

Dated: August 15, 2006.

**Nancy M. Morris,**  
*Secretary.*

[FR Doc. E6-14125 Filed 8-24-06; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### Proposed Collection; Comment Request

*Upon written request, copies available from:* Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549.

#### Extension:

Rule 17i-5, SEC File No. 270-531, OMB Control No. 3235-0590.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995<sup>1</sup> the Securities and Exchange Commission ("Commission") intends to submit to the Office of Management and Budget a request for extension of the previously approved collection of information discussed below. The Code of Federal Regulation citation to this collection of information is the following rule: 17 CFR 240.17i-5.

Section 231 of the Gramm-Leach-Bliley Act of 1999<sup>2</sup> (the "GLBA") amended Section 17 of the Securities Exchange Act of 1934 to create a regulatory framework under which a holding company of a broker-dealer ("investment bank holding company" or "IBHC") may voluntarily be supervised by the Commission as a supervised investment bank holding company (or "SIBHC").<sup>3</sup> In 2004, the Commission promulgated rules, including Rule 17i-5, to create a framework for the Commission to supervise SIBHCs.<sup>4</sup> This framework includes qualification criteria for SIBHCs, as well as recordkeeping and reporting requirements. Among other things, this regulatory framework for SIBHCs is intended to provide a basis for non-U.S. financial regulators to treat the Commission as the principal U.S. consolidated, home-country supervisor for SIBHCs and their affiliated broker-dealers.<sup>5</sup>

Pursuant to Section 17(i)(3)(A) of the Exchange Act, an SIBHC would be required to make and keep records, furnish copies thereof, and make such

reports as the Commission may require by rule.<sup>6</sup> Rule 17i-5 would require that an SIBHC make and keep current certain records relating to its business. In addition, it would require that an SIBHC preserve those and other records for certain prescribed time periods.

The collections of information required pursuant to Rule 17i-5 are necessary so that the Commission can adequately supervise the activities of these SIBHCs. In addition, these collections of information are needed to allow the Commission to effectively determine whether supervision of an IBHC as an SIBHC is necessary or appropriate in furtherance of the purposes of section 17 of the Act. Rule 17i-5 also enhances the Commission's supervision of the SIBHCs' subsidiary broker-dealers through collection of additional information and inspections of affiliates of those broker-dealers. Without this information and documentation, the Commission would be unable to adequately supervise an SIBHC, nor would it be able to determine whether continued supervision of an IBHC as an SIBHC were necessary and appropriate in furtherance of the purposes of section 17 of the Act.

We estimate that three IBHCs will file Notices of Intention with the Commission to be supervised by the Commission as SIBHCs. An SIBHC will require, on average, approximately 64 hours each quarter to create a record regarding stress tests, or approximately 256 hours each year. In addition, an SIBHC will generally require about 40 hours to create and document a contingency plan regarding funding and liquidity of the affiliate group. Further, an SIBHC will establish approximately 20 new counterparty arrangements each year, and will take, on average, about 30 minutes to create a record regarding the basis for credit risk weights for each such counterparty.<sup>7</sup> Finally, an SIBHC will generally require about 24 hours per year to maintain the specified records.

We believe that an IBHC likely would upgrade its information technology ("IT") systems in order to more efficiently comply with certain of the SIBHC framework rules (including Rules 17i-4, 17i-5, 17i-6 and 17i-7), and that this would be a one-time cost. Depending on the state of development of the IBHC's IT systems, it would cost

an IBHC between \$1 million and \$10 million to upgrade its IT systems to comply with the SIBHC framework of rules. Thus, on average, it would cost each of the three IBHCs about \$5.5 million to upgrade their IT systems, or approximately \$16.5 million in total. It is impossible to determine what percentage of the IT systems costs would be attributable to each Rule, so we allocated the total estimated upgrade costs equally (at 25% for each of the above-mentioned Rules), with \$4,125,000 attributable to Rule 17i-5.

Written comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.

Comments should be directed to: R. Corey Booth, Director/Chief Information Officer, Securities and Exchange Commission, C/O Shirley Martinson, 6432 General Green Way, Alexandria, Virginia 22312 or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted within 60 days of this notice.

Dated: August 15, 2006.

**Nancy M. Morris,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54332; File No. SR-CBOE-2006-70]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change To Adopt Rules Relating to Regulation NMS

August 18, 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 August 18, 2006, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>1</sup> 44 U.S.C. 3501 *et seq.*

<sup>2</sup> Pub. L. No. 106-102, 113 Stat. 1338 (1999).

