

Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt a new NASD rule relating to trade-throughs. The proposed rule change was published for comment in the **Federal Register** on July 27, 2006.<sup>3</sup> The Commission received no comment letters on the proposal.

Proposed rule NASD Rule 5150 would require an NASD member that is registered as a market maker with the Nasdaq Stock Market LLC (“Nasdaq Exchange”) in an ITS Security<sup>4</sup> to comply with the provisions of NASD Rule 5262 relating to trade-throughs with respect to that security for trades reported to the NASD. Accordingly, the NASD’s proposed rule will not take effect until the Nasdaq Exchange begins operations as an exchange in such securities.<sup>5</sup> The proposed rule further defines the term “block transaction” for purposes of the rule.

The Commission finds that the proposed rule change is consistent with the requirements of Section 15A of the Act,<sup>6</sup> in general, and with Section 15A(b)(6) of the Act,<sup>7</sup> in particular, in that it is 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. Proposed NASD Rule 5150 will maintain, after the Nasdaq Exchange begins operations as a national securities exchange for ITS Securities, the application of the NASD’s trade-through rule, Rule 5162, to NASD members that are also Nasdaq market makers in ITS Securities to the extent such market makers report transactions in ITS Securities to the NASD.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-NASD-2006-081) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Nancy M. Morris,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54456; File No. SR-NASD-2006-064]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving a Proposed Rule Change and Amendment Nos. 1 and 2 Thereto Relating to Extension of Time Requests

September 15, 2006.

#### I. Introduction

On May 15, 2006, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“SEC” or “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, a proposed rule change seeking to adopt new Rule 3160 (“Extensions of Time under Regulation T and SEC Rule 15c3-3”). NASD filed Amendment Nos. 1 and 2 to the proposed rule change on May 25, 2006 and July 25, 2006, respectively.<sup>3</sup> The proposed rule change, as amended, was published in the **Federal Register** on August 10, 2006.<sup>4</sup> The Commission received one comment letter in response to the proposal.<sup>5</sup> On September 13, 2006, the NASD filed a response to the comment letter.<sup>6</sup> This order approves the proposed rule change, as amended.

#### II. Description

NASD is proposing to adopt new Rule 3160 to require (1) All clearing firm members for which NASD is the designated examining authority (“DEA”) pursuant to Rule 17d-1 under the Act to submit to NASD requests for

extensions of time under Regulation T<sup>7</sup> promulgated by the Federal Reserve Board, or pursuant to Rule 15c3-3(n) under the Act; and (2) each clearing firm member for which NASD is the DEA to file a monthly report with NASD indicating all broker-dealers for which it clears that have overall ratios of requested extensions of time to total transactions for the month that exceed a percentage specified by NASD.

#### Extension of Time Requests

As stated above, proposed NASD Rule 3160(a) would require all clearing firm members for which NASD is DEA to submit to NASD requests for extensions of time under Regulation T and Exchange Act Rule 15c3-3(n). The Commission previously approved NYSE Rule 434 requiring each carrying firm for which the NYSE is the DEA to submit extensions requests to the NYSE.<sup>8</sup> The SRO designated as a member’s DEA has responsibility for examining its members that are also members of another SRO for compliance with applicable financial responsibility rules such as Regulation T and Exchange Act Rule 15c3-3. NASD believes that requiring a member to submit extension requests to its DEA helps to ensure that the DEA receives complete extension information to assist it in performing this function and would ensure uniform application of standards to all customers of firms for which NASD is the DEA.

#### Monthly Reporting Requirement

Proposed NASD Rule 3160(b) would require each clearing firm member for which NASD is the DEA to file a monthly report with NASD, in such format as NASD may require, indicating all broker-dealers for which it clears that have overall ratios of requests for extensions of time under Regulation T and Rule 15c3-3(m) to total transactions for the month that exceed a percentage specified by NASD. The monthly report would require clearing firms subject to proposed NASD Rule 3160(b) to identify, among other things: (1) The broker-dealer’s name; (2) the number of transactions by the broker-dealer for the month; (3) the number of extension requests for the month; and (4) the ratio of the number of extensions requested to total transactions. The rule proposal would require that the reports be submitted no later than five business days following the end of each reporting month. The requirements of the

<sup>7</sup> See 12 CFR 220.1, *et. seq.*

<sup>8</sup> See Exchange Act Release No. 34073 (May 17, 1994), 59 FR 26826 (May 24, 1994) (SR-NYSE-88-35); see also NYSE Information Memo 94-22 (June 10, 1994).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 54186 (July 20, 2006), 71 FR 42698.

<sup>4</sup> The term “ITS Security” is defined in NASD Rule 5210(c) as “any security which may be traded through the [ITS] System by an ITS/CAES Market Maker.”

<sup>5</sup> See Securities Exchange Act Release No. 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006); and 54085 (June 30, 2006), 71 FR 38910 (July 10, 2006). Currently, the Nasdaq Exchange operates as a national securities exchange for securities listed on the Nasdaq Exchange and reported to the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities on Exchanges on an Unlisted Trading Privileges Basis (“Nasdaq-Listed Securities”).

<sup>6</sup> 15 U.S.C. 78o-3.

<sup>7</sup> 15 U.S.C. 78o-3(b)(6).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</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.

<sup>3</sup> See Amendment No. 1 and Amendment No. 2. Amendment No. 2 replaced and superceded the original rule filing and Amendment No. 1 in their entirety.

<sup>4</sup> Exchange Act Release No. 54265 (August 2, 2006), 71 FR 45879 (August 10, 2006).

