

when applying original listing and annual issuer fees.

In addition, the annual fees for issues listed pursuant to Sections 106 (currency and index warrants) and 107 (other securities) of the Amex Company Guide will remain at their current rates.

Finally, the Exchange is also proposing other minor technical changes to Sections 140 and 141 of the Amex Company Guide, which will not further alter the fees but will clarify the text of these Sections.

## 2. Statutory Basis

Amex believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>7</sup> in general and furthers the objectives of Section 6(b)(4) of the Act<sup>8</sup> in particular in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. In addition, increasing original listing and annual fees will provide the Exchange with the ability to cover increased expenses related to enhancements in its trading technology, business services, and regulatory programs.

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

Amex does not believe that the proposed rule change will impose any burden on competition.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and

arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 No. SR-Amex-2005-124 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Amex-2005-124. 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 such filing also will be available for inspection and copying at the principal office of Amex. 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-Amex-2005-124 and should be submitted on or before March 1, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Nancy M. Morris,**

*Secretary.*

[FR Doc. E6-1728 Filed 2-7-06; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53202; File No. SR-PCX-2006-04]

### Self-Regulatory Organizations; Pacific Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Certificate of Incorporation of PCX Holdings, Inc.

January 31, 2006.

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 January 27, 2006, the Pacific Exchange, Inc. ("PCX" 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 prepared by PCX. PCX filed the proposed 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 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

PCX proposes to submit to the Commission a proposed rule change to further extend certain temporary exceptions from the voting and ownership limitations in the certificate of incorporation of PCX Holdings, Inc. ("PCXH"), a Delaware corporation and a parent company of PCX, originally approved by the Commission in an order issued on September 22, 2005 (the "SEC Order")<sup>5</sup> and extended pursuant to a proposed rule change filed with the Commission on December 19, 2005 (the "Original Extension Rule Filing")<sup>6</sup> and amended on December 23, 2005,<sup>7</sup> so as to allow: (a) Archipelago Holdings, Inc. ("Archipelago"), a Delaware corporation and the ultimate parent company of PCXH and PCX, to continue to (i) own Wave Securities, L.L.C. ("Wave") and (ii) own and operate the ATS Inbound Router Function (as defined below) of

<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>5</sup> See Securities Exchange Act Release No. 52497 (September 22, 2005), 70 FR 56949 (September 29, 2005) (SR-PCX-2005-90) (the "SEC Order").

<sup>6</sup> See Pacific Exchange, Inc., Proposed Rule Change Relating to the Certificate of Incorporation of PCX Holdings, Inc., File No. SR-PCX-2005-139 (December 19, 2005).

<sup>7</sup> See Amendment No. 1 to the Original Extension Rule Filing (December 23, 2005).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

Archipelago Trading Services, Inc. (“ATS”) and the Inbound Router Clearing Function (as defined below) of Archipelago Securities, L.L.C. (“Archipelago Securities”); and (b) Gerald D. Putnam, Chairman and Chief Executive Officer of Archipelago (“Mr. Putnam”), to own in excess of 5% of Terra Nova Trading, L.L.C. (“TNT”) and continue to serve as a director of TAL Financial Services (“TAL”), in each case until the earlier of (x) the closing date of the merger of Archipelago and the New York Stock Exchange, Inc. (the “Archipelago NYSE Merger”) and (y) March 31, 2006.

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

In its filing with the Commission, PCX 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. PCX 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

a. *PCXH Acquisition and the Amendment of the PCXH Certificate of Incorporation.* Archipelago operates the Archipelago Exchange (“ArcaEx”), an open, all-electronic stock market for the trading of equity securities. On September 26, 2005, Archipelago completed its acquisition of PCXH and all of its wholly-owned subsidiaries, including PCX and PCXE (the “PCXH Acquisition”). The PCXH Acquisition was accomplished by way of a merger of PCXH with a wholly-owned subsidiary of Archipelago, with PCXH being the surviving corporation in the merger and becoming a wholly-owned subsidiary of Archipelago.

