

### Section 1009 of the Amex *Company Guide*.

In addition, the proposal sets forth the application of continued listing standards to individual components comprising units once some, but not all, of the units have separated into their component parts, by specifying that the units that are intact and freely separable into their component parts will be counted toward the total distribution numbers<sup>10</sup> required for continued listing of the component. The rule change recognizes the practical situation that as investors decide whether to separate their unit, there may be a period of time at the outset of the separation period when there may be less components outstanding than necessary to meet the distribution requirements. However, to immediately delist these components during the separation period may be unfair to those investors who still have an opportunity to separate their components and want to trade them in a public market. The rule ensures that to be able to count the units for purposes of the distribution requirements for the component parts, the units must be freely separable into the components, so there is a reasonable basis for assuming that as more units are separated, which adds liquidity to the components, the distribution requirements for the components can, in fact, be separately met.

Under the rule however, if it appears that not enough units will be separated to allow the components to meet the public distribution and aggregate market value requirements independently or there are other concerns, the rule makes clear that Amex should consider delisting the components or unit. This recognizes the fact that although the rule allows the aggregation of units and components for purposes of distribution standards, Amex will need to ensure that there is some minimal level of liquidity in each component and unit and should consider delisting if the public distribution or the aggregate market value of the components or unit has become so reduced as to make continued listing on the Exchange inadvisable. In this regard, the Exchange will take into account the individual distribution values and the trading characteristics of the component or unit and whether it would be in the public interest for continued trading of such component or unit.<sup>11</sup>

<sup>10</sup> See *supra* note 5 and accompanying text.

<sup>11</sup> The Commission notes that minimum distribution requirements are extremely important to ensure, among other things, the liquidity of a security and an active public market. The changes being approved for meeting the distribution standards applicable to units and their components

As Amex noted in its filing, the proposal should help to promote transparency of the Exchange rules relating to the continued listing of units and their components and provide clearer guidance for members and investors trading in such units and/or components. Finally, the technical changes to Section 1003 of the *Company Guide* ensure that the rule's language will be consistent throughout. Based on the above, the Commission believes the proposal promotes just and equitable principles of trade in such securities and is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Act.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-Amex-2006-114), as modified by Amendment No. 1, be, and it hereby is, approved.

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

**J. Lynn Taylor,**  
*Deputy Secretary.*

[FR Doc. E7-8397 Filed 5-2-07; 8:45 am]

BILLING CODE 8010-01-P

### SECURITIES AND EXCHANGE COMMISSION

[(Release No. 34-55674; File No. SR-CBOE-2006-101)]

#### **Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change as Modified by Amendment Nos. 1 and 2 Thereto To Amend CBOE's Rules To Reflect the Migration of Its TPF Technology Platform Over to the Existing CBOEdirect Technology Platform.**

April 26, 2007.

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 November 30, 2006, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been substantially prepared by the Exchange.

recognize the unique trading characteristics and challenges that can occur in meeting the minimum standards during the separation period of the units, while containing certain protections to ensure certain minimum standards will be met.

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

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

<sup>2</sup> 17 CFR 240.19b-4.

The Exchange submitted Amendment No. 1 to the proposed rule change on February 15, 2007. The Exchange submitted Amendment No. 2 to the proposed rule change on April 13, 2007.<sup>3</sup> The Commission is publishing this notice and order to solicit comments on the proposal, as amended, from interested persons.

#### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend CBOE's rules to reflect the migration of its TPF technology platform over to the existing CBOEdirect technology platform. The text of the proposed rule change, incorporating Amendment Nos. 1 and 2, is set forth below. Proposed new language is in italics; proposed deletions are in brackets.

Chicago Board Options Exchange, Incorporated

Rules

\* \* \* \* \*

#### **CHAPTER I Definitions**

##### **Rule 1.1. Definitions**

When used in these Rules, unless the context otherwise requires:

(a) Any term defined in Article I of the Constitution and not otherwise defined in this Chapter shall have the meaning assigned to such term in such Article I.

