

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 proposed rule change permits DTC to use the Federal Reserve Bank's National Settlement Service ("NSS") for the settlement of credit balances.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

#### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In 2003, DTC mandated NSS as the vehicle for all DTC Settling Banks to satisfy their end of day net debits.<sup>3</sup> In an effort to increase the efficiencies afforded by NSS, DTC is modifying its rules and procedures to permit DTC's use of NSS to also distribute net credits.<sup>4</sup> Utilizing NSS as the payment mechanism for net credits will eliminate the need for DTC to initiate wire payments for settlement monies owed by DTC. However, should NSS not be available for any reason, DTC will retain the capability to satisfy its settlement obligations using wire transfer.

The proposed rule change is consistent with the requirements of section 17A of the Act and the rules and regulations thereunder because it will not affect the safeguarding of funds or securities in DTC's custody and control or for which it is responsible.

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

DTC does not believe that the proposed rule change would have any impact or impose any burden on competition.

<sup>2</sup> The Commission has modified parts of these statements.

<sup>3</sup> Securities Exchange Act Release No. 48089 (June 25, 2003), 68 FR 40314 (July 7, 2003) (File No. SR-DTC-2002-06).

<sup>4</sup> The National Securities Clearing Corporation ("NSCC") has submitted a similar proposed rule change (File No. SR-NSCC-2007-02) providing for the use of NSS for the distribution of net-net credits.

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

Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A)(iii) of the Act<sup>5</sup> and Rule 19b-4(f)(4)<sup>6</sup> promulgated thereunder because the proposal effects a change in an existing service of DTC that (A) Does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and (B) does not significantly affect the respective rights or obligations of DTC or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission could have summarily abrogated such rule change if it appeared to the Commission that such action was necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### 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-DTC-2007-08 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-DTC-2007-08. 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

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

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

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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of DTC. 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-DTC-2007-08 and should be submitted on or before August 22, 2007.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56128; File No. SR-ISE-2007-55]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Linkage Fees

July 24, 2007.

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 June 29, 2007, the International Securities Exchange, LLC ("ISE" 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 substantially prepared by the

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

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

Exchange. This order provides notice of the proposed rule change and approves the proposed rule change on an accelerated basis.

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

ISE proposes to extend until July 31, 2008 the current pilot program regarding transaction fees charged for trades executed through the intermarket options linkage ("Linkage"). The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.ise.com>.

### 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 purpose of this proposed rule change is to extend for one year the pilot program establishing ISE fees for Principal Orders ("P Orders") and Principal Acting as Agent Orders ("P/A Orders") sent through Linkage and executed on ISE. The fees currently are effective for a pilot period scheduled to expire on July 31, 2007.<sup>3</sup> This filing would extend the pilot program for another year, through July 31, 2008.

ISE fees affected by this filing are: The Linkage P Order fee of \$0.24 per contract; the Linkage P/A Order fee of \$0.15 per contract; a surcharge fee of between \$0.05 and \$0.15 for trading certain licensed products; and a \$0.03 comparison fee (collectively "linkage fees"). These are the same fees that all ISE members pay for non-customer transactions executed on the Exchange.<sup>4</sup> ISE does not charge for the execution of

Satisfaction Orders<sup>5</sup> sent through Linkage and is not proposing to charge for such orders.

The Exchange believes it is appropriate to charge fees for P Orders and P/A Orders executed through Linkage. Notably, while market makers on competing exchanges always can match a better price on ISE, they never are obligated to send orders to ISE through Linkage. However, if such market makers do seek ISE's liquidity, whether through conventional orders or through the use of P Orders or P/A Orders, the Exchange believes it is appropriate to charge its members the same fees levied on other non-customer orders. ISE appreciates that there has been limited experience with Linkage and that the Commission is continuing to study Linkage in general and the effect of fees on Linkage trading. Thus, this filing would extend the status quo with Linkage fees for an additional year.

##### 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under section 6(b)(4)<sup>6</sup> that an exchange have an equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities. As discussed above, ISE believes that this proposed rule change will equitably allocate fees by having all non-customer users of ISE transaction services pay the same fees. The Exchange believes that, if it were to not charge linkage fees, the Exchange's fee would not be equitable, in that ISE members would be subsidizing the trading of their competitors, all of whom access the same trading services.

#### 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. Moreover, failing to adopt the proposed rule change would impose a burden on competition by requiring ISE members to subsidize the trading of their competitors.

#### 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:

#### 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-ISE-2007-55 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-ISE-2007-55. 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 a.m. and 3 p.m. Copies of such 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-ISE-2007-55 and should be submitted on or before August 22, 2007.