The certificate of incorporation of PCXH (as amended to date, the “PCXH Certificate of Incorporation”) contains various ownership and voting restrictions on PCXH’s capital stock, which are designed to safeguard the independence of the self-regulatory functions of PCX and to protect the Commission’s oversight responsibilities. In order to allow Archipelago to own 100% of the capital stock of PCXH, prior to the completion of the PCXH Acquisition, PCX filed with the

Commission a proposed rule change which sought to, among other things, amend the PCXH Certificate of Incorporation to create an exception from the voting and ownership restrictions for Archipelago and certain of its related persons (the “Original Rule Filing”).<sup>8</sup> The Original Rule Filing, as amended by Amendment No. 1 and Amendment No. 2 thereto, was approved by the Commission on September 22, 2005<sup>9</sup> and the amended PCXH Certificate of Incorporation became effective on September 26, 2005, upon the closing of the PCXH Acquisition.

Article Nine of the PCXH Certificate of Incorporation provides that no Person,<sup>10</sup> either alone or together with its Related Persons,<sup>11</sup> may own, directly or indirectly, shares constituting more than 40% of the outstanding shares of any class of PCXH capital stock,<sup>12</sup> and that no Person, either alone or together with its Related Persons who is a trading permit holder of PCX or an equities trading permit holder of PCXE,

<sup>8</sup> See Pacific Exchange, Inc., Proposed Rule Change Relating to the Certificate of Incorporation of PCX Holdings, Inc., PCX Rules, and Bylaws of Archipelago Holdings, Inc., File No. SR-PCX-2005-90 (August 1, 2005).

<sup>9</sup> See SEC Order.

<sup>10</sup> “Person” is defined to mean an individual, partnership (general or limited), joint stock company, corporation, limited liability company, trust or unincorporated organization, or any governmental entity or agency or political subdivision thereof. PCXH Certificate of Incorporation, Article Nine, Section 1(b)(iv).

<sup>11</sup> The term “Related Person,” as defined in the PCXH Certificate of Incorporation, means (i) with respect to any person, all “affiliates” and “associates” of such person (as such terms are defined in Rule 12b-2 under the Act); (ii) with respect to any person constituting a trading permit holder of PCX or an equities trading permit holder of PCXE, any broker dealer with which such holder is associated; and (iii) any two or more persons that have any agreement, arrangement or understanding (whether or not in writing) to act together for the purpose of acquiring, voting, holding or disposing of shares of the capital stock of PCXH. PCXH Certificate of Incorporation, Article Nine, Section 1(b)(iv).

<sup>12</sup> PCXH Certificate of Incorporation, Article Nine, Section 1(b)(i). However, such restriction may be waived by the Board of Directors of PCXH pursuant to an amendment to the Bylaws of PCXH adopted by the Board of Directors, if, in connection with the adoption of such amendment, the Board of Directors adopts a resolution stating that it is the determination of such Board that such amendment will not impair the ability of PCX to carry out its functions and responsibilities as an “exchange” under the Act and is otherwise in the best interests of PCXH and its stockholders and PCX, and will not impair the ability of the Commission to enforce said Act, and such amendment shall not be effective until approved by said Commission; provided that the Board of Directors of PCXH shall have determined that such Person and its Related Persons are not subject to any applicable “statutory disqualification” (within the meaning of Section 3(a)(39) of the Act). PCXH Certificate of Incorporation, Article Nine, Sections 1(b)(i)(B) and 1(b)(i)(C).

may own, directly or indirectly, shares constituting more than 20% of any class of PCXH capital stock.<sup>13</sup> Furthermore, the PCXH Certificate of Incorporation provides that, for so long as PCXH controls, directly or indirectly, PCX, no Person, either alone or with its Related Persons, may directly or indirectly vote or cause the voting of shares of PCXH capital stock or give any proxy or consent with respect to shares representing more than 20% of the voting power of the issued and outstanding PCXH capital stock.<sup>14</sup> The PCXH Certificate of Incorporation also places limitations on the right of any Person, either alone or with its Related Persons, to enter into any agreement with respect to the withholding of any vote or proxy.<sup>15</sup>

PCX proposed and the Commission approved an exception from the ownership and voting limitations described above to add a new paragraph at the end of Article Nine of the PCXH Certificate of Incorporation, which provides that for so long as Archipelago directly owns all of the outstanding capital stock of PCXH, these ownership and voting limitations shall not be applicable to the ownership and voting of shares of PCXH by (i) Archipelago, (ii) any Person which is a Related Person of Archipelago, either alone or together with its Related Persons, and (iii) any other Person to which Archipelago is a Related Person, either alone or together with its Related Persons.<sup>16</sup> These exceptions to the ownership and voting limitations, however, shall not apply to any “Prohibited Persons,”<sup>17</sup> which is defined to mean any Person that is, or that has a Related Person that is (i) an OTP Holder or an OTP Firm (as defined in the rules of PCX)<sup>18</sup> or (ii) an ETP Holder (as defined in the rules of PCXE),<sup>19</sup> unless such Person is also a

<sup>13</sup> *Id.*, Article Nine, Section 1(b)(ii).