##### **Hybrid Trading System**

(aaa) "Hybrid Trading System" refers to the Exchange's trading platform that allows individual Market-Makers to submit electronic quotes in their appointed classes. "Hybrid 2.0 Platform" is an enhanced trading platform that allows remote quoting by authorized categories of members. "Hybrid 3.0 Platform" is an electronic trading platform on the Hybrid Trading System that allows a single quoter to submit an electronic quote which represents the aggregate Market-Maker quoting interest in a series for the trading crowd. Classes authorized by the Exchange for trading on the Hybrid Trading System shall be referred to as Hybrid Classes. Classes authorized by the Exchange for trading on the Hybrid 2.0 Platform shall be referred to as Hybrid 2.0 Classes. *Classes authorized by the Exchange for trading on the Hybrid 3.0 Platform shall be referred to as Hybrid 3.0 Classes. References to "Hybrid," "Hybrid System," or "Hybrid Trading System" in the Exchange's*

<sup>3</sup> Amendment No. 2 replaced and superseded Amendment No. 1 and the original filing in their entirety.

Rules shall include all platforms unless otherwise provided by rule.

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### Rule 6.2B. Hybrid Opening System (“HOSS”)

(a) For a period of time before the opening of trading in the underlying security (or in the case of index options, prior to 8:30 a.m., CT), as determined by the appropriate Procedure Committee and announced to the membership via Regulatory Circular, the Hybrid System will accept orders and quotes. The Hybrid System will disseminate to market participants (as defined in Rule 6.45A or 6.45B) information about resting orders in the Book that remain from the prior business day and any orders submitted before the opening. At a randomly selected time within a number of seconds after the primary market for the underlying security disseminates the opening trade or the opening quote (or after 8:30 a.m. for index options unless unusual circumstances exist), the System initiates the opening procedure and sends a notice (“Opening Notice”) to market participants who may then submit their opening quotes. The DPM or any appointed LMM and each e-DPM for the class must enter opening quotes. Spread orders and contingency orders do not participate in the opening trade or in the determination of the opening price.

(b)–(h) No Change.

#### \* \* \* Interpretations and Policies

.01 Notwithstanding Paragraph (a), for purposes of Hybrid 3.0 Classes, the following shall apply:

(a) Only the DPM or LMM will be required to enter opening quotes in opening rotations. Public customers, broker-dealers, Exchange Market-Makers, away Market-Makers and Specialists will not be permitted to enter opening quotes but may enter opening orders in opening rotations.

(b) The DPM or LMM must enter opening quotes that comply with the legal quote width requirements of Rule 8.7(b)(iv). If there is not a quote present in a series that complies with the legal quote width requirements of Rule 8.7(b)(iv), then that series will not open.

(c) All provisions set forth in Rule 6.2B shall remain in effect unless superseded or modified by this Rule 6.2B.01. To facilitate the calculation of a settlement price for futures and options contracts on volatility indexes, the Exchange shall utilize a modified HOSS opening procedure for any index option series with respect to which a volatility index is calculated. This modified HOSS opening procedure will

be utilized only on the final settlement date of the options and futures contracts on the applicable volatility index in each expiration month.

On the final settlement day for options and futures on a volatility index, public customers, broker-dealers, Exchange Market-Makers, away Market-Makers and Specialists may enter orders in any index options series used to calculate the final settlement price of that volatility index (“modified HOSS opening procedures”). The following provisions shall be applicable for an index option with respect to which a volatility index is calculated:

(i) All orders (including public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist orders), other than spread or contingency orders, will be eligible to be placed on the electronic book for those option contract months whose prices are used to derive the volatility indexes on which options and futures are traded, for the purpose of permitting those orders to participate in the opening price calculation for the applicable index option series.

(ii) In addition to the LMM quoting requirement, all LMMs, if applicable, shall be required to enter opening orders during the modified HOSS opening procedures.

