For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Nancy M. Morris,

Secretary.

[FR Doc. E6–9723 Filed 6–20–06; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–53983; File No. SR–NYSE–2005–60]

Self-Regulatory Organizations; New York Stock Exchange, Inc. (n/k/a New York Stock Exchange LLC); Order Approving Proposed Rule Change and Amendment Nos. 2 and 3 Thereto Relating to Proposed New Rules 342.24 (''Annual Branch Office Inspection'') and 342.25 (''Risk-Based Surveillance and Branch Office Identification'') To Permit Member Organizations To Classify Appropriate Branch Offices for Cyclical Inspections and Proposed New Rule 342.26 (''Criteria for Inspection Programs'')

June 14, 2006.

On August 15, 2005, the New York Stock Exchange, Inc. (n/k/a New York Stock Exchange LLC) (''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposal to adopt Exchange Rules 342.24 (''Annual Branch Office Inspection'') and 342.25 (''Risk-Based Surveillance and Branch Office Identification'') to permit organizations to classify appropriate branch offices for cyclical inspections and 342.26 (''Criteria for Inspection Programs''). The Exchange filed Amendment No. 2 to the proposed rule change on April 7, 2006.[3] The proposed rule change, as amended, was published for comment in the **Federal Register** on April 27, 2006.[4] The Commission received no comments regarding the proposal, as amended. On June 12, 2006, the Exchange filed Amendment No. 3 to the proposed rule change.[5] This order approves the proposed rule change, as amended.

I. Description of Proposed Rule Change

The proposed amendments would permit member organizations, with the written approval of the Exchange, to exempt certain branch offices from the general annual branch office inspection requirement of Exchange Rule 342 (''Offices—Approval, Supervision and Control''). Proposed Exchange Rules 342.24 and 342.25 would permit member organizations to submit to the Exchange, for approval, policies and procedures outlining a risk-based surveillance system that the firm would use to identify branch offices requiring less frequent than annual inspections.[6] Such policies and procedures must reflect the member organization's business model and product mix, and must provide, at a minimum, for: (1) Flexibility to initiate ''for-cause'' inspections, when circumstances warrant, of any branch office that has been exempted from the standard annual inspection cycle; (2) inspection on an unannounced basis of no less than half of the branch offices inspected each year; and (3) a system to allow employees to report compliance issues on a confidential basis outside of the branch office chain of command. As discussed in the Notice and set forth in proposed Exchange Rule 342.25(B), certain prescribed criteria, applied to each branch office, also would be required of any acceptable risk-based surveillance system used to determine which branch offices could be exempted from annual inspection.

The Rule states that certain branch offices would not be deemed appropriate for an exemption under the proposed amendments. Specifically, offices with one or more registered representatives subject to special supervision in the current or immediately preceding year, offices with 25 or more registered individuals, offices in the top 20% of production or customer assets at the member organization, and any branch offices exercising supervision over other branch offices or that have not been inspected within the previous two calendar years would not be eligible for exemption from the annual inspection requirement. In fact, the proposed amendments would require that all branch offices, without exception, be inspected at least once every three calendar years. Finally, the proposed amendments would re-position language from Interpretation /03 of Exchange Rule 342(a)(b) into the text of Exchange Rule 342.

II. Discussion

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[7] In particular, the Commission finds that the proposal, as amended, is consistent with the provisions of Section 6(b)(5) of the Act,[8] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

The Commission believes that the proposed rule change, as amended, appropriately balances the need for firms to surveil and inspect their branch offices with the need to provide firms with some flexibility to adapt branch office inspections according to changing circumstances. Specifically, the proposal would allow member organizations to seek an exemption from the requirement to inspect branch offices annually based upon written policies and procedures that provide for a risk-based surveillance system. The policies and procedures would have to be submitted to and approved by the Exchange. The Commission believes that the ability to implement a limited risk-based surveillance system for certain branch offices should allow firms to concentrate their surveillance and compliance resources on those branch offices that require more frequent and thorough on-site inspections.

Furthermore, the Exchange expressly sets forth in proposed Rule 342.25 the risk factors and criteria that firms, at a minimum, should consider when developing their policies and procedures. The Commission believes that providing explicit factors and criteria to distinguish those offices that warrant annual inspection from those that might not should also enable member organizations to more effectively direct a firm's attention to those regulatory risk areas in need of closer scrutiny during the course of an

[7] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The Exchange filed Amendment No. 1 to the proposed rule change on October 31, 2005 and withdrew Amendment No. 1 on April 7, 2006.

[4] *See* Securities Exchange Act Release No. 53689 (April 20, 2006), 71 FR 24881 (''Notice'').

