

of the trading day following the interruption.²⁵

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act²⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁷ in particular, in that it is designed to promote just and equitable principles of trade; to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities; to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange believes that the proposed rule change would impose no 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

The Exchange has neither solicited nor received comments on this proposal.

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, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

The Amex has requested accelerated approval of the proposed rule change. The Commission had determined that a public notice and comment period is appropriate.

²⁵ If an ETF is traded on the Exchange pursuant to unlisted trading privileges, the Exchange would halt trading if the primary listing market halts trading in such ETF because the Intraday Indicative Value and/or the index value is not being disseminated. See Securities Exchange Act Release No. 55018 (December 28, 2006), 72 FR 1040 (January 9, 2007) (SR Amex-2006-109).

²⁶ 15 U.S.C. 78f(b).

²⁷ 15 U.S.C. 78f(b)(5).

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-Amex-2006-118 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-Amex-2006-118. 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 Amex. 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-Amex-2006-118 and should be submitted on or before February 22, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁸

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E7-1998 Filed 2-6-07; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55197; File No. SR-BSE-2007-02]

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Boston Options Exchange Fee Schedule

January 30, 2007.

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 January 22, 2007, the Boston Stock Exchange, Inc. ("BSE" 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 BSE. The BSE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the BSE under Section 19(b)(3)(A)(ii) of the Act,³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal 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 Exchange proposes the following changes to the Fee Schedule for the Boston Options Exchange ("BOX"). The first proposed change to the Fee Schedule relates to the Penny Pilot Program.⁵ This proposed change will allow BOX to introduce lower fees for those instruments that are included in the Penny Pilot Program, which trade in increments of one cent. The second proposed change is to amend the Fee Schedule to permanently eliminate a fee that is currently waived. Finally, the

²⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ See Securities Exchange Release No. 54789 (November 20, 2006), 71 FR 68654 (November 27, 2006) (SR-BSE-2006-49).

Exchange proposes to amend the Minimum Activity Charge ("MAC") contained in the BOX Fee Schedule. The proposed change is to account for the effect that current market conditions have had on the MAC. The text of the proposed rule change is available at the BSE, the Commission's Public Reference Room, and <http://www.bostonstock.com/legal/filings/07-02.pdf>.

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 BSE 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 BSE 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 the following changes to the BOX Fee Schedule. The first proposed change to the Fee Schedule relates to the Penny Pilot Program. This proposed change will allow BOX to introduce lower fees for those instruments that are included in the Penny Pilot Program, which trade in increments of one cent. The second proposed change is to amend the Fee Schedule to permanently eliminate a fee that is currently waived. Finally, the Exchange proposes to amend the MAC contained in the BOX Fee Schedule. The proposed change is to account for the effect that current market conditions have had on the MAC. The three proposed changes to the Fee Schedule are discussed in further detail below.

(a) Reduction in Fees Related to the Penny Pilot Program

The Exchange is proposing to lower fees for those instruments that are included in the Penny Pilot Program, which trade in increments of one cent. This proposed change will reduce the trading fees for those instruments from the standard trading fee of \$0.20 per contract traded to a fee of \$0.15 per contract traded. BOX believes that this reduction in fees will encourage trading for those classes traded in the Penny Pilot Program.

(b) Removal of Fee Which is No Longer Charged

BOX does not currently charge the \$0.40 per contract fee for contracts for Broker Dealer Proprietary Accounts and Market Makers traded against an order the Trading Host filters to prevent trading through the NBBO. BOX proposes to delete the charge from the BOX Fee Schedule to conform the Fee Schedule to reflect BOX's current practice. The proposed change will accurately reflect the charges that BOX levies on its Participants.⁶

(c) Changes to the MAC

Recent increases in options trading have resulted in many BOX listed classes to be reclassified into higher MAC categories. BOX is seeking to amend its existing MAC program to provide uniform fee relief to its Participants. The proposed change alters the month in which the MAC reclassifications are calculated from January to July. The changes to the MAC program are being proposed to prevent unnecessary fee increases for BOX Participants.⁷ Moving the month of reclassification to July will afford BOX the opportunity to keep the current MAC classifications the same for an additional six months, thus keeping fees to Participants the same.⁸ No changes are being sought to alter the fundamental structure of the existing program.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁹ in general, and Section 6(b)(4) of the Act,¹⁰ in particular, which requires that an exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.