(iii) All index option orders for participation in the modified HOSS opening procedure that are related to positions in, or a trading strategy involving, volatility index options or futures, and any change to or cancellation of any such order:

(A) must be received prior to 8:00 a.m. (CT), and

(B) may not be cancelled or changed after 8:00 a.m. (CT), unless the order is not executed in the modified HOSS opening procedure and the cancellation or change is submitted after the modified HOSS opening procedure is concluded (provided that any such order may be changed or cancelled after 8:00 a.m. (CT) and prior to applicable cut-off time established in accordance with paragraph (iv) in order to correct a legitimate error, in which case the member submitting the change or cancellation shall prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and shall file a copy of the memorandum with the Exchange no later than the next business day in a form and manner prescribed by the Exchange).

In general, the Exchange shall consider index option orders to be related to positions in, or a trading strategy involving, volatility index options or futures for purposes of this

Rule 6.2B.01(c) if the orders possess the following three characteristics:

(1) The orders are for options series with the expiration month that will be used to calculate the settlement price of the applicable volatility index option or futures contract.

(2) The orders are for options series spanning the full range of strike prices in the appropriate expiration month for options series that will be used to calculate the settlement price of the applicable volatility index option or futures contract, but not necessarily every available strike price.

(3) The orders are for put options with strike prices less than the “at-the-money” strike price and for call options with strike prices greater than the “at-the-money” strike price. The orders may also be for put and call options with “at-the-money” strike prices.

Whether index option orders are related to positions in, or a trading strategy involving, volatility index options or futures for purposes of this Rule 6.2B.01(c) depends upon specific facts and circumstances. Order types other than those provided above may also be deemed by the Exchange to fall within this category of orders if the Exchange determines that to be the case based upon the applicable facts and circumstances.

The provisions of this Rule 6.2B.01(c) may be suspended by two Floor Officials in the event of unusual market conditions.

(iv) All other index option orders for participation in the modified HOSS opening procedures, and any change to or cancellation of any such order, must be received prior to the applicable cut-off time in order to participate at the opening price for the applicable index option series. The applicable cut-off time for the affected index option series will be established by the appropriate Procedure Committee on a class-by-class basis, provided the cut-off time will be no earlier than 8:25 a.m. (CT) and no later than the opening of trading in the option series. All pronouncements regarding changes to the applicable cut-off time will be announced to the membership via Regulatory Circular that is issued at least one day prior to implementation.

(v) The HOSS system shall automatically generate cancels immediately prior to the opening of the applicable index option series for broker-dealer, Exchange Market-Maker, away Market-Maker, and Specialist orders which remain on the electronic book following the modified HOSS opening procedures.

(vi) Any imbalance of contracts to buy over contracts to sell in the applicable

*index option series, or vice versa, as indicated on the electronic book, will be published as soon as practicable up through the opening bell on days that the modified HOSS opening procedures is utilized.*

\* \* \* \* \*

**Rule 6.13. CBOE Hybrid System's Automatic Execution Feature**

(a) No Change.  
 (b) Automatic Execution  
 (i) Eligibility: Eligibility: Orders eligible for automatic execution through the CBOE Hybrid System may be automatically executed in accordance with the provisions of this Rule or in accordance with Rule 6.13A for classes that have been designated for auction price improvement. This section governs automatic executions and split-price automatic executions. The automatic execution and allocation of orders or quotes submitted by market participants also is governed by Rules 6.45A (c) and (d) and Rules 6.45B (c) and (d).

(A)(1) Eligible Order Size: The appropriate Procedure Committee shall establish on a class-by-class basis the maximum size of orders entitled to receive automatic execution through the CBOE Hybrid System. If the eligible order size exceeds the disseminated size, incoming eligible orders shall be entitled to receive an automatic execution up to the disseminated size.

(A)(2) Hybrid 3.0 Eligibility and Process: *For Hybrid 3.0 Classes, all eligible orders will receive automatic execution against public customer orders in the electronic book. Any remaining balance of the order may be represented in the electronic book provided such order is eligible for book entry pursuant to Rule 7.4. If the order is not eligible for book entry, or at the order entry firm's discretion, the order will route to PAR, BART, or the order entry firm's booth printer.*

(B) Orders Not Eligible for Automatic Execution: Orders not eligible for automatic execution will route on a class by class basis to PAR, BART, or at the order entry firm's discretion to the order entry firm's booth printer.

