

categories. In 2000, the filing fees were set based on estimates that nearly half of SEC-registered advisers were in the smallest fee category. As of the end of the 2004 fiscal year, however, fully half of SEC-registered advisers were in the highest fee category. Furthermore, IARD expenses associated with SEC filings (SEC-associated IARD expenses) have been less than was projected in 2000.

As a result, SEC-associated IARD revenues have exceeded SEC-associated IARD expenses, generating a surplus. As of June 30, 2005, the cumulative surplus of SEC-associated IARD revenues over SEC-associated IARD expenses was approximately \$8.5 million (SEC-associated surplus). Following discussions among Commission staff, representatives of the North American Securities Administrators Association, Inc. (NASAA) on behalf of the State securities authorities,⁴ and NASD, NASD wrote our staff a letter that “recommends that the annual IARD fee for SEC-registered advisers be waived for a one-year period from November 1, 2005 to October 31, 2006.”⁵ Advisers registered with us pay their IARD annual fees when they file their annual updating amendment to Form ADV, due within 90 days of their fiscal year end.

In light of the SEC-associated surplus, we have determined to waive for one year annual filing fees for all SEC-registered advisers. This action is expected to waive approximately \$3.9 million in IARD system fees. The fee waiver will apply to all annual updating amendments filed by SEC-registered advisers from November 1, 2005 through October 31, 2006. Based on current projections of expected SEC-associated IARD revenues and SEC-associated IARD expenses in the next several years, the Commission believes that the current surplus exceeds the amount of surplus needed for system enhancements. Accordingly, the Commission believes that a one-year waiver of IARD annual updating amendment filing fees is appropriate.

⁴ The IARD system is used by both advisers registering or registered with the SEC and advisers registered or registering with one or more State securities authorities. NASAA represents the State securities administrators in setting IARD filing fees for State-registered advisers. State-registered advisers pay their annual system renewal fees in December each year, regardless of their fiscal year.

⁵ A copy of the letter is available on our website. NASD has not suggested changes to the initial IARD filing fees, which are intended to cover the costs associated with entitling new registrants on the IARD system. NASD represents that the costs per adviser have not changed substantially. We are not changing or waiving these IARD initial set-up fees, which remain \$150 for advisers with assets under management under \$25 million; \$800 for advisers with assets under management between \$25 million and \$100 million; and \$1,100 for advisers with assets under management over \$100 million.

In addition, we note that NASD’s letter further “recommends that annual IARD fees for SEC-registered advisers be reduced 30% beginning November 1, 2006.”⁶ In this regard, current projections of fee revenues and system expenses cause us to believe that a reduction in annual filing fees will be necessary to more closely align the IARD filing fees with the costs of those filings. Under Advisers Act section 203A(d), the Commission may require advisers to pay filing fees that reflect the reasonable costs associated with filings made by SEC-registered advisers through the IARD.

Accordingly, we plan to issue shortly a notice soliciting comment on the appropriate level of IARD filing fees for the period after the expiration of the one-year waiver. Among the alternatives on which we plan to seek comment are a percentage fee reduction for annual updating amendments filed by SEC-registered advisers beginning November 1, 2006 and a second one-year waiver of annual updating amendment fees.

It is therefore ordered, pursuant to sections 203A(d) and 206(A) of the Investment Advisers Act of 1940, that:

For annual updating amendments to Form ADV filed from November 1, 2005 through October 31, 2006, the fee otherwise due from SEC-registered advisers is waived.

By the Commission.

Dated: October 7, 2005.

J. Lynn Taylor,

Assistant Secretary.

[FR Doc. E5-5599 Filed 10-12-05; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-8623; 34-52575, File No. 265-23]

Advisory Committee on Smaller Public Companies

AGENCY: Securities and Exchange Commission.

ACTION: Notice of Meeting of SEC Advisory Committee on Smaller Public Companies.

The Securities and Exchange Commission Advisory Committee on Smaller Public Companies is providing notice that it will hold a public meeting on Monday and Tuesday, October 24 & 25, 2005, in Multi-Purpose Room L006 of the Commission’s headquarters, 100 F

Street, NE., Washington, DC 20549, beginning at 9 a.m. on each day. The meeting is expected to last until approximately 4 p.m. on each day, with a lunch break from approximately noon to 1 p.m. The meeting will be audio webcast on the Commission’s Web site at <http://www.sec.gov>.

The agenda for the meeting includes consideration of proposals of the Advisory Committee’s four subcommittees on possible recommendations for changes to the current securities regulatory system for smaller companies. The public is invited to submit written statements for the meeting.

DATES: Written statements should be received on or before October 17, 2005.

ADDRESSES: Written statements may be submitted by any of the following methods:

Electronic Statements

- Use the Commission’s Internet submission form (<http://www.sec.gov/info/smallbus/acspc.shtml>); or
- Send an e-mail message to rule-comments@sec.gov. Please include File Number 265-23 on the subject line; or

Paper Statements

- Send paper statements in triplicate to Jonathan G. Katz, Committee Management Officer, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-9303.

All submissions should refer to File No. 265-23. This file number should be included on the subject line if e-mail is used. To help us process and review your statement more efficiently, please use only one method. The Commission staff will post all statements on the Advisory Committee’s Web site (<http://www.sec.gov/info/smallbus/acspc.shtml>).

