

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53589; File No. 4-516]

### Joint Industry Plan; Notice of Filing of Options Regulatory Surveillance Authority Plan by the American Stock Exchange LLC, Boston Stock Exchange, Inc., Chicago Board Options Exchange, Incorporated, International Securities Exchange, Inc., Pacific Exchange, Inc. (n/k/a NYSE Arca, Inc.) and Philadelphia Stock Exchange, Inc.

April 4, 2006.

#### I. Introduction

On January 31, 2006, pursuant to Rule 608 under the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> the American Stock Exchange LLC, Boston Stock Exchange, Inc., Chicago Board Options Exchange, Incorporated ("CBOE"), International Securities Exchange, Inc., Pacific Exchange, Inc. (n/k/a NYSE Arca, Inc.)<sup>2</sup> and Philadelphia Stock Exchange, Inc. (collectively, "Exchanges") filed with the Securities and Exchange Commission ("Commission") the Options Regulatory Surveillance Authority Plan, a plan providing for the joint surveillance, investigation and detection of insider trading on the markets maintained by the Exchanges ("ORSA Plan").<sup>3</sup> Pursuant to Rule 608(b)(1),<sup>4</sup> the Commission is publishing this notice of, and soliciting comments on, the ORSA Plan.

The purpose of the ORSA Plan is to permit the Exchanges to act jointly in the administration, operation, and maintenance of a regulatory system for the surveillance, investigation, and detection of the unlawful use of undisclosed, material information in trading on one or more of their markets. By sharing the costs of these regulatory activities and by sharing the regulatory information generated under the ORSA Plan, the Exchanges believe they will be able to enhance the effectiveness and efficiency with which they regulate their respective markets and the

national market system for options. The Exchanges also believe that the ORSA Plan will avoid duplication of certain regulatory efforts on the part of the Exchanges.

A summary of the ORSA Plan is provided below. The full text of the ORSA Plan is available on the Commission's Web site at <http://www.sec.gov>, at the principal offices of the Exchanges, and at the Commission.

#### II. Description of the ORSA Plan

##### A. Policy Committee

The ORSA Plan provides for the establishment of a Policy Committee, on which each Exchange will have one representative and one vote. The Policy Committee is responsible for overseeing the operation of the ORSA Plan and for making all policy decisions pertaining to the ORSA Plan, including, among other things, the following:

1. Determining the extent to which regulatory, surveillance, and investigative functions will be conducted on behalf of the Exchanges;
2. Making all determinations pertaining to contracts with (i) persons who provide goods and services under the ORSA Plan, including parties to the ORSA Plan who provide such goods and services, and (ii) parties to the ORSA Plan and other self-regulatory organizations who engage in regulatory, surveillance, or investigative activities under the ORSA Plan;
3. Reviewing and approving surveillance standards and other parameters to be used by self-regulatory organizations who perform regulatory and surveillance functions under the ORSA Plan; and
4. Determining budgetary and financial matters.

All decisions by the Policy Committee, except as otherwise indicated, will be by majority vote, subject to any required approval of the Commission. Regular meetings of the Policy Committee may be attended by one or more nonvoting representatives of the Exchanges.

##### B. Delegation of Functions

The ORSA Plan permits the Exchanges, as and to the extent determined by the Policy Committee, to delegate all or part of the regulatory and surveillance functions under the ORSA Plan (other than the Policy Committee's own functions) to one or more Exchanges or other self-regulatory organizations. The Policy Committee has determined to delegate the operation of the surveillance and investigative facility contemplated by the ORSA Plan to CBOE. The Exchanges

have entered into a Regulatory Services Agreement ("RSA") with CBOE, as service provider, pursuant to which CBOE will perform certain regulatory and surveillance functions under the ORSA Plan and use its automated insider trading surveillance system to perform these functions on behalf of the Exchanges. The Exchanges have not filed the RSA for Commission approval.

Although CBOE will be delegated responsibility for these activities, the ORSA Plan specifically provides that each Exchange will remain responsible for the regulation of its market and for bringing enforcement proceedings whenever it appears that persons subject to its regulatory jurisdiction may have violated the Exchange's own rules, the Act, or the rules of the Commission thereunder.

##### C. Review of Service Provider

The ORSA Plan provides that the Policy Committee must periodically, but not less frequently than annually, review the performance of persons to whom regulatory and surveillance activities have been delegated under the ORSA Plan. The Policy Committee must evaluate whether such activities have been performed by the service provider in a reasonably acceptable manner consistent with any contract governing the performance of such services and whether the costs of such services are reasonable. The ORSA Plan also provides that, if the Policy Committee determines that the performance of delegated activities is not reasonably acceptable or that the costs are unreasonable, the Policy Committee may terminate the delegation of activities to such persons subject to applicable contractual terms.