<sup>14</sup> *Id.*, Article Nine, Section 1(c).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*, Article Nine, Section 4.

<sup>17</sup> *Id.*

<sup>18</sup> PCX rules define an “OTP Holder” to mean any natural person, in good standing, who has been issued an Options Trading Permit (“OTP”) by the Exchange for effecting approved securities transactions on the Exchange’s trading facilities, or has been named as a Nominee. PCX Rule 1.1(q). The term “Nominee” means an individual who is authorized by an “OTP Firm” (a sole proprietorship, partnership, corporation, limited liability company or other organization in good standing who holds an OTP or upon whom an individual OTP Holder has conferred trading privileges on the Exchange’s trading facilities) to conduct business on the Exchange’s trading facilities and to represent such OTP Firm in all matters relating to the Exchange. PCX Rule 1.1(n).

<sup>19</sup> PCXE rules define an “ETP Holder” to mean any sole proprietorship, partnership, corporation,

“Permitted Person” under the PCXH Certificate of Incorporation.<sup>20</sup> The PCXH Certificate of Incorporation further provides that any Prohibited Person not covered by the definition of a Permitted Person who is subject to and exceeds the voting and ownership limitations imposed by Article Nine as of the date of the closing of the PCXH Acquisition shall be permitted to exceed the voting and ownership limitations imposed by Article Nine only to the extent and for the time period approved by the Commission.<sup>21</sup>

b. *Wave* is an introducing broker for Archipelago’s institutional customers and provides such customers with access to ArcaEx and other market centers. Because *Wave*, a broker-dealer and an ETP Holder of PCXE, is a wholly-owned subsidiary and, consequently, a Related Person, of Archipelago, it falls within the definition of “Prohibited Persons” under the PCXH Certificate of Incorporation. Consequently, absent an exception, Archipelago’s ownership of PCXH would cause *Wave*, as an ETP Holder, to exceed the voting and ownership limitations imposed by Article Nine of the PCXH Certificate of Incorporation. Therefore, in connection with the PCXH Acquisition, PCX requested a temporary exception from the ownership and voting limitations in the PCX Certificate of Incorporation for Archipelago’s ownership of *Wave* until December 31, 2005, subject to the condition that during that interim period Archipelago would continue to maintain and comply with its current information barriers between *Wave*, on the one hand, and PCX, PCXE and other subsidiaries of Archipelago that are facilities of PCX or PCXE, on the other hand.<sup>22</sup>

The Commission approved PCX’s rule proposal regarding *Wave* (the “Original

limited liability company or other organization in good standing that has been issued an Equity Trading Permit, a permit issued by the PCXE for effecting approved securities transactions on the trading facilities of PCXE. PCXE Rule 1.1(n).

<sup>20</sup> “Permitted Person” is defined to mean (A) any broker or dealer approved by the Commission after June 20, 2005 to be a facility (as defined in Section 3(a)(2) of the Act) of PCX; (B) any Person that has been approved by the Commission prior to it becoming subject to the provisions of Article Nine of the PCXH Certificate of Incorporation with respect to the voting and ownership of shares of PCXH capital stock by such Person; and (C) any Person that is a Related Person of Archipelago solely by reason of beneficially owning, either alone or together with its Related Persons, less than 20% of the outstanding shares of Archipelago capital stock. PCXH Certificate of Incorporation, Article Nine, Section 4.

<sup>21</sup> *Id.*

<sup>22</sup> See Original Rule Filing at 36–37 and Amendment No. 2 to the Original Rule Filing (September 16, 2005) (“Amendment No. 2”), at 4.

