

amended its Rule 196 to eliminate the drop requirement.<sup>3</sup>

DTC believes that the elimination of the NYSE's drop requirement will result in a most transfer agents withdrawing from DTC's Drop Service. Also, in light of an industry-wide move to dematerialize securities holdings, DTC seeks to discourage the use of physical certificates by eliminating processing facilities that makes the use of certificates easier. Therefore, because the Drop Service no longer serves a need for DTC participants and termination of the Drop Service will assist in furthering industry initiatives to discontinue the use of physical certificates, DTC will no longer provide the Drop Service effective September 1, 2005.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>4</sup> and the rules and regulations thereunder applicable to DTC because it will discourage the use of inefficient and outdated securities transfer methods and services and as such will promote the prompt and accurate clearance and settlement of securities transactions. Furthermore, the proposed rule change will not adversely affect the safeguarding of securities and funds in DTC's control or custody 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 will 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*

No written comments relating to the proposed rule change have been solicited or received. DTC will notify the Commission of any written comments received by the DTC.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>5</sup> and Rule 19b-4(f)(4)<sup>6</sup> thereunder because it is effecting a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of

securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is 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-2005-13 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-9303.

All submissions should refer to File Number SR-DTC-2005-13. 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 Section, 100 F Street, NE., Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site, <http://www.dtcc.com>. 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-2005-13 and should be submitted on or before October 24, 2005.

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

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. E5-5344 Filed 9-30-05; 8:45 am]

BILLING CODE 8010-01-P

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-52511; File No. SR-NASD-2005-113]

**Self-Regulatory Organizations; National Association of Securities Dealers; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Proactive Limit Orders**

September 27, 2005.

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 September 22, 2005, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), 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 Nasdaq. Pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> Nasdaq has designated the proposed rule change as non-controversial, and therefore the proposed rule change is effective upon filing. 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 the Substance of the Proposed Rule Change**

Nasdaq proposes to create a voluntary proactive limit order type that, if locked or crossed by another accessible market center, will automatically be routed to that market center for potential execution. Nasdaq intends to implement the proposed rule change promptly and

<sup>3</sup> Exchange Act Release No. 51973 (July 5, 2005), 70 FR 40094 (July 12, 2005), File No. SR-NYSE-2004-62.

<sup>4</sup> 15 U.S.C. 78q-1.

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

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

<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.

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

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

will inform market participants of the exact implementation date via a Head Trader Alert on <http://www.nasdaqtrader.com>.

The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.

\* \* \* \* \*

#### 4701. Definitions

Unless stated otherwise, the terms described below shall have the following meaning:

(a) through (uu) No Change.  
(vv) *The term "Proactive" shall mean, for priced limit orders so designated, that if marketable upon entry into the Nasdaq Market Center, the order will first attempt to execute in the Nasdaq Market Center and thereafter be sent to available external execution venues until it is fully executed or no longer marketable. The order will thereafter be added to the Nasdaq Market Center Book. Once on the book, if another accessible execution venue displays an order that locks or crosses the Proactive Limit Order, the order will be removed from the Nasdaq Market Center book and routed to that locking or crossing execution venue for potential execution.*

\* \* \* \* \*

#### 4706. Order Entry Parameters

(a) Non-Directed Orders—  
(1) General. The following requirements shall apply to Non-Directed Orders Entered by Nasdaq Market Center Participants:

(A) A Nasdaq Market Center Participant may enter into the Nasdaq Market Center a Non-Directed Order in order to access the best bid/best offer as displayed in Nasdaq and other markets as set out in Rule 4714.

(B) A Non-Directed Order must be a market or limit order, must indicate whether it should be not routed to another market in accordance with Rule 4714, whether it is a buy, short sale, short-sale exempt, or long sale, and may be designated as "Immediate or Cancel", "Day", "Good-till-Cancelled", "Auto-Ex", "Fill or Return", "Pegged", "Discretionary", "Sweep", "Total Day", "Total Good till Cancelled", [or] "Total Immediate or Cancel[.]", [or] "Summary[.]", or "Proactive".

(i) through (xiii) No change.  
(xiv) *A limit order may be designated as "Proactive," in which case the order shall be designated as Day, GTC, X, or GTX. A Proactive Order that is marketable upon entry into the Nasdaq Market Center will first attempt to execute in the Nasdaq Market Center and thereafter be sent to available*

*external execution venues until it is fully executed or no longer marketable. The order will thereafter be added to the Nasdaq Market Center book. Once on the book, if another accessible execution venue displays an order that locks or crosses the Proactive Limit Order, the order will be removed from the Nasdaq Market Center book and routed to that locking or crossing execution venue for potential execution.*

(C) through (F) No Change.

(2) No Change.

(b)–(e) No Change.

