

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 at (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2006-16 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-2006-16. 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. 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-2006-16 and should be submitted on or before March 15, 2006.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities

exchange.⁸ In particular, the Commission believes that the proposal is consistent with section 6(b)(5) of the Act,⁹ which requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals 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.

The Commission believes the Program, by providing CBOE Market-Makers with the ability to adjust their quotation sizes to correspond to the liquidity in the underlying primary market, provides a reasonable method for Market-Makers to manage their risks when the primary market disseminates a 1-up market. The Commission notes that the Program has been operating on a pilot basis for almost 18 months and that, after evaluating quotation data relating to the Program, the CBOE believes that the Program is functioning as intended. The Commission also notes that, even though Market-Makers will have the ability to quote 1-up when the underlying primary market disseminates a 1-up market, Market-Makers should have an incentive to display competitive quotations with significant size because the CBOE's matching algorithm for allocating incoming orders in CBOE's Hybrid Trading System is based in part of the size of the Market-Maker's quotation at the best price.

The Commission finds good cause, pursuant to section 19(b)(2) of the Act,¹⁰ for approving the proposed rule change prior to the thirtieth day after publication in the **Federal Register**. The Program is scheduled to expire on February 17, 2006, and as such, to allow the Program to continue to operate without interruption, the Commission believes it is appropriate to accelerate approval. The Commission notes that no comments were received in connection with the approval of the Program on a pilot basis or the approval of the extension of the pilot period for the Program. Accordingly, the Commission finds that good cause exists, pursuant to section 6(b)(5) of the Act,¹¹ to approve the proposal on an accelerated basis.

V. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹² that the

⁸ In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 15 U.S.C. 78f(b)(5).

¹² 15 U.S.C. 78s(b)(2).

proposed rule change (SR-CBOE-2006-16), is hereby approved on an accelerated basis.

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

Nancy M. Morris,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53278; File No. SR-CBOE-2006-09]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change Relating to the Exposure Period for Crossing Orders in the Hybrid Trading System

February 13, 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 January 30, 2006, the Chicago Board Options Exchange, Incorporated ("CBOE" 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 prepared by the CBOE. 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

CBOE proposes to decrease the exposure period for crossing orders in its Hybrid Trading System ("Hybrid") from 10 seconds to 3 seconds. The text of the proposed rule change is provided below (additions are *italicized*; deletions are [bracketed]).

Chicago Board Options Exchange, Incorporated Rules

* * * * *

Rule 6.45A.—Priority and Allocation of Equity Option Trades on the CBOE Hybrid System

(a)–(e) No change.

* * * Interpretations and Policies:

.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) Agency orders are first

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

exposed on the Hybrid System for at least [ten (10)]*three (3)* seconds, (ii) the order entry firm has been bidding or offering for at least [ten (10)]*three (3)* seconds prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least [ten (10)]*three (3)* seconds before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders.

* * * * *

Rule 6.45B—Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System

(a)–(d) No change.

* * * Interpretations and Policies:

.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) Agency orders are first exposed on the Hybrid System for at least [ten (10)]*three (3)* seconds, (ii) the order entry firm has been bidding or offering for at least [ten (10)]*three (3)* seconds prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least [ten (10)]*three (3)* seconds before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders.

* * * * *

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 CBOE 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 CBOE 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

CBOE rules provide that an order entry firm may not execute an order it represents as agent with a facilitation or solicited order (referred to herein as “crossing orders”) using Hybrid unless it first complies with the 10-second exposure requirement. Specifically, order entry firms may not execute a facilitation cross unless (i) the agency order is first exposed on Hybrid for at least 10 seconds, (ii) the order entry firm has been bidding or offering for at least 10 seconds prior to receiving the agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the floor-based open outcry crossing rules contained in CBOE Rule 6.74, “*Crossing*” Orders. Similarly, order entry firms may not execute a solicitation cross unless the agency order is first exposed on Hybrid for at least 10 seconds. During this 10 second exposure period for crossing orders, other members may enter orders to trade against the exposed order.

The Exchange proposes to shorten the duration of the exposure period contained in the rules governing such transactions, as set forth in Interpretations and Policies .01 and .02 to CBOE Rules 6.45A, *Priority and Allocation of Equity Option Trades on the CBOE Hybrid System*, and 6.45B, *Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System*, from 10 seconds to 3 seconds. This shortened exposure period is fully consistent with the electronic nature of Hybrid. Market participants on the CBOE have implemented systems that monitor any updates to the CBOE market including any changes resulting from orders being entered into Hybrid and can automatically respond based on pre-set parameters. Thus, an exposure period of 3 seconds will permit exposure of orders on the CBOE in a manner consistent with the Exchange's electronic market.

