

Cancellation Fee by the cancellation activity of each correspondent firm (and the executing clearing firm's own cancellation activity when it self clears), rather than by the aggregate cancellation activity of the executing clearing firm. Correspondent firms using multiple executing clearing firms would be evaluated separately, per executing clearing firm. The Exchange will be able to provide executing clearing members with information regarding the cancellation activity of each of its correspondent firms so that the executing clearing member can pass through any cancellation fees.

In addition, the Exchange proposes to increase the ORS Cancellation Fee from \$1.00 to \$1.25 per cancelled ORS order.

The Exchange proposes that the following ORS cancellation activity would be exempt from the fee: (i) Cancelled ORS orders that improve the Exchange's prevailing bid-offer ("BBO") market when received; and (ii) fill and cancellation activity occurring within the first one minute of trading following the opening of each option class. The Exchange believes the foregoing cancel activity is not an inappropriate use of systems capacity and therefore should not be subject to the fee.

The Exchange believes that the proposed ORS Cancellation Fee is similar to the cancellation fee of another exchange.<sup>25</sup>

#### i. DPM Facilities Fee

The Exchange proposes to eliminate the DPM facilities fee, which the Exchange charges DPMs each month for use of Exchange floor trading stations. The elimination of this fee is intended to provide fee relief to DPMs in light of a recently adopted fee that DPMs may incur in fiscal year 2007.<sup>26</sup>

#### j. Miscellaneous, Non-substantive Changes

The Exchange proposes various non-substantive clean-up changes to its Fees Schedule. The Section of the Fees Schedule entitled "Index Customer Boxes" under "Member Transaction Fee Policies and Rebate Programs" is proposed to be deleted, as that program is superseded by the Customer Large Trade Discount Program.

#### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the

Act,<sup>27</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>28</sup> of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members and other persons using its facilities.

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

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of purposes of the Act.

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

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>29</sup> and subparagraph (f)(2) of Rule 19b-4<sup>30</sup> thereunder. 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>31</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-CBOE-2006-111 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-CBOE-2006-111. 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 CBOE. 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-CBOE-2006-111 and should be submitted on or before February 27, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>32</sup>

Florence E. Harmon,  
Deputy Secretary.

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55206; File No. SR-NASD-2007-008]

#### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Extending the Pilot Periods for NASD Rules Governing Multiple MPIDs on the Trade Reporting Facilities and on the Alternative Display Facility

January 31, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>25</sup> See Securities Exchange Act Release No. 53862 (May 24, 2006), 71 FR 31244 (June 1, 2006) (SR-ISE-2006-23).

<sup>26</sup> See Securities Exchange Act Release No. 54804 (November 21, 2006), 71 FR 69150 (November 29, 2006) (SR-CBOE-2006-98) (Hybrid Electronic Quoting Fee).

<sup>27</sup> 15 U.S.C. 78f(b).

<sup>28</sup> 15 U.S.C. 78f(b)(4).

<sup>29</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>30</sup> 17 CFR 240.19b-4(f)(2).

<sup>31</sup> *Id.*

<sup>32</sup> 17 CFR 200.30-3(a)(12).

("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 26, 2007, 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 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 from interested persons.

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

NASD proposes to amend NASD Rules 4613A(b) and 5140 to extend the pilot programs for the use of multiple Market Participant Symbols ("MPIDs") for Registered Reporting Alternative Display Facility ("ADF") electronic communications networks ("ECNs") and Trade Reporting Facility Participants. The text of the proposed rule change is available at NASD, the Commission's Public Reference Room, and [www.nasd.com](http://www.nasd.com).

### **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

#### *Rule 4613A(b) and IM-4613A-1*

Rule 4613A(b) (Character of Quotations) provides that a Registered Reporting ADF ECN may request additional MPIDs for displaying quotes and orders and reporting trades through the ADF trade reporting facility, the Trade Reporting and Comparison

Service, for any ADF-Eligible Security. A Registered Reporting ADF ECN that is permitted the use of additional MPIDs for displaying quotes and orders is subject to the same rules applicable to the member's first quotation (*i.e.*, an ECN that displays one or more additional quotes/orders is required to comply with all rules applicable to ECNs in their display of quotes/orders). A Registered Reporting ADF ECN also is prohibited from using an additional MPID to accomplish indirectly what it is prohibited from doing directly through its Primary MPID. In addition, NASD staff retains full discretion to determine whether a bona fide regulatory and/or business need exists for being granted an additional MPID privilege and to limit or withdraw the additional MPID display privilege at any time. The procedures for requesting, and the restrictions surrounding the use of, multiple MPIDs are set forth in IM-4613A-1 (Procedures for Allocation of Multiple MPIDs).

