

The Roundtable has recommended that this change be implemented for the October 2006 expiration. OCC therefore requests that the Commission approve the proposed rule change with an effective date of October 1, 2006, and that the Commission authorize OCC to implement the threshold change thereafter based upon its assessment of clearing member readiness. OCC would provide at least ten days advance notice to clearing members of the effective date for the new threshold amounts by information memoranda and other forms of electronic notice such as e-mail. Additionally, OCC would allow clearing members additional time to complete preparations for the threshold change if necessary.

OCC believes that the proposed rule change is consistent with Section 17A of the Act because it facilitates the prompt and accurate processing of exercise information on expiration.

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

OCC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

**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-OCC-2006-05 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-OCC-2006-05. 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 filing also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at [www.optionsclearing.com](http://www.optionsclearing.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-OCC-2006-05 and should be submitted on or before September 8, 2006.

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

Nancy M. Morris,  
Secretary.

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

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54305; File No. SR-OCC-2006-11]

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Quarterly Options**

August 11, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on June 23, 2006, The Options Clearing Corporation ("OCC") 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 primarily by OCC. OCC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>2</sup> whereby the proposal was 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 proposed rule change would amend OCC's By-Laws and Rules to accommodate "quarterly options" (*i.e.*, a series of options or index options that expires on the last business day of the calendar quarter) which have been proposed for trading by the International Securities Exchange ("ISE").

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>3</sup>

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

Quarterly options in general have the same terms as conventional options

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

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>3</sup> The Commission has modified parts of these statements.

except that (a) quarterly options expire on the last business day of a calendar quarter and (b) all quarterly index options would be settled based on the level of the underlying index at the close on the day of exercise ("P.M. Settled") rather than the level of the index at the opening on that day ("A.M. Settled"). In addition, certain modifications in exercise procedures are necessary to accommodate the business day expiration of quarterly options.

Because of concerns with quoting capacity, ISE filed and the Commission has approved a proposed rule change that allows ISE to list quarterly options under a pilot program that is limited both in duration and in the number of classes of quarterly options that may trade.<sup>4</sup> Specifically, for an initial one-year period following the first trade date ("Pilot Period") ISE would list series of quarterly options in (a) up to five options classes already listed on ISE that are either (i) index options or (ii) options on exchange traded funds and (b) options classes that are selected by any other exchanges that list quarterly options under a similar pilot program. If ISE decides to continue to list quarterly options at the end of the Pilot Period, ISE would have to file an additional rule filing with the Commission as well as a pilot program report analyzing a variety of data, including the impact of the pilot program on the capacity of ISE, the Options Price Reporting Authority, and market data vendors. If ISE decides to cease listing quarterly options at the end of the Pilot Period or if the Commission were to refuse to approve a rule change permitting quarterly options to continue to trade, ISE would not list any additional series and would permit only closing transactions in open series.

ISE notes in its filing that there is a risk of confusion with respect to quarterly options series and other options in the same class. The risk of confusion is lessened with respect to conventional options because those options cannot expire in the same week as quarterly options. However, short term options, which are one-week options that normally are listed on a Friday and expire on the next following Friday, could expire on the same day as quarterly options. In order to lessen the likelihood of confusion with respect to short term options and quarterly options in the same class, ISE will not list a series of short term options if that series would expire on the same date as a series of quarterly options in the same

class.<sup>5</sup> Because of their differing expiration dates, quarterly options are not fungible with conventional options or short term options.

Because quarterly options differ from conventional options and short term options only in their expiration date, the P.M. settlement feature of quarterly index options, and other modifications relating to business day expiration, quarterly options can be cleared and settled by OCC with relatively minor revisions to OCC's By-Laws and Rules. A new defined term for "quarterly options" is added to Article I of the By-Laws, and the definition of "expiration date" in that Article is amended to clarify that quarterly options do not expire on the same date as conventional options. Rules 801 and 805 are amended to include quarterly options among the exceptions to the general rule that options may not be exercised on the business day before their expiration date. Rules 801 and 1804 are amended to provide for the automatic exercise of quarterly index options when those options are in-the-money by a specified amount. Finally, a reference in Article XVII to "quarterly index expiration options" or "QIX," which are no longer traded, has been removed to avoid confusion. A conforming reference to short term options has been added to Rule 801(b) to provide clarity that such options on indexes are subject to automatic exercise, as presently provided in Rule 1804(c).

OCC believes that the proposed rule change is consistent with the purposes and requirements of Section 17A of the Act because it is designed to promote the prompt and accurate clearance and settlement of securities transactions, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, to protect investors and the public interest. The proposed changes promote these objectives by applying to quarterly options the same basic governing principles that are applicable to other classes of options. The proposed changes are not inconsistent with the existing By-Laws and rules of OCC, including those proposed to be amended.