<sup>3</sup> See 15 U.S.C. 78q(i).

<sup>4</sup> See Exchange Act Release No. 49831 (Jun. 8, 2004), 69 FR 34472 (Jun. 21, 2004).

<sup>5</sup> See H.R. Conf. Rep. No. 106-434, 165 (1999). See also Exchange Act Release No. 49831, at 6 (Jun. 8, 2004), 69 FR 34472, at 34473 (Jun. 21, 2004).

<sup>6</sup> 15 U.S.C. 78q(i)(3)(A).

<sup>7</sup> On average, each firm presently maintains relationships with approximately 1,000 counterparties. Further, firms generally already maintain documentation regarding their credit decisions, including their determination of credit risk weights, for those counterparties.

(“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 submits this rule change filing to modify its rules relating to the trading of non-option securities to conform with Regulation NMS. The text of the proposed rule change is available from the Exchange’s Web site (<http://www.cboe.com>), the Exchange’s principal office, the Commission’s Web site (<http://www.sec.gov>), and the Commission’s Public Reference Room.

### **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 IV 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**

CBOE anticipates migrating the trading of non-option securities on CBOE to CBOE*direct*, the Exchange’s screen-based trading platform. This migration is proposed in SR–CBOE–2004–21.<sup>3</sup> Upon completion of the proposed migration, CBOE’s platform for non-option securities would offer fully automated quotations that are accessible via automatic execution without regard to order size and that will never be posted “manually.” Thus, unless execution of an order would cause an impermissible trade-through of another trading center, all marketable orders would automatically execute on the system against the Exchange quotation (which incorporates resting limit orders and interest from CBOE market-makers).

The purpose of this filing to amend the rules proposed in SR–CBOE–2004–

21 to conform to certain requirements of Regulation NMS and to qualify as an automated trading center with protected quotations.<sup>4</sup> In its release extending the compliance dates for Rules 610 and 611 of Regulation NMS,<sup>5</sup> the Commission established a “Specifications Date” of October 16, 2006, by which certain milestones must be achieved by trading centers to ensure that quotations may be deemed protected from trade-throughs by other trading centers. A major component of the milestones relate to adopting certain rules that are consistent with Regulation NMS. More specifically, trading centers are required to: (1) Establish a framework for identifying (marking) quotations as automated or manual to meet the requirements of Rule 600(b)(4); (2) adopt an immediate-or-cancel order (“IOC”) functionality that meets the requirements of Rule 600(b)(3); and (3) adopt an intermarket sweep order (“ISO”) functionality that allows other industry participants to meet the requirements of Rule 600(b)(30). The proposed rules would modify CBOE’s screen-based rules to specifically address these requirements as well as other matters relating to Regulation NMS.

As previously mentioned, all quotes on the system would be firm and available for immediate and automated execution at all times unless the execution would cause an impermissible trade-through. There would be no “manual” mode or quotes. Accordingly, CBOE’s quotations would always be “automated” for purposes of Rule 600(b)(4). This is made clear in proposed Rule 52.13(a). If CBOE were to experience a technical failure, it would cease disseminating quotations (as opposed to disseminating “manual” quotations).

The Exchange also proposes to modify the definition and handling of IOC orders to make clear that IOC orders routed to CBOE would either be immediately executed (in part or in full) or canceled. Such orders would not be “held up” for manual processing or for potential price improvement above CBOE’s disseminated quote. The revised definition, which sets forth the manner

in which these orders will be handled, is contained in proposed Rule 51.8(g)(4). To allow other industry participants to comply with the requirements of Rule 600(b)(30) of Regulation NMS, which explains the manner in which ISOs must be routed, the Exchange is proposing to adopt ISO functionality so that ISO orders routed to CBOE would be automatically executed without regard for better prices displayed by other trading centers. Proposed Rule 51.8(n) spells out the Exchange’s definition of ISOs. The Exchange would also provide technical specifications on its Web site to allow other market participants to access CBOE’s protected quotations and to transmit ISOs to CBOE. Thus, upon activation of the system, CBOE would receive and process IOC and ISO orders consistent with Regulation NMS before the actual applicable compliance dates are reached.

