

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55503; File No. SR-ISE-2007-20]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Intermarket Sweep Orders

March 21, 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 March 16, 2007, 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 substantially prepared by the ISE. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) 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 ISE is proposing to amend its rules governing Intermarket Sweep Orders (“ISOs”) to conform them to the rules of The NASDAQ Stock Market LLC (“Nasdaq”). The text of the proposed rule change is available at ISE, the Commission’s Public Reference Room, and <http://www.ise.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 proposed rule change. 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.

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

1. Purpose

The purpose of this filing is to amend ISE Rules governing ISOs to conform them to Nasdaq rules⁵ and to remove the requirement that ISOs be immediately executed or canceled. The proposed amendment clarifies the requirement that the Equity EAM entering an ISO to the ISE Stock Exchange must simultaneously route one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Bid or Offer in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO (as defined in Rule 600(b) or Regulation NMS under the Act). These additional routed orders must be identified as ISOs. The Exchange notes that Equity EAMs wishing to display on ISE must route to protected quotes up to and including the price at which they wish to display in order to comply with the Locked and Crossed Market Rule.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 that the proposed rule change is consistent with Section 6(b)(5)⁷ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. In particular, this filing will provide investors with more flexibility in entering orders and receiving executions of such orders.

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 not solicited, and does not intend to solicit, comments on this proposed rule change. The

Exchange has not received any unsolicited written comments from members or other interested parties.

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

Because the foregoing proposed rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the Exchange has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the filing date of the proposal.⁸

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.⁹ However, Rule 19b-4(f)(6)(iii)¹⁰ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day pre-operative period, which would make the rule change operative immediately. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, because the proposed rule change is substantially similar to rules previously approved by the Commission.¹¹ For this reason, the Commission designates that the proposal become operative immediately.

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 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

⁸ As required under Rule 19b-4(f)(6)(iii), ISE provided the Commission with notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposal.

⁹ 17 CFR 240.19b-4(f)(6)(iii).

¹⁰ *Id.*

¹¹ See Nasdaq Rules 4751 and 4755.

For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ See Nasdaq Rules 4751 and 4755.

⁶ See ISE Rule 2112.

⁷ 15 U.S.C. 78f(b)(5).

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-ISE-2007-20 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-2007-20. 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 ISE. 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-2007-20 and should be submitted on or before April 18, 2007.

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

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55496; File No. SR-NYSE-2006-37]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Amendment No. 3 to and Order Granting Accelerated Approval of Proposed Rule Change, as Amended, Relating to the Establishment of NYSE Bonds

March 20, 2007.

I. Introduction

On May 16, 2006, the New York Stock Exchange LLC ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")¹ and Rule 19b-4 thereunder,² to establish a new bond trading platform, NYSE Bonds, to replace its existing bond trading system, the Automated Bond System ("ABS"). The Exchange filed Amendments No. 1 and 2 to the proposed rule change on August 4, 2006 and October 10, 2006, respectively. The proposed rule change, as amended, was published for comment in the **Federal Register** on October 24, 2006.³ The Commission received two comments on the proposal.⁴ On March 15, 2007, the Exchange filed Amendment No. 3 to the proposal.⁵ On March 16, 2007, the NYSE submitted a response to the comment letters.⁶ This order provides notice of Amendment No. 3 to the proposed rule change and approves the proposed rule change as amended on an accelerated basis.

II. Description of the Proposal

NYSE proposes to amend its Rule 86 to replace its existing bond trading system, ABS, with a bond trading platform based on technology used to operate the NYSE Arca Marketplace.⁷

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 54615 (October 17, 2006), 71 FR 62338.

⁴ See Letters from Mary C.M. Kuan, Vice President and Assistant General Counsel, Securities Industry and Financial Markets Association ("SIFMA") to Nancy Morris, Secretary, Commission, dated November 14, 2006 ("SIFMA Letter") and from Ron L. Klein, Chairman and CEO, General Associates, Inc., dated December 13, 2006 ("Klein Letter").

⁵ For a discussion of Amendment No. 3, see Section V, *infra*. Amendment No. 3 replaced and superseded Amendment No. 2 in its entirety.

⁶ See Letter from Mary Yeager, Assistant Secretary, NYSE, to Nancy M. Morris, Secretary, Commission, dated March 16, 2007 ("NYSE Response Letter").

⁷ The NYSE Arca Marketplace is the successor to the Archipelago Exchange. See Securities Exchange

The new name of the NYSE bond trading platform would be "NYSE Bonds." NYSE also proposes to amend other Exchange rules to conform to revised NYSE Rule 86.

Any security traded on NYSE Bonds would have to be listed, or otherwise admitted to dealing, on the Exchange. NYSE has represented that all debt securities currently trading on ABS would be transferred to NYSE Bonds.⁸ Additional debt securities that meet the listing standards in NYSE Listed Company Manual Sections 102.03, 103.05, 703.19, or 703.21, or that are deemed "exempted securities" under Section 3(a)(12) of the Exchange Act,⁹ could trade on NYSE Bonds. In addition, NYSE intends to trade unregistered corporate bonds pursuant to an exemption from Section 12(a) of the Exchange Act and a related rule change recently approved by the Commission.¹⁰

NYSE Bonds would be an electronic order-driven matching system. Initially, the System would allow limit orders and reserve orders. Visible interest would be executed on a price/time priority basis. However, undisplayed reserve interest in NYSE Bonds would always yield to displayed interest at a particular price.¹¹ Outside of an auction (described below), orders marketable at the time of entry would be matched and executed, except if the price exceeded the "price collar" established for the bond at the time of entry. An order that is priced beyond the price collar threshold would be rejected by the system; an order that is not marketable at the time of entry would post to the NYSE Bonds order "book."¹² If an order were entered at a better price than the then-best priced contra-side order on the NYSE Bonds book, the system would match the incoming order against

Act Release No. 53615 (April 7, 2006), 71 FR 19226 (April 13, 2006) (SR-PCX-2006-24).

⁸ Such debt securities include, but are not limited to the following: corporate bonds (including convertible bonds), international bank bonds, foreign government bonds, U.S. government bonds, government agency bonds, municipal bonds, and debt-based structured products. Any security that would trade on NYSE Bonds is referred to as a "bond" for the purposes of NYSE rules.

⁹ 15 U.S.C. 78c(a)(12).

¹⁰ See Securities Exchange Act Release No. 54766 (November 16, 2006), 71 FR 67657 (November 22, 2006) (File No. S7-06-05) (permitting NYSE member organizations to trade bonds on the Exchange that are not registered under Section 12(b) of the Exchange Act, but are issued by NYSE-listed companies or their wholly owned subsidiaries and that meet other conditions); Securities Exchange Act Release No. 54767 (November 16, 2006), 71 FR 67680 (November 22, 2006) (SR-NYSE-2004-69) (collectively, the "Unlisted Corporate Bonds Orders").

¹¹ See proposed NYSE Rule 86(j)(3)(B).

¹² See proposed NYSE Rule 86(e).

¹² 17 CFR 200.30-3(a)(12).