Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–NASD–2006–073. 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 provision 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 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 submission should refer to File Number SR–NASD–2006–073 and should be submitted on or before July 27, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

J. Lynn Taylor,

Assistant Secretary.

[FR Doc. E6–10531 Filed 7–5–06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–54070; File No. SR–Phlx–2005–73)]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval of a Proposed Rule Change and Amendment Nos. 1 and 2 Thereto Relating to the Exchange's Obvious Error Rule

June 29, 2006.

I. Introduction

On November 14, 2005, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend Phlx Rule 1092 with respect to: (1) the definition of ''obvious error'' and (2) the definition of ''Theoretical Price.'' On November 18, 2005, the Phlx submitted Amendment No. 1 to the proposed rule change.[3] On April 6, 2006, the Phlx submitted Amendment No. 2 to the proposed rule change.[4] The proposed rule change and Amendment Nos. 1 and 2 were published for comment in the **Federal Register** on May 15, 2006.[5] The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposed Rule Change

The Phlx proposes to amend its Obvious Error Rule, Phlx Rule 1092. Currently, Phlx Rule 1092(a) defines ''obvious error'' as the execution price of a transaction that is higher or lower than the Theoretical Price (if the Theoretical Price is less than $3.00) for the series by an amount of 35 cents or more, or, during unusual market conditions (*i.e.*, the Exchange has declared an unusual market condition status for the option in question), by an amount of 50 cents or more. Where the Theoretical Price is $3.00 or more, ''obvious error'' is defined as the execution price of a transaction that is higher or lower than the Theoretical Price for the series by an amount equal to at least two times the allowable maximum bid/ask spread for the series, so long as the amount is 50 cents or more, and three times the allowable bid/ask spread during unusual market conditions.

The proposed rule change would revise the definition of ''obvious error'' by deeming an ''obvious error'' to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for a series by an amount equal to at least the amount shown below:

Theoretical price	Minimum amount
Below $2	$.25
$2 to $5	.40
Above $5 to $10	.50
Above $10 to $20	.80
Above $20	1.00

The Exchange believes that the proposed new definition of ''obvious error'' would facilitate the efficient determination by Floor Officials regarding whether a trade resulted from an obvious error by setting minimum amounts by which the transaction price differs from the Theoretical Price without requiring such Floor Officials to conduct an inquiry into the volume of all exchanges each time they review a transaction under the rule. The proposed definition of ''obvious error'' would apply during both normal and unusual market conditions, which in the Exchange's view would further streamline the Floor Officials' process of determining whether an obvious error exists.[6]

Phlx Rule 1092(b) defines ''Theoretical Price'' as the last bid or offer, just prior to the transaction, on the exchange that has the most total volume in that option over the most recent 60 calendar days; or, if there are no quotes for comparison purposes, as determined by two Floor Officials and designated personnel in the Exchange's Market Surveillance Department. The proposed rule change would revise the definition of ''Theoretical Price'' as, respecting series traded on at least one other options exchange, the mid-point of the National Best Bid and Offer (''NBBO'') just prior to the transaction.

According to the Exchange, currently all options exchanges, including the Phlx, have rules permitting specialists and market makers to disseminate electronic quotations with a bid/ask differential of up to $5.00, regardless of the price of the bid.[7] For the most part, the Phlx believes that such quotations do not reflect the NBBO. Under current Phlx Rule 1092, the Theoretical Price, defined as the last bid or offer just prior to the transaction on the market with the highest volume, could differ from the NBBO by a significant amount if the bid/ask differential on such market in the series is $5.00 wide. To account for this potential discrepancy between the Theoretical Price as established by rule

[8] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 corrected technical errors in the proposed rule text.

[4] Amendment No. 2 deleted the proposed revisions to Phlx Rule 1092(c) that related to an erroneous print disseminated by the underlying market that is later cancelled or corrected by the underlying market and an erroneous quote in the underlying market. Thus, the Exchange does not propose to make any changes to Phlx Rule 1092(c).

[5] Securities Exchange Act Release No. 53776 (May 9, 2006).

[6] The Commission recently approved the Exchange's proposal to establish the position of neutral Referee who, among other things, would review Floor Officials' obvious error rulings. *See* Securities Exchange Act Release No. 53548 (March 24, 2006), 71 FR 16389 (March 31, 2006) (SR–Phlx–2005–42).

[7] *See, e.g.*, Exchange Rule 1014(c)(i)(A)(2).

and the actual NBBO, the proposal would revise the definition of the term ''Theoretical Price'' to mean the mid-point of the NBBO just prior to the transaction. The Exchange believes that this new definition should provide Exchange Floor Officials with a more accurate measure of the price on which to base their determination that a transaction resulted from an obvious error. The Exchange also proposes to delete Commentary .02 to Phlx Rule 1092 from the Rule.[8] This Commentary sets forth how Theoretical Price would be determined under current Phlx Rule 1092(c).