(C) Access:  
 (i) *For Hybrid and Hybrid 2.0 classes, non-broker-dealer public customers and broker-dealers that are not Market-Makers or specialists on an exchange who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Securities Exchange Act of 1934 ("non-Market-Maker or non-Specialist broker-dealers") are eligible for automatic execution. The eligible order size for these classifications must be the same.*

*For Hybrid 3.0 classes, non-broker-dealer public customer orders are eligible for automatic execution, and the appropriate Procedure Committee may determine, on a class by class basis, to allow non-Market-Maker or non-Specialist broker-dealer orders to be eligible for automatic execution. The eligible order size for these classifications must be the same.*

(ii) No Change.  
 (iii) No Change.  
 (ii) Process: *For Hybrid and Hybrid 2.0 classes, [E]ligible orders of a size equal to or less than the size of the disseminated CBOE BBO shall be executed in the manner described in paragraph 6.13(b). Inbound eligible orders of a size greater than the disseminated size will automatically execute in part, as described below in paragraph 6.13(b)(iii) (Split Price Executions). Orders executed automatically shall be allocated to contra side trading interest pursuant to Rule 6.45A or 6.45B.*

(iii) Split Price Executions: *For Hybrid and Hybrid 2.0 classes, [I]ncoming eligible orders of a size greater than the disseminated size shall receive an automatic execution for a size up to the disseminated size. The balance of the order if marketable, will automatically execute at the revised disseminated price provided the revised disseminated price represents the NBBO (if the revised price is inferior to NBBO the balance of the order will route to PAR). If not marketable, the balance of the order will be automatically represented in the electronic book provided such order is eligible for book entry pursuant to Rule 7.4. If the order is not eligible for book entry, it will route to PAR, BART, or at the order entry firm's discretion to the order entry firm's booth printer. Pronouncements pursuant to this provision shall be made by the appropriate Procedure Committee and announced via Regulatory Circular.*

(iv) No Change.  
 (c)-(e) No Change.

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**Rule 6.14. Hybrid Agency Liaison (HAL)**

This Rule governs the operation of the Hybrid Agency Liaison ("HAL") system. HAL is a feature within the Hybrid System that provides automated order handling in designated *classes trading* on Hybrid [option classes] for qualifying electronic orders that are not automatically executed by the Hybrid System.

(a)-(d) No Change.

**\* \* \* Interpretations and Policies**

No Change.  
 \* \* \* \* \*

**Rule 6.43. Manner of Bidding and Offering**

(a) No Change.  
 (b) Except for *Hybrid and Hybrid 2.0* classes designated for trading on the CBOE Hybrid System, members of the trading crowd may verbalize quotes ("manual quotes") to be input into Exchange systems by quote reporters for dissemination to the Options Price Reporting Authority ("OPRA"). Manual quotes must be for a minimum size of five (5) contracts. A manual quote will remain as the Exchange's disseminated quote until executions deplete the size, until the market maker or floor broker withdraws the quote, or until matched or improved by Autoquote or improved by an order in the electronic Book.

(i) *For Hybrid 3.0 classes, if market participants as defined in Rule 6.45B are eligible to submit orders for entry into the electronic book pursuant to Rule 7.4(a)(1)(i), then the appropriate Procedure Committee may determine to disable manual quotes.*

(ii) *For Hybrid 3.0 classes, automatic execution against a manual quote will not be permissible. However, in accordance with Rule 6.13 automatic execution against public customer orders in the electronic book will be permissible when the electronic book matches a manual quote.*

\* \* \* \* \*

**Rule 6.45B—Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System**

No Change.  
 (a)-(c) No Change.  
 (d) Quotes Interacting with Quotes.  
 (i) In the event that a Market-Maker's disseminated quotes interact with the disseminated quote(s) of other Market-Makers, resulting in the dissemination of a "locked" quote (e.g., \$1.00 bid—1.00 offer), the following shall occur:  
 (A) No Change.  
 (B) No Change.

