of the Act,[6] in general, and furthers the objectives of Section 6(b)(4) of the Act,[7] in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition 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 either solicited or received.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act[8] and Rule 19b–4(f)(2)[9] thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of such 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*. Please include File Number SR–CBOE–2006–06 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 20549–9303.

All submissions should refer to File Number SR–CBOE–2006–06. 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 the CBOE. 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–2006–06 and should be submitted on or before February 21, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Nancy M. Morris,

Secretary.

[FR Doc. E6–1089 Filed 1–27–06; 8:45 am]

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[6] 15 U.S.C. 78f(b).

[7] 15 U.S.C. 78f(b)(4).

[8] 15 U.S.C. 78s(b)(3)(A)(ii).

[9] 17 CFR 240.19b–4(f)(2).

[10] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–53164; File No. SR–ISE–2005–50]

Self-Regulatory Organizations; International Securities Exchange, Inc.; Notice of Filing of a Proposed Rule Change, and Amendment No. 1 Thereto, To Amend ISE Rule 803 To Provide for a Back-Up Primary Market Maker

January 20, 2006.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 14, 2005, the International Securities Exchange, Inc. (''Exchange'' or ''ISE'') 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 ISE. On January 12, 2006, the Exchange filed Amendment No. 1 to the proposed rule change.[3] 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 Exchange is proposing to amend ISE Rule 803 to provide for a Back-Up Primary Market Maker and to correct an inconsistency in the Exchange's Rules. The text of the proposed rule change, as amended, is available on the ISE's Web site (*http://www.iseoptions.com*), at the principal office of the ISE, 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 ISE 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 Exchange proposes to enhance the ISE System to allow Competitive Market Makers that are also Primary Market Maker members on the Exchange to voluntarily act as Back-Up Primary Market Makers when the appointed Primary Market Maker experiences technical difficulties that interrupt its participation in the market. According to the Exchange, the ISE System will automatically switch a Competitive Market Maker quoting in the options series to act as a Back-Up Primary Market Maker when the appointed Primary Market Maker stops quoting. The ISE believes that this will reduce

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1, which replaced the original filing in its entirety, made technical and clarifying changes to the proposed rule change.

the number of non-firm quotes or ''fast market'' states disseminated by the ISE and allow for virtually seamless trading even when a Primary Market Maker experiences difficulties that cause it to remove its quotes from the market.

Under the proposal, only Competitive Market Maker members that are also Primary Market Makers on the Exchange will be eligible to be designated as a Back-Up Primary Market Maker because these members already have systems built to assume all of the responsibilities of a Primary Market Maker on the Exchange, such as handling customer orders when the away market has a better price.[4] The ISE System will automatically switch back to the appointed Primary Market Maker when it re-establishes its quotes in the series, but the Back-Up Primary Market Maker will continue to be responsible for any outstanding unexecuted orders it is handling. A Back-Up Primary Market Maker assumes all of the responsibilities and privileges of a Primary Market Maker under the ISE Rules with respect to any series in which the appointed Primary Market Maker fails to have a quote in the ISE System.[5]

The Exchange also proposes to correct an inconsistency in its rules. In April 2004, the Exchange received approval of a rule change that allowed it to disseminate a quotation for less than ten contracts.[6] Because the options intermarket linkage plan and the Exchange's rules continued to require the Exchange to guarantee that the Firm Customer Quote Size (''FCQS'') and Firm Principal Quote Size (''FPQS'') would be at least 10 contracts, ISE Rule 803(c)(1) was amended to provide that the Primary Market Maker had the obligation to buy or sell the number of contracts necessary to provide an execution of at least 10 contracts to incoming linkage orders when the Exchange's disseminated market quotation was for less than 10 contracts.

In August 2004, the intermarket linkage plan was amended to provide that the 10 contract minimum FCQS and FPQS does not apply when the Exchange is disseminating a quotation of fewer than 10 contracts.[7] In October 2004, the Exchange, and all of the other options exchanges, received approval for changes to their linkage rules to implement this change to the intermarket linkage plan.[8] Accordingly, the Primary Market Maker no longer is required to guarantee a minimum of 10 contracts to an incoming linkage order when the Exchange's disseminated market quotation is for less than 10 contracts. However, the Exchange neglected to remove the language in ISE Rule 803(c)(1) at the time the changes to the linkage rules were approved, thereby creating an apparent inconsistency in the ISE Rules. The Exchange now proposes to delete the language in ISE Rule 803(c)(1) as a purely non-substantive clean-up to the ISE Rules.

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent with section 6(b) of the Act,[9] in general, and furthers the objectives of section 6(b)(5) of the Act[10] in particular because 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 in that it enhances the Exchange's ability to disseminate firm quotes and removes an inconsistency from its rules.

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

The ISE does not believe that the proposed rule change, as amended, 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

Written comments on the proposed rule change 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 Exchange consents, the Commission will:

(a) By order approve such proposed rule change, as amended, or

(b) Institute proceedings to determine whether the proposed rule change, as amended, 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 at *http://www.sec.gov/rules/sro.shtml*); or
- Send an e-mail to *rule-comments@sec.gov*. Please include File No. SR–ISE–2005–50 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 20549–9303.