Wave Exception”).<sup>23</sup> In the SEC Order, the Commission stated that the affiliation of an exchange with one of its members that provides inbound access to the exchange—in direct competition with other members of the exchange—raises potential conflicts of interest between the exchange’s regulatory responsibilities and its commercial interests, and the potential for unfair competitive advantage that the affiliated member could have by virtue of informational or operational advantages, or the ability to receive preferential treatment.<sup>24</sup> However, noting that the conditions to be imposed during the interim period were designed to mitigate potential conflicts of interest and the potential for unfair competitive advantage, the Commission concluded that it would be appropriate and consistent with the Act to allow a limited, temporary exception for Archipelago to continue its ownership of *Wave*.<sup>25</sup> In granting the approval for the Original Wave Exception, the Commission also noted that in addition to being a member of PCX, *Wave* is a member of the National Association of Securities Dealers, Inc. (“NASD”), a self-regulatory organization (“SRO”) not affiliated with Archipelago, and the NASD has been designated by the Commission as the “Designated Examining Authority” for *Wave* pursuant to Rule 17d–1 of the Act.<sup>26</sup> Furthermore, during the interim period, *Wave* would continue to be covered by the scope of an agreement between NASD and PCX, which was entered into pursuant to Rule 17d–2 under the Act<sup>27</sup>

<sup>23</sup> See SEC Order at 56960.

<sup>24</sup> *Id.* at 56959.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* Pursuant to Rule 17d–1 under the Act, where a member of the Securities Investor Protection Corporation is a member of more than one SRO, the Commission shall designate to one of such organizations the responsibility of examining such member for compliance with the applicable financial responsibility rules. In making such designation, the Commission shall take into consideration the regulatory capabilities and procedures of the SROs, availability of staff, convenience of location, unnecessary regulatory duplication, and such other factors as the Commission may consider germane to the protection of investors, the cooperation and coordination among SROs, and the development of a national market system for the clearance and settlement of securities transactions. 17 CFR 240.17d–1.

<sup>27</sup> Rule 17d–2 under the Act provides that any two or more SROs may file with the Commission a plan for allocating among such SROs the responsibilities to receive regulatory reports from persons who are members or participants of more than one of such SROs to examine such persons for compliance, or to enforce compliance by such persons, with specified provisions of the Act, the rules and regulations thereunder, and the rules of such SROs, or to carry out other specified regulatory functions with respect to such persons. 17 CFR 240.17d–2.

(the “17d–2 Agreement”) and provides for a plan concerning the regulatory responsibilities of NASD with respect to certain members of PCX, including *Wave*.<sup>28</sup>

In accordance with the terms of the Original Wave Exception, Archipelago has been working to sell its ownership interests in *Wave*. On December 19, 2005, the Exchange submitted the Original Extension Rule Filing requesting an extension of the Original Wave Exception to January 31, 2006, subject to the same conditions as applied to the Original Wave Exception described above.<sup>29</sup> The extension took effect immediately upon the filing of the Original Extension Rule Filing (the “Original Wave Extension”). On January 19, 2006, Archipelago entered into a definitive agreement for the sale of *Wave*. The definitive agreement conditions the sale on the satisfaction of a number of closing conditions, including the receipt of certain regulatory approvals, and Archipelago intends to complete the sale as soon as possible following the satisfaction of these conditions.

c. *ATS Inbound Router Function and the Inbound Router Clearing Function*. Archipelago currently owns *ATS*, a wholly owned subsidiary that is a broker-dealer and an ETP Holder of PCXE. The business of *ATS* consists of, among other things, acting as an introducing broker for non-ETP Holder broker or dealer clients for securities traded on ArcaEx (the “*ATS Inbound Router Function*”). Archipelago Securities, a wholly-owned subsidiary of Archipelago, is a registered broker-dealer, a member of the NASD and an ETP Holder. In addition to its other functions, Archipelago Securities provides clearing functions for trades executed by the *ATS Inbound Router Function* (the “*Inbound Router Clearing Function*”).

Because *ATS*, a broker-dealer and an ETP Holder of PCXE, is a wholly-owned subsidiary and, consequently, a Related Person, of Archipelago, it falls within the definition of “Prohibited Persons” under the PCXH Certificate of Incorporation. Consequently, absent an exception, Archipelago’s ownership of PCXH would cause *ATS* to exceed the voting and ownership limitations imposed by Article Nine of the PCXH Certificate of Incorporation. Likewise, because Archipelago Securities, a broker-dealer and an ETP Holder of PCXE, is a wholly owned subsidiary and, consequently, a Related Person, of Archipelago, and the approvals of

<sup>28</sup> See SEC Order at 56959.

