

markets.¹⁷ The Exchange also believes that reducing the relative number of trading permits would not undermine or circumvent the Act's requirement for fair representation of members.

As mentioned above, each of these proposed changes to the Exchange's bylaws and rules are related to the recently-announced strategic transactions through which four firms have agreed to make investments in CHX Holdings, in exchange for minority equity stakes in the company. The Exchange believes that each of these proposed changes is reasonable and continues to provide Exchange participants with a fair opportunity to participate in the governance of the Exchange.

2. Statutory Basis

Approval of the rule changes proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.¹⁸ In particular, the proposed changes are consistent with Section 6(b)(5) of the Act,¹⁹ because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by allowing the Exchange to make reasonable changes to certain aspects of its governance that are both consistent with the terms of proposed transactions and with providing all of its participants with fair representation in the Exchange's governance.

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

The Exchange does not believe that the proposed rule changes would impose any burden on competition.

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

No written comments were either solicited or received.

¹⁷ In the Exchange's proposed new trading model, the Exchange seeks to move to a more automated system, which would allow participants—from any location—to submit orders for immediate execution. See SR-CHX-2006-05. By reducing the number of trading permits that a firm needs (in this new model and even before it is fully implemented), the Exchange is reducing the fees that must be paid by that firm. Under the Exchange's current fee schedule, a participant must pay \$6,000 each year, divided into monthly installments, for each trading permit that it holds.

¹⁸ 15 U.S.C. 78f(b).

¹⁹ 15 U.S.C. 78f(b)(5).

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) As the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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. Please include File No. SR-CHX-2006-23 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 No. SR-CHX-2006-23. 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 will also be available for inspection and copying at the principal office of the CHX. 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 No. SR-CHX-2006-23 and should be submitted on or before August 24, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁰

J. Lynn Taylor,

Assistant Secretary.

[FR Doc. E6-12521 Filed 8-2-06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54228; File No. SR-ISE-2006-14]

Self-Regulatory Organizations; International Securities Exchange, Inc.; Order Granting Approval of a Proposed Rule Change and Amendment No. 1 Thereto Relating to ISE Rule 720

July 27, 2006.

I. Introduction

On March 22, 2006, the International Securities Exchange, Inc. ("ISE" 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 ISE Rule 720 (the "Obvious Error Rule"). On May 18, 2006, the ISE submitted Amendment No. 1 to the proposed rule change.³ The proposed rule change and Amendment No. 1 were published for comment in the **Federal Register** on June 14, 2006.⁴ The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

²⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange amended proposed new Supplementary Material .08 to ISE Rule 720 to state that unless all parties to a trade agree otherwise, ISE Market Control may nullify a trade if all parties to a trade fail to receive a trade execution report due to a verifiable system outage. Amendment No. 1 also clarified that the proposed rule change operates under the assumption that a trade has taken place, but due to a system outage, the parties to the trade never received a trade execution report and thus were unaware of the trade having taken place.

⁴ See Securities Exchange Act Release No. 53948 (June 6, 2006), 71 FR 34407.

II. Description

The ISE proposes to amend ISE Rule 720 to provide that, unless all parties to a trade agree otherwise, the Exchange (through its Market Control Unit) may nullify a transaction if all parties to the trade do not receive a trade execution report⁵ due to a verifiable system outage. The Exchange represented that it routinely sends out trade execution reports to all Members that are parties to a trade.⁶

The ISE states that it developed the Obvious Error Rule to address the need to handle errors in a fully electronic market where orders and quotes are executed automatically before an obvious error may be discovered and corrected by Members. The Exchange notes that in formulating the Obvious Error Rule, it weighed carefully the need to assure that one market participant is not permitted to receive a windfall at the expense of another market participant that made an obvious error, against the need to assure that market participants are not simply being given an opportunity to reconsider poor trading decisions. The Exchange believes that the proposed rule change would strengthen ISE's Obvious Error Rule because it would ensure that parties are not adversely affected by a trade whose terms were never fully communicated to them as a result of a system outage. As a matter of "housekeeping," the Exchange also proposes to renumber ISE Rule 720(e) as ISE Rule 720(d).

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 exchange⁷ and, in particular, the requirements of Section 6(b) of the Act⁸ and the rules and regulations thereunder. Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,⁹ in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with

⁵ A trade execution report is an ISE system message sent to all parties to a trade to inform them that a trade has been consummated. Among other things, a trade execution report contains pertinent details such as the underlying security, the price, number of contracts traded, the strike price and the expiration date.

⁶ See, Amendment No. 1, *supra* note 3.

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

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

respect to, and facilitating transaction in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission considers that in most circumstances trades that are executed between parties should be honored. On rare occasions, the circumstances surrounding an execution suggest that it is unrealistic to expect that the parties to the trade had come to a meeting of the minds regarding the terms of the transaction. In the Commission's view, the determination of whether an "obvious error" has occurred should be based on specific and objective criteria and subject to specific and objective procedures. Under ISE's proposal, unless all parties to a trade agree otherwise, ISE Market Control may nullify a trade if all parties to the trade fail to receive a trade execution report due to a verifiable system outage. The Commission believes that ISE's proposal provides specific and objective criteria to be used by the Exchange to nullify a trade in this circumstance. Accordingly, the Commission finds that the Exchange's proposal is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-ISE-2006-14), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

J. Lynn Taylor,

Assistant Secretary.

[FR Doc. E6-12526 Filed 8-2-06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54163A; File No. SR-NSCC-2006-06]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Enhancements to ACATS-Fund/SERV Processing Capabilities

July 28, 2006.

Correction

In Release No. 34-54163, FR Doc. E6-11681, revise the words "delivering

¹⁰ 15 U.S.C. 78f(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).

member" to read "relevant mutual fund" in each of the following places:

- a. page 41852, second column, fourth paragraph, tenth line;
- b. page 41852, third column, first paragraph, third line;
- c. page 41852, third column, second paragraph, fourteenth line;
- d. page 41852, third column, second paragraph, twenty-first line;
- e. page 41853, first column, second full paragraph, ninth line; and
- f. page 41853, first column, second full paragraph, twelfth line.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹

J. Lynn Taylor,

Assistant Secretary.

[FR Doc. E6-12501 Filed 8-2-06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54237; File No. SR-Phlx-2006-39]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Conforming Changes to Its By-Laws

July 28, 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 July 21, 2006, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Phlx. The Phlx has designated this proposal as one concerned solely with the administration of the Exchange under Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(3) thereunder,⁴ 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

The Exchange proposes to amend various provisions of its By-Laws ("By-

¹ 17 CFR 200.30-3(a)(12).

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

⁵ 17 CFR 240.19b-4(f)(3).