

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-54548; File Nos. SR-Amex-2006-85; SR-BSE-2006-41; SR-CBOE-2006-80; SR-CHX-2006-28; SR-NASDAQ-2006-038; SR-NSX-2006-11; SR-NYSEArca-2006-69; SR-Phlx-2006-58)

September 29, 2006

Self-Regulatory Organizations; American Stock Exchange LLC; Boston Stock Exchange, Inc.; Chicago Board Options Exchange, Incorporated; Chicago Stock Exchange, Inc.; NASDAQ Stock Market LLC; National Stock Exchange, Inc.; NYSE Arca, Inc., and Philadelphia Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Changes Relating to Exchange to Exchange Billing Under the Linkage Plan

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 12, 2006, September 22, 2006, September 27, 2006, September 26, 2006, September 27, 2006, September 22, 2006, September 29, 2006, and September 18, 2006 the American Stock Exchange LLC (“Amex”), the Boston Stock Exchange, Inc. (“BSE”), the Chicago Board Options Exchange, Incorporated (“CBOE”), the Chicago Stock Exchange, Inc. (“CHX”), the NASDAQ Stock Market LLC (“Nasdaq”), the National Stock Exchange, Inc. (“NSX”), NYSE Arca, Inc. (“NYSE Arca”), and the Philadelphia Stock Exchange, Inc. (“Phlx”) (collectively, the “Exchanges” and “Nasdaq”), respectively, filed with the Securities and Exchange Commission (“Commission”) the proposed rule changes as described in Items I and II below. The Commission is publishing this notice to solicit comments on the proposed rule changes, from interested persons, and is approving the proposals on an accelerated basis.

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

<sup>2</sup> 17 CFR 240. 19b-4.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

The Exchanges and Nasdaq each propose to permit themselves to bill directly, and to accept direct billing from, other participants in the proposed “Plan for the Purpose of Creating and Operating an Intermarket Communications Linkage Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934” (“Linkage Plan”) that are unable to implement Sponsoring Member billing, as described herein, on October 1, 2006.

These proposals do not require changes to the Exchanges’ or Nasdaq’s respective rule texts.

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, each Exchange and Nasdaq included statements concerning the purpose of, and basis for, the proposed rule changes and discussed any comments it received on the proposed rule changes. The text of these statements may be examined at the places specified in Item III below. The Exchanges and Nasdaq have prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

1. Purpose

On July 17, 2006, the Amex, the BSE, Inc., the CBOE, the CHX, Inc., Nasdaq, the NSX, the NYSE, and the NYSE Arca, executed and filed with the Commission the Linkage Plan. Phlx subsequently executed the Linkage Plan on August 1, 2006.<sup>3</sup> The Linkage Plan was filed with

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<sup>3</sup> See Securities Exchange Act Release No. 54239 (July 28, 2006); 71 FR 44328 (August 4, 2006). A Linkage Plan, dated August 1, 2006, reflecting Phlx’s inclusion as a Linkage Plan participant, was received by the Commission on August 9, 2006.

the Commission pursuant to Rule 608 of Regulation NMS under the Act.<sup>4</sup> The purpose of the proposed Linkage Plan is to enable the Linkage Plan participants to act jointly in planning, developing, operating and regulating the NMS Linkage System (“Linkage”) that will electronically link the Linkage Plan Participant Markets to one another, as described in the Linkage Plan.<sup>5</sup> The Plan would run concurrently with the ITS Plan from October 1, 2006 until February 5, 2007.

The Linkage Plan provides that orders must be sent to a Participant Market through the auspices of a member of that Participant Market (“Sponsoring Member”). An order entered through the Linkage must specify the member of the destination market (either clearing member or default Sponsoring Member). Pursuant to the Linkage Plan, each market should maintain within the facilities of the Securities Industry Automation Corporation (“SIAC”), the facilities manager for the Linkage, a database of default Sponsoring Members for after-hours processing and billing for orders sent to a market where the originating firm is not a member of the market to which the order is sent for execution.

Historically, ITS Plan Participants have not imposed transaction charges for executions of commitments delivered through ITS, although the ITS Plan does not prohibit such charges. Under the Linkage Plan, each participant would be accessed through its own members and could charge for orders executed in its market through the Linkage. The destination market would bill the clearing or Sponsoring Member for executions in that market, pursuant to that market’s transaction fee schedule, based on the monthly reports provided by SIAC. Certain

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<sup>4</sup> 17 CFR 242.608.

