

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 offices of NSX. 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-NSX-2006-17 and should be submitted on or before February 1, 2007.

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

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55035; File No. SR-ODD-2006-01]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of Accelerated Delivery of Supplement to the Options Disclosure Document Reflecting Certain Changes to Disclosure Regarding U.S. Dollar-Denominated Foreign Currency Options

December 29, 2006.

On December 8, 2006, The Options Clearing Corporation ("OCC") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Rule 9b-1 under the Securities Exchange Act of 1934 ("Act"),¹ five preliminary copies of a supplement to its options disclosure document ("ODD") reflecting certain changes to disclosure regarding U.S. dollar-

denominated foreign currency options ("FCOs").² On December 29, 2006, the OCC submitted to the Commission five definitive copies of the supplement.³

The ODD currently contains general disclosures on the characteristics and risks of trading standardized options. Recently, an options exchange amended its rules to permit the listing and trading of FCOs on the British pound and the Euro.⁴ The proposed supplement to the ODD accommodates this change by providing additional disclosure regarding FCOs.

Specifically, the proposed supplement to the ODD updates disclosure regarding the calculation of exercise prices and premiums for FCOs. The proposed supplement also enhances disclosure regarding cash-settlement of FCOs, including the calculation of cash settlement amounts and exercise settlement values. Finally, the proposed supplement updates disclosure in the ODD regarding the expiration of FCOs.⁵ The proposed supplement is intended to be read in conjunction with the more general ODD, which, as described above, discusses the characteristics and risks of options generally.

Rule 9b-1(b)(2)(i) under the Act⁶ provides that an options market must file five copies of an amendment or supplement to the ODD with the Commission at least 30 days prior to the date definitive copies are furnished to customers, unless the Commission determines otherwise, having due regard to the adequacy of information disclosed and the public interest and protection of investors.⁷ In addition, five copies of the definitive ODD, as amended or supplemented, must be filed with the Commission not later than

² See letter from William H. Navin, Executive Vice President, General Counsel, and Secretary, OCC, to Elizabeth King, Associate Director, and Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission, dated December 7, 2006.

³ See letter from Jean M. Cawley, First Vice President and Deputy General Counsel, OCC, to Elizabeth King, Associate Director, and Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission, dated December 29, 2006.

⁴ See Securities Exchange Act Release No. 34-54989 (December 21, 2006), 71 FR 78506 (December 29, 2006) (approving File No. SR-Phlx-2006-34).

⁵ The Commission notes that the options markets must continue to ensure that the ODD is in compliance with the requirements of Rule 9b-1(b)(2)(i) under the Act, 17 CFR 240.9b-1(b)(2)(i), including when future changes regarding FCOs are made. Any future changes to the rules of the options markets concerning FCOs would need to be submitted to the Commission under Section 19(b) of the Act. 15 U.S.C. 78s(b).

⁶ 17 CFR 240.9b-1(b)(2)(i).

⁷ This provision permits the Commission to shorten or lengthen the period of time which must elapse before definitive copies may be furnished to customers.

the date the amendment or supplement, or the amended options disclosure document, is furnished to customers. The Commission has reviewed the proposed supplement and finds, having due regard to the adequacy of information disclosed and the public interest and protection of investors, that the proposed supplement may be furnished to customers as of the date of this order.

It is therefore ordered, pursuant to Rule 9b-1 under the Act,⁸ that definitive copies of the proposed supplement to the ODD (SR-ODD-2006-01), reflecting changes to disclosure regarding U.S. dollar-denominated foreign currency options, may be furnished to customers as of the date of this order.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55027; File No. SR-Phlx-2006-53]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change as Modified by Amendment No. 1 Thereto, Relating to Assignments in Options Based on Root Symbol

December 29, 2006.

I. Introduction

On August 18, 2006, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") 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 proposed rule change to amend Phlx Rule 507, "Application for Assignment in Streaming Quote Options." Specifically, Phlx proposes to adopt new Commentary .01 to Phlx Rule 507, which would authorize the Exchange's Options Allocation, Evaluation and Securities Committee ("OAESC"),³ to assign trading privileges in options to Streaming Quote Traders

⁸ 17 CFR 240.9b-1.

⁹ 17 CFR 200.30-3(a)(39).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Phlx By-Law Article X, Section 10-7(a). See also Phlx Rule 500.

¹⁸ 17 CFR 200.30-3(a)(12).

¹ 17 CFR 240.9b-1.

("SQTs")⁴ and Remote Streaming Quote Traders ("RSQTs")⁵ by "root symbol" (as defined more fully below), such that an SQT or RSQT may be assigned in only certain series of an option. On November 21, 2006, the Exchange filed Amendment No. 1 to the proposed rule change. The proposed rule change was published for comment in the **Federal Register** on November 29, 2006.⁶ The Commission received one comment letter on the proposed rule change.⁷ This order approves the proposed rule change as modified by Amendment No. 1.

