

In Amendment No. 2, CBOE: (i) Amended Section 1.7 to clarify the role of CBOE, as the SRO, for the activities of CBSX LLC; (ii) amended Section 5.7 to add a reference to CBOE; (iii) amended Section 6.14 to clarify that any transfer of Series A Voting Shares would require a rule filing under Section 19 of the Exchange Act, subject to approval by the Commission; (iv) amended Section 6.15 by, among other things, revising paragraphs (c) and (d) to indicate that those paragraphs are inapplicable in the case of CBOE and its respective officers, directors, agents and employees for so long as CBSX LLC is a facility of CBOE and to clarify the application of these paragraphs in the case of the agents and employees of CBSX LLC and its Owners whose principal place of business and residence is outside of the United States; and (v) amended various sections of the Operating Agreement to refer to CBOE rather than "Regulatory Services Provider." Amendment No. 2 also updated Exhibit A-1 of the Operating Agreement. Amendment No. 3 amended Section 6.15(c) to clarify the U.S. agent for service of process.

The Commission believes that Amendment Nos. 2 and 3 serve to clarify and enhance the proposal and that publication of its provisions would needlessly delay the implementation of the proposal. The Commission therefore finds good cause exists to accelerate approval of Amendment Nos. 2 and 3, pursuant to Section 19(b)(2) of the Act.<sup>31</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment Nos. 2 and 3 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 Number SR-CBOE-2006-110 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.

proposed rule change, or amendment thereto, prior to the thirtieth day after the date of publication of the notice thereof, unless the Commission finds good cause for so doing.

<sup>31</sup> 15 U.S.C. 78s(b)(2).

All submissions should refer to File Number SR-CBOE-2006-110. 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 the 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 Amendment Nos. 2 and 3 of File Number SR-CBOE-2006-110 and should be submitted on or before March 29, 2007.

#### V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>32</sup> that the proposed rule change (SR-CBOE-2006-110), as modified by Amendment No. 1, be, and it hereby is approved and Amendment Nos. 2 and 3 are approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>33</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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<sup>32</sup> 15 U.S.C. 78s(b)(2).

<sup>33</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55365; File No. SR-DTC-2006-07]

### Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to the Wind-Down of a Participant

February 27, 2007.

#### I. Introduction

On March 28, 2006, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") and on September 29, 2006, amended proposed rule change SR-DTC-2006-07 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on December 20, 2006.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change as modified by Amendment No. 1.

#### II. Description

The proposed rule change would add a new Rule 32, Wind-Down of a Participant, to DTC's Rules to address a situation where a participant notifies DTC that it intends to wind down its activities, and DTC determines in its discretion that it must take special action in order to protect itself and its participants.<sup>3</sup>

The proposed rule change would allow DTC to make a determination that a participant is a wind-down participant and would set forth the conditions DTC using its discretion may place on a wind-down participant and the actions DTC using its discretion may take with respect to a wind-down participant to protect itself and its participants. Such actions may include restricting or modifying the wind-down participant's use of any or all of DTC's services and requiring the wind-down participant to post increased participants fund deposits. DTC will retain all of its other rights set forth in its rules and participant agreements, including the right to cease to act for the wind-down participant.

The rule is designed to ensure that DTC has the needed flexibility to appropriately manage the risks

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

<sup>2</sup> Securities Exchange Act Release No. 54927 (December 13, 2006), 71 FR 76397.

<sup>3</sup> Similar proposed rule changes have been filed by the Fixed Income Clearing Corporation [File No. SR-FICC-2006-05] and the National Securities Clearing Corporation [File No. SR-NSCC-2006-05].

presented by an entity in crisis that remains a participant of DTC. This is particularly important to preserve orderly settlement in the marketplace and to minimize the risk of loss to DTC and its participants. The rule sets forth in a single rule DTC's rights and the actions it may take in such a situation. Currently, these rights and actions are either permitted elsewhere in DTC's rules or are permitted pursuant to DTC's emergency authority. By placing DTC's rights in a single rule, however, the proposed rule change should provide clarity and a clear legal basis for DTC's rights or actions taken with respect to a wind-down participant. DTC also believes that the rule is designed to minimize the need for rule waivers.

