

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

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56189; File No. SR-FICC-2007-07]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule To Make Technical Changes To Update and Align Provisions With Current Practice

August 2, 2007.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 21, 2007, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by FICC. FICC filed the proposal pursuant to section 19(b)(3)(A)(i) and (ii) of the Act² and Rule 19b-4(f)(1) and (2)³ thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

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

The purpose of the rule change is to make technical changes to certain provisions of the Government Securities Division ("GSD") rules and the Mortgage-Backed Securities Division ("MBS") rules to update and to align them with current practice.

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

In its filing with the Commission, FICC 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. FICC has prepared

summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.⁴

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

(1) Off-the-Market Transactions

The definition of Off-the-Market Transactions in the GSD rules is outdated and does not allow for adjustments in market conditions. FICC proposes to amend this definition by (i) Deleting the reference to "option exercises" so that they are no longer automatically considered to be Off-the-Market Transactions, (ii) establishing a System Price⁵ as the basis for determining whether a transaction will be an Off-the-Market Transactions, and (iii) allowing FICC to establish the percentage, based on factors such as market conditions, by which the price of a transaction must exceed or fall short of the System Price in order to constitute an Off-the-Market Transaction.

(2) The Bond Market Association

The Bond Market Association ("BMA") has merged with the Securities Industry Association to form the Securities Industry and Financial Markets Association ("SIFMA"). FICC is proposing to revise the MBSD Clearing Rules and MBSD EPN Rules to replace references to the BMA and BMA Guidelines with references to SIFMA and SIFMA Guidelines.

(3) Omnibus Account Fees and Access Fees

MBSD's EPN Schedule of Charges currently provides for Omnibus Account fees and for Access fees. These fees no longer exist. FICC is proposing to amend the MBSD EPN Schedule of Charges to delete the reference to Omnibus Account fees and Access fees.

The proposed rule change is consistent with section 17A of the Act,⁶ as amended, because it constitutes technical changes that do not adversely affect the safeguarding of securities or

funds in the custody or control of FICC or for which it is responsible.

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

FICC 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. FICC will notify the Commission any written comments received by FICC.

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

The foregoing proposed rule change has become effective upon filing pursuant to section 19(b)(3)(A)(i) and (ii) of the Act⁷ and Rule 19b-4(f)(1) and (2)⁸ thereunder because the proposed rule change constitutes a stated policy and interpretation with respect to the meaning of existing FICC rules and changes a fee imposed by FICC. 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. Please include File Number SR-FICC-2007-07 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.

⁷ 15 U.S.C. 78s(b)(3)(A)(i) and (ii).

⁸ 17 CFR 240.19b-4(f)(1) and (2).

⁴ The Commission has modified the text of the summaries prepared by FICC.

⁵ Rule 1 defines System Price as "the uniform price (expressed in dollars per unit of par value), not including accrued interest, established by [FICC] on each Business Day, based on current market information, for each Eligible Netting Security with a separate CUSIP Number. Notwithstanding the above, the System Price for the Generic CUSIP Number that underlies a GCF Net Settlement Position shall be equal to principal value."

⁶ 15 U.S.C. 78q-1.

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(i) and (ii).

³ 17 CFR 240.19b-4(f)(1) and (2).

All submissions should refer to File Number SR-FICC-2007-07. 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 FICC and on FICC's Web site at http://ficc.com/commondocs/rule_filings/rule_filing.07-07.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-FICC-2007-07 and should be submitted on or before August 30, 2007.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56201; File No. SR-ISE-2007-45]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change as Modified by Amendment No. 1 Thereto Relating to a Quote Mitigation Plan for Competitive Market Makers

August 3, 2007.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934

(“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 8, 2007, the International Securities Exchange, LLC (“ISE” or “Exchange”) 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 substantially prepared by the ISE. On August 1, 2007, 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 ISE proposes, on a one-year pilot basis, a quote mitigation plan for the Exchange's Competitive Market Makers (“CMMs”). The text of the proposed rule change is available at ISE, the Commission's Public Reference Room, and <http://www.iseoptions.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, the ISE 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.

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

1. Purpose

The Exchange is proposing a quote mitigation plan for its CMMs on a pilot basis for one (1) year in no more than twenty (20) securities (“Pilot Program Securities”) designated by the Exchange. With the explosion of quotation traffic—exacerbated by the penny pilot—the Exchange continues to seek ways to mitigate the generation of quotations. At least two exchanges have adopted quote mitigation plans that relieve some market makers of the obligation to quote in every series of

every class of options in which they are a market maker.⁴

Under ISE's current rules, a CMM must enter continuous quotations in all the series of at least 60 percent of the options classes for the group or “bin” to which it is appointed, or 60 options classes in the Group, whichever is less. Further, once a CMM enters a quote in an options class to which it is appointed, it must continuously quote in all series of that options class until the close of trading that day. ISE proposes to amend its rule so that a CMM will be required to enter continuous quotations in just 60 percent of the series, rather than in all series, of the options classes overlying the Pilot Program Securities, to which the CMM is appointed. Once a CMM enters a quote in a series, it must continue to quote in that series until the close of trading that day. The Exchange notes that ISE Rule 804(e)(2)(iii), which states that a CMM may be called upon to submit quotes in one or more series of options to which it is appointed in the interest of maintaining fair and orderly markets, shall continue to apply under the proposed pilot program.

Under the proposal, the Exchange will issue a circular to CMMs identifying the initial Pilot Program Securities. The Exchange notes that the Pilot Program Securities selected by the Exchange are subject to change based on the quoting activity in these securities. The proposed pilot will consist of up to 20 of the most active classes, in terms of the number of quotes generated, that are in the Exchange's Penny Pilot Program.⁵ Each time a change takes place in the Pilot Program Securities, the Exchange will issue circulars to notify CMMs of this change and shall provide them with adequate notice in order for them to make any required systems changes.

The Exchange believes the proposed pilot is a good first step towards adopting an internal quote mitigation plan that is beneficial both to the Exchange and its members without adversely affecting the quality of the Exchange's markets.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,⁶ in general, and furthers the objectives of section 6(b)(5)

⁴ See Phlx Rule 1014(b)(ii)(D)(1); see also Amex Rule 994(c)(iv).

⁵ See Securities Exchange Act Release Nos. 55161 (January 24, 2007), 72 FR 4754 (February 1, 2007) (SR-ISE-2006-62); 56151 (July 26, 2007), 72 FR _____ (August _____, 2007) (SR-ISE-2007-68).

⁶ 15 U.S.C. 78f(b).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 replaced the original filing in its entirety.

⁹ 17 CFR 200.30-3(a)(12).