

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-NASD-2006-102 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-NASD-2006-102. 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 NASD. 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-NASD-2006-102 and should be submitted on or before October 13, 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. 34-54319A; File No. SR-NASD-2006-060]

**Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change To Require Members To File Regulatory Notices With NASD Electronically**

September 18, 2006.

*Correction:*

In FR Document No. E6-13812, beginning on page 48959 for Tuesday August 22, 2006, the first sentence under "Statutory Basis" in column 1 should read as follows:

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>1</sup> which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, in that the proposed rule change will permit the expeditious filing of specified required regulatory notices and other required submissions by requiring firms to file such reports and documents with NASD electronically.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>2</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 06-8040 Filed 9-21-06; 8:45 am]

**BILLING CODE 8010-01-M**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54466; File No. SR-NYSEArca-2006-48]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change To Amend NYSE Arca Equities, Inc.'s Clearly Erroneous Executions Rule To Include an Appeal Fee for the Archipelago Exchange**

September 18, 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 August 11, 2006, NYSE Arca, Inc. ("NYSE Arca" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule

<sup>1</sup> 15 U.S.C. 78o-3(b)(6).

<sup>2</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.

change as described in Items I, II, and III below, which Items have been prepared by NYSE Arca. 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**

NYSE Arca proposes to amend NYSE Arca Equities Rule 7.10 governing clearly erroneous executions ("CEE") on the Archipelago Exchange, the equities trading facility of NYSE Arca Equities, Inc. ("NYSE Arca Equities"). Specifically, the Exchange proposes to assess a fee associated with the appellate mechanism of NYSE Arca Equities Rule 7.10.

The text of the proposed rule change is available on NYSE Arca's Web site (<http://www.nysearca.com>), at NYSE Arca'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, NYSE Arca 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. NYSE Arca 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 amended NYSE Arca Equities Rule 7.10 (Clearly Erroneous Executions) to include subsections (c)(2)-(4), which amendment became effective May 16, 2005. NYSE Arca Equities Rules 7.10(c)(2)-(4) provide for an appeals panel that includes the Exchange's Chief Regulatory Officer ("CRO"), or a designee of the CRO, and two representatives from Equity Trading Permit ("ETP") Holders (together with the CRO, the "CEE Panel") to review the determination of clearly erroneous executions that are made by an NYSE Arca Equities officer under NYSE Arca Equities Rule 7.10(c)(1).

As part of its continuing efforts to enhance the appeal process, the Exchange proposes to add NYSE Arca

<sup>11</sup> 17 CFR 200.30-3(a)(12).

Equities Rule 7.10(c)(5).<sup>3</sup> Under the proposed rule, if the CEE Panel votes to uphold the decision made pursuant to NYSE Arca Equities Rule 7.10(c)(1), the Exchange would assess a \$500.00 fee against the ETP Holder(s) who initiated the request for appeal. The Exchange's experience with the appeal process strongly indicates that some ETP Holders are improperly taking advantage of the appeal opportunity provided under the rule. The Exchange believes that assessing a \$500.00 fee against the ETP Holder(s) who appeals a decision made under NYSE Arca Equities Rule 7.10(c)(1) that is subsequently upheld by the CEE Panel would discourage frivolous and abusive practices of the appeal process.

Since NYSE Arca Equities Rules 7.10(c)(2)–(4) were adopted, the Exchange has found that some ETP Holders have taken advantage of the process by categorically appealing all decisions in which they are involved, including decisions that involve a *de minimis* value. According to the Exchange, in effect, these ETP Holders file appeals simply to “get a second bite at the apple.” More specifically, in the months of August and September 2005, three ETP Holders were responsible for filing approximately 52% of all appeals filed at the Exchange. In addition, on July 26, 2005, an ETP Holder appealed an Exchange ruling to bust a 34-share transaction.

Furthermore, under NYSE Arca Equities Rule 7.10(c)(1), an ETP Holder may request that an NYSE Arca Equities officer review any transaction the ETP Holder regards as erroneous. Accordingly, an officer renders an official determination whether the transaction is erroneous and, if so, whether it should be canceled or modified. The initial determination made by the NYSE Arca Equities officer is done at no charge to the ETP Holder, and the Exchange believes that any further examination of the execution should incur a modest fee, in the event the original decision is upheld, to reduce the number of frivolous and abusive appeals.<sup>4</sup>

The Exchange notes that the appeal process draws upon the resources of not only the Exchange but also of the ETP Holders who volunteer as appeal panelists pursuant to NYSE Arca Equities Rule 7.10(c)(2)(A). Specifically, an appeal requires the efforts of two NYSE Arca Equities employees to

accept and process the appeal (*i.e.*, contact members in the pool of appeal panelists to determine their availability to serve on the CEE Panel, write up the circumstances of the trade(s) leading up to the appeal, moderate the actual appeal that is conducted by conference call, contact the parties to the appeal after the CEE Panel reaches a decision and document the process and decision). From start to finish, the appeal process may take up to 1½ hours to complete.

Moreover, the CEE Panel is largely dependent on ETP Holder participation. Each panel member is a volunteer and dedicates his or her own time to the CEE Panel, which often meets during the busiest periods in a trading day. The Exchange believes that constant abuse of this process would likely foster volunteer frustration and may lead panelists to withdraw entirely from participating in the process.