(C) When the market locks, a "counting period" will begin during which Market-Makers whose quotes are locked may eliminate the locked market. Provided, however, that in accordance with subparagraph (A) above a Market-Maker will be obligated to execute customer and broker-dealer orders eligible for automatic execution pursuant to Rule 6.13 at his disseminated quote in accordance with Rule 8.51. If at the end of the counting period the quotes remain locked, the locked quotes will automatically

execute against each other in accordance with the allocation algorithm described above in Rule 6.45B(a). The length of the counting period will be established by the appropriate Procedure Committee, may vary by product, and will not exceed one second. *For Hybrid 3.0 Classes, the length of the counting period will be established by the appropriate Procedure Committee, may vary by class, and shall not exceed ten seconds.*

(ii) No Change.

**\* \* \* Interpretations and Policies**

.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) agency orders are first exposed on the Hybrid System for at least three (3) seconds, (ii) the order entry firm has been bidding or offering for at least three (3) seconds prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least three (3) seconds before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders.

.03 *For purposes of Interpretations .01 and .02, the minimum exposure time for Hybrid 3.0 Classes shall be determined by the appropriate Procedure Committee, on a class by class basis, provided the minimum exposure time must be at least 3 seconds but shall not exceed 30 seconds.*

\* \* \* \* \*

**Rule 7.4. Obligations for Orders**

(a) Eligibility and Acceptance:

(1) Eligibility: Public customer orders are eligible for entry into the electronic book. Market participants, as defined in Rule 6.45A or 6.45B in *Hybrid and Hybrid 2.0 Classes* shall be eligible to submit orders for entry into the book. The appropriate Procedure Committee may determine on an issue-by-issue basis that the following types of orders may also be eligible for entry into the electronic book:

(i) *Orders submitted by market participants, as defined in Rule 6.45B, in Hybrid 3.0 Classes;*

(ii) No Change.

(iii) No Change.

(2) No Change.

(b)–(f) No Change.

**\* \* \* Interpretations and Policies**

.01–.06 No Change.

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**Rule 8.3. Appointment of Market-Makers**

This Rule governs the appointment of Market-Makers other than Remote Market-Makers. Rule 8.4 governs the appointment of Remote Market-Makers.

(a) No Change.

(b) No Change.

(c) Absent an exemption from the Exchange, an appointment of a Market-Maker confers the right to quote as below:

(i)–(iii) No Change.

(iv) *Hybrid 3.0, Non-Hybrid and Non-Hybrid 2.0 Classes (for purposes of this rule, collectively “Non-Hybrid Classes”).* In addition to paragraphs (i) through (iii) above, and subject to paragraph (v) below, a Market-Maker can select as his appointment one or more Non-Hybrid Classes traded on the Exchange, which confers the right to trade in open outcry in an appropriate number of Non-Hybrid Classes as described below. Each Non-Hybrid Class will be assigned an “appointment cost”, which are set forth below.

(v)–(viii) No Change.

**\* \* \* Interpretations and Policies**

.01 No Change.

\* \* \* \* \*

**Rule 8.7. Obligations of Market-Makers**

(a) No Change.

(b) Appointment. With respect to each class of option contracts for which he holds an Appointment under Rule 8.3, a Market-Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a Market-Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i)–(iii) No Change.

(iv) To price options contracts fairly by, among other things, bidding and/or offering in the following manner:

(A) No Change.

(B) Opening Rotations. The provisions of Rule 8.7(b)(iv)(A) shall apply during the applicable opening rotation employed in *all classes*. [Hybrid classes, Hybrid 2.0 classes, and Non-Hybrid and Non-Hybrid 2.0 classes.]

(C) Option Classes Trading on the Hybrid Trading System. Except as provided in subparagraphs (i) and (ii) below, option classes trading on the Hybrid Trading System may be quoted electronically with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid. The provisions of Rule 8.7(b)(iv)(A) shall apply to any quotes given in open outcry in Hybrid classes.

i.–ii. No Change.

(c) No Change.

