

continue, adjust, or terminate benefits based on eligibility criteria.
Type of Review: Extension.
Agency: Employment Standards Administration.

Title: Claim for Compensation by Dependents Information Reports.
OMB Number: 1215-0155.
Agency Number: CA-5, CA-5b, CA-1031, CA-1074, Letter of Compensation

Due at Death and Letter of Student/Dependency.
Affected Public: Individuals or households.
Total Respondents: 1,880.
Total Responses: 1,880.

Forms	Respondents	Frequency	Minute per form	Burden hours
CA-5	150	Once	90	225
CA-5b	20	Once	90	30
CA-1031	150	Annually	15	37
CA-1074	10	Once	60	10
Student/Dependency	1,050	Semiannually	30	525
Compensation Due at Death	500	Once	30	250
Total	1,880	1,077

Estimated Total Burden Hours: 1,077.
Total Burden Cost (capital/startup): \$0.

Total Burden Cost (operating/maintenance): \$452.

Comments submitted in response to this notice will be summarized and/or included in the request for Office of Management and Budget approval of the information collection request; they will also become a matter of public record.

Hazel Bell,

Acting Chief, Branch of Management Review and Internal Control, Division of Financial Management, Office of Management, Administration and Planning, Employment Standards Administration.

[FR Doc. E6-19157 Filed 11-13-06; 8:45 am]

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NATIONAL CREDIT UNION ADMINISTRATION

Notice of Meeting

Time and Date: 9 a.m., Thursday, November 16, 2006.

Place: Board Room, 7th Floor, Room 7047, 1775 Duke Street, Alexandria, VA 22314-3428.

Status: Open.

Matters to be Considered:

1. NCUA's 2007 Annual Performance Budget.
2. NCUA's 2007/2008 Operating Budget.
3. NCUA's Overhead Transfer Rate.
4. NCUA's 2007 Operating Fee Scale.
5. Final Rule: Part 740 of NCUA's Rules and Regulations, Accuracy of Advertising and Notice of Insured Status.

Recess: 10:15 a.m.

Time and Date: 10:30 a.m., Thursday, November 16, 2006.

Place: Board Room, 7th Floor, Room 7047, 1775 Duke Street, Alexandria, VA 22314-3428.

Status: Closed.

Matters to be Considered:

1. One (1) Insurance Appeal. Closed pursuant to Exemption (6).

For Further Information Contact: Mary Rupp, Secretary of the Board, Telephone: 703-518-6304.

Mary Rupp,

Secretary of the Board.

[FR Doc. 06-9208 Filed 11-9-06; 2:51 pm]

BILLING CODE 7535-01-M

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of November 20, 2006:

A closed meeting will be held on Monday, November 20, 2006 at 2 p.m.

Commissioners, Counsels to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), (9)(B) and (10) and 17 CFR 200.402(a) (3), (5), (7), (9)(ii), and (10) permit consideration of the scheduled matters at the closed meeting.

Commissioner Casey, as duty officer, voted to consider the items listed for the closed meeting in closed session.

The subject matters of the closed meeting scheduled for Monday, November 20, 2006 will be:

Formal orders of investigation;

Institution and settlement of injunctive actions;
 Institution and settlement of administrative proceedings of an enforcement nature;
 Amicus consideration;
 Resolution of litigation claims; and
 Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 551-5400.

Dated: November 9, 2006.

Nancy M. Morris,

Secretary.

[FR Doc. 06-9213 Filed 11-9-06; 3:47 pm]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54714]

Order Granting National Securities Exchanges a Limited Exemption From Rule 612 of Regulation NMS Under the Securities Exchange Act of 1934 To Permit Acceptance by Exchanges of Certain Sub-Penny Orders

November 6, 2006.

I. Introduction

The Securities and Exchange Commission ("Commission") is granting national securities exchanges a limited exemption from Rule 612¹ of Regulation NMS under the Securities Exchange Act of 1934 ("Exchange Act") to permit them to accept certain cross orders priced in sub-penny increments, subject

¹ 17 CFR 240.612.

to the conditions described below. Rule 612 prohibits a national securities exchange (among other entities) from displaying, ranking, or accepting a bid or offer, an order, or indication of interest in any national market system ("NMS") stock² that is priced in an increment smaller than \$0.01 per share, unless the price of the bid or offer, order, or indication of interest is priced less than \$1.00 per share.³ If the bid or offer, order, or indication of interest is priced less than \$1.00 per share, the minimum allowable increment is \$0.0001 per share.⁴