Statements also will be available for public inspection and copying in the Commission’s Public Reference Room, 100 F Street, NE., Room 1580, Washington, DC 20549. All statements received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: Kevin M. O’Neill, Special Counsel, at (202) 551-3260, Office of Small Business Policy, Division of Corporation Finance, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-3628.

SUPPLEMENTARY INFORMATION: In accordance with section 10(a) of the Federal Advisory Committee Act, 5 U.S.C.-App. 1, § 10(a), and the

⁶ We note that NASAA has announced a one-year waiver of annual filing fees and a subsequent reduction of 30% in annual filing fees for State registered advisers.

regulations thereunder, Gerald J. Laporte, Designated Federal Officer of the Committee, has ordered publication of this notice.

Dated: October 7, 2005.

Jonathan G. Katz,

Committee Management Officer.

[FR Doc. 05-20569 Filed 10-7-05; 3:55 pm]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52566; File No. SR-PCX-2005-56]

Self-Regulatory Organizations; Pacific Exchange, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Directed Order Process

October 5, 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 21, 2005, the Pacific Exchange, Inc. (“PCX” 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 PCX. On October 4, 2005, the PCX 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 PCX proposes to modify its Directed Order Process as part of its continuing efforts to enhance participation on the Archipelago Exchange (“ArcaEx”) facility. In conjunction with these modifications, the Exchange proposes two new classifications of Market Makers, Designated Market Makers (“DMMs”) and Lead Market Makers (“LMMs”). Only DMMs and LMMs will be eligible to participate in the Directed Order Process as Market Makers.

The text of the proposed rule change, as amended, appears below. Additions are in italics. Deleted items are in brackets.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4

³ Amendment No. 1, which replaced and superceded the original filing in its entirety, is incorporated in this notice.

Rule 1

Definitions

Definitions

Rule 1.1 (a)-(aaa)—No change.

(bbb) *The term “Designated Market Maker” shall mean a registered Market Maker that participates in the Directed Order Process.*

(ccc) *The term “Lead Market Maker” shall mean a registered Market Maker that is the exclusive Designated Market Maker in listings for which the Corporation is the primary market.*

* * * * *

Rule 7

Equities Trading

Registration of Market Makers in a Security

Rule 7.22 (a)-(b)—No change.

(c) *The Corporation may limit the number of Designated Market Makers in a security upon prior written notice to ETP Holders.*

(d) *Designated Market Makers and Lead Market Makers shall be selected by the Corporation. Such selection shall be based on, but is not limited to, the following: experience with making markets in equities; adequacy of capital; willingness to promote the Exchange as a marketplace; issuer preference; operational capacity; support personnel; and history of adherence to Exchange rules and securities laws.*

[(c)] (e) *Voluntary Termination of Security Registration. A Market Maker may voluntarily terminate its registration in a security by providing the Corporation with a one-day written notice of such termination. A Market Maker that fails to give advanced written notice of termination to the Corporation may be subject to formal disciplinary action pursuant to Rule 10.*

[(d)] (f) *The Corporation may suspend or terminate any registration of a Market Maker in a security or securities under this Rule whenever, in the Corporation’s judgment, the interests of a fair and orderly market are best served by such action.*

[(e)] (g) *An ETP Holder may seek review of any action taken by the Corporation pursuant to this Rule, including the denial of the application for, or the termination or suspension of, a Market Maker’s registration in a security or securities, in accordance with Rule 10.13.*

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Rule 7

Equities Trading

Designated Market Maker Performance Standards

Rule 7.24 [Reserved].

(a) *Designated Market Makers will be required to maintain minimum performance standards the levels of which may be determined from time to time by the Corporation. Such levels will vary depending on the price, liquidity, and volatility of the security in which the Designated Market Maker is registered. The performance measurements will include (i) percent of time at the NBBO; (ii) percent of executions better than the NBBO; (iii) average displayed size; (iv) average quoted spread; and (v) in the event the security is a derivative security, the ability of the Designated Market Maker to transact in underlying markets.*

(b) *Designated Market Makers that are Lead Market Makers will be held to higher performance standards in the securities in which they are registered as Lead Market Maker than Designated Market Makers that are not Lead Market Makers.*

(c) *Market Makers that are not Designated Market Makers will not be required to maintain the minimum performance standards as described in paragraph (a) above.*

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Rule 7

Equities Trading

Registration of Odd Lot Dealers

Rule 7.25 (a)—No change.

(b) *Market Makers Registered in a Security. For each security in which a Market Maker is registered, the Market Maker may become an Odd Lot Dealer in that security. For each security in which a Market Maker is registered as Lead Market Maker, the Lead Market Maker must also register as an Odd Lot Dealer in that security.*

Rule 7.25 (c)-(e)—No change.

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Rule 7

Equities Trading

Orders and Modifiers

Rule 7.31 (a)-(h)—No change.

(i) *Directed Order.*

(1) *Any market or limit order to buy or sell which has been directed to a particular Designated Market Maker by the User. Users must be permitted by Designated Market Makers to send a Directed Order to that Designated Market Maker.*

[(2)] *The Corporation shall suspend the Directed Order Process for a security*