

A") orders³ are operating under a pilot program scheduled to expire on July 31, 2006.⁴ The Exchange proposes to amend its Fees Schedule to extend the pilot program until July 31, 2007.⁵

The Exchange assesses its members the following Linkage order transaction fees: (i) \$.24 per contract for equity, QQQQ and SPDR options; (ii) \$.26 per contract for DIA options; (iii) \$.35 or \$.20 per contract, depending on the premium, for OEF options and \$.45 or \$.25 per contract, depending on the premium, for other index options; (iv) \$.30 per contract RAES access fee, if a Linkage order is executed in whole or in part on RAES; and (v) \$.10 per contract license fee on transactions in MNX and NDX options.⁶ Satisfaction orders are not assessed Exchange fees.

The Exchange believes that extension of the Linkage fee pilot program until July 31, 2007 will give the Exchange and the Commission further opportunity to evaluate the appropriateness of Linkage fees.

2. Statutory Basis

The Exchange states that the proposed rule change is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Section 6(b)(4) of the Act⁸ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members and other persons using its facilities.

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

The Exchange believes that the proposed rule change would not 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

No written comments were solicited or received by the Exchange with respect to this proposed rule change.

III. Date of Effectiveness of the Proposed Rule

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 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 No. SR-CBOE-2006-59 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-CBOE-2006-59. 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 Commissions 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 Exchange. 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-2006-59 and should be submitted by July 27, 2006.

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

J. Lynn Taylor,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54058; File No. SR-NASD-2006-073]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Amendment of NASD Interpretive Material 2210-4 To Require Certain Member Firms To Provide a Hyperlink to the NASD's Internet Home Page

June 28, 2006.

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, 2006, the National Association of Securities Dealers, Inc. ("NASD") 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 NASD. On June 26, 2006, NASD filed with the Commission 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.

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

³ Under the Plan for the Purpose of Creating and Operating an Options Intermarket Linkage ("Plan") and CBOE Rule 6.80(12), which tracks the language of the Plan, a "Linkage Order" means an Immediate or Cancel Order routed through the Linkage as permitted under the Plan. There are three types of Linkage Orders: (i) A "P/A Order," which is an order for the principal account of a specialist (or equivalent entity or another Participant Exchange that is authorized to represent Public Customer orders), reflecting the terms of a related unexecuted Public Customer order for which the specialist is acting as agent; (ii) a "P Order," which is an order for the principal account of an Eligible Market Maker and is not a P/A Order; and (iii) a "Satisfaction Order," which is an order sent through the Linkage to notify a member of another Participant Exchange of a Trade-Through and to seek satisfaction of the liability arising from that Trade-Through.

⁴ See Securities Exchange Act Release No. 52073 (July 20, 2005), 70 FR 43474 (July 27, 2005), (SR-CBOE-2005-54).

⁵ The Exchange also proposes to amend Section 21 of the Fees Schedule to change the Linkage fees pilot expiration date included in that section.

⁶ See CBOE Fees Schedule, Footnote 15.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

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

NASD is proposing to amend NASD Interpretive Material ("IM") 2210-4 to require a member firm or a person associated with a member firm that refers, on its Internet Web site, to the firm's membership in NASD to provide a hyperlink to NASD's Web site. Below is the text of the proposed rule change. Proposed new language is in *italics*.

* * * * *

IM-2210-4. Limitations on Use of NASD's Name

Members may indicate NASD membership in conformity with Article XV, Section 2 of the NASD By-Laws in one or more of the following ways:

(1) through (2). No change.

(3) *on a member's internet Web site provided that the member provides a hyperlink to NASD's internet home page, www.nasd.com, in close proximity to the member's most prominent indication of NASD membership. A member is not required to provide more than one such hyperlink on its Web site. This provision also shall apply to an internet Web site relating to the member's investment banking or securities business maintained by or on behalf of any person associated with a member.*

* * * * *

(b) Not applicable.

(c) Not applicable.

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

In its filing with the Commission, NASD 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. NASD 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

Currently, many broker-dealers refer to their membership in NASD on their internet Web sites, often in a description of the firm or in an "about us" section. The proposed rule change would require a firm, when referencing membership in NASD on its Web site, to include an accompanying hyperlink

to NASD's Internet home page, <http://www.nasd.com>. The proposed rule change also would apply to an Internet Web site relating to a firm's investment banking or securities business that is maintained by or on behalf of any person associated with the firm.⁴ The proposed rule change would require a firm (and persons associated with a firm where applicable) to provide a hyperlink in close proximity to the most prominent indication of the firm's membership in NASD.⁵ However, the proposed rule change would not create an independent obligation requiring a firm (or persons associated with a firm where applicable) to refer to the firm's NASD membership on an Internet Web site. The proposed rule change only would apply to the extent that a firm or a person associated with a firm chooses to represent on its Web site that the firm is a member of NASD.

The proposed rule change is intended to help investors understand the significance of a firm being an NASD member and also is designed to facilitate access to the information on <http://www.nasd.com>. NASD believes that facilitating investor access to NASD's Web site will enhance investor protection and lead to better educated and informed investors. The proposed rule change is similar to a rule adopted by the Securities Investor Protection Corporation ("SIPC"), which requires that its members provide a live hyperlink to SIPC's Web site, <http://www.SIPC.org>, when referring to membership in SIPC.⁶

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 180 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

⁴ This requirement is intended to capture, among other things, situations where a person associated with an NASD member firm maintains its own Internet Web site or "home page" that relates to a member's investment banking or securities business. For example, NASD understands that independent contractors or their firms sometimes maintain a separate home page for each independent contractor for marketing purposes.

