

at least five business days prior to the filing date of the proposal.<sup>10</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.<sup>11</sup> However, Rule 19b-4(f)(6)(iii)<sup>12</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day pre-operative period, which would make the rule change operative immediately. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, because the proposed rule change clarifies how BeX operates in relation to ETFs.<sup>13</sup> For this reason, the Commission designates that the proposal become operative immediately.

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.

#### 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 Number SR-BSE-2006-53 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-BSE-2006-53. 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-BSE-2006-53 and should be submitted on or before January 16, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E6-22006 Filed 12-22-06; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54953; File No. SR-NASD-2006-134]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Extending the Pilot Relating to Manning Price-Improvement Standards for Decimalized Securities

December 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 December 7, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed 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 NASD. NASD has designated the proposal as constituting a "non-controversial" proposed rule change under Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it 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

NASD is proposing to extend through June 30, 2007, the current pilot price-improvement standards for decimalized securities contained in NASD Interpretive Material ("IM") 2110-2—Trading Ahead of Customer Limit Order ("Manning Rule"). NASD proposes no changes to its rule text.<sup>5</sup>

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

In its filing with the Commission, NASD 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. NASD 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

NASD's Manning Rule requires an NASD member firm to provide a minimum level of price improvement to incoming orders in exchange-listed securities if the firm chooses to trade as principal with those incoming orders at a price equal to or better than customer limit orders the firm currently holds. If a firm fails to provide the minimum level of price improvement to the

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

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

<sup>5</sup> NASD has proposed changes to the text of NASD IM 2110-2 in a separate filing, SR-NASD-2005-146, which is currently pending at the Commission. See Securities Exchange Act Release No. 54705 (November 3, 2006), 71 FR 65863 (November 9, 2006) (Notice of filing of SR-NASD-2005-146). The proposed changes in SR-NASD-2005-146 would amend, among other provisions, the price-improvement standards in NASD IM-2110-2.

<sup>10</sup> As required under Rule 19b-4(f)(6)(iii), BSE provided the Commission with notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposal.

<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>12</sup> *Id.*

<sup>13</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).

<sup>14</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.

incoming order, the firm must execute its held customer limit orders at the price at which the firm traded for its own account or better. Generally, if a firm fails to provide the requisite amount of price improvement and also fails to execute its held customer limit orders, it is in violation of the Manning Rule.

On April 6, 2001,<sup>6</sup> the Commission approved, on a pilot basis, price improvement standards for decimalized securities contained in the Manning Rule. The applicable provision in the current version of the Manning Rule is as follows:<sup>7</sup>

For Nasdaq securities authorized for trading in decimals pursuant to the Decimals Implementation Plan For the Equities and Options Markets, the minimum amount of price improvement necessary in order for a member to execute an incoming order on a proprietary basis in a security trading in decimals when holding an unexecuted limit order in that same security, and not be required to execute the held limit order, is as follows:

(1) For customer limit orders priced at or inside the best inside market displayed in Nasdaq, the minimum amount of price improvement required is \$0.01; and

(2) For customer limit orders priced outside the best inside market displayed in Nasdaq, the member must price improve the incoming order by executing the incoming order at a price at least equal to the next superior minimum quotation increment in Nasdaq (currently \$0.01).

Since approval, these standards continue to operate on a pilot basis that

<sup>6</sup> See Securities Exchange Act Release No. 44165 (April 6, 2001), 66 FR 19268 (April 13, 2001) (SR-NASD-2001-27).

<sup>7</sup> Pursuant to the terms of the Decimals Implementation Plan for the Equities and Options Markets, the minimum quotation increment for Nasdaq securities at the outset of decimal pricing is \$0.01. On June 9, 2005, the Commission adopted Rule 612 of Regulation NMS which establishes minimum pricing increments for NMS stocks (e.g., exchange-listed securities). Rule 612 of Regulation NMS generally prohibits market participants from displaying, ranking, or accepting quotations, orders, or indications of interest in any NMS stock priced in an increment smaller than \$0.01 if the quotation, order, or indication of interest is priced equal to or greater than \$1.00 per share. If the quotation, order, or indication of interest is priced less than \$1.00 per share, the minimum pricing increment is \$0.0001. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005) (File No. S7-10-04). Rule 612 of Regulation NMS became effective on January 31, 2006. See Securities Exchange Act Release No. 52196 (August 2, 2005), 70 FR 45529 (August 8, 2005) (File No. S7-10-04).

Given the adoption and implementation of Rule 612 of Regulation NMS, Nasdaq, among other market centers, implemented changes to its trading systems to accept, rank, execute and disseminate priced quotations in accordance with Rule 612 of Regulation NMS. Quotations submitted to Nasdaq that are not in compliance with Rule 612 of Regulation NMS are rejected.

terminates on December 31, 2006.<sup>8</sup> NASD has determined to seek an extension of its current Manning Rule pilot until June 30, 2007. NASD believes that such an extension provides for an appropriate continuation of the current Manning Rule price improvement standards while the Commission continues to analyze the issues related to customer limit order protection in a decimalized environment. NASD is not proposing any other changes to the pilot at this time. NASD proposes to make the proposed rule change operative on January 1, 2007.

## 2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>9</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. NASD believes that the proposed rule change will improve treatment of customer limit orders and enhance the integrity of the market.

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

NASD does not believe that the proposed rule change will result in 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 were neither solicited nor received by NASD.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder<sup>11</sup> because the proposal does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) 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

<sup>8</sup> See Securities Exchange Act Release No. 53972 (June 12, 2006), 71 FR 35315 (June 19, 2006) (SR-NASD-2006-069).

