

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-BSE-2006-13 and should be submitted on or before June 12, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53808; File No. SR-CBOE-2006-33]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Accommodation Liquidations (Cabinet Trades)

May 16, 2006.

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 May 4, 2006, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") 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 the Exchange. CBOE has designated this proposal as non-controversial under section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which renders the proposed rule change 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

The Exchange proposes to amend the provisions of CBOE Rule 6.54 that pertain to accommodation liquidations (also referred to as "cabinet trades")⁵ to authorize PAR Officials and Floor Brokers to represent cabinet orders on the Exchange. The Exchange is also proposing various other non-substantive changes to reorganize and update the existing text in CBOE Rule 6.54 and to update references in the heading of Chapter VII of the CBOE rulebook and CBOE Rule 7.4. The text of the proposed rule change is set forth below. Additions are in *italics* and deletions are in [brackets].

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Chicago Board Options Exchange,
Incorporated Rules

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Chapter VI

Doing Business on the Exchange Floor
(Rules 6.1-6.85)

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Section C: Trading Practices and
Procedures

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Rule 6.54. Accommodation Liquidations
(Cabinet Trades)

Cabinet t[T]rading under the following terms and conditions shall be available in each series of option contracts open for trading on the Exchange.

(a) For classes not trading on the CBOE Hybrid System:

(i) Trading shall be conducted in accordance with other CBOE Rules except as otherwise provided herein.

(ii) Limit orders labeled at a price of \$1 per option contract must be placed with the Order Book Official *or with a Floor Broker.*

(iii) Orders may be placed for customer, firm, and Market-Maker

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ Accommodation liquidations are transactions to close out positions in worthless or nearly worthless out-of-the-money option contracts.

accounts and, to the extent such orders are placed with the Order Book Official, priority in the cabinet book will be based upon the sequence in which such orders are placed with the Order Book Official.

[(iii)](iv) Bids or offers for opening transactions at a price of \$1 per option contract may be placed with the Order Book Official only to the extent that the [public order book] *cabinet book* contains unexecuted contra closing orders with which the opening orders immediately may be matched. *Bids and offers at a price of \$1 per option contract may also be provided in response to a request for quote by an Order Book Official or a Floor Broker, but must yield priority to all orders in the cabinet book.*

[(iv)] Orders may be placed for customer, firm, and Market-Maker accounts, with priority based upon the sequence in which such orders are placed with the Order Book Official.]

(v) Market-Makers shall not be subject to the requirements of Rule 8.7 for orders placed pursuant to this Rule.

(vi) The Order Book Official appointed to each class of option contracts shall be responsible for \$1 orders *that are placed with him* for that class. All bids and offers *that are submitted to the Order Book Official* must be submitted to the Order Book Official in writing and displayed as such in accordance with Rule 7.7, and the Order Book Official shall effect [all such] transactions during the day by matching such orders placed with him *or by executing such orders placed with him with a Floor Broker representing a contra order.*

(vii) All *cabinet* transactions at a price of \$1 per option contract shall be reported to the Exchange following the close of each business day.

(b) For classes trading on the CBOE Hybrid System:

(i) Trading shall be conducted in accordance with other CBOE Rules except as otherwise provided herein.

(ii) Limit orders labeled at a price of \$1 per option contract must be traded on the Exchange in a form and manner prescribed by the Exchange. Currently, accommodation liquidations are only eligible for Exchange trading via open outcry and hence are not eligible for placement into the Electronic Book.

. . . Interpretations and Policies

.01 *Order Book Official:* An Order Book Official who receives a closing buy (*sell*) order for \$1 per option contract shall attempt to execute the order against any \$1 closing sell (*buy*) orders in his possession. If any part of the buy (*sell*) order cannot be immediately

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

executed, the Order Book Official shall display the \$1 bid (*offer*).

[Upon receiving a closing sell order for \$1 per option contract, the Order Book Official shall attempt to execute the order against any \$1 closing buy orders in his possession. If any part of the sell order cannot be immediately executed, the Order Book Official shall display the \$1 offer.] The Order Book Official may accept bids or offers for opening transactions at a price of \$1 per contract only to the extent that the [public order book] *cabinet book* already contains closing orders for the contra side.

Upon execution of any \$1 per contract orders, the Order Book Official shall promptly supply reports of the transaction back to the member firms involved. In accordance with (a)(vii) above, he will not report the transactions to the Exchange until after the close of each business day.

.02 *PAR Officials: For purposes of this Rule, a PAR Official may also perform the functions of an Order Book Official.*

* * * * *

Chapter VII

Order Book Officials [and Board Brokers] (Rules 7.1—7.50)

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Rule 7.4. Obligations for Orders

(a)–(c) No change.

(d)(1)–(2) No change.

(3) The provisions of paragraph (d) of this Rule shall not apply to matching [1¢] buy and sell orders under Rule 6.54.

(4) No change.

(e)–(f) No change.

... Interpretations and Policies

No change.

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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

An “accommodation” or “cabinet” trade refers to trades in listed options on the Exchange that are worthless or not actively traded. Cabinet trading is generally conducted in accordance with CBOE rules; CBOE Rule 6.54, Accommodation Liquidations, sets forth specific procedures for engaging in cabinet trades. CBOE Rule 6.54 currently provides for cabinet trades to occur via open outcry whether or not the security class trades on the Exchange's Hybrid Trading System.