The Commission approved Rule 4613A(b) and IM-4613A-1 on a pilot basis on August 11, 2006.<sup>5</sup> By its terms, the pilot period expires on January 26, 2007, and NASD has determined to seek an extension of the pilot period until January 25, 2008. NASD believes that such an extension will provide additional time to analyze the use of multiple MPIDs on the ADF. NASD is not proposing any other changes to the pilot as this time.<sup>6</sup>

#### *Rule 5140 and IM-5140*

Rule 5140 (Multiple MPIDs for Trade Reporting Facility Participants) provides that any Trade Reporting Facility Participant that wishes to use more than one MPID for purposes of reporting trades to a Trade Reporting Facility must submit a written request to, and obtain approval from, NASD Operations for such additional MPIDs. In addition, IM-5140 (Use of Multiple MPIDs) states that NASD considers the issuance of, and trade reporting with, multiple MPIDs to be a privilege and not a right. A Trade Reporting Facility Participant must identify the purpose(s) and system(s) for which the multiple MPIDs will be used. If NASD determines that the use of multiple MPIDs is detrimental

<sup>5</sup> See Securities Exchange Act Release No. 54307 (August 11, 2006), 71 FR 47551 (August 17, 2006).

<sup>6</sup> The expiration of the pilot period coincided with the expiration of the current ADF pilot period. See Securities Exchange Act Release No. 53699 (April 21, 2006), 71 FR 25271 (April 28, 2006). In a separate rule filing, NASD proposed to make the ADF rules permanent. See Securities Exchange Act Release No. 55181 (January 26, 2007) (SR-NASD-2007-005). At this time, NASD is seeking to extend only Rule 4613A(b) and IM-4613A-1 for another year.

to the marketplace, or that a Trade Reporting Facility Participant is using one or more additional MPIDs improperly or for other than the purpose(s) identified by the Participant, NASD staff retains full discretion to limit or withdraw its grant of the additional MPID(s) to such Trade Reporting Facility Participant for purposes of reporting trades to a Trade Reporting Facility. NASD believes that Rule 5140 and IM-5140 are necessary to consolidate the process of issuing, and tracking the use of, multiple MPIDs used to report trades to NASD Trade Reporting Facilities.

The Commission approved Rule 5140 on a pilot basis on November 6, 2006.<sup>7</sup> By its terms, the pilot period expires on January 26, 2007, and NASD has determined to seek an extension of the pilot period until January 25, 2008. NASD believes that such an extension will provide additional time to analyze the use of multiple MPIDs on the Trade Reporting Facilities. NASD is not proposing any other changes to the pilot as this time. NASD proposes to implement the proposed rule change on January 27, 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>8</sup> which requires, among other things, that NASD rules 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 is consistent with these requirements because it would provide a process by which ECNs (in the case of the ADF) and Trade Reporting Facility Participants (in the case of the Trade Reporting Facilities) can request, and NASD can properly allocate, the use of additional MPIDs for displaying quotes and orders through the ADF or reporting trades to a Trade Reporting Facility.

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

NASD does not believe that the proposed rule change would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

<sup>7</sup> See Securities Exchange Act Release No. 54715 (November 6, 2006), 71 FR 66354 (November 14, 2006); see also Securities Exchange Act Release No. 54715A (November 14, 2006), 71 FR 67183 (November 20, 2006) (correcting original approval order).

<sup>8</sup> 15 U.S.C. 78o-3(b)(6).

<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).

*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.

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

The foregoing proposed rule change is subject to Section 19(b)(3)(A)(iii) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder<sup>10</sup> because the proposal: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative prior to 30 days after the date of filing or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.<sup>11</sup>

NASD has requested that the Commission waive the 30-day operative delay in this case. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because such waiver will allow the benefits of the multiple MPID pilots to continue uninterrupted. For this reason, the Commission designates the proposed rule change to be operative upon filing with the Commission.<sup>12</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.

**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-2007-008 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-2007-008. 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 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-2007-008 and should be submitted on or before February 27, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

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

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-55185; File No. SR-NYSEArca-2007-10]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Establishment of a Pilot Program That Increases Position and Exercise Limits for Options on the iShares® Russell 2000® Index Fund**

January 29, 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 January 25, 2007, the NYSE Arca, Inc. ("NYSE Arca" or "Exchange") 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 NYSE Arca. NYSE Arca has 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 from interested persons.

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

NYSE Arca proposes to amend Rule 6.8 to exempt options on the iShares® Russell 2000® Index Fund ("IWM") from the position and exercise limits provided for under the Rule 6.8 Pilot Program and to increase the standard position and exercise limits for IWM as part of an approximately six-month pilot ("Rule 6.8 IWM Pilot Program").<sup>5</sup> The text of the proposed rule change is available at NYSE Arca, the Commission's Public Reference Room, and [www.nysearca.com](http://www.nysearca.com).

**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

<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> Due to the effective date of this filing, the duration of the pilot will actually be slightly less than six months so that the expiration date of the pilot may coincide with similar pilot programs in effect at other options exchanges.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> 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. NASD has satisfied the five-day pre-filing requirement.

<sup>12</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>13</sup> 17 CFR 200.30-3(a)(12).