<sup>29</sup> The Original Extension Rule Filing at 13–14.

Archipelago Securities set forth elsewhere in the SEC Order were limited in scope and did not include its Inbound Router Clearing Function, it falls within the definition of "Prohibited Persons" under the PCXH Certificate of Incorporation. Consequently, absent an exception, Archipelago's ownership of PCXH would cause Archipelago Securities to exceed the voting and ownership limitations imposed by Article Nine of the PCXH Certificate of Incorporation.

Therefore, in connection with the PCXH Acquisition, PCX requested a temporary exception from the ownership and voting limitations in the PCX Certificate of Incorporation for Archipelago's ownership and operation of the ATS Inbound Router Function and the Inbound Router Clearing Function until the earlier of (i) the closing date of the Archipelago NYSE Merger and (ii) March 31, 2006, subject to the following conditions: (1) The revenues derived by Archipelago from the ATS Inbound Router Function will not exceed 7% of the consolidated revenues of Archipelago (determined on a quarterly basis); (2) the ATS Inbound Router Function will not accept any new clients following the closing of Archipelago's acquisition of PCXH; and (3) Archipelago will continue to maintain and comply with its current information barrier between the ATS Inbound Router Function on the one hand and PCX, PCXE and the other subsidiaries of Archipelago that are facilities of PCX or PCXE on the other hand.<sup>30</sup> The Commission approved PCX's rule proposal regarding the ATS Inbound Router Function and the Inbound Router Clearing Function (the "Original Inbound Router Exception").<sup>31</sup> In the SEC Order, the Commission stated that the affiliation of an exchange with one of its members that provides inbound access to the exchange—in direct competition with other members of the exchange—raises potential conflicts of interest between the exchange's regulatory responsibilities and its commercial interests, and the potential for unfair competitive advantage that the affiliated member could have by virtue of informational or operational advantages, or the ability to receive preferential treatment.<sup>32</sup> However, noting that the conditions to be imposed during the interim period were designed to mitigate potential conflicts of interest and the potential for unfair competitive advantage, the Commission concluded

that it would be appropriate and consistent with the Act to allow a limited, temporary exception for Archipelago to continue its ownership of the ATS Inbound Router Function and the Inbound Router Clearing Function.<sup>33</sup> In granting the approval for the Original Inbound Router Exception, the Commission also noted that in addition to being a member of PCX, ATS is a member of the NASD and the NASD has been designated by the Commission as the "Designated Examining Authority" for ATS pursuant to Rule 17d-1 of the Act.<sup>34</sup> Furthermore, during the interim period, ATS would continue to be covered by the scope of the 17d-2 Agreement,<sup>35</sup> which provides for a plan concerning the regulatory responsibilities of NASD with respect to certain members of PCX, including ATS.<sup>36</sup>

In accordance with the terms of the Original Inbound Router Exception, Archipelago has been working to sell its ownership interest in the ATS Inbound Router Function. Given the uncertainty of the closing date of the Archipelago NYSE Merger, in the Original Extension Rule Filing, as amended by Amendment No. 1 thereto, the Exchange requested an extension of the Original Inbound Router Exception to January 31, 2006, subject to the same conditions as applied to the Original Inbound Router Exception described above.<sup>37</sup> The extension took effect immediately upon the filing of Amendment No. 1 to the Original Extension Rule Filing (the "Original Inbound Router Extension"). On December 23, 2005, Archipelago entered into a definitive agreement for the sale of the ATS Inbound Router Function to Order Execution Services Holdings, Inc. ("OES").<sup>38</sup> The definitive agreement conditions the sale on the satisfaction of a number of closing conditions, including the receipt of NASD and other regulatory approvals, and Archipelago intends to complete the sale as soon as possible following the satisfaction of these conditions.

d. *TNT*. TNT is a wholly owned subsidiary of TAL. Mr. Putnam indirectly owns in excess of 5% of TNT and serves as a director of TAL.<sup>39</sup>

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* See *supra* note 26 for a description of Rule 17d-1 under the Act.