##### D. Potential Insider Trading Violations

When in the course of performing regulatory and surveillance functions the Exchanges acting under the ORSA Plan, or a self-regulatory organization to whom such functions have been delegated, obtain information indicating that there may have been an insider trading violation by members or associated persons of one or more of the Exchanges, the Exchanges or such delegatee will promptly inform all such parties of the relevant facts. The Exchanges acting jointly will not have authority to take disciplinary action against members or associated persons of any individual Exchange. All such authority will remain that of the Exchanges acting in their individual capacities.

<sup>1</sup> 17 CFR 240.608.

<sup>2</sup> On March 6, 2006, the Pacific Exchange, Inc. ("PCX"), filed with the Commission a proposed rule change, which was effective upon filing, to change the name of PCX, as well as several other related entities, to reflect the recent acquisition of PCX Holdings, Inc., the parent company of PCX, by Archipelago Holdings, Inc. ("Archipelago") and the merger of the New York Stock Exchange, Inc. with Archipelago. See File No. SR-PCX-2006-24. All references herein have been changed to reflect these transactions.

<sup>3</sup> The Exchanges initially filed the ORSA Plan with the Commission on May 5, 2005. The Exchanges filed revised versions of the ORSA Plan on July 6, 2005 and September 29, 2005.

<sup>4</sup> 17 CFR 240.608(b)(1).

### *E. Dispute Resolution*

Disputes arising in connection with the operation of the ORSA Plan will be resolved by the Policy Committee acting by majority vote. As stated above, each Exchange will have one representative and one vote on the Policy Committee.

### *F. Other Regulatory or Surveillance Functions*

The ORSA Plan permits the Exchanges to provide for the joint performance of any other regulatory or surveillance functions or activities that the Exchanges determine to bring within the scope of the ORSA Plan, but any determination to expand the functions or activities under the ORSA Plan would be an amendment to the ORSA Plan subject to the requirements for amendments described below.

### *G. Allocation of Costs*

The costs under the ORSA Plan to be allocated among the Exchanges will consist of all costs duly incurred by any Exchange as a direct result of its performing regulatory or surveillance functions under the ORSA Plan, together with any amounts charged under the ORSA Plan (or charged to any Exchange authorized to incur such charges under the ORSA Plan) by any other person for goods or services provided under the ORSA Plan. The costs incurred by CBOE in developing the insider trading surveillance system to be used by CBOE as the ORSA Plan service provider will be borne by CBOE without reimbursement. Costs incurred by CBOE in maintaining and upgrading its system going forward will be allocated among the Exchanges, provided that such costs have been authorized by the Exchanges.

Costs in each calendar quarter will be allocated among the Exchanges in accordance with a three element formula: (i) Fifty percent of costs will be allocated equally among the Exchanges (with a pro rata adjustment for any exchange that was not an Exchange for the entire calendar quarter); (ii) twenty-five percent of costs will be allocated among the Exchanges in accordance with their respective contract volume market shares during the calendar quarter; and (iii) twenty-five percent of costs will be allocated among the Exchanges in accordance with their respective numbers of classes of securities options traded at any time during the calendar quarter.

### *H. New Parties to the ORSA Plan; Participation Fee*

Any other self-regulatory organization that maintains a market for the trading of securities options in accordance with

rules approved by the Commission may become a party to the ORSA Plan, subject to agreeing to the terms and conditions of the ORSA Plan, agreeing to the terms and conditions of any contract pursuant to which the parties to the ORSA Plan have delegated regulatory and surveillance functions under the ORSA Plan, and payment of a participation fee.

The participation fee will be an amount determined by a majority of the Exchanges to be fair and reasonable compensation for the costs incurred in developing and maintaining the facilities used under the ORSA Plan and in providing for participation by the new party. In determining the amount of the participation fee, the Exchanges must consider the following factors:

1. The portion of costs previously paid for the development, expansion and maintenance of facilities used under the ORSA Plan which, under generally accepted accounting principles, would have been treated as capital expenditures and would have been amortized over the five years preceding the admission of the new party;
2. An assessment of costs incurred and to be incurred, if any, to accommodate the new party, which are not otherwise required to be paid by the new party; and
3. Previous participation fees paid by other new parties.

If the Exchanges and a new party cannot agree on the amount of the participation fee, the matter will be subject to review by the Commission.

A self-regulatory organization that does not maintain a market for the trading of securities options may become a party to the ORSA Plan, and a self-regulatory organization that ceases to maintain such a market may continue to be a party to the ORSA Plan, only if permitted by a majority of the other parties.

