

### III. Discussion

The Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>5</sup> In particular, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act,<sup>6</sup> which requires that the rules of an exchange be designed to promote just and equitable principles of trade and, in general, to protect investors and the public interest. In the Commission's view, CBOE's price check parameter functionality potentially would benefit customers whose market orders otherwise would receive an automatic execution at a price that is outside of an acceptable price range that is established by the Exchange and based on criteria set forth in CBOE Rule 6.13. Because such orders would be routed to PAR, BART, or the order-entry firm's booth, customers potentially could receive a more favorable price than the price then available through CBOE's Hybrid System.

### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (SR-CBOE-2006-104), as modified by Amendment No. 1, is approved.

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

**Florence E. Harmon,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56552; File No. SR-DTC-2007-10]

### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change To Implement the New Issue Information Dissemination Service for Municipal Securities

September 27, 2007.

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>

<sup>5</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<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.

notice is hereby given that on August 16, 2007, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") and on September 12, 2007, amended<sup>3</sup> the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change seeks approval to implement the New Issue Information Dissemination System ("NIIDS") for municipal securities. NIIDS is an automated system developed by DTC at the request of the Securities Industry and Financial Markets Association ("SIFMA")<sup>4</sup> in order to improve the mechanism for disseminating new issue information regarding municipal securities.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>5</sup>

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

Currently, Municipal Securities Rulemaking Board ("MSRB") Rule G-14 generally requires municipal securities dealers to report municipal securities transactions to the MSRB within 15 minutes of the time of the trade.<sup>6</sup> Inter-dealer trades eligible for comparison by a clearing agency are required to be submitted through NSCC's Real Time Trade Matching System ("RTTM") within the time frame in Rule G-14. They are subsequently reported to the MSRB by NSCC. NSCC requires certain

<sup>3</sup> The amendment changed a misplaced word in a footnote.

<sup>4</sup> The request originated from The Bond Market Association ("BMA"), which has since merged with the Securities Industry Association to form SIFMA.

<sup>5</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>6</sup> MSRB Rule G-14 RTRS Procedures (a)(ii).

securities information in order to process and report transactions involving those securities. Therefore, it is necessary that dealers trading newly issued municipal securities have the securities information needed for trade submission by the time the trade reporting is required.

Pursuant to current practice in the municipal securities market, each information vendor works separately to obtain information from offering documents and underwriters. Each information vendor's success depends in large part upon the voluntary cooperation of the underwriters. It is not unusual for information vendors to have inconsistent information or for some information vendors to receive information before others. Consequently, critical new issue information may be missing or inaccurate in the automated trade processing systems used by dealers to report the initial trades in new issues. This can result in late trade reports or trade reports that must be canceled and resubmitted or amended because they contain with inaccurate data.

NIIDS is designed to improve the process by which new issue information is provided by underwriters to information vendors by collecting information about a new issue from underwriters or their representatives in an electronic format and making that data available immediately to information vendors. NIIDS is designed to ensure that information is disseminated as quickly and efficiently as possible after the information is made available by the underwriters.

To address concerns that dealers often lack timely access to electronically formatted securities information necessary to process and report municipal securities transactions in real-time, MSRB Rule G-14 includes a three-hour exemption available to dealers transacting in "when, as, and if issued" municipal securities that are not syndicate managers or members, that have not traded the issue, and that do not have the CUSIP information or indicative data for that issue in their securities master file ("Reporting Exemption").<sup>7</sup> The Reporting Exemption will expire on December 31, 2007. In order to prepare for the Reporting Exemption's expiration, SIFMA asked DTC to incorporate a centralized automated mechanism for the collection and dissemination on a real-time basis of the required information as part of the planned reengineering of DTC's underwriting system. DTC built NIIDS to help make

<sup>7</sup> MSRB Rule G-14 RTRS Procedures (a)(ii)(C).

the collection and dissemination of new issue information with respect to municipal securities more efficient for the industry.

An industry working group of municipal securities dealers, SIFMA members, the MSRB, and DTC have identified key data elements required for the reporting, comparison, confirmation, and settlement of trades in municipal securities ("NIIDS Data Elements").

Initially, DTC is proposing to make NIIDS available to the municipal securities industry on an optional basis to allow dealers to have some experience with NIIDS before the MSRB mandates its use. Only DTC participants or those entities specifically authorized by a participant ("Correspondent") may input information on NIIDS.<sup>8</sup>

To commence the process, the dissemination agent ("Dissemination Agent") for a new issue must input the NIIDS Data Elements thereby requesting that DTC make the information available to the industry through NIIDS. DTC will not confirm the NIIDS Data Elements but rather will act as a conduit to pass along such information to data vendors.<sup>9</sup> DTC anticipates the data vendors will then disseminate the information to the industry thereby allowing dealers to make timely reporting of their municipal trades. DTC will record the name of the Dissemination Agent who inputs the Data Elements and the time such information is submitted. DTC will begin disseminating the data when it has received authorization from the Dissemination Agent through NIIDS. In addition, NIIDS will contain the contact information for the Dissemination Agent that populated the NIIDS Data Elements for a particular issue to enable users of the data to contact them with questions or comments.

DTC is proposing to provide NIIDS to the industry in order to facilitate the collection and dissemination of new issue information in relation to municipal securities. As DTC is only a conduit of the information and does not confirm the validity of any of the NIIDS Data Elements, use of NIIDS will constitute an agreement that DTC shall not be liable for any loss in relation to the dissemination of NIIDS Data Elements. In the event that inaccurate information is input into NIIDS, the Dissemination Agent shall bear any and all liability related to such inaccuracies.

<sup>8</sup> Participants will be required to identify an authorized party at the Correspondent with whom DTC may interact.

