

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57448; File No. SR-NSX-2008-05)

March 6, 2008

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Consolidating into a Single Rule Certain Requirements for Products Traded on the Exchange Pursuant to Unlisted Trading Privileges

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 March 6, 2008, the National Stock Exchange, Inc. (“Exchange” or “NSX”) 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 the Exchange. On March 6, 2008, the Exchange filed Amendment No. 1 to the proposed rule change. This order provides notice of the proposed rule change, as amended, and approves the proposal on an accelerated basis.

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

The Exchange proposes to amend its rules to consolidate into a single rule certain requirements for products traded on the Exchange pursuant to unlisted trading privileges (“UTP”) that have been established in various new products proposals previously approved by the Commission. The text of the proposed rule change is available at the Exchange’s principal office, on the Exchange’s Web site (www.nsx.com) and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange 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 III below. The Exchange 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

The Exchange proposes to amend its rules to consolidate into a single rule certain requirements for products traded on the Exchange pursuant to unlisted trading privileges (“UTP”) that have been established in various new products proposals previously approved by the Commission. The Exchange proposes to amend NSX Rule 15.9 to set forth rules regarding the extension of UTP to a security that is listed on another national securities exchange. Any such security will be subject to all Exchange trading rules applicable to equity securities, unless otherwise noted. The Exchange will file with the Commission a Form 19b-4(e) with respect to any such security that is a "new derivative securities product" as defined in Rule 19b-4(e) under the Act.³ In addition, any new derivative securities product traded on the Exchange pursuant to proposed NSX Rule 15.9 will be subject to the following criteria.

Proposed NSX Rule 15.9B(2) provides that the Exchange will distribute an information circular prior to the commencement of trading in such new derivative securities product which generally will include the same information as the information circular provided by the listing

³ 17 CFR 240.19b-4(e).

exchange, including: (1) the special risks of trading the new derivative securities product, including NSX Rule 3.7;⁴ (2) the Exchange’s rules that will apply to the new derivative securities product, including the suitability rule; (3) information about the dissemination of value of the underlying assets or indexes; and (4) the risk of trading during irregular trading hours due to the lack of calculation or dissemination of the intraday indicative value (“Intraday Indicative Value”) or a similar value.⁵

Proposed NSX Rule 15.9(B)(3) reminds ETP Holders⁶ that they are subject to the prospectus delivery requirements under the Securities Act of 1933, as amended (“Securities Act”), unless the new derivative securities product is the subject of an order by the Commission exempting the product from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 (“1940 Act”) and the product is not otherwise subject to prospectus delivery requirements under the Securities Act. The Exchange will inform its ETP Holders regarding the application of the provisions of this subparagraph to a particular series of exchange-traded funds governed by the 1940 Act by means of an information circular. This section also includes a definition of the term exchange-traded fund.

Proposed NSX Rule 15.9B(4) addresses trading halts in the new derivative securities products traded on the Exchange pursuant to UTP. Proposed NSX Rule 15.9B(4) provides that the Exchange, upon notification by the listing market of a halt due to a temporary interruption in the calculation or wide dissemination of the Intraday Indicative Value (or a similar value) or the

⁴ NSX Rule 3.7 requires the ETP Holder to have reasonable grounds to believe that a recommendation made by the ETP Holder is suitable for the customer.

⁵ NSX’s pre-market session is from 8:00 a.m. until 9:29:59 a.m. Eastern Time and NSX’s post-market session is from 4:00:01 p.m. to 6:30 p.m. Eastern Time.

⁶ An ETP Holder is a registered broker or dealer that has been issued an Equity Trading Permit (“ETP”) by NSX.

value of the underlying index or instrument, will immediately halt trading in that product on the Exchange. If the Intraday Indicative Value (or a similar value) or the value of the underlying index or instrument continues not to be calculated or widely available as of trading on the Exchange on the next business day, the Exchange shall not commence trading of the product that day. If an interruption in the calculation or wide dissemination of the Intraday Indicative Value (or a similar value) or the value of the underlying index or instrument continues, the Exchange may resume trading in the product only if calculation and wide dissemination of the Intraday Indicative Value (or a similar value) or the value of the underlying index or instrument resumes or trading in such series resumes in the listing market.⁷

Additionally, pursuant to NSX Rule 15.9B(4)(b), the Exchange will immediately halt trading in any new derivative securities product if the listing exchange notifies the Exchange that the net asset value is not being disseminated to all market participants at the same time. The Exchange will resume trading in the new derivative securities product only when the net asset value is disseminated to all market participants at the same time or trading in the new derivative securities product resumes on the listing market.

Lastly, NSX represents that the Exchange's surveillance procedures for new derivative securities products traded on the Exchange pursuant to UTP will be similar to the procedures used for equity securities traded on the Exchange and will incorporate and rely upon existing Exchange surveillance systems. The Exchange will closely monitor activity in new derivative securities products traded on the Exchange pursuant to UTP and deter any potential improper trading activity. The proposed rule change also provides that the Exchange will enter into a comprehensive surveillance sharing agreement (“CSSA”) with a market trading components of

⁷ The Exchange also has authority to suspend or halt trading under NSX Rules 11.20, 12.11, and 15.7.

the index or portfolio on which the new derivative securities product is based to the same extent as the listing exchange's rules require the listing market to enter into a CSSA with such market.⁸

2. Statutory Basis

The basis under the Act for this proposed rule change is found in Section 6(b)(5),⁹ in that the proposed rule change is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The proposed rule change does not impose 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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. 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:

⁸ Although NSX's rules have provisions that relate to the activities of market makers, the Exchange currently has no market makers and is not approving any ETP Holder's registration as a market maker in any security. If NSX decides to provide for market makers, it will seek to amend NSX Rule 15.9 to provide for certain restrictions on the activities of such market makers to facilitate surveillance.

⁹ 15 U.S.C. 78f(b)(5).

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 Number SR-NSX-2008-05 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.

All submissions should refer to File Number SR-NSX-2008-05. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office 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-2008-05 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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.

This proposal would consolidate into a single rule various provisions related to UTP that have been established in other new products proposals previously approved by the Commission. In addition, proposed NSX Rule 15.9 is closely modeled on a similar rule of another exchange, changes to which were recently approved by the Commission.¹⁰ The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of the notice of filing thereof in the Federal Register. NSX's proposal does not raise any novel issues, and accelerated approval thereof will expedite the trading of additional products by the Exchange, subject to consistent and reasonable standards. Therefore, the Commission finds good cause, consistent with Section 19(b)(2) of the Act, to approve the proposed rule change on an accelerated basis.

¹⁰ See Securities Exchange Act Release No. 57387 (February 27, 2008), 73 FR 11965 (March 5, 2008) (SR-ISE-2007-99).

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change, as amended (SR-NSX-2008-05) is hereby approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Florence E. Harmon
Deputy Secretary

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR 200.30-3(a)(12).