The proposed rules also would incorporate additional language relating to Regulation NMS but that may not be a necessary component of the Specifications Date deadline. More specifically, the Exchange is proposing to add language providing that: (1) Members should reasonably avoid displaying quotations that lock or cross protected quotations from other trading centers; (2) the Exchange may avail itself of the “self-help” exception contained in Rule 611(b)(8) of Regulation NMS; and (3) when sufficient functionality is available on CBOE, that the Exchange would route orders to trading centers displaying better-priced protected quotations on behalf of orders routed to CBOE using “private front-door” connectivity as opposed to via the ITS Plan or any successor to the ITS Plan.<sup>6</sup> This “Routing Service” would be provided directly and automatically by CBOE pursuant to several contractual agreements referenced in proposed Rule 52.10.

The Exchange anticipates making additional enhancements to its non-option trading platform prior to the

<sup>6</sup> Prior to that time, however, CBOE would access better priced quotes through the ITS Plan (or its successor). By way of example, if CBOE receives a market order to sell 1000 shares while CBOE’s bid is \$50 for 500 shares and Exchange A’s bid is 50.02 for 200 shares and Exchange B’s bid is 50.01 for 400 shares, and assuming CBOE Market-Makers do not match the 50.02 NBBO, then the order will route to the DPM for handling. The DPM’s handling options include the following: (i) route 1000 shares to Exchange A; (ii) route 200 to Exchange A and 400 to Exchange B while concurrently executing 400 on CBOE at 50; or (iii) route 200 to Exchange A and price improve 800 on CBOE at 50.01. Note that, if a better price becomes available prior to the DPM routing away, such better price must be taken into account by the DPM.

<sup>3</sup> See Securities Exchange Act Release No. 53112 (January 12, 2006), 71 FR 3579 (January 23, 2006).

<sup>4</sup> The Commission notes that, at the time of filing of this proposal, it had taken no final action on SR–CBOE–2004–21. Therefore, the rules proposed in SR–CBOE–2004–21 have not yet been adopted by the Exchange, and the entire STOC ruleset is presented in Exhibit 5 to this filing as proposed rule text. However, in Exhibit 3 to this filing, the Exchange has provided a document that shows only the differences between the STOC rules as originally proposed in SR–CBOE–2004–21 and how they would be revised by the instant proposal.

<sup>5</sup> Securities Exchange Act Release No. 53829 (May 18, 2006), 71 FR 30038 (May 24, 2006).

February 2007 compliance date for Regulation NMS that are not related to the requirements of the Specifications Date.

## 2. Statutory Basis

CBOE believes the proposed rule change is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>7</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>8</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade and to protect investors and the public interest.

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

The Exchange believes the proposed rule change would impose no 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

No written comments were solicited or received by the Exchange on this proposal.

## 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 Exchange 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 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-2006-70 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-2006-70. 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 the Exchange. 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-2006-70 and should be submitted on or before September 15, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Nancy M. Morris,**

*Secretary.*

[FR Doc. E6-14127 Filed 8-24-06; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54329; File No. SR-Phlx-2006-43]

### Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 Thereto Relating to the Exchange's New Equity Trading System, XLE

August 17, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on July 13, 2006, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Phlx. On August 14, 2006, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>3</sup> On August 16, 2006, the Exchange filed Amendment No. 2 to the proposed rule change.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Phlx, pursuant to Section 19(b)(1) of the Act<sup>5</sup> and Rule 19b-4 thereunder,<sup>6</sup> proposes to amend its rules to implement a new trading model for equity securities that provides the opportunity for entirely automated executions to occur within a central matching system accessible by Exchange members and member organizations and their Sponsored Participants, as defined below. The rules proposed herein are intended to comply with the requirements of Regulation NMS.<sup>7</sup> The Exchange will no longer operate a physical trading floor for equity securities, nor the Philadelphia Stock Exchange Automated Communication and Execution ("PACE") system. This proposal does not affect the way options trade on the Exchange, and the Exchange will continue to have a physical trading floor for options. The text of this proposed rule change is available on the Exchange's Web site at <http://www.phlx.com>, in the

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Amendment No. 1 replaced and superseded the original filing in its entirety.

<sup>4</sup> See Partial Amendment No. 2.

<sup>5</sup> 15 U.S.C. 78s(b)(1).

<sup>6</sup> 17 CFR 240.19b-4.

<sup>7</sup> 17 CFR 242.600 *et seq.*

<sup>7</sup> 15 U.S.C. 78(f)(b).

<sup>8</sup> 15 U.S.C. 78(f)(b)(5).

<sup>9</sup> 17 CFR 200.30-3(a)(12).