By reducing the exposure time from 10 seconds to 3 seconds, the CBOE believes that members will be able to provide liquidity to their customers' orders on a timelier basis, thus providing investors with more speedy executions. Timely and accurate executions are consistent with the principles under which Hybrid was developed.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with section 6(b) of the Act³ in general and furthers the objectives of section 6(b)(5) of the Act⁴ in particular in that it is designed 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, and, in general, to protect investors and the public interest. In particular, the proposed rule change will provide investors with more timely execution of their options orders, while ensuring that there is an adequate exposure of all crossing orders in the CBOE marketplace.

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

CBOE 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

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

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 CBOE 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:

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

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-2006-09 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-2006-09. 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-2006-09 and should be submitted on or before March 15, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Nancy M. Morris,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53287; File No. SR-Phlx-2006-10]

**Self-Regulatory Organizations;
Philadelphia Stock Exchange, Inc.;
Notice of Filing and Immediate
Effectiveness of Proposed Rule
Change Imposing Licensing Fees in
Connection with the Firm-Related
Equity Option and Index Option Fee
Cap**

February 14, 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 February 2, 2006, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 prepared by the Phlx. The Phlx has designated this proposal as one establishing or changing a due, fee, or other charge imposed by a self-regulatory organization pursuant to section 19(b)(3)(A)(ii) of the Act³ 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 Phlx proposes to amend its schedule of fees to adopt a license fee of \$.10 for options traded on the following products:⁵ (1) State Street Global Advisors', a division of State Street Bank and Trust Company ("SSGA"), streetTracks based on the Dow Jones & Co., Inc. ("Dow Jones") Global Titans 50 IndexSM, traded under the symbol DGT; (2) SSGA's streetTracks based on the Dow Jones Wilshire 5000 IndexSM, traded under the symbol TMW; (3) BGI's iShares Dow Jones Select Dividend IndexSM, traded under the symbol DVY; (4) iShares Dow Jones U.S. Total Market IndexSM, traded under the symbol IYY; (5) iShares Dow Jones U.S. Basic Materials IndexSM, traded under the symbol IWM; (6) iShares Dow Jones U.S. Consumer Services Sector IndexSM, traded under

the symbol IYC; (7) iShares Dow Jones U.S. Financial Sector IndexSM, traded under the symbol IYF; (8) iShares Dow Jones U.S. Financial Services Sector IndexSM, traded under the symbol IYG; (9) iShares Dow Jones U.S. Healthcare Sector IndexSM, traded under the symbol IYH; (10) iShares Dow Jones U.S. Industrial Sector IndexSM, traded under the symbol IYI; (11) iShares Dow Jones U.S. Consumer Goods Sector IndexSM, traded under the symbol IYK; (12) iShares Dow Jones U.S. Real Estate Sector IndexSM, traded under the symbol IYR; (13) iShares Dow Jones U.S. Technology Sector IndexSM, traded under the symbol IYW; (14) iShares Dow Jones U.S. Telecommunications Sector IndexSM, traded under the symbol IYZ; (15) iShares Dow Jones U.S. Utilities Sector IndexSM, traded under the symbol IDU; and (16) First Trust's ETF based on the Dow Jones Select Microcap IndexSM, traded under the symbol FDM, (collectively "Dow Jones products")⁶ to be assessed per contract side for equity option "firm" transactions (comprised of equity option firm/proprietary comparison transactions, equity option firm/proprietary transactions and equity option firm/proprietary facilitation transactions). This license fee will be imposed only after the Exchange's \$60,000 "firm-related" equity option and index option comparison and transaction charge cap, described more fully below, is reached.

Currently, the Exchange imposes a cap of \$60,000 per member organization⁷ on all "firm-related"

⁶ "Dow Jones" and "SSGA's streetTracks based on the Dow Jones Global Titans 50 IndexSM", "SSGA's streetTracks based on the Dow Jones Wilshire 5000 IndexSM", "BGI's iShares Dow Jones Select Dividend IndexSM", "iShares Dow Jones U.S. Total Market IndexSM", "iShares Dow Jones U.S. Basic Materials IndexSM", "iShares Dow Jones U.S. Consumer Services Sector IndexSM", "iShares Dow Jones U.S. Financial Sector IndexSM", "iShares Dow Jones U.S. Financial Services Sector IndexSM", "iShares Dow Jones U.S. Healthcare Sector IndexSM", "iShares Dow Jones U.S. Industrial Sector IndexSM", "iShares Dow Jones U.S. Consumer Goods Sector IndexSM", "iShares Dow Jones U.S. Real Estate Sector IndexSM", "iShares Dow Jones U.S. Technology Sector IndexSM", "iShares Dow Jones U.S. Telecommunications Sector IndexSM", "iShares Dow Jones U.S. Utilities Sector IndexSM", and "First Trust's ETF based on the Dow Jones Select Microcap IndexSM", are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the Philadelphia Stock Exchange, Inc. The Dow Jones products are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such product(s).

⁷ The firm/proprietary comparison or transaction charge applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customers. Member

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 This fee will be charged only to Exchange Members.

⁶ 17 CFR 200.30-3(a)(12).