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

OCC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

### **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>6</sup> and Rule 19b-4(f)(4)<sup>7</sup> promulgated thereunder because the proposal effects a change in an existing service of OCC that (A) does not adversely affect the safeguarding of securities or funds in the custody or control of OCC or for which it is responsible and (B) does not significantly affect the respective rights or obligations of OCC or persons using the service. At any time within sixty 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-OCC-2006-11 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-OCC-2006-11. This file

<sup>4</sup> Securities Exchange Act Release Nos. 53857 (June 1, 2006), 71 FR 31246 (May 24, 2006) and 54113 (July 7, 2006), 71 FR 39694 (July 13, 2006) [File No. SR-ISE-2006-24].

<sup>5</sup> Supplementary Material .02(b) to ISE Rule 2009.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>7</sup> 17 CFR 240.19b-4(f)(4).

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 filing also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at [www.optionsclearing.com](http://www.optionsclearing.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-OCC-2006-11 and should be submitted on or before September 8, 2006.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Nancy M. Morris,  
Secretary.

[FR Doc. E6-13617 Filed 8-17-06; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54312; File No. SR-Phlx-2006-28]

### Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendments No. 1, 2, and 3 Thereo Relating to the Deletion of Obsolete Provisions from Exchange Rules

August 14, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on April 28,

2006, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 by the Phlx. On June 15, 2006, July 19, 2006, and August 10, 2006, the Exchange filed Amendments No. 1,<sup>3</sup> 2,<sup>4</sup> and 3,<sup>5</sup> respectively. The Exchange has designated the proposed rule change, as amended, as constituting a non-controversial rule change under Rule 19b-4(f)(6) under the Act,<sup>6</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, as amended, from interested persons.

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

The Phlx proposes to amend various Exchange rules to delete obsolete provisions relating to trading systems and practices that are no longer in effect on the Exchange, particularly as the new options system, Phlx XL, replaced the old "AUTO-X" provisions.<sup>7</sup> The text of the proposed rule change, as amended, is available on the Exchange's Web site at <http://www.phlx.com>, at the Exchange's Office of the Secretary, and the Commission's Public Reference Room.

#### 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 Phlx 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 Phlx 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 the proposed rule change is to delete provisions in the Exchange's rules that no longer apply because of technological advancements or obsolete trading practices. Specifically, the following amendments are proposed:

**Quotation Size:** The Phlx XL rules originally provided in Exchange Rule 1014(b) that electronic quotations submitted on Phlx XL could be submitted with a quotation size of fewer than 10 contracts for a specific period of time following the initial deployment of Phlx XL. The maximum time period during which such a quotation size was permitted was one year following the deployment of Phlx XL, after which all electronic quotations submitted on Phlx XL had to be for a size of at least 10 contracts. Because it has been more than one year since the initial deployment of Phlx XL, the rule is now obsolete. Quotations submitted on Phlx XL currently must have a size of at least 10 contracts. Additionally, quotations made by non-SQT ROTs in open outcry in response to a request for a market were originally permitted to quote with a size fewer than 10 contracts during this period. Non-SQT ROTs must now provide such quotations with a size of at least 10 contracts.

**Continuous Open Outcry Quoting Obligation:** Currently, Exchange Rule 1014(b)(ii)(E)(1)(C) describes the open outcry quoting obligation applicable to non-SQT ROTs in response to a request for a quote by a Floor Broker, specialist, Floor Official, or other ROT (including an SQT). The Exchange proposes to delete the portion of the rule that describes the minimum quote size for such a quotation during various phases of the rollout of Phlx XL. Because Phlx XL is now deployed floor-wide, and the rollout periods described in the rule have all expired, that portion of the rule is no longer necessary.

**Definition of "Remainder of the Order":** Currently, Exchange Rule 1014(g)(i)(A)(1) defines "Remainder of the Order" as, respecting non-Streaming Quote Options, the portion of an Initiating Order that remains following the allocation of contracts to customers that are on parity in accordance with Rule 1014(g)(i). The term "Remainder of the Order" is used in the Exchange's rules concerning the allocation of

<sup>3</sup> Amendment No. 1 replaced the original filing in its entirety.

<sup>4</sup> Amendment No. 2 replaced the original filing and Amendment No. 1 in their entirety.

<sup>5</sup> Amendment No. 3 made clarifying changes to the rule text by retaining a description of Auto-X and clarifying that the term Auto-X is currently applied to include Book Match and Book Sweep in the Exchange's rules, including those rules concerning the engagement and disengagement of Auto-X.

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

<sup>7</sup> In July 2004, the Exchange began trading equity options on Phlx XL, followed by index options in December 2004. Phlx XL was completely rolled out by February 2005, such that all options are now "Streaming Quote Options." See Securities Exchange Act Release No. 50100 (July 27, 2004), 69 FR 46612 (August 3, 2004) (SR-Phlx-2003-59).

<sup>8</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.