\* \* \* \* \*

### 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, the Proposed Rule Change

##### 1. Purpose

Nasdaq is proposing to implement the Proactive Order, an order option that will allow Nasdaq users to enter limit order(s) that execute against interest posted on the Nasdaq Market Center book, are posted on the book, and then are routed to another available market center if the limit order's price is locked or crossed by that market center.

Currently, limit orders in the Nasdaq Market Center that are locked or crossed by other market centers remain inside the Nasdaq system and are not routed based on their price being locked or crossed. Under this proposal, users would have the option of directing that if their limit orders posted on the book subsequently become locked or crossed by prices displayed in another market center, the orders will be routed to the locking/crossing market center for potential execution. Specifically, the process would operate as follows:

If marketable upon entry, the order will be executed either internally in the Nasdaq Market Center or routed to available external execution venues until it is fully executed or no longer marketable. The order will thereafter be added to the Nasdaq Market Center Book. Once on the book, if another

accessible execution venue displays an order that locks or crosses the Proactive Limit Order, the order will be removed from the Nasdaq Market Center book and routed to that locking or crossing execution venue for potential execution. This proactive routing capability shall be available as an option on all Nasdaq Market Center order types that are eligible for routing to other execution venues.

Nasdaq notes that a similar order functionality is already offered by Nasdaq's Brut Facility as a Super Aggressive Cross Order.<sup>5</sup> Nasdaq also believes that this functionality will reduce the incidence and duration of locked or crossed markets and improve the quality of executions for Nasdaq Market Center users. Because of the similarities between the proposed functionality and orders already in use in the marketplace as well as the important market quality benefits the functionality provides, Nasdaq requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>6</sup>

##### 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,<sup>7</sup> in general, and with Section 15A(b)(6) of the Act,<sup>8</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, remove impediments to a free and open market and a national market system, and, in general, to protect investors and the public interest. In particular, the proposal will limit the length of locked or crossed markets and improve the quality of executions for all Nasdaq Market Center participants.

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

Nasdaq does not believe that the proposed rule change will result in 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

Written comments were neither solicited nor received.

<sup>5</sup> See NASD Rule 4903(b)(1)(C).

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

<sup>7</sup> 15 U.S.C. 78o-3.

<sup>8</sup> 15 U.S.C. 78o-3(b)(6).

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

Nasdaq has requested that the Commission waive the 30-day operative delay. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposed change rule would permit Nasdaq to implement an order type similar to one already in use in the marketplace that may offer market quality benefits. Therefore, the Commission designates the proposal to be effective and operative upon filing with the Commission.<sup>11</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is 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-NASD-2005-113 on the subject line.

#### Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission,

Station Place, 100 F Street, NE., Washington, DC 20549-9303.

All submissions should refer to File Number SR-NASD-2005-113. 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 NASD. 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-NASD-2005-113 and should be submitted on or before October 24, 2005.

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

**Jonathan G. Katz,**  
Secretary.

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BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52515; File No. SR-NASD-2005-106]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Regarding Fees for Closed-End Funds Listing on The Nasdaq SmallCap Market

September 27, 2005.

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>

<sup>12</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.

notice is hereby given that on August 31, 2005, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), 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 Nasdaq. 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 amend NASD Rules 4510 and 4520. The text of the proposed rule change is below. Proposed new language is *italicized*; proposed deletions are in [brackets].

\* \* \* \* \*

#### 4510. The Nasdaq National Market

- (a)-(c) No change.  
 (d) Annual Fee—American Depositary Receipts (ADRs) and Closed-End Funds.  
 (1)-(3) No change.  
 (4) For the purpose of determining the total shares outstanding, fund sponsors may aggregate shares outstanding of all Closed-End Funds in the same fund family listed in The Nasdaq National Market or *The Nasdaq SmallCap Market*, as shown in the issuer's most recent periodic reports required to be filed with the appropriate regulatory authority or in more recent information held by Nasdaq. The maximum annual fee applicable to a fund family shall not exceed \$75,000. For purposes of this rule, a "fund family" is defined as two or more Closed-End Funds that have a common investment adviser or have investment advisers who are "affiliated persons" as defined in Section 2(a)(3) of the Investment Company Act of 1940, as amended.

- (5)-(6) No change.  
 (e) No change.

#### 4520. The Nasdaq SmallCap Market

- (a) Entry Fee.  
 (1)-(2) No change.  
 (3) *A closed-end management investment company registered under the Investment Company Act of 1940, as amended (a "Closed-End Fund"), that submits an application for inclusion of securities in The Nasdaq SmallCap Market shall pay to the Nasdaq Stock Market, Inc. an entry fee of \$5,000 (of which \$1,000 represents a non-refundable, application fee).*

[(3)4] The Board of Directors of The Nasdaq Stock Market, Inc. or its designee may, in its discretion, defer or

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> For purposes of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).