

degree of liquidity, consistency, and price transparency.<sup>16</sup>

Importantly, while the proposed rule change would not require a member to obtain three quotes in connection with transactions in foreign securities that are part of the FTSE All-World Index, members would continue to be required to comply with their best execution obligations under Rule 2320, and to the extent applicable, their suitability obligations under Rule 2310.

The proposed rule change also would provide a corresponding exclusion to the recordkeeping requirements set forth in Rule 3110(b) relating to the Three Quote Rule if the member can establish and document its reliance on this exclusion. Rule 3110(b) requires that members indicate on the order ticket for each transaction in a non-exchange-listed security the name of each dealer contacted and the quotations received to determine the best inter-dealer market as required by the Three Quote Rule.

In addition, NASD no longer refers to its subsidiary, NASD Regulation, Inc., using its full corporate name, "NASD Regulation" or "NASD Regulation, Inc.," Instead, NASD uses "NASD" unless otherwise appropriate for corporate or regulatory reasons. Accordingly, the proposed rule change replaces one reference to "NASD Regulation" in the text of the proposed rule change with "NASD."

Finally, NASD will announce the effective date of the proposed rule change in a *Notice to Members* to be published no later than 60 days following Commission approval. The effective date will be 30 days following publication of the *Notice to Members* announcing Commission approval.

## 2. Statutory Basis

NASD believes that the proposed rule change, as amended, is consistent with the provisions of Section 15A of the Act<sup>17</sup> in general, and with Section 15A(b)(6) of the Act<sup>18</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASD believes that the proposed rule change will reduce the time and effort necessary in contacting three dealers in

orders for foreign securities of certain foreign issuers where it has been demonstrated that such securities are trading with sufficient liquidity and price transparency.

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

NASD 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.

## 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 such 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, as amended, 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-2004-130 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-NASD-2004-130. 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 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-2004-130 and should be submitted on or before November 21, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>19</sup>

Nancy M. Morris,  
Secretary.

[FR Doc. E6-18250 Filed 10-30-06; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54651; File No. SR-NASD-2006-119]

### Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Enhance the Flexibility of Nasdaq's INET Facility Order Routing Process for Reactive Only DOT Orders That Currently Are Ultimately Directed to the New York Stock Exchange or the American Stock Exchange

October 25, 2006.

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 October 18, 2006, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, The Nasdaq

<sup>16</sup> The FTSE All-World Index is based on a set of rules that govern the construction and maintenance of the index. Stocks comprising the FTSE All-World Index are screened to, among other things, ensure there is sufficient liquidity and the availability of accurate and timely data. Factors in determining liquidity include the level of trading volume relative to shares outstanding. See Exhibit 2 to Amendment No. 2 for further information.

<sup>17</sup> 15 U.S.C. 78o-3.

<sup>18</sup> 15 U.S.C. 78o-3(b)(6).

<sup>19</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.

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. Nasdaq filed the proposed rule change pursuant to paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission.<sup>4</sup> 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 enhance the flexibility of Nasdaq's INET Facility ("INET") order routing process for reactive only DOT orders ("Reacting Only Dot Orders") that currently are ultimately directed to the New York Stock Exchange ("NYSE") or the American Stock Exchange, as appropriate.

The text of the proposed rule change is available at the Commission's Public Reference Room, at NASD, and at [www.nasdaq.com](http://www.nasdaq.com).

### **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 proposes to increase the flexibility of the INET order routing process for orders that currently are ultimately directed to other market centers. Currently, parties entering a marketable INET Reactive Only Dot Order are first directed to have those orders processed in the INET System and, after exhausting available liquidity in the INET System, thereafter automatically routed to other market

centers. If the INET Reactive Only Dot Order is not marketable, it is added to the INET book. Nasdaq is proposing to modify the behavior of the INET order routing process for Reactive Only DOT Orders so that orders or residual orders can be sent to other market centers for potential execution whereby unexecuted shares will be returned to the INET System rather than the current practice of the unfilled orders remaining on the books of the other market centers until executed or cancelled.

Nasdaq believes that the proposed rule change will enhance the ability of market participants to take advantage of beneficial liquidity residing across all market centers as other market centers become more automated. Customers use the "Reactive Only DOT" order type when they want their order to be posted on the INET book for potential execution, but do not want to miss potential executions at other market centers, including the NYSE. Before the introduction of the NYSE Hybrid system, there was no way to receive an automatic execution in response to an Immediate or Cancel ("IOC") order sent to the NYSE. As such, the order type as it works today will post the order on INET and "react" to quotes at other market centers. The system will send an IOC order to electronic market centers if they have a locking (marketable) quote. If the locking quote is at the NYSE, today Nasdaq will send the order to the NYSE and it will reside there until executed or cancelled.