Recently, the Commission approved a number of SRO rule changes that, subject to the Commission's grant of exemptive relief, envision the acceptance of certain cross orders arranged by members in sub-penny prices.⁵ A cross transaction involves a buy order and sell order for the same security at the same price that are pre-matched by an exchange member, whether as principal or agent, and submitted to the exchange for execution.⁶ In absence of an exemption from the Rule 612, an exchange is prohibited from accepting cross orders priced above \$1.00 per share in sub-penny increments,⁷ even if such orders are immediately executed and printed by the exchange. However, pursuant to Rule 612(c), the Commission, by order, may exempt from the provisions of Rule 612, either unconditionally or on specified terms and conditions, any person, security, quotation, or order (or any class or classes of persons, securities, quotations, or orders) if the Commission determines that such

exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

II. Discussion

After careful consideration, the Commission hereby grants the national securities exchanges a limited exemption from Rule 612 permitting them to accept certain sub-penny cross orders. This exemption is limited to the acceptance by national securities exchanges of cross orders arranged by members that are priced in sub-penny increments and immediately executed against each other,⁸ and otherwise accepted and handled in accordance with rules approved or established pursuant to Section 19(b) of the Exchange Act.⁹

Among other things, Rule 612 is designed to limit the ability of a market participant to gain execution priority over a competing limit order by an economically insignificant amount. The Commission noted that, "[i]f investors' limit orders lose execution priority for a nominal amount, investors may over time decline to use them, thus depriving the markets of liquidity."¹⁰ In addition, Rule 612 is intended to reduce the incidence of quote flickering, which makes it more difficult for market participants to identify the best price available in the national market system at a given moment, and to prevent excessive reduction of depth at the best inside quotation.¹¹ In adopting Rule 612, the Commission explicitly declined to prohibit sub-penny executions, provided such executions do not result from an impermissible sub-penny orders or quotations.¹² The Commission observed that sub-penny trading "does not raise the same concerns as sub-penny quoting. Sub-penny executions do not cause quote flickering and do not decrease depth at the inside quotation. Nor do they require the same systems capacity as would sub-penny quoting. In

addition, sub-penny executions due to price improvement are generally beneficial to retail investors."¹³

The Commission believes that this exemption is consistent with the protection of investors because allowing the exchanges to accept sub-penny cross orders for the limited purpose of immediately executing them is akin to a sub-penny execution and should not implicate any of the problems with sub-penny quoting identified by the Commission in adopting Rule 612. Because these sub-penny cross orders are prohibited from being displayed, they will not cause quote flickering, decrease depth at the inside quotation, or degrade systems capacity. Furthermore, because this exemption applies only to pre-arranged cross orders, these sub-penny orders will not gain any execution advantage over resting limit orders on the book.¹⁴

Furthermore, the Commission believes that this exemption is necessary or appropriate in the public interest to facilitate the execution of pre-arranged cross orders on the exchanges. When the Commission adopted Rule 612, exchange rules did not contemplate sub-penny crosses, which therefore could occur only in the over-the-counter ("OTC") market. Since that time, some exchanges have proposed to offer such execution services.¹⁵ In the OTC market, a broker-dealer could execute a sub-penny cross without the two orders involved having to be accepted by any entity subject to Rule 612. The broker-dealer could simply arrange the trade at the sub-penny price, as principal or agent, and report the execution to the

¹³ *Id.*

¹⁴ Nothing in this exemption relieves a national securities exchange of the requirement to establish all rules, including its rules related to cross transactions, in a manner consistent with Section 19(b) of the Exchange Act, 15 U.S.C. 78s(b), and Rule 19b-4 thereunder, 17 CFR 240.19b-4, before accepting sub-penny orders in reliance on this exemption. In reviewing proposed rules relating to cross transactions, the Commission would evaluate, among other things, whether cross orders could gain execution priority over resting limit orders in a manner inconsistent with the Exchange Act. *See, e.g.,* Securities Exchange Act Release No. 54391 (August 31, 2006), 71 FR 52836 (September 7, 2006) (SR-NSX-2006-08) (approving, among other things, NSX Rule 11.12(b), which permits crosses that are priced at least \$0.01 better than any displayed order on the book, and Rule 11.12(c), which permits midpoint crosses); Securities Exchange Act Release No. 54422 (September 11, 2006), 71 FR 54537 (September 15, 2006) (SR-CBOE-2004-21) (approving, among other things, CBOE Rule 52.11, which permits crosses to occur at the same price as displayed orders on the book if the cross transaction: (1) is for at least 5000 shares; (2) is for a principal amount of at least \$100,000; and (3) is greater in size than any single public customer order displayed on the book at the proposed cross price).