<sup>35</sup> See *supra* note 27.

<sup>36</sup> See SEC Order at 56959.

<sup>37</sup> Original Extension Rule Filing at 13-14, and Amendment No. 1 to the Original Extension Rule Filing at 6.

<sup>38</sup> OES is neither a Related Person of Archipelago nor a "Prohibited Person" under the PCXH Certificate of Incorporation.

<sup>39</sup> PCX clarified that Mr. Putnam's ownership in TNT is indirect. Telephone conversation between Kevin J.P. O'Hara, General Counsel, PCX and

Because TNT, a broker-dealer and an ETP Holder of PCXE, is a Related Person of Archipelago by virtue of Mr. Putnam's ownership of in excess of 5% of TNT and service as a director of TAL, it falls within the definition of "Prohibited Persons" under the PCXH Certificate of Incorporation. Consequently, absent an exception, Archipelago's ownership of PCXH would cause TNT to exceed the voting and ownership limitations imposed by Article Nine of the PCXH Certificate of Incorporation. Therefore, in connection with the PCXH Acquisition, the Commission approved the Exchange's request for a temporary exception for Mr. Putnam to continue to own in excess of 5% of TNT and continue to serve as a director of TAL until December 31, 2005 (the "Original TNT Exception").<sup>40</sup> In the SEC Order, the Commission stated that it believes that such a temporary exception is appropriate and consistent with the Act because it will eliminate the affiliation between TNT and Archipelago but allow Mr. Putnam a reasonable amount of time to effectuate such actions necessary to eliminate the affiliation.<sup>41</sup>

Mr. Putnam has been working to eliminate the affiliation with TNT. In light of the fact that the sale of Mr. Putnam's interest in TNT was unlikely to be consummated by December 31, 2005, in the Original Extension Rule Filing, as amended by Amendment No. 1 thereto, the Exchange also requested an extension of the Original TNT Exception to January 31, 2006.<sup>42</sup> The extension took effect immediately upon the filing of Amendment No. 1 to the Original Extension Rule Filing (the "Original TNT Extension").

e. *Further Extensions of the Temporary Exceptions.*

i. *Wave*. On January 19, 2006, Archipelago entered into a definitive agreement for the sale of Wave.<sup>43</sup> The definitive agreement conditions the sale on the satisfaction of a number of closing conditions, including the receipt of certain regulatory approvals, and Archipelago intends to complete the sale as soon as possible following the satisfaction of these conditions. The Original Wave Extension expires on January 31, 2006. In light of the fact that

Jennifer Dodd, Special Counsel, Division of Market Regulation, Commission, on January 30, 2006 ("Telephone Conversation").

<sup>40</sup> See SEC Order at 56960.

<sup>41</sup> *Id.*

<sup>42</sup> Original Extension Rule Filing at 14, and Amendment No.1 to the Original Extension Rule Filing at 6.

<sup>43</sup> The purchaser of Wave is neither a Related Person of Archipelago nor a "Prohibited Person" under the PCXH Certificate of Incorporation.

<sup>30</sup> See Amendment No. 2 at 5-6.

<sup>31</sup> See SEC Order at 56960.

<sup>32</sup> *Id.* at 56959.

the sale is unlikely to be consummated by January 31, 2006, the Exchange hereby proposes to further extend the Original Wave Exception to the earlier of (x) the closing date of the Archipelago NYSE Merger and (y) March 31, 2006, subject to the same conditions as applied to the Original Wave Exception described above. In requesting such extension, Archipelago and the Exchange note that the NASD is the "Designated Examining Authority" for Wave pursuant to Rule 17d-1 of the Act. Furthermore, during the interim period, Wave would continue to be covered by the scope of the 17d-2 Agreement, which provides for a plan concerning the regulatory responsibilities of NASD with respect to certain members of PCX, including Wave. Archipelago and the Exchange believe that this extension would be in keeping with the policy justifications for the Original Wave Exception and the Original Wave Extension outlined above, while allowing Archipelago to complete the sale of Wave.