All submissions should refer to File Number SR–ISE–2005–50. 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 the ISE. 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

[4] If there is more than one eligible member quoting in the series, the ISE System will automatically switch to the member with the largest offer in the series.

[5] A Competitive Market Maker does not become subject to the requirement in ISE Rule 804(e)(1) to enter continuous quotations in all of the series of all of the options classes to which it is appointed, as opposed to only 60% of the options classes under ISE Rule 804(e)(2), by acting as a Back-Up Primary Market Maker.

[6] *See* Exchange Act Release No. 49602 (April 22, 2004), 69 FR 23841 (April 30, 2004) (the ''Real Size Filing'').

[7] *See* Exchange Act Release No. 50211 (Aug. 18, 2004), 69 FR 52050 (Aug. 24, 2004).

[8] *See* Exchange Act Release Nos. 50562 (Oct. 19, 2004), 69 FR 62925 (Oct. 28, 2004) and 50587 (Oct. 25, 2004), 69 FR 63417 (Nov. 1, 2004).

[9] 15 U.S.C. 78f(b).

[10] 15 U.S.C. 78f(b)(5).

Number SR–ISE–2005–50 and should be submitted by February 21, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Nancy M. Morris,

Secretary.

[FR Doc. E6–1087 Filed 1–27–06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–53151; File No. SR–OCC–2005–21]

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

January 19, 2006.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on December 13, 2004, 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[2] 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 adopts new Rule 405, Allocations, to govern the processing of post-trade allocation instructions for commodity contracts that are subject to the exclusive jurisdiction of the Commodity Futures Trading Commission (''CFTC'') that are submitted by clearing members through a new system OCC plans to install in January 2006. The rule change also makes conforming by-law and rule changes, including the addition of certain new definitions.

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.[3]

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

OCC's new allocation system will permit the allocation of positions in securities options, security futures, commodity futures, and options on futures. In order to permit use of the allocation system, when installed, for commodity contracts cleared by OCC that are subject to the exclusive jurisdiction of the CFTC, OCC is filing the proposed rule change under section 19(b)(3)(A) for immediate effectiveness. However, new Rule 405 includes Interpretation and Policy .02 which states that the system may not be used for securities options or security futures until the Commission has issued an approval order with respect to Rule 405. OCC filed a separate proposed rule change under section 19(b)(2), File No. SR–OCC–2005–22, that would adopt Rule 405 for use in allocating positions in contracts subject to the Commission's jurisdiction.[4]

OCC plans to provide clearing members with a centralized system for processing allocation or ''give-up'' instructions across all exchanges for which OCC provides clearing services. Allocations are post-trade instructions entered by one clearing member (*i.e.*, an authorized ''executing'' or ''giving-up'' clearing member) that direct a transaction or position to the account of another clearing member (*i.e.*, the ''carrying'' or ''given-up'' clearing member). OCC's centralized system will enhance OCC's service offerings and will provide efficiencies to clearing members.

Post-trade allocations of securities options are currently processed through OCC's Clearing Member Trade Assignment (''CMTA'') functionality, which normally causes a transaction to automatically be moved into an account of the carrying clearing member so long as the executing and carrying clearing members have an effective CMTA arrangement registered with OCC for the exchange submitting the matching trade information for that transaction.[5] Once Rule 405 is approved by the Commission for purposes of allocating positions in securities options, clearing members will be able to elect either to continue to use the existing CMTA system or to use the new allocation system for securities options.

For most commodity futures cleared through OCC, post-trade allocations are currently processed through The Clearing Corporation's (''CCorp'') ''give-up'' system, which requires the given-up clearing member to affirmatively accept a transaction.[6] OCC's allocation system will enable clearing members to process futures ''give-ups'' without going through the CCorp system.

New Rule 405 will govern the processing of allocation instructions and will operate as follows. Transactions will first clear in the designated account of the giving-up clearing member. Instructions to allocate positions may be submitted either through an exchange's system for providing matching trade information to OCC or through OCC's clearing system, ENCORE. In either case, if the given-up and giving-up clearing members are parties to an allocation agreement that has been registered with OCC, OCC will automatically allocate the positions resulting from an allocation instruction to a designated account of the given-up clearing member without further action by the clearing members.[7] If the clearing members are not parties to a registered allocation agreement, OCC will not effect the allocation instruction until the given-up clearing member gives OCC notice of its affirmative acceptance of the allocated positions. (In contrast, the CMTA system does not allow for acceptance of allocated positions without a registered CMTA agreement.) If the given-up clearing member does not give OCC notice of such acceptance by an OCC-specified deadline, the allocation instruction will not be processed, and the positions will remain in the account of the giving-up clearing member, which will remain obligated on those positions.

A given-up clearing member will be responsible for appropriately allocated positions. Given-up positions are moved to the given-up clearing member's account at the premium price in the case of options or at the contract price in the case of futures at which the positions were established by the executing clearing member. Positions

[11] 17 CFR 200.30–3(a)(12).

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

[2] 15 U.S.C. 78s(b)(3)(A)(ii).

[3] The Commission has modified parts of these statements.

[4] If the Commission approves proposed rule change SR–OCC–2005–22, OCC would delete Interpretation and Policy .02.

[5] See OCC Rule 403.

[6] See OCC Rule 404.

[7] Unlike CMTAs, clearing members will not be required to register their allocation arrangement by exchange.