¹⁵ *See supra* note 5.

² An NMS stock is any non-option security for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan. *See* 17 CFR 242.600(b)(46) and (b)(47).

³ *See* 17 CFR 242.612(a).

⁴ *See* 17 CFR 242.612(b).

⁵ *See, e.g.,* Securities Exchange Act Release No. 54550 (September 29, 2006), 71 FR 59563 (October 10, 2006) (SR-CHX-2006-05) (approving, among other things, rules permitting cross transactions in increments as small as \$0.000001); Securities Exchange Act Release No. 54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) (SR-Phlx-2006-43) (approving, among other things, benchmark orders that could be priced in increments as small as \$0.0001).

⁶ For example, a member could pair together a customer market order to buy and a customer market order to sell at the midpoint between the exchange's best bid and offer ("BBO"), which would result in a sub-penny execution (*e.g.*, \$17.895) if the BBO were an odd number of cents wide (*e.g.*, \$17.89 × \$17.90). In addition, a member could offer sub-penny price improvement when trading as principal with a customer order.

⁷ An exchange may, consistent with Rule 612(b) of Regulation NMS, establish rules that permit it to accept orders that are priced less than \$1.00 per share in increments as small as \$0.0001, whether or not as part of a cross transaction.

⁸ Therefore, if an exchange accepts two sub-penny orders that are not immediately executed against each other, the exchange must immediately cancel both orders or be in violation of Rule 612. If the exchange ranked or displayed either sub-penny order, it also would be in violation of Rule 612, as this exemption extends only to the acceptance of such orders. For purposes of this exemption, a cross order is immediately executed if the exchange automatically executes the cross with no delay other than for confirming that the conditions for the cross imposed by the exchange's rules are satisfied.

⁹ 15 U.S.C. 78s(b).

¹⁰ *See* Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37551 (June 29, 2005) ("Regulation NMS Adopting Release").

¹¹ *See id.* at 37752.

¹² *See id.* at 37556. A sub-penny execution could result, for example, from a midpoint or volume-weighted trading algorithm or from price improvement that a broker-dealer provides to a customer order.

NASD.¹⁶ To execute the same trade on an exchange, however, the exchange's systems might require the broker-dealer to enter matching buy and sell orders that are explicitly priced in a sub-penny increment that, absent an exemption, would not be permitted by Rule 612. The Commission does not believe that Rule 612 should preclude an immediate sub-penny execution on an exchange that results from the submission by a member of a cross order arranged by that member that otherwise is in accordance with exchange rules established consistent with Section 19(b) of the Exchange Act. The Commission believes, therefore, that this exemption is consistent with the public interest because it will level the playing field between the exchanges and the OTC market as venues for sub-penny crossing transactions.¹⁷

For these reasons, the Commission concludes that this limited exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

III. Conclusion

It is hereby ordered, pursuant to Rule 612(c) of Regulation NMS, that a national securities exchange may accept cross orders priced in sub-penny increments, provided that:

- (1) The orders are immediately executed against each other; and
- (2) The cross transaction is effected in accordance with exchange rules approved or established pursuant to Section 19(b) of the Exchange Act.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Nancy M. Morris,
Secretary.

[FR Doc. E6-19120 Filed 11-13-06; 8:45 am]

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¹⁶ While a broker-dealer may execute a cross at a sub-penny price without violating Rule 612, the broker-dealer may not accept a sub-penny order. For example, the broker-dealer could accept a market order to buy, internalize it, and give the customer an execution at \$10.001 (assuming such execution is consistent with all applicable Commission and SRO rules including, for example, rules relating to best execution and order protection). Rule 612 prohibits the broker-dealer from accepting a limit order to buy that the customer has explicitly priced at \$10.001.

¹⁷ However, as with sub-penny crosses arranged in the OTC market, nothing in this exemption permits a broker-dealer itself to accept a limit order that a customer has explicitly priced in an increment not permitted by Rule 612.

¹⁸ 17 CFR 200.30-3(a)(83).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54715; File No. SR-NASD-2006-108]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to a Proposed Rule Change Relating to an NASD Trade Reporting Facility Established in Conjunction With the National Stock Exchange, Inc.

November 6, 2006.