ii. *ATS Inbound Router Function and the Inbound Router Clearing Function.* On December 23, 2005, Archipelago entered into a definitive agreement for the sale of the ATS Inbound Router Function to OES.<sup>44</sup> The definitive agreement conditions the sale on the satisfaction of a number of closing conditions, including the receipt of NASD and other regulatory approvals, and Archipelago intends to complete the sale as soon as possible following the satisfaction of these conditions. The Original Inbound Router Extension expires on January 31, 2006. Because of the uncertainties associated with the timing of the regulatory approvals, it is unclear whether Archipelago would be able to complete the sale by January 31, 2006. Therefore, the Exchange hereby proposes to further extend the Original Inbound Router Exception to the earlier of (x) the closing date of the Archipelago NYSE Merger and (y) March 31, 2006, subject to the same conditions as applied to the Original Wave Exception described above. In requesting such extension, Archipelago and the Exchange note that the NASD is the "Designated Examining Authority" for ATS pursuant to Rule 17d-1 of the Act. Furthermore, during the interim period, ATS would continue to be covered by the scope of the 17d-2 Agreement, which provides for a plan concerning

the regulatory responsibilities of NASD with respect to certain members of PCX, including ATS. Archipelago and the Exchange believe that this extension would be in keeping with the policy justifications for the Original Inbound Router Exception and the Original Inbound Router Extension outlined above, while allowing Archipelago to complete the sale of the ATS Inbound Router Function.

iii. *TNT.* Mr. Putnam has been working to eliminate the affiliation with TNT. Once he has reduced his interest in TNT, Mr. Putnam would also cease serving as a director of TAL.<sup>45</sup> The Original TNT Extension expires on January 31, 2006. In light of the fact that the sale of Mr. Putnam's interest in TNT is unlikely to be consummated by January 31, 2006, the Exchange hereby proposes to extend the Original TNT Exception to the earlier of (x) the closing date of the Archipelago NYSE Merger and (y) March 31, 2006. In requesting such extension, Archipelago and the Exchange note that the NASD is the "Designated Examining Authority" for TNT pursuant to Rule 17d-1 of the Act. Furthermore, during the interim period, TNT would continue to be covered by the scope of the 17d-2 Agreement, which provides for a plan concerning the regulatory responsibilities of NASD with respect to certain members of PCX, including TNT. Archipelago and the Exchange believe that this extension would be in keeping with the policy justifications for the Original TNT Exception and the Original TNT Extension outlined above, while allowing Mr. Putnam a reasonable amount of time to effectuate the actions necessary to eliminate the affiliation between TNT and Archipelago.

## 2. Statutory Basis

The Exchange believes that the proposed rule change in this filing is consistent with Section 6(b)<sup>46</sup> of the Act, in general, and furthers the objectives of Section 6(b)(1),<sup>47</sup> in particular, in that it enables the Exchange to be so organized so as to have the capacity to be able to carry out the purposes of the Act and to comply, and (subject to any rule or order of the Commission pursuant to Section 17(d) or 19(g)(2) of the Act) to enforce compliance by its exchange members and persons associated with its exchange members, with the provisions of the Act, the rules and regulations

thereunder, and the rules of the Exchange. The Exchange also believes that this filing furthers the objectives of Section 6(b)(5),<sup>48</sup> in particular, because the rules summarized herein would create a governance and regulatory structure with respect to the operation of the equities and options business of PCX that is designed to help prevent fraudulent and manipulative acts and practices; to promote just and equitable principles of trade; to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities; and 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

Written comments on the proposed rule change were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A)<sup>49</sup> of the Act and Rule 19b-4(f)(6) thereunder.<sup>50</sup> At any time within 60 days of the filing of the 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.

<sup>48</sup> 15 U.S.C. 78f(b)(5).

<sup>49</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>50</sup> 17 CFR 240.19b-4(f)(6). The Exchange provided the Commission with written notice of its intent to file this proposed rule change on January 23, 2006.

<sup>44</sup> PCX clarified that the Inbound Router Clearing Function will be discontinued after the sale of the ATS Inbound Router Function subject only to the provision of transition services by Archipelago Securities to OES, and that PCX intends to file a proposed rule change requesting approval of such services. Telephone Conversation.

<sup>45</sup> PCX clarified that Mr. Putnam would cease serving as a director of TAL once he has reduced his interest in TNT. Telephone Conversation.

<sup>46</sup> 15 U.S.C. 78f(b).