[5] In Amendment No. 3, the Exchange made several non-substantive clarifying changes to the rule text. This was a technical amendment and is not subject to notice and comment.

[6] In addition, a member organization would still be able to seek an exemption if it has demonstrated to the satisfaction of the Exchange that because of proximity, special reporting, or supervisory practice, other arrangements may satisfy the Exchange rule's requirements for a particular branch office. *See* proposed Exchange Rule 342.24(A)(1).

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

[8] 15 U.S.C. 78f(b)(5).

on-site inspection. The proposed criteria should provide a more uniform standard for firms seeking an exemption from the annual branch office inspection.

Furthermore, the Commission believes that the proposed amendments contain appropriate limitations on a firm's ability to apply the exemption from the requirement to inspect branch offices every year. For instance, the proposal specifically excludes certain offices, given their size, scope of supervisory activities, or other factors, from eligibility for the exemption. The Rule requires firms to retain the ability to initiate ''for cause'' inspections of a branch office where developments during the year require a reconsideration of a branch's exemption. Requiring firms to use unannounced branch office inspections for no less than half of the branch offices inspected each year should provide additional incentive to branch office personnel to make compliance with the Exchange's rules and the securities laws a priority. Furthermore, the Commission believes that requiring firms to allow employees to report compliance issues on a confidential basis outside of the branch office chain of command and requiring branch office inspections to be carried out by a person independent of the branch office in question should encourage branch office employees to report issues of regulatory concern. The Commission also notes that the proposal would require every branch office, without exception, to be inspected at least once every three calendar years. The Commission emphasizes that, notwithstanding any exemption granted under the proposed rules, each member firm is subject to an ongoing duty to supervise each branch office and monitor for compliance with all applicable securities laws and regulations.[9]

III. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change (SR–NYSE–2005–60), as amended, is hereby approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Nancy M. Morris,

Secretary.

[FR Doc. E6–9695 Filed 6–20–06; 8:45 am]

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[9] *See* Section 15(b)(4)(E) of the Act, 15 U.S.C. 78*o*(b)(4)(E).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–53981; File No. SR–Phlx–2005–69]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Approving Proposed Rule Change To Amend Phlx Rule 784, Reports of Options

June 14, 2006.

On November 9, 2005, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to delete a requirement set forth in the Supplementary Material to Phlx Rule 784 obligating members and member organizations to provide to the Phlx particular information items regarding over-the-counter options trades relating to securities listed or traded on the Exchange. The Commission published the proposed rule change for comment in the **Federal Register** on May 10, 2006.[3] The Commission received no comments on the proposed rule change.

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange.[4] In particular, the Commission believes that the proposed rule change is consistent with section 6(b)(5) of the Act,[5] which requires among other things, that the rules of the Exchange are 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. Phlx Rule 784 is intended to facilitate the Exchange's surveillance for and enforcement of rules against manipulation in connection with over-the-counter options trading. The Commission believes that the proposal appears to be reasonably designed to eliminate a requirement to provide specific information that the Exchange does not necessarily need to monitor for manipulation. The Commission notes that, pursuant to the main text of Exchange Rule 784, the Exchange retains the ability to require members and member organizations to report to the Exchange such information as the Exchange may require regarding over-the-counter options trades.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[6] that the proposed rule change (SR–Phlx–2005–69) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Nancy M. Morris,

Secretary.

[FR Doc. E6–9690 Filed 6–20–06; 8:45 am]

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 53757 (May 3, 2006), 71 FR 27303.

[4] In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[5] 15 U.S.C. 78f(b)(5).

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30–3(a)(12).

DEPARTMENT OF STATE

[Public Notice 5436]

Announcement of Meetings of the International Telecommunication Advisory Committee

SUMMARY: This notice announces an International Telecommunication Advisory Committee meeting to prepare for a meeting of the Organization of American States Inter-American Telecommunication Commission (CITEL) Conference Preparatory Committee.

The International Telecommunication Advisory Committee (ITAC) will meet to prepare for the July 10–12 meeting of the CITEL Conference Preparatory Committee in Costa Rica. The preparatory meeting will be held in the Washington, DC Metro area on July 6, 2006 2–4 p.m. The purpose of the meeting is to advise the Department of State on proposed Inter-American Positions to be taken by CITEL at the next International Telecommunication Union Plenipotentiary Conference. A conference bridge will be available for those outside the Washington Metro area.

The International Telecommunication Advisory Committee (ITAC) will meet to prepare for CITEL PCC.I (Telecommunication) on August 8 and 24, 2006 10 a.m.–noon in Washington, DC at a location to be determined.

These meetings are open to the public. Particulars on meeting location and times, and information on conference bridges is available from the secretariat *minardje@state.gov*, telephone 202–647–3234.