<sup>3</sup> See Securities Exchange Act Release No. 54204 (July 25, 2006), 71 FR 43548 (August 1, 2006) (SR-ISE-2006-38) (extending the Linkage fee pilot program).

<sup>4</sup> ISE charges these fees only to its members, generally firms who clear P Orders and P/A Orders for market makers on the other linked exchanges.

<sup>5</sup> The term "Satisfaction Order" is defined in ISE Rule 1900(10)(iii).

<sup>6</sup> 15 U.S.C. 78f(b)(4).

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

After careful consideration, 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 exchange,<sup>7</sup> and, in particular, the requirements of section 6(b) of the Act<sup>8</sup> and the rules and regulations thereunder. The Commission finds that the proposed rule change is consistent with section 6(b)(4) of the Act,<sup>9</sup> which requires that the rules of the Exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities. The Commission believes that the extension of the Linkage fee pilot until July 31, 2008 will give the Exchange and the Commission further opportunity to evaluate whether such fees are appropriate.

The Commission also 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**. The Commission believes that granting accelerated approval of the proposed rule change will preserve the Exchange's existing pilot program for Linkage fees without interruption as the Exchange and the Commission continue considering the appropriateness of Linkage fees. Therefore, the Commission finds good cause, consistent with section 19(b)(2) of the Exchange Act,<sup>10</sup> to approve the proposed rule change on an accelerated basis.

#### V. Conclusion

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-ISE-2007-55), be and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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<sup>7</sup> In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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

<sup>9</sup> 15 U.S.C. 78f(b)(4).

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56130; File No. SR-NASDAQ-2007-061]

#### Self-Regulatory Organizations; the NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Institute a Pricing Incentive Program for Market Makers in Exchange-Traded Funds and Index-Linked Securities

Date: July 25, 2007.

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 July 18, 2007, The NASDAQ Stock Market LLC ("Nasdaq" 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 substantially prepared by Nasdaq. The Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by a self-regulatory organization pursuant to section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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

Nasdaq proposes to institute a pricing incentive program for market makers in exchange-traded funds ("ETFs") and index-linked securities ("ILSs") listed on Nasdaq.<sup>5</sup> Nasdaq plans to implement the proposed rule change on August 1, 2007. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.nasdaq.com/about/LegalCompliance.stm>.

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

In its filing with the Commission, Nasdaq 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. Nasdaq 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, Proposed Rule Change

##### 1. Purpose

Nasdaq proposes to introduce a pricing incentive program for market makers in ETFs and ILSs listed on Nasdaq. In April 2007, Nasdaq executed 34.8% of all transactions in ETFs listed on U.S. exchanges, making it the largest market for ETF transactions. Nasdaq also executes a large percentage of transactions in ILSs. However, Nasdaq currently lists fewer ETFs and ILSs than the New York Stock Exchange LLC and the American Stock Exchange LLC. The proposal is designed both to enhance Nasdaq's competitiveness as a listing venue for ETFs and ILSs and further strengthen its market quality as a transaction venue for ETFs and ILSs.

Nasdaq proposes to adopt rules that are similar to those regarding NYSE Arca, Inc.'s ("NYSE Arca's") program for Designated Market Makers.<sup>6</sup> Under NYSE Arca's program, a Designated Market Maker for a security listed on NYSE Arca is required to maintain minimum performance standards with regard to (1) Percent of time at the national best bid (best offer) ("NBBO"), (2) percent of executions better than the NBBO, (3) average displayed size, (4) average quoted spread, and (5) in the case of derivative securities, the ability of the Designated Market Maker to transact in underlying markets. In return, the Designated Market Maker pays \$0.0025 per share when accessing liquidity in stocks for which it is the Lead Market Maker, and receives a \$0.004 per share credit when providing liquidity.

Under Nasdaq's proposed program, a market maker in an ETF or ILS may become a "Designated Liquidity Provider" in a "Qualified Security" and receive similarly favorable incentive pricing. A Qualified Security must be an ETF or ILS listed on Nasdaq, have at least one Designated Liquidity Provider, and have a Nasdaq-designated maximum trading volume. Specifically, a security is no longer eligible to be a

<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)(ii).

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

<sup>5</sup> The Exchange's proposed rule text is contained in the Nasdaq 7000 Series (Charges for Membership, Services, and Equipment) at paragraph (g) of Rule 7018 (Nasdaq Market Center Order Execution and Routing).

<sup>6</sup> See NYSE Arca Equities Rule 7.24 (Designated Market Maker Performance Standards) and NYSE Arca Schedule of Fees and Charges for Exchange Services ([http://www.nyse.com/pdfs/NYSEArca\\_Equities\\_Fees.pdf](http://www.nyse.com/pdfs/NYSEArca_Equities_Fees.pdf)).