<sup>9</sup> Data vendors or others that wish to receive NIIDS Data Elements must register in advance with DTC.

#### Optional Use of NIIDS

The MSRB would like dealers to be able to use NIIDS before requiring them to do so by rule.<sup>10</sup> DTC anticipates that once the industry is able to use NIIDS, the MSRB will finalize the MSRB proposal that will effect the expiration of the Reporting Exemption ("Final MSRB Proposal") and will file it with the Commission for approval. Concurrently, DTC plans to collaborate with the MSRB to conform NIIDS to the Final MSRB Proposal and will seek an approval order from the Commission to make use of NIIDS a prerequisite for municipal securities to be DTC-eligible. DTC intends to mandate the use of NIIDS for municipal securities in April 2008. DTC believes that members of the municipal securities industry will be using NIIDS during the period NIIDS is optional ("Test Period") to become accustomed to using it. This may result in Dissemination Agents inputting incomplete NIIDS Data Elements while getting acquainted with NIIDS. Therefore, no one should rely on the accuracy of the NIIDS Data Elements during the Test Period but rather must continue to use existing authorized sources of such information.

DTC will not charge a service fee to underwriters that input or receive information through NIIDS. Additionally, DTC will not charge a service fee to information vendors that will receive information for further dissemination through NIIDS.<sup>11</sup>

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>12</sup> and the rules and regulations thereunder because the proposed changes promote the prompt and accurate clearance and settlement of securities transactions by streamlining the collection and dissemination of new issue information for municipal securities throughout the industry.

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

DTC does not believe that the proposed rule change will have any impact or impose any burden on competition.

<sup>10</sup> The MSRB received comment on proposed rules that would require underwriters of municipal securities to participate in NIIDS. See MSRB Notice 2007-10 (March 5, 2007) at [www.msrb.org](http://www.msrb.org).

<sup>11</sup> DTC will charge a connectivity fee to underwriters, service providers, and information vendors that use NIIDS.

<sup>12</sup> 15 U.S.C. 78q-1.

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

Written comments relating to the proposed rule change have not been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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

Within thirty-five 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 ninety 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 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-DTC-2007-10 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-DTC-2007-10. 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, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site at [http://www.dtcc.com/downloads/legal/rule\\_filings/2007/dtc/2007-10.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2007/dtc/2007-10.pdf) and [http://www.dtcc.com/downloads/legal/rule\\_filings/2007/dtc/2007-10-amendment.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2007/dtc/2007-10-amendment.pdf). 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-DTC-2007-10 and should be submitted on or before October 18, 2007.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56538; File No. SR-DTC-2007-09]

### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Revise Its Procedures With Respect To Processing of Certain Voluntary Events in Its Reorganization Service and Clarifying Legal Considerations Set Forth in Its Procedures Relating To Usage of Information Obtained by Participants

September 26, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on June 29, 2007, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change described in Items I, II, and III below, which items have been prepared primarily by DTC. DTC filed the proposed rule change pursuant to

Section 19(b)(3)(A)(iii) of the Act<sup>2</sup> and Rule 19b-4(f)(4) thereunder<sup>3</sup> so that 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 parties.

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

The proposed rule change would amend DTC's Procedures with respect to the processing of certain voluntary events in its Reorganization service and to clarify legal considerations set forth in its Procedures relating to usage of information obtained by participants from DTC.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>4</sup>

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

DTC's Reorganization service distributes information to participants about various reorganization activity and processes participants' elections with respect to this activity on their behalf. Currently, DTC's participant procedures for its Reorganization Service Guide provide several different functions for participants to submit instructions to DTC.<sup>5</sup> DTC has determined that greater efficiency would be created if the more automated functions (e.g., DTC's Automated Tender Offer Program ["ATOP"]) were available to be utilized for a broader range of voluntary reorganization events. For example, the processing of conversions would be enhanced if they were directed through ATOP, which is

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

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

<sup>4</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>5</sup> For background information on the DTC's Reorganization Service Guide, which replaced applicable Participating Operating Procedures relating to the Reorganization service, see Securities Exchange Act Release No. 44719 (August 17, 2001), 66 FR 44656 (August 24, 2001) [File No. SR-DTC-2001-01].

currently used for the acceptance and processing of other types of voluntary offers such as tender offers and exchanges. In addition to conversions, processing of elections to receive cash in lieu of fractional shares pursuant to a mandatory reorganization and the exercise of put options with a withdrawal privilege would similarly be enhanced. Therefore, DTC now proposes to add flexibility to utilize the function that provides the most efficient means for receiving and processing instructions.

Initially DTC will add functionality to permit (1) conversion instructions, (2) elections to receive cash in lieu of fractional shares, and (3) the exercise of put options with withdrawal privileges to be processed through ATOP. DTC's Procedures would be amended to allow such instructions to be submitted through the Participant Tenders Over PTS ("PTOP") function, which is currently utilized primarily in connection with tender offers and exchanges.

In addition, DTC is revising its Procedures to clarify how participants may redistribute information provided to them by DTC. DTC compiles security description and event information derived from its core processes to support its own and its participants' operations. DTC proposes to revise its current procedures to clarify that this information may not be redistributed to any other persons who, to a Participant's knowledge, use the information as a basis for data products or services.

The proposed rule change is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to DTC because it would provide for more efficient processing of certain reorganization transactions and further clarify participants' responsibilities with regard to information provided by DTC thus facilitating the safeguarding of securities in DTC's custody or control or for which it is responsible.

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

DTC does not believe that the proposed rule change will have any impact or 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 relating to the proposed rule change have not yet been solicited or received. DTC will notify

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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