I. Introduction

On September 14, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposal to establish an NASD trade reporting facility (the "NASD/NSX TRF") in conjunction with the National Stock Exchange, Inc. ("NSX"). The proposed rule change was published for comment in the *Federal Register* on September 27, 2006.³ The Commission received one comment letter regarding the proposal.⁴ The NASD filed Amendment No. 1 to the proposed rule change on November 2, 2006.⁵ This order approves the proposal, as amended. In addition, the Commission is publishing notice to solicit comments on, and is simultaneously approving, on an accelerated basis, Amendment No. 1.

II. Description of the Proposal

A. NASD/NSX TRF

NASD proposes to establish a new trade reporting facility, the NASD/NSX TRF, that will provide NASD members with an additional facility for reporting transactions in NMS stocks, as defined

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 54479 (September 21, 2006), 71 FR 56573 ("Notice").

⁴ See letter from Alden Adkins, Executive Vice President, Boston Stock Exchange, Inc. ("BSE"), to Nancy N. Morris, Secretary, Commission, dated October 17, 2006 ("BSE Letter").

⁵ In Amendment No. 1, NASD proposes to: (1) Allow members to report transactions in all NMS stocks, as defined in Rule 600(b)(47) of Regulation NMS under the Act; (2) designate NASD Rule 5140 regarding multiple Market Participant Symbols ("MPIDs") as a pilot set to expire on January 26, 2007 and add language to IM-5140 regarding members' obligations when using multiple MPIDs for quoting and trade reporting purposes; (3) implement the NASD/NSX TRF in two phases; and (4) reflect final approval of the proposed rule change by the NASD Executive Committee of the Board of Governors.

in Rule 600(b)(47) of Regulation NMS under the Act,⁶ that are effected otherwise than on an exchange. The NASD/NSX TRF will be operated by the NASD/NSX Trade Reporting Facility LLC ("NASD/NSX TRF LLC"). The NASD/NSX TRF structure and rules are substantially similar to the trade reporting facility established by the NASD and the Nasdaq Stock Market, Inc. (the "NASD/Nasdaq TRF"), which the Commission approved in June 2006.⁷

The NASD/NSX TRF will be a facility, as defined under the Act,⁸ of the NASD, subject to regulation by the NASD and to the NASD's registration as a national securities association. NASD members⁹ that match and/or execute orders internally or through proprietary systems may submit reports of these trades, with appropriate information and modifiers, to the NASD/NSX TRF, which will then report them to the appropriate exclusive securities information processor ("SIP").¹⁰ NASD/NSX TRF transaction reports disseminated to the media will include a modifier indicating the source of the transactions that will distinguish them from transactions executed on or through the NSX. The NASD/NSX TRF will provide the NASD with a real-time copy of each trade report for regulatory review purposes. At the option of the participant, the NASD/NSX TRF may provide the necessary clearing information regarding transactions to

⁶ See Amendment No. 1, *supra* note 5.

⁷ See Securities Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006) ("NASD/Nasdaq TRF Approval Order"). NASD has proposed to amend the NASD/Nasdaq TRF to permit NASD members to report transactions in NMS Stocks as defined in Rule 600 of Regulation NMS under the Act. Currently, the NASD/Nasdaq TRF only accepts transaction reports in Nasdaq Global Market and Nasdaq Capital Market securities and convertible bonds listed on The NASDAQ Stock Market LLC ("Nasdaq Exchange"). See Securities Exchange Act Release No. 54451 (September 15, 2006), 71 FR 55243 (September 21, 2006) ("Pending NASD/Nasdaq TRF Proposal").

⁸ 15 U.S.C. 78c(a)(2).

⁹ Only NASD members in good standing may participate in the NASD/NSX TRF. See NASD Rule 6120C(a)(1). NASD/NSX TRF participants also must meet the minimum requirements set forth in NASD Rule 6120C, including the execution of, and continuing compliance with, a Participant Application Agreement; membership in, or maintenance of, an effective clearing arrangement with a participant of a registered clearing agency registered pursuant to the Act; and the acceptance and settlement of each trade that the NASD/NSX TRF identifies as having been effected by the participant.

¹⁰ The NASD/NSX TRF will have controls in place to ensure that transactions reported to the NASD/NSX TRF that are significantly away from the current market will not be submitted to the SIP. The NASD represented that this is consistent with current practice and noted that the Alternative Display Facility ("ADF") and the NASD/Nasdaq TRF currently do not submit such trades to the SIP.