The Exchange believes that appeals such as those described above represent an unintended use of the appeal process and demonstrate that abuses can proliferate when ETP Holders incur no downside risk to filing repeated appeals, whether valid or otherwise, and, in effect, are given a free second bite at the apple. Therefore, the Exchange believes that it is necessary to limit the abuse of the process and reduce the number of frivolous and *de minimis* appeals by assigning a modest fee for all appeals that are upheld.<sup>5</sup>

When the Exchange amended NYSE Arca Equities 7.10(c)(2) to provide for an appeals process, the Exchange did not intend for the CEE Panel to serve as a redundant decision making mechanism, and it did not anticipate that the CEE Panel would be called upon to meet as frequently as it does today. Additionally, while the Exchange does not have statistical data surrounding other self-regulatory organizations' appeal processes, the Exchange understands that usage of their appellate mechanism is done sparingly and is not exploited by their members.

The Exchange did not anticipate these effects when it proposed NYSE Arca Equities Rule 7.10(c)(2)–(4). As a result, the Exchange deems it necessary to propose a fee of \$500 against each ETP Holder who appeals a decision made under NYSE Arca Equities Rule 7.10(c)(1) and such decision is confirmed by the CEE Panel.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)<sup>6</sup> of the Act, in general, and furthers the objectives of Section 6(b)(5)<sup>7</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

### 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 purpose of the Act.

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

The Exchange has neither solicited nor received written comments on 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 the 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 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-NYSEArca-2006-48 on the subject line.

<sup>3</sup> Telephone Call between David Hsu, Special Counsel, Division of Market Regulation, Commission, and Melanie Grace, Associate General Counsel, NYSE Group, Inc., on September 8, 2006.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

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

<sup>7</sup> 15 U.S.C. 78f(b)(5).

*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-NYSEArca-2006-48. 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 Exchange. 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-NYSEArca-2006-48 and should be submitted on or before October 13, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Jill M. Peterson,

*Assistant Secretary.*

[FR Doc. 06-8036 Filed 9-21-06; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54454; File No. SR-OC-2006-02]

### Self-Regulatory Organizations; OneChicago, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Listing Standards of Security Futures Products

September 15, 2006.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934

(“Act”)<sup>1</sup> and Rule 19b-7 thereunder,<sup>2</sup> notice is hereby given that on September 6, 2006, OneChicago, LLC (“OneChicago” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

OneChicago has also filed the proposed rule change with the Commodity Futures Trading Commission (“CFTC”). OneChicago filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act<sup>3</sup> on September 5, 2006.

#### I. Self-Regulatory Organization's Description of the Proposed Rule Change

OneChicago proposes to amend its listing standards for a security futures product. The text of the proposed rule change is available at the principal office of the Exchange 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 Exchange 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

Currently, under OneChicago Rule 906(b)(2), the Exchange will not open a new delivery month for trading in a security future unless the issuer of the underlying security satisfies applicable reporting requirements of the Act or corrects any failure within 30 days after the date the report was due to be filed, and the underlying security is listed on a national securities exchange or is principally traded through the facilities of a national securities association and

is designated as an NMS security. The Exchange proposes to delete OneChicago Rule 906(b)(2)(A), which requires that the issuer of a security underlying a single stock futures (“SSF”) satisfy applicable reporting requirements of the Act or correct any failure within 30 days after the date the report was due to be filed. OneChicago believes that the proposed rule change is consistent with listing standards in the options market and in the best interest of market participants.

The Exchange believes that the current OneChicago Rule 906(b)(2)(A) limits an investor's ability to hedge her underlying stock positions at a time when she may be most in need to protect her investment. The failure of a public company to comply with its reporting requirements under the Act could cause a significant movement in the price of that company's stock. The Exchange believes restricting the Exchange from opening new contract months may leave investors without the means to hedge their positions with SSFs.

The Exchange believes that the proposed rule change is consistent with options listing standards. In December 2005, the Commission approved a rule change for the Chicago Board Options Exchange, Incorporated (“CBOE”) that deleted Interpretation and Policy .01(e) to CBOE Rule 5.4, which contained language similar to that in OneChicago Rule 906(b)(2)(A).<sup>4</sup> The Pacific Exchange, Inc. (n/k/a NYSE Arca, Inc.) (“PCX”) also filed a similar rule change with the Commission, which was effective immediately.<sup>5</sup> Under Section 6(h)(3)(C) of the Act, listing standards for security futures are to be no less restrictive than comparable option listing standards.<sup>6</sup> Since a similar rule change was made to the options listing standards of CBOE and PCX, OneChicago believes that the proposed rule change is comparable to, and no less restrictive than, option listing standards.

The Exchange will monitor the listing status of the security underlying a SSF and, pursuant to OneChicago Rule 906(b), not open a new delivery month for trading in a SSF when the underlying security is delisted from trading.

<sup>4</sup> Securities Exchange Act Release No. 52779 (November 16, 2005), 70 FR 70902 (November 23, 2005).

<sup>5</sup> Securities Exchange Act Release No. 52911 (December 7, 2005), 70 FR 74078 (December 14, 2005).

<sup>6</sup> 15 U.S.C. 78f(h)(3)(C).

<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 17 CFR 240.19b-7.

<sup>3</sup> 7 U.S.C. 7a-2(c).

<sup>8</sup> 17 CFR 200.30-3(a)(12).