<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

investors and the public interest.<sup>12</sup> NASD has requested that the Commission waive the 30-day operative delay and designate the proposed rule change effective immediately. NASD intends for the rule to become operative on January 1, 2007. The Commission hereby grants the request.<sup>13</sup> The Commission believes that such waiver is consistent with the protection of investors and the public interest because it will allow the protection of customer limit orders provided by the pilot to continue without interruption.

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>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
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASD-2006-134 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-2006-134. 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

<sup>12</sup> Rule 19b-4(f)(6)(iii) under the Act requires that a self-regulatory organization submit to the Commission written 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. NASD complied with the five day pre-filing requirement.

<sup>13</sup> For purposes only of accelerating the operative date of the proposal, 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> See 15 U.S.C. 78s(b)(3)(C).

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-2006-134 and should be submitted on or before January 16, 2007.

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

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54956; File No. SR-NFA-2006-03]

### Self-Regulatory Organization; National Futures Association; Notice of Filing and Immediate Effectiveness of a Proposed Amendment Relating to the Interpretive Notice to Compliance Rule 2-9 Regarding FCM and IB AML Program Requirements

December 18, 2006.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-7 under the Act,<sup>2</sup> notice is hereby given that on November 27, 2006, National Futures Association ("NFA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change described in Items I, II, and III below, which Items have been prepared by NFA. The Commission is publishing this notice to solicit

comments on the proposed rule change from interested persons. In addition, on November 6, 2006, NFA filed the proposed rule change with the Commodity Futures Trading Commission ("CFTC"). The CFTC approved the proposed rule change on November 16, 2006.<sup>3</sup>

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

Section 15A(k) of the Act<sup>4</sup> makes NFA a national securities association for the limited purpose of regulating the activities of NFA members ("Members") who are registered as brokers or dealers in security futures products under Section 15(b)(11) of the Act.<sup>5</sup> NFA's Interpretive Notice entitled "Compliance Rule 2-9: FCM and IB Anti-Money Laundering Program" ("Interpretive Notice") applies to all futures commission merchant ("FCM") and introducing broker ("IB") Members of NFA, including Members registered under Section 15(b)(11).

The text of the proposed rule change is available on NFA's Web site (<http://www.nfa.futures.org>), at the NFA'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, NFA has prepared statements concerning the purpose of, and basis for, the proposed rule change, burdens on competition, and comments received from members, participants, and others. The text of these statements may be examined at the places specified in Item IV below. NFA 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

Since NFA adopted its *Interpretive Notice to NFA Compliance Rule 2-9: FCM and IB Anti-Money Laundering Program* in early 2002, there have been a number of additional anti-money laundering requirements applicable to NFA FCM and IB Members.<sup>6</sup> The

<sup>3</sup> See Letter from Eileen Donovan, Acting Secretary, CFTC, to Thomas W. Sexton, III, Esq., General Counsel, NFA (Nov. 16, 2006) ("Letter").

<sup>4</sup> 15 U.S.C. 78o-3(k).

<sup>5</sup> 15 U.S.C. 78o(b)(11).

<sup>6</sup> See, e.g., Treasury Department Rule 31 CFR 103.123 governing Customer Identification

proposed rule change would amend the Interpretive Notice to include all requirements currently applicable to FCMs and IBs.

The revised Interpretive Notice includes changes in the following areas:

- The addition of Customer Identification Program requirements and guidance issued on these requirements;<sup>7</sup>
- The deletion of the Customer Identification and Verification section because it was replaced with the Customer Identification Program requirements;<sup>8</sup>
- The addition of Suspicious Activity Reporting requirements and guidance that was issued regarding these requirements;<sup>9</sup>
- The addition of Information Request requirements and guidance with which FCMs are required to comply. This section includes the requirement that FCMs designate a point of contact for these requests and that any changes to the point of contact information be immediately reported to NFA;<sup>10</sup>
- The addition of the Private Banking and Correspondent Account requirements and the guidance that was issued regarding these requirements;<sup>11</sup>
- A revision to the independent audit function requirement that would permit FCMs and IBs that do only proprietary business or that are inactive to conduct their independent audit on a 2-year, rather than 1-year, cycle;<sup>12</sup> and
- A relocation of the Allocation of Compliance Program Responsibilities section.<sup>13</sup>

###### 2. Statutory Basis

The rule change is authorized by, and consistent with, Section 15A(k) of the Act.<sup>14</sup>

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

In the filing, NFA stated that it believes that the rule change will not

Programs, discussed in Section A of the revised Interpretive Notice.

<sup>7</sup> See Section A of the revised Interpretive Notice.

<sup>8</sup> *Id.*

<sup>9</sup> See Section B of the revised Interpretive Notice.

<sup>10</sup> See Section C of the revised Interpretive Notice.

<sup>11</sup> See Section D of the revised Interpretive Notice.

<sup>12</sup> This change is consistent with a similar NASD amendment made earlier this year. See the "Independent Audit Function" Section of the revised Interpretive Notice.

<sup>13</sup> This information was previously included in the "Customer Identification and Verification" Section of the 2002 Interpretive Notice. Because the requirements of this section apply to other program requirements, NFA believes it is appropriate to set it out in a separate section. See the "Allocation of Compliance Program Responsibilities" Section of the revised Interpretive Notice.

<sup>14</sup> 15 U.S.C. 78o-3(k).

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

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

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