III. Discussion

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[9] and, in particular, the requirements of Section 6(b) of the Act[10] and the rules and regulations thereunder. Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[11] in that the proposal promotes just and equitable principles of trade, removes impediments to and perfects the mechanism of a free and open market and a national market system, and protects investors and the public interest.

The Commission considers that in most circumstances trades that are executed between parties should be honored. On rare occasions, the price of the executed trade indicates an ''obvious error'' may exist, suggesting that it is unrealistic to expect that the parties to the trade had come to a meeting of the minds regarding the terms of the transaction. In the Commission's view, the determination of whether an ''obvious error'' has occurred should be based on specific and objective criteria and subject to specific and objective procedures. The Phlx's proposal would provide specific and objective numerical criteria to be used by Floor Officials to determine whether a particular transaction involved an obvious error. In addition, the Exchange's proposal to base the definition of Theoretical Price on the midpoint of the NBBO would ensure that the Phlx's obvious error rule is consistent with the Options Intermarket Linkage Plan, which requires exchanges to avoid trade-throughs. Accordingly, the Commission finds that the Exchange's proposal is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR–Phlx–2005–73), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Nancy M. Morris,

Secretary.

[FR Doc. E6–10532 Filed 7–5–06; 8:45 am]

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[8] Phlx Rule 1092(b) would retain the provision that if there are no quotes for comparison purposes, two Floor Officials and designated personnel in the Exchange's Market Surveillance Department would determine Theoretical Price.

[9] In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[10] 15 U.S.C. 78f(b).

[11] 15 U.S.C. 78f(b)(5).

[12] 15 U.S.C. 78f(b)(2).

[13] 17 CFR 200.30–3(a)(12).

DEPARTMENT OF STATE

[Public Notice: 5462]

Memorandum of Agreement Between the U.S. Department of State and the Colorado Department of Human Services Regarding Performance of Duties as an Accrediting Entity Under the Intercountry Adoption Act of 2000

AGENCY: Department of State.

ACTION: Notice.

SUMMARY: The Department of State (the Department) is the lead Federal agency for implementation of the 1993 Hague Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption (the Convention) and the Intercountry Adoption Act of 2000 (IAA). Among other things, the IAA gives the Secretary of State responsibility for the accreditation of agencies and approval of persons to provide adoption services under the Convention. The IAA requires the Department to enter into agreements with one or more qualified entities under which such entities will perform the tasks of accrediting agencies and approving persons, monitoring compliance of such agencies and persons with applicable requirements, and other related duties set forth in section 202(b) of the IAA. This notice is to inform the public that on June 29, 2006, the Department exercised its authority under the IAA and entered into an agreement with the Colorado Department of Human Services under which the Department designated the Colorado Department of Human Services as an accrediting entity. In its role as an accrediting entity, the Colorado Department of Human Services will be accrediting or approving qualified adoption service providers located in and licensed by the State of Colorado to enable them to provide adoption services in cases subject to the Convention once the Convention enters into force for the United States. As the U.S. Central Authority for the Convention, the Department will monitor the performance of the Colorado Department of Human Services and approve fees charged by it as an accrediting entity. The text of the Memorandum of Agreement, signed on June 29, 2006 by Maura Harty, Assistant Secretary for Consular Affairs, U.S. Department of State and signed on June 13, 2006 by Marva Livingston Hammons, Executive Director, Department of Human Services, State of Colorado, is included at the end of this Notice. Also included at the end of the Memorandum of Agreement is its Attachment 1, Colorado Revised Statutes § 26–6–104(6.5).

FOR FURTHER INFORMATION CONTACT: Mikiko Stebbing at 202–736–9086. Hearing or speech-impaired persons may use the Telecommunications Devices for the Deaf (TDD) by contacting the Federal Information Relay Service at 1–800–877–8339.

SUPPLEMENTARY INFORMATION: The Department, pursuant to section 202(a) of the IAA, must enter into an agreement with at least one qualified entity and designate it as an accrediting entity. Accrediting entities may be (1) nonprofit private entities with expertise in developing and administering standards for entities providing child welfare services; or (2) State adoption licensing bodies that have expertise in developing and administering standards for entities providing child welfare services and that accredit only agencies located in that State. Colorado's Department of Human Services is a State adoption licensing body with expertise in developing and administering standards for entities providing child welfare services and only accredits agencies located in the State of Colorado. The final rule on accreditation of agencies and approval of persons (22 CFR Part 96) was published in the **Federal Register** (71 FR 8064–8066, February 15, 2006) and became effective on March 17, 2006. The final rule establishes the regulatory framework for the accreditation and approval function and provides the standards that the designated accrediting entities will follow in