### *I. Term and Termination*

The ORSA Plan will remain in effect for so long as there are two or more parties to the ORSA Plan. Any Exchange may withdraw from the ORSA Plan at any time on not less than six months prior written notice to each of the other parties. Any Exchange withdrawing from the ORSA Plan will remain liable for its proportionate share of costs allocated to it for the period during which it was a party, but it will have no further obligations under the ORSA Plan or to any of the other Exchanges with respect to the period following the effectiveness of its withdrawal. The right of an Exchange to participate in joint regulatory services under the

ORSA Plan is not transferable without the consent of the other Exchanges.

### *J. Amendments*

The ORSA Plan may be amended by the affirmative vote of all of the parties, provided that the provisions pertaining to the allocation of costs may be amended by the affirmative vote of not less than two-thirds of the parties, subject in each case to any required approval of the Commission.

### **III. Phases of Development**

The automated insider trading surveillance system proposed to be used under the ORSA Plan has been developed by CBOE and is currently being used by CBOE for the surveillance, investigation, and detection of insider trading on its own market. The system is available for immediate use by the Exchanges under the ORSA Plan. If the ORSA Plan is approved by the Commission, CBOE intends to supplement its database of options subject to surveillance by the system to include those relatively few options that are traded on the markets of one or more of the other Exchanges but not on CBOE. CBOE has represented that this supplementation will be accomplished promptly after the ORSA Plan has been approved by the Commission.

### **IV. Impact on Competition**

The Exchanges do not believe that the operation of the ORSA Plan will have any impact on competition.

### **V. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the ORSA Plan 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 4-516 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 4-516. 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 ORSA Plan that are filed with the Commission, and all written communications relating to the ORSA Plan 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 the Exchanges. 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 4-516 and should be submitted on or before May 1, 2006.

By the Commission.

**Nancy M. Morris**,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-8674; 34-53595, File No. 265-23]

### Advisory Committee on Smaller Public Companies

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Notice of meeting of SEC Advisory Committee on Smaller Public Companies.

The Securities and Exchange Commission Advisory Committee on Smaller Public Companies is providing notice that it will hold a public meeting on Thursday, April 20, 2006, in Multi-Purpose Room L006 of the Commission's headquarters, 100 F Street, NE., Washington, DC 20549, beginning at 10 a.m., EDT. The meeting will be audio Webcast on the Commission's Web site at <http://www.sec.gov>.

The agenda for the meeting includes adoption of the Advisory Committee's Final Report to the Commission. The Advisory Committee may also discuss written statements received and other matters of concern. The public is invited

to submit written statements for the meeting.

**DATES:** Written statements should be received on or before April 16, 2006.

**ADDRESSES:** Written statements may be submitted by any of the following methods:

#### *Electronic Statements*

- Use the Commission's Internet submission form (<http://www.sec.gov/info/smallbus/acspc.shtml>); or
- Send an e-mail message to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number 265-23 on the subject line; or

#### *Paper Statements*

- Send paper statements in triplicate to Nancy M. Morris, Committee Management Officer, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File No. 265-23. This file number should be included on the subject line if e-mail is used. To help us process and review your statement more efficiently, please use only one method. The Commission staff will post all statements on the Advisory Committee's Web site (<http://www.sec.gov/info/smallbus/acspc.shtml>).

Statements also will be available for public inspection and copying in the Commission's Public Reference Room, 100 F Street, NE., Room 1580, Washington, DC 20549. All statements received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

**FOR FURTHER INFORMATION CONTACT:** Kevin M. O'Neill, Special Counsel, at (202) 551-3260, Office of Small Business Policy, Division of Corporation Finance, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-3628.

**SUPPLEMENTARY INFORMATION:** In accordance with Section 10(a) of the Federal Advisory Committee Act, 5 U.S.C.—App. 1, § 10(a), and the regulations thereunder, Gerald J. Laporte, Designated Federal Officer of the Committee, has ordered publication of this notice.

Dated: April 4, 2006.

**Nancy M. Morris**,

*Committee Management Officer.*

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**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53588; File No. SR-Amex-2006-28]

### Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt Rules and Procedures Governing the Execution of Complex Orders Involving Options and Securities Futures

April 3, 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 March 24, 2006, the American Stock Exchange LLC ("Amex" 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 prepared by the Amex. The Exchange has filed the proposal as a "non-controversial" rule change 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 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

The Exchange seeks to adopt rules governing the execution of complex orders<sup>5</sup> involving stock-option orders and security future-option orders, and to adopt definitions of additional types of complex orders. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in [brackets].

#### Rule 900—ANTE

Applicability, Definitions and References

(a) Applicability—The Exchange's new trading system (known as the ANTE System or ANTE) will be rolled-out over a period of time (approximately eighteen months) on a specialist post-by-specialist post basis. The roll-out began on May 25, 2004 and will continue until June 30, 2006 at which

<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> Complex orders include those orders which are defined in 950—ANTE(e)(i)–(iii) and 950—ANTE(e)(vii), and proposed 950—ANTE(e)(viii)–(xii).