### III. Discussion

Section 17A(b)(3)(F) of the Act provides that the rules of a clearing agency should be designed to safeguard securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>4</sup> The sudden or unanticipated financial or operational difficulties of a participant or the termination of its trading activities may create uncertainty among industry participants about DTC's ability to meet its settlement obligations on time and concern about the risk to the assets of the clearing agency or of its participants. The proposed rule change clarifies that DTC has discretionary power in a wind-down situation to take certain actions to assure the ongoing operations of itself and to protect the securities and funds of DTC and of its participants. By making clear in a single rule the authority DTC has under its rules to facilitate the orderly wind down of a participant's activities, the proposed rule change is designed to assure the safeguarding of securities or funds which are in DTC's control or for which it is responsible.<sup>5</sup>

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.<sup>6</sup>

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-2006-07), as modified by Amendment No. 1, be, and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E7-4056 Filed 3-7-07; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55364; File No. SR-FICC-2006-05]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to the Wind-Down of a Participant

February 27, 2007.

#### I. Introduction

On March 28, 2006, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") and on September 28, 2006 and October 13, 2006, amended proposed rule change SR-FICC-2006-15 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on December 20, 2006.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change as modified by Amendment Nos. 1 and 2.

#### II. Description

The rule change adds new Rule 21A, Wind-Down of a Netting Member, to the Rules of FICC's Government Securities Division ("GSD") and new Rule 2A, Wind-Down of a Participant, to the Rules of FICC's Mortgage-Backed Securities Division ("MBSD") to address a situation where a member or participant notifies FICC that it intends to wind down its activities, and FICC determines, in its discretion, that it must take special action in order to protect itself and its members and participants.<sup>3</sup>

The new rules allow FICC to determine that a participant is a wind-down member or wind-down participant and sets forth the conditions FICC using its discretion may place on a wind-down member or participant and

the actions FICC using its discretion may take with respect to a wind-down member or participant to protect itself and its members or participants. Such actions may include restricting or modifying the wind-down member or participant's use of any or all of FICC's services and may include requiring the wind-down member or participant to post increased clearing fund deposits. FICC will retain all of its other rights set forth in its rules and membership and participant agreements, including the right to declare the wind-down member or participant insolvent, if applicable, and to cease to act for it.

The rules are designed to ensure that FICC has the needed flexibility to appropriately manage the risks presented by an entity in crisis that remains a participant of FICC. This is particularly important to preserve orderly settlement in the marketplace and to minimize the risk of loss to FICC and its members and participants. Each rule sets forth in a single rule FICC's rights and the actions it may take in such a situation. Currently, these rights and actions are either permitted elsewhere in FICC's rules or are permitted pursuant to FICC's emergency authority. By placing FICC's rights in a single rule for each division, however, the rule change should provide clarity and a clear legal basis for FICC's rights or actions taken with respect to a wind-down member or participant. FICC also believes that the rules are designed to minimize the need for rule waivers.

#### III. Discussion

Section 17A(b)(3)(F) of the Act provides that the rules of a clearing agency should be designed to safeguard securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>4</sup> The sudden or unanticipated financial or operational difficulties of a clearing member or participant or the termination of its trading activities may create uncertainty among industry participants about FICC's ability to meet its settlement obligations on time and concern about the risk to the assets of the clearing agency or of its members or participants. The proposed rule change clarifies that FICC has discretionary power in a wind-down situation to take certain actions to assure the ongoing operations of itself and to protect the securities and funds of FICC and of its members and participants. By making clear in a single rule of each of its divisions the authority FICC has under its rules to facilitate the orderly wind down of a member or participant's

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> Securities Exchange Act Release No. 54929, (December 13, 2006), 71 FR 76398.

<sup>3</sup> Similar proposed rule changes have been filed by The Depository Trust Company [File No. SR-DTC-2006-07] and the National Securities Clearing Corporation [File No. SR-NSCC-2006-05].

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 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).