<sup>5</sup> The Commission approved the Linkage Plan today. See Securities Exchange Act No. (Sept. 29, 2006). Upon implementation of Rule 611 on February 5, 2007, the ITS Plan Participants expect to have submitted an amendment to eliminate the ITS Plan.

markets, however, may be unable to supply clearing or Sponsoring Member information on orders routed through the Linkage to other markets by October 1, 2006. In this case, the Linkage Plan participants have agreed to bill each other directly, based on data supplied by SIAC.<sup>6</sup>

Example: A member of a self-regulatory organization (“SRO”) A that is not a member of SRO B sends an order through the Linkage to SRO B for execution. In routing the transaction through the Linkage, SRO A is unable to include Sponsoring Member information on the report. The transaction will be included in a monthly report provided to SRO B by SIAC (without identifying Sponsoring Member information), and SRO B may bill SRO A directly for the transaction in accordance with SRO B’s transaction fee schedule applicable to the Linkage

## 2. Statutory Basis

The Exchanges and Nasdaq believe that the proposed rule changes are consistent with Sections 6(b) and 15A of the Act,<sup>7</sup> in general, and further the objectives of Sections 6(b)(5) and 15A(b)(6) of the Act,<sup>8</sup> in particular, in that they are designed to prevent fraudulent and manipulative acts and practices, 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, and, in general, to protect investors and the public interest.

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<sup>6</sup> The National Association of Securities Dealers, Inc. (“NASD”) is not a member of the Linkage Plan. In lieu of direct billing to or by the NASD, Linkage Plan participants expect to bill Alternative Display Facility (“ADF”) market participants directly and would be directly billed by ADF market participants, based upon data supplied by SIAC.

<sup>7</sup> 15 U.S.C. 78f(b) and 15 U.S.C. 78o.

<sup>8</sup> 15 U.S.C. 78f(b)(5) and 15 U.S.C. 78o-3(b)(6).

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

The Exchanges and Nasdaq believe that the proposed rule changes will 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 Exchanges and Nasdaq have neither solicited nor received comments on these proposals.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule changes are 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](mailto:rule-comments@sec.gov). Please include File Numbers SR-Amex-2006-85; SR-BSE-2006-41; SR-CBOE-2006-80; SR-CHX-2006-28; SR-NASDAQ-2006-038; SR-NSX-2006-11; SR-NYSEArca -2006-69; and SR-Phlx-2006-58 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 Numbers SR-Amex-2006-85; SR-BSE-2006-41; SR-CBOE-2006-80; SR-CHX-2006-28; SR-NASDAQ-2006-038; SR-NSX-2006-11; SR-NYSEArca-2006-69; and SR-Phlx-2006-58. These file numbers 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 submissions, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 the filings also will be available for inspection and copying at the principal offices of Amex, BSE, CBOE, CHX, Nasdaq, NSX, NYSE Arca, and Phlx. 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 Numbers SR-Amex-2006-85; SR-BSE-2006-41; SR-CBOE-2006-80; SR-CHX-2006-28; SR-NASDAQ-2006-038; SR-NSX-2006-11; SR-NYSEArca-2006-69; and SR-Phlx-2006-58 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

#### IV. Commission's Findings and Order Granting Accelerated Approval of a Proposed Rule Changes

After careful consideration, the Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder, applicable to a national securities exchange and a national securities association.<sup>9</sup> In particular, the Commission finds that the proposals are consistent with the provisions of Section 6(b)(5)<sup>10</sup> and 15A(b)(6)<sup>11</sup> in that they are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with

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<sup>9</sup> In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. See U.S.C. 78c(f).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> 15 U.S.C. 78o-3(b)(6).

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.

The Linkage Plan, the purpose of which is to enable its participants to act jointly in planning, developing, operating and regulating the NMS Linkage System electronically linking the Linkage Plan Participant Markets to one another, has been approved and will become operative on October 1, 2006. The Linkage Plan provides for a mechanism for charging for orders executed in each Participant Market using the information about a clearing or Sponsoring Member. Certain markets have indicated that they may be unable to supply clearing or Sponsoring Member information on orders routed through the Linkage to other markets, thus under these proposed rule changes, the participants have agreed to bill each other directly, based on data supplied by SIAC.

The Exchanges and Nasdaq each have requested that the Commission approve their proposed rule changes on an accelerated basis. The Exchanges and Nasdaq state that they expect the Linkage Plan to become operative on October 1, 2006, and that accelerated approval would permit each Exchange and Nasdaq to implement exchange to exchange billing procedures at the start of the Linkage Plan's operation, allowing Linkage Plan participants who do not have a Sponsoring Member at each destination market, to use the Linkage Plan and pay fees directly to the other Linkage Plan participants.

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act, for approving the proposed rule changes prior to the thirtieth day after the date of publication of notice in the Federal Register. Granting accelerated approval would permit the Exchanges and Nasdaq to

implement exchange to exchange billing procedures at the start of the Linkage Plan's operation enabling Linkage Plan participants who were not able to find a Sponsoring Member at each of the destination markets, to use the Linkage Plan and pay fees directly to another Linkage Plan participant.

Accordingly, the Commission finds that there is good cause, consistent with Section 19(b)(2) of the Act, to approve the proposed rule changes on an accelerated basis.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule changes (SR-Amex-2006-85; SR-BSE-2006-41; SR-CBOE-2006-80; SR-CHX-2006-28; SR-NASDAQ-2006-038; SR-NSX-2006-11; SR-NYSEArca-2006-69; SR-Phlx-2006-58) are hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

Nancy M. Morris  
Secretary

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