<sup>5</sup> See letter from Dennis A. Young, Vice President, Treasurer, Cosse International Securities, Inc., to Nancy Morris, Secretary, Commission, dated August 31, 2006.

<sup>6</sup> See letter from Kathryn M. Moore, Assistant General Counsel, Regulatory Policy and Oversight, to Nancy M. Morris, Secretary, Commission, dated September 13, 2006.

proposed NASD monthly reporting requirement are consistent with the NYSE's current program.<sup>9</sup>

### III. Summary of Comment Received and NASD Response

The Commission received one comment letter to the proposed rule change.<sup>10</sup> The commenter stated that the proposed monthly reporting requirement would place an undue burden on self-clearing firms and requested that NASD amend the proposed rule to clarify that the monthly reporting requirement applies solely to clearing firms which clear for other broker-dealers. In its response, NASD stated that it did not intend for the proposed monthly reporting requirement to apply to self-clearing firms that do not clear for other broker-dealers, and that the proposed rule would not require these self-clearing firms to file the monthly report.<sup>11</sup> Finally, NASD stated that it will reiterate this position in the *Notice to Members* announcing Commission approval of the proposed rule.

### IV. Discussion and Commission Findings

The Commission has reviewed the proposed rule filing, as amended, and finds that the proposed rule change, as amended, is consistent with the requirements of the Exchange Act, and, in particular, Section 15A(b)(6) of the Act,<sup>12</sup> which requires, among other things, that NASD's 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. The Commission believes that the proposed rule change will further assist NASD in ensuring that firms are complying with financial responsibility rules and preventing the excessive use of credit for the purchase or carrying of securities.

### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>13</sup> that the proposed rule change (File No. SR-

NASD-2006-064), as amended, be, and it hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

Nancy M. Morris,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54473; File No. SR-NYSEArca-2006-60]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Trading Shares of iShares® S&P Global Index Funds Pursuant to Unlisted Trading Privileges

September 20, 2006.

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> notice is hereby given that on September 14, 2006, NYSE Arca, Inc. ("Exchange"), through its wholly owned subsidiary NYSE Arca Equities, Inc. ("NYSE Arca Equities" or the "Corporation"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and is approving the proposal on an accelerated basis.

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

The Exchange proposes to trade shares ("Shares") of the following five funds of the iShares® Trust (the "Trust"): iShares S&P Global Consumer Discretionary Sector Index Fund, iShares S&P Global Consumer Staples Sector Index Fund, iShares S&P Global Industrials Sector Index Fund, iShares S&P Global Utilities Sector Index Fund and iShares S&P Global Materials Sector Index Fund (the "Funds") pursuant to unlisted trading privileges ("UTP") under NYSE Arca Equities Rule 5.2(j)(3).

#### 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 III 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

Under NYSE Arca Equities Rule 5.2(j)(3), the Exchange may propose to list or trade pursuant to UTP "Investment Company Units."<sup>3</sup> The Commission previously approved a proposal to list and trade the Shares of the Funds by the New York Stock Exchange, LLC ("NYSE").<sup>4</sup> The Exchange proposes to trade pursuant to UTP the Shares of the Funds under NYSE Arca Equities Rule 5.2(j)(3).<sup>5</sup> Because the Funds invest in non-U.S. securities not listed on a national securities exchange or the Nasdaq Stock Market ("Nasdaq"), the Funds do not meet the "generic" listing requirements

<sup>3</sup>In October 1999, the Commission approved NYSE Arca Equities Rule 5.2(j)(3), which sets forth the rules related to listing and trading criteria for Investment Company Units. See Securities Exchange Act Release No. 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-1998-29). In July 2001, the Commission also approved the Exchange's generic listing standards for listing and trading, or the trading pursuant to UTP, of Investment Company Units under NYSE Arca Equities Rule 5.2(j)(3). See Securities Exchange Act Release No. 44551 (July 12, 2001), 66 FR 37716-01 (July 19, 2001) (SR-PCX-2001-14). The definition of an Investment Company Unit is set forth in NYSE Arca Equities Rule 5.1(b)(15), which provides that an Investment Company Unit is a security representing an interest in a registered investment company that could be organized as a unit investment trust, an open-end management investment company or a similar entity.

<sup>4</sup>See Securities Exchange Release No. 54458 (September 15, 2006) (SR-NYSE-2006-60) (the "NYSE Proposal").

<sup>5</sup>NYSE Arca Equities Rule 5.2(j)(3)(A)(i)(a) allows the listing and trading of Investment Company Units issued by a registered investment company that holds securities comprising, or otherwise based on or representing an interest in, an index or portfolio or securities. The Trust is registered under the Investment Company Act of 1940 (15 U.S.C. 80a) (the "Investment Company Act"). On April 15, 2005, the Trust filed with the Commission a Registration Statement for the Funds on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the Investment Company Act relating to the Funds (File Nos. 333-92935 and 811-09729).

<sup>9</sup> See Exchange Act Release No. 28726 (December 28, 1990), 56 FR 540 (January 7, 1991) (SR-NYSE-89-24); and NYSE Information Memoranda 98-09 (March 5, 1998) and 94-22 (June 10, 1994); see also NYSE Information Memorandum 05-78 (October 12, 2005).

<sup>10</sup> See *supra* note 5.

<sup>11</sup> See *supra* note 6.

<sup>12</sup> 15 U.S.C. 78o-3(b)(6). In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup> 15 U.S.C. 78s(b)(2).

<sup>14</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.