

CBOE understands that the other SROs also will file with the Commission similar revisions to the Series 9/10 examination program.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(1)<sup>8</sup> of the Act in particular, in that it is designed to enforce compliance by Exchange members and persons associated with its members with the rules of the Exchange. The Exchange also believes the proposed rule change furthers the objectives of Section 6(c)(3)<sup>9</sup> of the Act, which authorizes CBOE to prescribe standards of training, experience and competence for persons associated with CBOE members.

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

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of 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 with respect to the proposed rule change.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act<sup>10</sup> and Rule 19b-4(f)(1) thereunder,<sup>11</sup> in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. CBOE will announce the implementation date in a Regulatory Circular to be published no later than 60 days after SEC Notice of this filing.

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-CBOE-2005-98 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-CBOE-2005-98. 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 such filing also will be available for inspection and copying at the principal office of the CBOE. 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-2005-98 submitted on or before January 4, 2006.

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

**Jonathan G. Katz,**  
Secretary.

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

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52913; File No. SR-CBOE-2005-97]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Revisions to the Series 4 Examination Program

December 7, 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 November 15, 2005, the Pacific Exchange, Inc. ("CBOE" 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 CBOE. CBOE has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) of the Act<sup>3</sup> and Rule 19b-4(f)(1) 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

CBOE is filing revisions to the study outline and selection specifications for the Limited Principal—Registered Options (Series 4) examination program. The proposed revisions update the material to reflect changes to the laws, rules, and regulations covered by the examination, as well as modify the content of the examination program to track more closely the functional workflow of a Series 4 limited principal. CBOE is not proposing any textual changes to the Constitution or Rules of CBOE.

The revised study outline is attached as Exhibit 3a. However, CBOE has omitted the Series 4 selection specifications from this filing and has submitted the specifications under separate cover to the Commission with a request for confidential treatment pursuant to the Commission's confidential treatment procedures under

<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)(i).

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

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

<sup>8</sup> 15 U.S.C. 78f(b)(1).

<sup>9</sup> 15 U.S.C. 78f(c)(3).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>11</sup> 17 CFR 240.19b-4(f)(1).

the Freedom of Information Act.<sup>5</sup> The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com>), at the Exchange's Office of the Secretary, and at the Commission.

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

In its filing with the Commission, CBOE 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. CBOE 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 Rule 9.2 states that no member organization shall be approved to transact options business with the public until those persons associated with it who are designated as Options Principals have been approved by and registered with the Exchange. CBOE Rule 9.2 further requires successful completion of an examination prescribed by the Exchange in order to qualify for registration as an Options Principal. The Series 4 examination, an industry-wide examination, has been designed for this purpose, and tests a candidate's knowledge of options trading generally, the industry rules applicable to trading of option contracts, and the rules of registered clearing agencies for options. The Series 4 examination covers, among other things, equity options, foreign currency options, index options, and options on government and mortgage-backed securities.

The Series 4 examination program is shared by CBOE and the following SROs: the American Stock Exchange LLC, the National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc., the Pacific Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

A committee of industry representatives, together with the staff of CBOE and the other SROs, recently undertook a periodic review of the Series 4 examination program. As a result of this review and as part of an

ongoing effort to align the examination more closely to the supervisory duties of a Series 4 limited principal, CBOE is proposing to modify the content of the examination to track the functional workflow of a Series 4 limited principal. More specifically, CBOE is proposing to revise the main section headings and the number of questions on each section of the Series 4 study outline as follows: Options Investment Strategies, decreased from 35 to 34 questions; Supervision of Sales Activities and Trading Practices, increased from 71 to 75 questions; and Supervision of Employees, Business Conduct, and Recordkeeping and Reporting Requirements, decreased from 19 to 16 questions. CBOE is further proposing revisions to the study outline to reflect the SEC short sale requirements. The revised examination continues to cover the areas of knowledge required to supervise options activities.

CBOE is proposing these changes to the entire content of the Series 4 examination, including the selection specifications and question bank. The number of questions on the Series 4 examination will remain at 125, and candidates will continue to have three hours to complete the exam. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions to receive a passing grade.

CBOE understands that the other SROs also will file with the Commission similar revisions to the Series 4 examination program.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(1)<sup>7</sup> of the Act in particular, in that it is designed to enforce compliance by Exchange members and persons associated with its members with the rules of the Exchange. The Exchange also believes the proposed rule change furthers the objectives of Section 6(c)(3)<sup>8</sup> of the Act, which authorizes CBOE to prescribe standards of training, experience and competence for persons associated with CBOE members.

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

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of 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 with respect to the proposed rule change.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act<sup>9</sup> and Rule 19b-4(f)(1) thereunder,<sup>10</sup> in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. CBOE will announce the implementation date in a Regulatory Circular to be published no later than 60 days after SEC Notice of this filing.

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.

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- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2005-97 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-CBOE-2005-97. 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

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

<sup>7</sup> 15 U.S.C. 78(b)(1).

<sup>8</sup> 15 U.S.C. 78(c)(3).

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

<sup>10</sup> 17 CFR 240.19b-4(f)(1).

<sup>5</sup> 17 C.F.R. 200.83.

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 such filing also will be available for inspection and copying at the principal office of the CBOE. 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-2005-97 and should be submitted on or before January 4, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52922; File Nos. SR-DTC-2005-16, SR-FICC-2005-19, and SR-NSCC-2005-14]

### Self-Regulatory Organizations; The Depository Trust Company, Fixed Income Clearing Corporation, and National Securities Clearing Corporation; Order Approving Proposed Rule Changes to Require Members to Purchase Shares of the Common Stock of The Depository Trust & Clearing Corporation

December 7, 2005.