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

The Exchange does not believe that the proposed rule change 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

The Exchange has neither solicited nor received comments on the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(2)¹² thereunder because it changes a fee imposed by the Exchange. 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 No. SR-BSE-2007-02 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BSE-2007-02. 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

⁶ The Exchange clarified that the \$0.40 per contract fee is being deleted from the Fee Schedule because BOX has been waiving the fee for Broker Dealer Proprietary Accounts and Market Makers. Telephone conference between Lisa Fall, General Counsel, BOX; Brian Donnelly, Assistant Vice President, Regulation and Compliance, BSE; David Liu, Senior Special Counsel, Commission; and Jan Woo, Attorney, Commission, on January 26, 2007.

⁷ The Exchange clarified that moving the reclassification to July may provide relief to BOX Participants for six months. *Id.*

⁸ *Id.*

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4).

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 19b-4(f)(2).

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 BSE. 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-BSE-2007-02 and should be submitted on or before February 28, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E7-1944 Filed 2-6-07; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55217; File No. SR-FICC-2006-16]

Self-Regulatory Organizations; The Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Replace the Government Securities Division Clearing Fund Calculation Methodology With a Yield-Driven Value-at-Risk Methodology

January 31, 2007.

I. Introduction

On October 4, 2006, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") and on November 14, 2006, amended proposed rule change SR-FICC-2006-16 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on December 27, 2006.² The Commission received no comment letters in response to the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

FICC seeks to replace the Government Securities Division ("GSD") margin calculation methodology with a value-at-risk ("VaR") methodology.

Netting members of FICC's GSD are required to maintain clearing fund deposits. Each member's required clearing fund deposit is calculated daily to ensure that enough funds are available to cover the risks associated with that member's activities. The purposes served by the clearing fund are to: (i) Have on deposit at FICC funds from each member sufficient to satisfy any losses that may be incurred by FICC or its members resulting from the default by a member and the resultant close out of that member's settlement positions and (ii) ensure that FICC has sufficient liquidity at all times to meet its payment and delivery obligations.

FICC proposes to replace the current clearing fund methodology used at GSD, which uses haircuts and offsets, with a yield-driven VaR methodology that is expected to better reflect market volatility and more thoroughly distinguish the levels of risk presented by individual securities. VaR is defined to be the maximum amount of money that may be lost on a portfolio over a given period of time within a given level of confidence. With respect to the GSD, FICC will use a 99 percent three-day VaR.³

The changes to the components that comprise the current clearing fund methodology compared to the proposed VaR methodology in relation to the risks addressed by the components are summarized below.

Existing methodology	Risk addressed	Proposed methodology ⁴
Receive/Deliver component using margin factors.	Fluctuation in security prices	Interest rate or index-driven model, as appropriate. ⁵
Repo Volatility component	Fluctuation in repo interest rates	Repo index-driven model. ⁶
Funds Adjustment Deposit component (based on the average size of the member's 20 highest funds-only settlement amounts over the most recent 75 business days).	Uncertainty of whether a member will satisfy its funds-only settlement obligation.	Margin Requirement Differential ("MRD") (a portion of which is based on the historical size of a member's funds-only settlement obligation).
Average Post Offset Margin Amount component (based on the 20 highest margin amounts derived from all outstanding net settlement positions over the most recent 75 business days).	Uncertainty of whether a member will satisfy its next clearing fund call.	MRD (a portion of which is based on the historical variability of a member's clearing fund requirement).
Not specifically covered	Intraday risk and additional exposure due to portfolio variation and potential loss in unlikely situations beyond the model's effective range.	Coverage Component (if necessary, applies additional minimum charge to bring coverage to the applicable confidence level).

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 54964 (December 19, 2006), 71 FR 77835 (SR-FICC-2006-16).

³ Category 2 Dealers and Category 2 Futures Commission Merchants will be subject to higher confidence levels than other Netting Members.

⁴ Under the current GSD rules, Category 1 Inter-Dealer Brokers are subject to a flat \$5 million

clearing fund requirement. This proposed rule change does not alter that requirement.

⁵ FICC will have the discretion to not apply the interest rate model to classes of securities whose volatility is less amenable to statistical analysis, which is usually due to a lack of pricing history. In lieu of such a calculation, the required charge with respect to such positions will be determined based on a historic index volatility model.

⁶ FICC is adopting a new definition for "Term Repo Transaction" to clarify the types of

transactions covered by this component. As proposed, Term Repo Transaction will mean, on any particular Business Day, a Repo Transaction for which settlement of the Close Leg "is scheduled to occur two or more Business Days after the scheduled settlement of the Start Leg." In addition, the existing definition for "Term GCF Repo Transaction" is being revised to conform to the language for "Term Repo Transaction" as the new definition provides greater clarity as to transactions covered.