

II. Description of the Proposal

FICC is amending GSD's rules to change the time when payment of clearing fund deficiency calls is due from netting members. In 2005, the Commission approved a FICC rule filing that established the Federal Reserve's National Settlement System ("NSS") as the method by which GSD netting members would satisfy their funds-only settlement amounts.³ FICC believes that that rule filing improved GSD's funds-only settlement process because it created a more automated and centralized payment system for the satisfaction of funds-only settlement debits and credits. In NSS, the GSD funds-only settlement debit and credit process is completed by 10 a.m.⁴ each business day.

Currently, clearing fund deficiency call payments are due from GSD netting members at 10:30 a.m. Clearing fund deficiencies due to FICC from netting members have to be satisfied prior to the release of funds-only settlement credits. When a netting member has not satisfied its clearing fund deficiency payment by approximately 9:50 a.m., GSD removes that member from the automated NSS process and settles with them manually outside the NSS system. Such manual processing results in administrative burdens for FICC staff and undermines the efficiencies FICC sought to achieve by using the NSS system.

For this reason, FICC is changing the time when GSD clearing fund deficiency calls must be satisfied to 9:30 a.m. from 10:30 a.m.⁵ Doing so should enable GSD to resolve any unsatisfied deficiencies with netting members well in advance of the 10 a.m. completion of the funds-only settlement process that takes place through NSS and should allow GSD to better utilize the automated NSS process.

As is currently the case in its rules, FICC will reserve the right to extend this deadline on days that there are operational or systems difficulties that would reasonably prevent members from satisfying a deficiency call by 9:30 a.m.

III. Discussion

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 registered clearing agency. In particular, the Commission believes the proposal is consistent with the requirements of Section 17A(b)(3)(F),⁶ which, among other things, requires that FICC's rules are designed to assure the safeguarding of securities and funds that are in its custody or control or for which it is responsible. Adjusting the time when clearing fund deficiency calls must be satisfied by members from 10:30 a.m. to 9:30 a.m. will require FICC members to satisfy their clearing fund deficiency calls before the completion of FICC's fund-only settlement process through NSS. This will enable FICC to eliminate much of the burdensome manual processing in this area and will allow FICC to benefit from the efficiencies provided by a more complete use of NSS. With members satisfying their clearing fund deficiencies earlier and with more use of the automated and centralized NSS, FICC will be better able to reduce settlement risks to itself and to its members.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁷ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (File No. SR-FICC-2006-17) be, and hereby is, approved.⁹

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55140; File No. SR-ISE-2006-71]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rule 2113 (Long and Short Sales)

January 19, 2007.

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 November 30, 2006, the International Securities Exchange, LLC ("ISE" or "Exchange") 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 substantially by the Exchange. The Exchange filed the proposed rule change as a "non-controversial" rule change under Rule 19b-4(f)(6) under the Act,³ which rendered 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 is proposing to amend ISE Rule 2113 (Long and Short Sales) to expand the scope of the rule. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.iseoptions.com>.

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 proposal. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

³ Securities Exchange Act Release No. 52853 (Nov. 29, 2005), 70 FR 72682 (Dec. 6, 2005) [SR-FICC-2005-14].

⁴ All times referenced herein are New York times.

⁵ This rule filing does not affect a netting member's obligation to make its funds-only settlement payment to FICC on time.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 15 U.S.C. 78q-1.

⁸ 15 U.S.C. 78s(b)(2).

⁹ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

1. Purpose

On August 31, 2006, the ISE was granted approval to adopt a rule governing short sales on the ISE Stock Exchange.⁴ Currently, the only order types that can be entered on the ISE Stock Exchange are orders that indicate an interest for price improvement in Midpoint Match, *e.g.*, Standard Orders and Solicitations of Interest.⁵ The ISE short sale rule, as approved, is limited only to these order types. The ISE Stock Exchange will be rolling out additional order types for equity Electronic Access Members ("Equity EAMs") to submit to the ISE Stock Exchange's displayed market.

The purpose of the proposed rule change is to amend the ISE's short sale rule (Rule 2113—Long and Short Sales) to expand its scope to cover all other order types that will be available to Equity EAMs.⁶

2. Statutory Basis

The basis under the Act for this proposed rule change is found in Section 6(b)(5). Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles 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.

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 did not solicit or receive any written comments with respect to the proposal.

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

Because the proposed rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁸

As required under Rule 19b-4(f)(6)(iii),⁹ the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of the filing of the proposed rule change. The Exchange has requested that the Commission waive the 30-day operative delay. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest, in order that all short sales on the ISE Stock Exchange, including new order types to be available to Equity EAMs, comply with the requirements of ISE Rule 2113. For this reason, the Commission designates the proposal to be effective and operative upon filing.¹⁰

At any time within 60 days of the filing of the 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 the furtherance of the purposes of the Act.¹¹

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.

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ 17 CFR 240.19b-4(f)(6)(iii).

¹⁰ For the purposes only of waiving the operative delay, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

¹¹ See 15 U.S.C. 78s(b)(3)(C).

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-ISE-2006-71 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-ISE-2006-71. 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 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-ISE-2006-71 and should be submitted on or before February 16, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Florence E. Harmon,

Deputy Secretary.

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¹² 17 CFR 200.30-3(a)(12).

⁴ See Securities Exchange Act Release No. 54398, 71 FR 53727 (September 12, 2006) (SR-ISE-2006-42).

⁵ See ISE Rule 2129.

⁶ See ISE Rule 2104.