act. Securities Exchange Act Release No. 39829 (April 6, 1998), 63 FR 17943 [File No. S7–10–98].

[7] 15 U.S.C. 78q–1(b)(3)(F).

[8] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–51747; File No. SR–NYSE–2005–26]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto to Extend the Closing Time of Crossing Session II and to Amend its Crossing Sessions III and IV to Eliminate the Share Size Restriction and the Process by Which an Order is Executed if There is No Execution Prior to 4 p.m.

May 26, 2005.

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 8, 2005, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") submitted to 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 NYSE. On May 19, 2005, NYSE filed Amendment No. 1 to the proposed rule change.[3] 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 NYSE proposes to amend its Off-Hours Trading Facility ("OHTF")—Crossing Sessions II, III, and IV, in particular. The Exchange proposes to extend the closing time of Crossing Session II from 6:15 p.m. to 6:30 p.m. The NYSE also proposes to amend rules governing Crossing Sessions III and IV to eliminate the 10,000 share size restriction and the process by which an order is executed if there is no execution prior to 4 p.m. The text of the proposed rule change is available on the NYSE's Web site (*http://www.nyse.com*), at the NYSE'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 NYSE 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 Exchange 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

Background

The Exchange's OHTF consists of four sessions. Crossing Session I permits the execution, at the Exchange's closing price, of single-stock, single-sided closing price orders and crosses of single-stock, closing price buy and sell orders. Crossing Session II provides an opportunity for members and member organizations to cross program trading orders in NYSE-listed securities on the Exchange between 4 p.m. and 6:15 p.m., based on the aggregate price of the program. Matched buy and sell orders for a minimum of 15 NYSE-listed stocks that have a minimum dollar value of $1 million may be transmitted to the Exchange for execution in Crossing Session II. These orders are transmitted via the Exchange's Electronic Filing Platform, detailing the total number of stocks, total number of shares, and total dollar value.

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 made clarifying changes to the Purpose section of the filing.