The purpose of the rule change is to amend CBOE Rule 6.54 to clarify through proposed Interpretation and Policy .02 that PAR Officials⁶ may perform the functions that Order Book Officials perform with respect to cabinet trading. Clarifying that PAR Officials are authorized to represent cabinet orders and effect cabinet trades is consistent with recent amendments to the CBOE rules that established the PAR Official position on the Exchange.⁷

The Exchange is also proposing to amend CBOE Rule 6.54 to authorize Floor Brokers to represent cabinet orders and effect cabinet trades. As a result, in addition to the existing procedures which permit cabinet orders to be placed with an Order Book Official (which, as this rule change clarifies, would include a PAR Official fulfilling the duties of an Order Book Official) for representation and execution, a Floor Broker may now represent and execute a cabinet order in the trading crowd, thereby saving the additional time and steps involved in first placing a cabinet order with an Order Book Official who would then in turn represent and execute the order. Thus, permitting Floor Brokers to handle cabinet orders and trades in accordance with the procedures described in Rule 6.54 will provide members with additional flexibility and assist in the fair, orderly and efficient handling of cabinet transactions on the Exchange.

⁶ A PAR Official is an Exchange employee or independent contractor whom the Exchange may designate as being responsible for (i) operating the PAR workstation in a DPM trading crowd with respect to the classes of options assigned to him/her; (ii) when applicable, maintaining the book with respect to the classes of options assigned to him/her; and (iii) effecting proper executions of orders placed with him/her. See CBOE Rule 7.12.

⁷ See Securities Exchange Act Release No. 52798 (November 18, 2005), 70 FR 71344 (November 28, 2005) (File No. SR-CBOE-2005-46) (order approving amendments relating to the removal of agency responsibilities from DPMs and establishing Exchange PAR Officials).

The revised cabinet trading procedures set forth in the proposed rule change will be substantially similar to the procedures that currently exist. Under the revised procedures, limit orders labeled at a price of \$1 per option contract may be still be placed with the Order Book Official or, as this rule change proposes, with a Floor Broker or a PAR Official. As is the case under the current procedures, cabinet orders may be placed for the accounts of customers, firms, and Market-Makers. To the extent such orders are placed with an Order Book Official, priority will continue to be based on the sequence in which such orders are placed with the Order Book Official. Also as under the current procedures, bids and offers for opening transactions at a price of \$1 per option contract may be placed with the Order Book Official only to the extent that the cabinet contains unexecuted contra closing orders with which those opening orders immediately may be matched. Under the proposed revisions, bids and offers (whether opening or closing a position) at a price of \$1 per option contract may also be provided in response to a request for quotes by an Order Book Official or a Floor Broker, but must yield priority to all orders in the Order Book Official's cabinet book. All cabinet transactions will continue to be reported to the Exchange following the close of each business day and the procedures for maintaining quotation, order and transaction information for cabinet transactions will remain unchanged.⁸

The responsibilities of the Order Book Official under the revised cabinet trading procedures will be substantially similar to his current responsibilities. The Order Book Official will continue to be responsible for \$1 orders that are placed with him. Further, all bids and offers that are submitted to the Order Book Official must continue to be submitted in writing and displayed as such in accordance with CBOE Rule 7.7. The Order Book Official will continue to effect cabinet transactions during the day by matching such orders placed with him or, under the revised procedures, by executing orders placed with him with a Floor Broker representing a contra order. The Order Book Official will also continue to

⁸ Accommodation liquidations as described in CBOE Rule 6.54 are exempt from the requirements of CBOE Rule 6.24, Required Order Information, pertaining to the Consolidated Options Audit Trail. However, the Exchange maintains quotation, order and transaction information for accommodation liquidations in the same format as the COATS data is maintained, and will make such information available to the Commission upon request. See Interpretation and Policy .04 to CBOE Rule 6.24.

supply reports of cabinet transactions he executes back to member firms. In addition, the Order Book Official will continue to report cabinet transactions to the Exchange after the close of each business day.

Finally, the rule change makes various non-substantive changes to reorganize and update the existing text in CBOE Rule 6.54 and update references in the heading of Chapter VII of the CBOE rulebook and CBOE Rule 7.4.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act⁹ in general and furthers the objectives of section 6(b)(5) of the Act¹⁰ in particular in that it is designed to promote just and equitable principles of trade, 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.

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

The Exchange 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 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 foregoing proposed rule change has become effective pursuant to section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6)¹² thereunder because it (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five

business days prior to the filing date of the proposed rule change.¹³

The Exchange has requested that the Commission waive the 30-day operative delay of Rule 19b-4(f)(6)(iii) so that the proposed rule change may become effective immediately. The Commission believes that waiving the pre-filing requirement and the operative delay is consistent with the protection of investors and the public interest. The Commission notes that the proposal does not substantially change the existing cabinet trading procedures, but does provide market participants on the Exchange with additional flexibility for handling cabinet trades, which should promote the fair, orderly and efficient handling of these transactions. Therefore, the Commission has determined to waive the 30-day operative delay and allow the proposed rule change to become operative immediately.¹⁴

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the 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. Please include File No. SR-CBOE-2006-33 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-2006-33. This file number should be included on the

¹³ As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its attempt to file the proposed rule change at least five days prior to the filing date.

¹⁴ For purposes only of waiving the operative delay of this proposal, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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 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-2006-33 and should be submitted on or before June 12, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Jill M. Peterson,

Assistant Secretary.

[FR Doc. E6-7718 Filed 5-19-06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53807; File No. SR-NYSEArca-2006-14]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend Until June 5, 2007, a Pilot Program for Listing Options on Selected Stocks Trading Below \$20 at One-Point Intervals

May 15, 2006.

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 May 8, 2006, NYSE Arca, Inc. ("NYSE Arca" 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 prepared

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).