#### I. Introduction

On October 4, 2005, The Depository Trust Company ("DTC"), the Fixed Income Clearing Corporation ("FICC"), and the National Securities Clearing Corporation filed with the Securities and Exchange Commission ("Commission") proposed rule changes SR-DTC-2005-16, SR-FICC-2005-19, and SR-NSCC-2005-14 pursuant to section 19(b)(1) of the Securities

Exchange Act of 1934 ("Act").<sup>1</sup> Notices of the proposals were published in the **Federal Register** on October 31, 2005.<sup>2</sup> The Commission received one comment letter in response to the proposed rule change filed by DTC<sup>3</sup> and one comment letter in response to the proposed rule change filed by FICC.<sup>4</sup> For the reasons discussed below, the Commission is approving the proposed rule change.

#### II. Description

The Depository Trust & Clearing Corporation ("DTCC") is a holding company parent of DTC, FICC, and NSCC. Pursuant to DTCC's current Shareholders Agreement ("Shareholders Agreement"), substantially all members and participants of DTC, FICC, and NSCC (collectively "Participants") are entitled but are not required to purchase DTCC common shares. Participants are allocated an entitlement to purchase DTCC common shares on the basis of their relative use of the services of DTC, FICC, and NSCC. As of the last periodic allocation of share entitlements in 2003, approximately 1,100 Participants had a right to purchase DTCC common shares; however, only 190 Participants currently own any DTCC common shares and of these only 86 own DTCC common shares up to the full amounts of their share entitlements.

DTCC has obtained the consent of its common shareholders to amend the Shareholders Agreement pursuant to which Participants of DTC, FICC, and NSCC that make full use of the services of one or more of these clearing agency subsidiaries of DTCC would be required to purchase DTCC common shares ("Mandatory Purchaser Participants")<sup>5</sup> in accordance with the terms of the amended Shareholders Agreement while preserving the right but not the obligation of other Participants that make only limited use of the services of one or more of the clearing agencies to

purchase DTCC common shares ("Voluntary Purchaser Participants").<sup>6</sup>

Holders of DTCC common shares are entitled to elect all of the directors of DTCC other than two directors that DTCC preferred shareholders are entitled to elect.<sup>7</sup> DTCC common shareholders are entitled to vote on all other matters submitted to a vote of DTCC shareholders, and each DTCC common shareholder is entitled to one vote per DTCC common share. DTCC common shareholders are entitled to cumulative voting in the election of directors. In addition, DTCC common shareholders are entitled to receive out of the assets of DTCC, when and if declared by the Board of Directors of DTCC, dividends payable in cash or stock or otherwise. However, since DTC, FICC, and NSCC provide their services to their Participants on a cost-basis with revenues in excess of expenses and necessary reserves rebated or provide their services on a discounted basis, as a matter of policy and practice DTCC does not pay any dividends on DTCC common shares. The amendments to the Shareholders Agreement will have no effect on these rights of DTCC common shareholders and preferred shareholders.

Pursuant to certain covenants in the Shareholders Agreement, a person elected as a director of DTCC also serves as a director of DTC, FICC, and NSCC. The amendments to the Shareholders Agreement will have no effect on these covenants.

The system for allocating entitlements to purchase shares in the Shareholders Agreement was first implemented by DTC with respect to DTC common shares in 1973. At that time, the bank users of DTC's services purchased their DTC common shares, but for logistical and other reasons the NYSE, the NASD, and the American Stock Exchange ("AMEX") (collectively "Self-Regulatory

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

<sup>2</sup> Securities Exchange Act Release Nos. 52665 (October 25, 2005), 70 FR 62357 [SR-DTC-2005-16]; 52663 (October 25, 2005), 70 FR 62359 [SR-FICC-2005-19]; and 52664 (October 25, 2005), 70 FR 62364 [SR-NSCC-2005-14].

<sup>3</sup> Letter from Stewart A. Levin, Ph.D., Geophysics Research Fellow, Landmark Graphics Corp. (Oct. 29, 2005).

<sup>4</sup> Letter from Kelly S. McEntire, Retired State of Utah Administrator, (Dec. 6, 2005).

<sup>5</sup> Pursuant to the amendments to the Shareholders Agreement, a Mandatory Purchaser Participant that is a Participant in more than one clearing agency will be required to purchase DTCC common shares based upon its relative use of the services of all clearing agencies of which it is a Participant. For DTC, a Mandatory Purchaser Participant includes all participants of DTC other than Limited Participants. For FICC, this term includes Netting Members of FICC's Government Securities Division. For NSCC, this term includes all Members other than Mutual Fund/Insurance Services Members.

<sup>6</sup> The DTCC Shareholders Agreement marked to show the proposed amendments is attached to the proposed rule change as Exhibit 3 and is available on DTC's Web site at <http://www.dtc.org/impNtc/mor/index.html>, FICC's Web site at <http://www.ficc.com/gov/gov.docs.jsp?NS-query=>, and NSCC's Web site at [www.nsccl.com/legal](http://www.nsccl.com/legal).

<sup>7</sup> In connection with the 1999 integration of DTC and NSCC and formation of DTCC, the New York Stock Exchange ("NYSE") and the National Association of Securities Dealers ("NASD"), the then coowners of NSCC, each received 10,000 DTCC preferred shares in exchange for their NSCC common stock. DTCC preferred shareholders have no right to vote on any matters submitted to a vote of DTCC shareholders except that each of the two DTCC preferred shareholders are entitled to elect one director. DTCC preferred shareholders have no right to receive any dividends. In the event of any liquidation, dissolution or winding up of the affairs of DTCC, DTCC preferred shareholders are entitled to a liquidation preference of \$300 per share of DTCC preferred stock.

<sup>11</sup> 17 CFR 200.30-3(a)(12).