With the introduction of the NYSE Hybrid system comes a new feature that Nasdaq would like to utilize using this order type. The new feature is the ability to receive immediate automatic executions in response to IOC orders. Nasdaq would like to be able to use this routing strategy to better respond to the requests of customers (*i.e.*, post the order to INET unless marketable on another market center and send an IOC to the NYSE when the NYSE has a locking quote, the same as Nasdaq does for other market centers). As before, no INET System Reactive Only Dot Order will execute in a Nasdaq-operated execution venue at an inferior price to one that is available at an accessible alternative venue.

##### **2. Statutory Basis**

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,<sup>5</sup> in general, and with Section 15A(b)(6) of the Act,<sup>6</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.

#### *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, as amended.

#### *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.

### **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, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.<sup>7</sup>

Nasdaq has asked the Commission to waive the 30-day operative delay. The Commission believes waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Such waiver will allow the intended benefits of the proposed modification to be made available as soon as practicable. For these reasons, the Commission designates the proposal to be effective and operative upon filing with the Commission.<sup>8</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

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

<sup>8</sup> For purposes only 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).

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>4</sup> Nasdaq gave the Commission written notice of its intention to file the proposed rule change on October 6, 2006.

<sup>5</sup> 15 U.S.C. 78o-3.

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

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-2006-119 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-NASD-2006-119. 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 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-2006-119 and should be submitted on or before November 21, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Nancy M. Morris,**

*Secretary.*

[FR Doc. E6-18252 Filed 10-30-06; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54649; File No. SR-NYSE-2006-88]

**Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to NYSE Listed Company Manual Section 703.16 (Investment Company Units)**

October 24, 2006.

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 October 20, 2006, the New York Stock Exchange LLC ("Exchange" or "NYSE") 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 Exchange. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

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

The Exchange proposes to amend NYSE Section 703.16(B)(4)(a) of the NYSE Listed Company Manual ("Manual"). The text of the proposed rule change is available on NYSE's Web site at (<http://www.nyse.com>), at the principal office of NYSE, and at 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 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.

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

<sup>2</sup> 17 CFR 240.19b-4.

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

1. Purpose

The Exchange has adopted listing standards applicable to Investment Company Units ("ICUs" or "Investment Company Units") that are consistent with the listing criteria currently used by other national securities exchanges and trading standards pursuant to which the Exchange may either list and trade ICUs or trade such ICUs on the Exchange on an unlisted trading privileges ("UTP") basis.<sup>3</sup> An ICU is defined in Section 703.16 of the Manual as a security that represents an interest in a registered investment company that could be organized as a unit investment trust, an open-end management investment company, or a similar entity. A registered investment company is registered under the Investment Company Act of 1940.<sup>4</sup>

The "generic" listing criteria of Section 703.16 of the Manual permit listing of ICU's that satisfy such criteria in reliance upon Rule 19b-4(e) under the Act,<sup>5</sup> without a filing pursuant to Rule 19b-4 under the Act. Section 703.16(B)(4)(a) of the Manual requires, among other criteria that, if a series of ICUs is listed for trading on the Exchange in reliance upon Rule 19b-4(e) under the Act, the index underlying the series must be calculated based on either the market capitalization, modified market capitalization, price, equal-dollar, or modified equal-dollar weighting methodology.

According to the Exchange, the proposed rule change will specify one additional methodology. The Exchange proposes to amend Section 703.16(B)(4)(a) of the Manual to permit a series of ICUs to be listed under the generic listing standards pursuant to Rule 19b-4(e) under the Act,<sup>6</sup> if the underlying index for such series is weighted based on any, some or all of the following: Sales, cash flow, book

<sup>3</sup> In 1996, the Commission approved Section 703.16 of the Manual, which sets forth the rules related to the listing of ICUs. See Securities Exchange Act Release No. 36923 (March 5, 1996), 61 FR 10410 (March 13, 1996) (SR-NYSE-95-23). In 2000, the Commission also approved the Exchange's generic listing standards for listing and trading, or the trading pursuant to UTP, of ICUs under Section 703.16 of the Manual and Exchange Rule 1100. See Securities Exchange Act Release No. 43679 (December 5, 2000), 65 FR 77949 (December 13, 2000) (SR-NYSE-00-46).

<sup>4</sup> 15 U.S.C. 80a.

<sup>5</sup> 17 CFR 240.19b-4(e).

<sup>6</sup> *Id.*

<sup>9</sup> 17 CFR 200.30-3(a)(12).