

### III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>5</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>6</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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. Specifically, the proposal will allow the ISE to make available to all ISE members information regarding customer interest at the ISE's BBO that currently is available only to PMMs. In addition, the proposal will allow the ISE to provide its members with the same customer interest information that CBOE currently makes available to its members.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (SR-ISE-2007-18) is approved.

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

**Jill M. Peterson,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55768; File No. SR-NYSE-2007-24]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Rule 13 (Definitions of Orders) To Establish the New Order Type Called Do Not Ship

May 15, 2007.

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 April 20, 2007, the New York Stock Exchange LLC ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change. The Exchange filed Amendment No. 1 to the proposed rule change on May 11, 2007. The proposed rule change, as amended, is described in Items I and II below, which Items have been substantially prepared by the NYSE. The Exchange filed the proposal 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, as amended, from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its Rule 13 (Definitions of Orders) to establish the new order type called Do Not Ship ("DNS"). The text of the proposed rule change is available at the Exchange, on the Exchange's Web site at <http://www.nyse.com>, 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

The Exchange is amending Rule 13 to adopt a Do Not Ship, or "DNS," order. A DNS order will be a limit order to buy or sell that is to be quoted and/or executed in whole or in part only on the Exchange. In the event the order would require routing to another market center pursuant to Exchange rules or federal securities laws, it would be immediately cancelled by Exchange systems.

The proposed DNS order provides an alternative for market participants who are seeking to have their order quoted and executed solely on the Exchange. The Exchange states that the DNS order provides the market participant with control over execution costs and where the order will be handled.

Regulation National Market System ("Reg. NMS") requires, among other things, that with limited exceptions, trading centers have policies and procedures reasonably designed to prevent the execution of trades at prices inferior to protected quotations displayed by other market centers.<sup>5</sup> The Exchange states that, in this context, orders that are routed away to other market center(s) in compliance with Reg. NMS may cause the market participant to incur multiple fees because the customer has to pay a separate fee each time the order is routed to other market center(s) during the course of its execution. The DNS order enables a market participant to control the costs associated with order execution by limiting the execution of the order in whole or in part, to the Exchange.

Similarly, a market participant who desires to have its order executed in whole or in part solely on the Exchange will also benefit from the DNS order which, by its terms, will immediately and automatically cancel if it is required to be routed away to another market center.

Generally, a DNS order can quote and trade on the Exchange. Where the bid or offer on the Exchange matches the bid or offer at another market center, an incoming DNS order that is eligible to quote and trade will do so first at the Exchange. However, if quoting the DNS order will cause the locking or crossing

<sup>5</sup> In approving this proposed rule change the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<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).

<sup>5</sup> See 17 CFR 242.611. See also Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005).

of another market center in violation of Exchange Rule 19 (Locking or Crossing Protected Quotations in NMS Stocks), the DNS order will cancel. If all or part of a DNS order would have been required, pursuant to Federal securities laws, to be routed to another market center upon entry at the Exchange, it will immediately and automatically cancel. When a DNS order is not eligible to be traded, it will be placed on the Display Book system at its limit price.

The Commission has previously approved the use of order types substantially similar to the DNS on other exchanges.<sup>6</sup> The Exchange believes that the DNS order will not only give the market participant greater flexibility in terms of execution costs and where the order will be handled, but it will also allow the Exchange a greater opportunity to compete in the current market landscape.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirement under Section 6(b)(5) of the Act<sup>7</sup> that the rules of an Exchange are designed to promote just and equitable principles of trade, 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

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

Because the foregoing 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 after the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup>

NYSE has requested that the Commission waive the 30-day operative delay.<sup>10</sup> The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the Commission has previously approved similar order types for other exchanges,<sup>11</sup> and waiver will allow the Exchange to implement this order type as soon as its systems are modified to recognize it.<sup>12</sup> For this reason, the Commission designates the proposed rule change to be effective and operative upon filing with the Commission.<sup>13</sup>

At any time within 60 days of the filing of such 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>14</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:

### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii). Rule 19b-4(f)(6) also requires the self-regulatory organization to give the Commission notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied the five-day pre-filing requirement.

<sup>11</sup> See *supra* at note 6.

<sup>12</sup> The Exchange represents that it seeks the requested waivers to allow for the immediate implementation of this new order type upon the operability of the Exchange's systems on or about May 18, 2007.

<sup>13</sup> For the 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).

<sup>14</sup> The Commission considers the 60-day abrogation period to have commenced on May 11, 2007, the date the Exchange filed Amendment No. 1.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSE-2007-24 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-NYSE-2007-24. 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 the 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-NYSE-2007-24 and should be submitted on or before June 11, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**Jill M. Peterson,**

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<sup>6</sup> See NYSE Arca, Inc. Equities Rule 7.31 (Orders and Modifiers) subsection (w) PNP Order (Post No Preference); Securities Exchange Act Release No. 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001) (SR-PCX-00-25). See also Philadelphia Stock Exchange, Inc. Rules of the Board of Governors Rule 185 (Orders and Order Execution) subsection (b) (Limited Price Orders) subparagraphs (1)(D); Securities Exchange Release No. 54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) (SR-Phlx-2006-43).

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

<sup>15</sup> 17 CFR 200.30-3(a)(12).