II. Description of the Proposal

The purpose of the proposed rule change is to mitigate quote traffic and address quote capacity issues by reducing the number of quotations required to be submitted on the Exchange. The proposal would permit the OAESC to assign trading privileges to SQTs and RSQTs, upon their request, only in specific series of a particular option based on the "root symbol" of the series, instead of assigning trading privileges in all series of such option. Thus, as described below, SQTs and RSQTs would be required to submit quotations in fewer series.

Phlx Rule 507 currently provides the solicitation, application and review process to be followed by the OAESC when an SQT or RSQT submits an application for assignment in an option. Under Phlx Rule 507, an application for assignment must be submitted in writing to the Exchange's designated staff and would be required to include, at a minimum, the name of the SQT or RSQT applicant and written verification from the Exchange's Membership Services Department that such SQT or RSQT applicant is qualified as a ROT.

⁴ See Phlx Rule 1014(b)(ii)(A).

⁵ See Phlx Rule 1014(b)(ii)(B).

⁶ See Securities Exchange Act Release No. 54807 (November 21, 2006), 71 FR 69173.

⁷ See letter to Nancy Morris, Secretary, Commission, from Christopher Nagy, Chair, SIFMA Options Committee ("SIFMA"), dated December 20, 2006. SIFMA does not directly oppose Phlx's quote mitigation proposal discussed herein, but instead favors the adoption of a comprehensive industry-wide quote mitigation strategy. Specifically, SIFMA believes that the adoption of an industry-wide, uniform "holdback timer" proposal would provide the most effective means of quote mitigation. Although, SIFMA expressed concern that a lack of uniformity among quote mitigation strategies implemented by the various options exchanges may impose a burden on member firms and result in confusion among market participants, SIFMA does not specifically oppose the adoption of the quote mitigation proposal approved by this order. Additional concerns raised in SIFMA's December 20, 2006 comment letter relating to other proposed rule changes filed by the options exchanges will be more fully addressed in any subsequent releases issued by the Commission.

The Exchange proposes to permit SQT and RSQT applicants to request assignment in an option by "root symbol." Today, all assignments are by overlying option, meaning the SQT and RSQT applicants that are assigned in a particular option are assigned in all series of such option. Therefore, the calculation of the percentage of series required to be quoted is based on every series listed in such option, thus requiring SQTs and RSQTs to quote most series.

Root symbols are the basic symbols used to identify an option, such as, for example, "ABQ" for options on fictitious "ABC Corporation." The various series of options on ABC Corporation are identified with two additional symbols reflecting the expiration month and the strike price, which also indicate whether it is a put or call option. ABC Corporation may have different root symbols other than ABQ because of the number of strike prices (there are not enough letters in the alphabet to capture all potential strike prices), the expiration months available, and whether any mergers or acquisitions have occurred. Thus, an option on the Exchange overlying a single underlying security could have several different root symbols.

The Exchange anticipates that, if options can be assigned by root symbol, SQTs and RSQTs may more carefully tailor their requests to the specific roots in which they are interested. According to the Exchange, SQTs and RSQTs often submit quotes with bid/ask differentials as wide as the Exchange's rules permit in series that they have no interest in quoting.⁸ The Exchange believes that, as a result, to meet their quoting continuity requirements,⁹ SQTs and RSQTs submit continuous quotations that are not at or even near the best bid or offer on the Exchange, nor the National Best Bid or Offer, resulting in unnecessary quote traffic on the Exchange.

III. Discussion

After careful review of the proposal and consideration of the comment letter, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to

⁸ Streaming Quote Options trading on the Exchange's fully electronic trading platform for options, Phlx XL, may be quoted electronically with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid. The \$5 bid/ask differentials only apply to Streaming Quote Options trading on Phlx XL and only following the opening rotation in each security. See Phlx Rule 1014(c)(i)(A)(2).

⁹ See Phlx Rule 1014(b)(ii)(D)(1).

a national securities exchange.¹⁰ In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,¹¹ which requires, among other things, that the rules of an exchange be 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.

The Commission believes that the Exchange's proposal to, upon request, assign trading privileges in options to SQTs and RSQTs by "root symbol" would permit the Phlx's traders to select the series of options that they are most interested in quoting. This should not only reduce the number of series assigned to SQTs and RSQTs by the OAESC, but should also reduce the number of quotes submitted by SQTs and RSQTs, and therefore should help to mitigate the Exchange's quote message traffic and capacity.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-Phlx-2006-53), as modified by Amendment No. 1, be, and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55028; File No. SR-Phlx-2006-90]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Eliminate Certain License Fees

December 29, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 26, 2006, the Philadelphia Stock

¹⁰ In approving this proposed rule change the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹¹ 15 U.S.C. 78f(b)(5).

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.