

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54957; File No. SR-FICC-2006-07]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving a Proposed Rule Change Relating To Providing Certain Reports to Its Members

December 18, 2006.

On April 21, 2006, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the *Federal Register* on October 4, 2006.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

The proposed rule change clarifies the frequency of certain reports that FICC will provide to its members. FICC conforms the rules of both its divisions, the Government Securities Division and the Mortgage Backed Securities Division ("MBSD"), regarding FICC's providing financial reports to members to the equivalent rule of FICC's affiliated clearing agency, The Depository Trust Company ("DTC").<sup>3</sup> FICC's revised rules will state that quarterly unaudited financial statements will only be provided to members/participants for the first three quarters of the calendar year.<sup>4</sup> In addition, in conformity to DTC's rules, FICC is deleting the time frames from its rules for providing the financial reports to its members/participants. Nevertheless, FICC will attempt to continue to make its annual audited financial statements available to its members within 60 days of the fiscal year end and will attempt to continue to make its quarterly unaudited financial statements available within 30 days of the quarter end.

FICC is also changing the time frame in Article V, Rule 5, Section 3 of MBSD's Clearing Rulebook and EPN Rulebook regarding providing its participants with the independent auditors' annual study and evaluation of MBSD's internal accounting controls. While FICC will delete these rule

provisions in their entirety, FICC will make this study and evaluation available to its members within a reasonable time after it receives it from its independent accountants, which is DTC's practice.

#### II. Discussion

Section 17A(b)(3)(F) of the Act<sup>5</sup> requires that the rules of a clearing agency to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission finds that the proposed rule change is consistent with this obligation because the proposed rule change conforms FICC's rules regarding providing unaudited quarterly financial statements and the independent auditor's annual study of internal controls with those of DTC and as such should promote the national clearance and settlement system.

#### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-FICC-2006-07) be, and hereby is, approved.<sup>7</sup>

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

**Florence E. Harmon,**  
*Deputy Secretary.*

[FR Doc. E6-22091 Filed 12-26-06; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54968; File No. SR-NASDAQ-2006-058]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Permit Orders to Peg to the Midpoint of the Best Bid and Best Offer

December 19, 2006.

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange

Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The NASDAQ Stock Market LLC ("Nasdaq") is filing with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been substantially prepared by Nasdaq. The Exchange 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 the Substance of the Proposed Rule Change

Nasdaq is proposing to enable orders to peg to the midpoint between the best bid and best offer ("Midpoint Peg"). The text of the proposed rule change is available on the Exchange's Web site (<http://www.nasdaq.complinet.com>), at the Exchange's Office of the Secretary, 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, Nasdaq 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. Nasdaq 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

Nasdaq proposes to modify the rule language pertaining to pegged orders ("Pegged Orders") to enable orders to peg to the midpoint of the best bid and best offer. Nasdaq currently offers pegged functionality, adjusting the price of the order based upon changes in the best bid and offer in the national market system ("National Market System").

A market participant entering a Pegged Order currently can specify that its price will equal the inside quote on

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

<sup>2</sup> Securities Exchange Act Release No. 54570 (Oct. 4, 2006), 71 FR 60591.

<sup>3</sup> DTC Rule 15.

<sup>4</sup> An annual audited financial statement is provided to members after the last calendar quarter of each year.

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>8</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.

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).