<sup>47</sup> 15 U.S.C. 78f(b)(1).

PCX has asked the Commission to 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 the Original Wave Extension, the Original Inbound Router Extension and the Original TNT Extension each expire on January 31, 2006, such waiver will allow each of Wave, ATS (with respect to the ATS Inbound Router Function), Archipelago Securities (with respect to the Inbound Router Clearing Function), and TNT to remain in compliance with the voting and ownership limitations in the PCXH Certificate of Incorporation. The Commission notes that the Exchange has represented that Archipelago entered into definitive agreements for the sale of Wave on January 19, 2006 and for the sale of the ATS Inbound Router Function on December 23, 2005. The time period for each of the extensions is short and will terminate on the earlier of (1) the closing date of the Archipelago NYSE Merger and (2) March 31, 2006. In addition, the Commission notes that the following protections are and will continue to be in place during the interim period: (i) Wave, ATS, and TNT are members of the NASD as well as PCX, (ii) the NASD is the Designated Examining Authority for Wave, ATS, and TNT pursuant to Rule 17d-1 of the Act, and (iii) Wave, ATS, and TNT are, and will continue to be during the extension, covered by the scope of the 17d-2 Agreement. Further, Archipelago's ownership and operation of Wave, the ATS Inbound Router Function of ATS, and the Inbound Router Clearing Function of Archipelago Securities will continue to be subject to the same conditions as the Original Wave Exception and the Original Inbound Router Exception, as described above and as approved by the Commission in the SEC Order.

For these reasons, the Commission designates the proposal to be effective and operative upon filing with the Commission.<sup>51</sup>

#### 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:

<sup>51</sup> For 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).

#### 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-PCX-2006-04 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-PCX-2006-04. 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 such filing also will be available for inspection and copying at the principal office of the PCX.

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-PCX-2006-04 and should be submitted on or before March 1, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>52</sup>

Nancy M. Morris,  
Secretary.

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## SOCIAL SECURITY ADMINISTRATION

### Agency Information Collection Activities: Proposed Request

The Social Security Administration (SSA) publishes a list of information

<sup>52</sup> 17 CFR 200.30-3(a)(12).

collection packages that will require clearance by the Office of Management and Budget (OMB) in compliance with Pub. L. 104-13, the Paperwork Reduction Act of 1995, effective October 1, 1995. The information collection package included in this notice is for approval of an existing OMB-approved information collection.

SSA is soliciting comments on the accuracy of the agency's burden estimate; the need for the information; its practical utility; ways to enhance its quality, utility, and clarity; and on ways to minimize burden on respondents, including the use of automated collection techniques or other forms of information technology. Written comments and recommendations regarding the information collection(s) should be submitted to the OMB Desk Officer and the SSA Reports Clearance Officer. The information can be mailed and/or faxed to the individuals at the addresses and fax numbers listed below: (OMB), Office of Management and Budget, Attn: Desk Officer for SSA, Fax: 202-395-6974.

(SSA), Social Security Administration, DCFAM, Attn: Reports Clearance Officer, 1333 Annex Building, 6401 Security Blvd., Baltimore, MD 21235. Fax: 410-965-6400. E-mail: [OPLM.RCO@ssa.gov](mailto:OPLM.RCO@ssa.gov).

The information collection listed below has been submitted to OMB for clearance. Your comments on the information collection would be most useful if received by OMB and SSA within 30 days from the date of this publication. You can obtain a copy of the OMB clearance package by calling the SSA Reports Clearance Officer at 410-965-0454, or by writing to the address listed above.

*Medicare Subsidy Quality Review Case Analysis Forms—20 CFR 418(b)(5)—0960-0707.* Under the aegis of the Medicare Modernization Act of 2003, SSA will make Medicare Part D subsidy determinations for the Medicare Prescription Drug program for Medicare beneficiaries with limited income and resources. The subsidy determination is based on applicants' answers to questions about categories such as household size, income, and resources. This information is self-reported by applicants using form OMB No. 0960-0696 (SSA-1020), and thus, SSA needs a way to determine if this form is being completed accurately and completely and a way to validate its determination decisions. To this end, SSA will use the Medicare Quality Review system to check the accuracy of the determination. In this system, SSA will conduct phone interviews with selected applicants and will confirm information such as