⁵ While a member would be free to provide hyperlinks relating to subsequent or additional references to NASD on its Web site, it would not be required to provide more than one hyperlink. In addition, a member would be permitted to make the word NASD itself a live hyperlink or to provide a separate hyperlink to NASD's home page so long as it is in "close proximity" to the member's most prominent indication of its NASD membership.

⁶ See Article 11, Section 4 of SIPC Bylaws.

the provisions of Sections 15A(b)(6) of the Act,⁷ which requires, among other things, that NASD rules must be 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 facilitating investor access to NASD's Web site will lead to better educated and informed investors and help investors understand the significance of NASD membership.

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 by NASD.

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 NASD 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. Please include File Number SR-NASD-2006-073 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary,

⁷ 15 U.S.C. 78o-3(b)(6).

Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASD-2006-073. 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 provision 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 submission should refer to File Number SR-NASD-2006-073 and should be submitted on or before July 27, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

J. Lynn Taylor,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54070; File No. SR-Phlx-2005-73]]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval of a Proposed Rule Change and Amendment Nos. 1 and 2 Thereto Relating to the Exchange's Obvious Error Rule

June 29, 2006.

I. Introduction

On November 14, 2005, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the

Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Phlx Rule 1092 with respect to: (1) the definition of "obvious error" and (2) the definition of "Theoretical Price."

On November 18, 2005, the Phlx submitted Amendment No. 1 to the proposed rule change.³ On April 6, 2006, the Phlx submitted Amendment No. 2 to the proposed rule change.⁴ The proposed rule change and Amendment Nos. 1 and 2 were published for comment in the **Federal Register** on May 15, 2006.⁵ The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposed Rule Change

The Phlx proposes to amend its Obvious Error Rule, Phlx Rule 1092. Currently, Phlx Rule 1092(a) defines "obvious error" as the execution price of a transaction that is higher or lower than the Theoretical Price (if the Theoretical Price is less than \$3.00) for the series by an amount of 35 cents or more, or, during unusual market conditions (*i.e.*, the Exchange has declared an unusual market condition status for the option in question), by an amount of 50 cents or more. Where the Theoretical Price is \$3.00 or more, "obvious error" is defined as the execution price of a transaction that is higher or lower than the Theoretical Price for the series by an amount equal to at least two times the allowable maximum bid/ask spread for the series, so long as the amount is 50 cents or more, and three times the allowable bid/ask spread during unusual market conditions.

The proposed rule change would revise the definition of "obvious error" by deeming an "obvious error" to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for a series by an amount equal to at least the amount shown below:

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 corrected technical errors in the proposed rule text.

⁴ Amendment No. 2 deleted the proposed revisions to Phlx Rule 1092(c) that related to an erroneous print disseminated by the underlying market that is later cancelled or corrected by the underlying market and an erroneous quote in the underlying market. Thus, the Exchange does not propose to make any changes to Phlx Rule 1092(c).

⁵ Securities Exchange Act Release No. 53776 (May 9, 2006).

Theoretical price	Minimum amount
Below \$2	\$.25
\$2 to \$540
Above \$5 to \$1050
Above \$10 to \$2080
Above \$20	1.00

The Exchange believes that the proposed new definition of "obvious error" would facilitate the efficient determination by Floor Officials regarding whether a trade resulted from an obvious error by setting minimum amounts by which the transaction price differs from the Theoretical Price without requiring such Floor Officials to conduct an inquiry into the volume of all exchanges each time they review a transaction under the rule. The proposed definition of "obvious error" would apply during both normal and unusual market conditions, which in the Exchange's view would further streamline the Floor Officials' process of determining whether an obvious error exists.⁶

Phlx Rule 1092(b) defines "Theoretical Price" as the last bid or offer, just prior to the transaction, on the exchange that has the most total volume in that option over the most recent 60 calendar days; or, if there are no quotes for comparison purposes, as determined by two Floor Officials and designated personnel in the Exchange's Market Surveillance Department. The proposed rule change would revise the definition of "Theoretical Price" as, respecting series traded on at least one other options exchange, the mid-point of the National Best Bid and Offer ("NBBO") just prior to the transaction.

According to the Exchange, currently all options exchanges, including the Phlx, have rules permitting specialists and market makers to disseminate electronic quotations with a bid/ask differential of up to \$5.00, regardless of the price of the bid.⁷ For the most part, the Phlx believes that such quotations do not reflect the NBBO. Under current Phlx Rule 1092, the Theoretical Price, defined as the last bid or offer just prior to the transaction on the market with the highest volume, could differ from the NBBO by a significant amount if the bid/ask differential on such market in the series is \$5.00 wide. To account for this potential discrepancy between the Theoretical Price as established by rule

⁶ The Commission recently approved the Exchange's proposal to establish the position of neutral Referee who, among other things, would review Floor Officials' obvious error rulings. See Securities Exchange Act Release No. 53548 (March 24, 2006), 71 FR 16389 (March 31, 2006) (SR-Phlx-2005-42).

⁷ See, e.g., Exchange Rule 1014(c)(i)(A)(2).

⁸ 17 CFR 200.30-3(a)(12).