(d) Market Making Obligations in Applicable Hybrid and Hybrid 2.0 Classes

The following obligations in this paragraph (d) are only applicable to Market-Makers trading classes on the CBOE Hybrid System and only in those Hybrid and Hybrid 2.0 classes. As such, this paragraph has no applicability to non-Hybrid classes. This paragraph is not applicable to Remote Market-Makers, who instead will be subject to the obligations imposed by Rule 8.7(e). Unless otherwise provided in this Rule, Market-Makers trading classes on the Hybrid System remain subject to all obligations imposed by CBOE Rule 8.7. To the extent another obligation contained elsewhere in Rule 8.7 is inconsistent with an obligation contained in paragraph (d) of Rule 8.7 with respect to a class trading on Hybrid, this paragraph (d) shall govern trading in the Hybrid class.

These requirements are applicable on a per class basis depending upon the percentage of volume a Market-Maker transacts electronically versus in open outcry. With respect to making this determination, the Exchange will monitor Market-Makers' trading activity every calendar quarter to determine whether they exceed the thresholds established in paragraph (d)(i). If a Market-Maker exceeds the threshold established below, the obligations contained in (d)(ii) will be effective the next calendar quarter.

For a period of ninety (90) days commencing immediately after a class begins trading on the Hybrid system, the provisions of paragraph (d)(i) shall govern trading in that class.

(i) No Change.

(ii) No Change.

**\* \* \* Interpretations and Policies**

.01–.02 No Change.

.03 For purposes of Rule 8.7, the following percentage requirements apply to Market-Maker trading activity for each quarter of a calendar year, except for unusual circumstances as determined by the appropriate Market Performance Committee. The appropriate Market Performance

Committee may assign a weighting factor based on volume to one or more classes or series of option contracts in connection with these requirements.

A. No Change.

B. In-Person Requirements for Market-Makers in non-Hybrid and Hybrid 3.0 Classes: Respecting the manner in which Market-Maker transactions may be executed in non-Hybrid and Hybrid 3.0 classes, a Market-Maker must execute in person, and not through the use of orders, at least 25 percent of his total transactions, provided, however, that for any calendar quarter in which a Market-Maker receives Market-Maker treatment for off-floor orders in accordance with Rule 8.1, in addition to satisfying the requirements of paragraph A of this Interpretation .03, the Market-Maker must execute in person, and not through the use of orders, at least 80 percent of his total transactions. The off-floor orders for which a Market-Maker receives Market-Maker treatment shall be subject to the obligations of Rule 8.7(a) and in general shall be effected for the purpose of hedging, reducing risk of, rebalancing or liquidating open positions of the Market-Maker. The appropriate Market Performance Committee may exempt one or more options classes from this calculation. .04–.13 No Change.

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Rule 8.14. Index Hybrid Trading System Classes: Market-Maker Participants

(a) Generally: The appropriate Exchange procedures committee (i) may authorize for trading on the CBOE Hybrid Trading System, [or] Hybrid 2.0 Platform or Hybrid 3.0 Platform index options and options on ETFs trading on the Exchange prior to June 10, 2005 and (ii) if that authorization is granted, shall determine the eligible categories of Market-Maker participants for those options. For index options and options on ETFs trading for the first time on the Exchange on or subsequent to June 10, 2005, the Exchange shall determine the appropriate trading platform ( e.g., CBOE Hybrid Trading System, Hybrid 2.0 Platform, Hybrid 3.0 Platform) and the eligible categories of Market-Maker participants on that platform. The Exchange shall also have the authority to determine whether to change the trading platform on which those options trade and to change the eligible categories of Market-Maker participants for those options. The eligible categories of Market-Maker participants may include:

Designated Primary Market-Makers (“DPM”): Market-Makers as defined in Rule 8.80 whose activities are governed

by, among other rules, CBOE Rules 8.80–8.91.

Lead Market-Makers (“LMM”): Market-Makers as defined in Rule 8.15A whose activities are governed by, among other rules, CBOE Rule 8.15A.

Electronic DPMs (“e-DPM”): Market-Makers as defined in Rule 8.92 whose activities are governed by, among other rules, CBOE Rules 8.92–8.94.

Market-Makers (“MM”): Market-Makers as defined in Rule 8.1 whose activities are governed by, among other rules, CBOE Rules 8.1–8.11.

(b) Each class designated for trading on Hybrid, [or] the Hybrid 2.0 Platform or the Hybrid 3.0 Platform shall have an assigned DPM or LMM. The Exchange or the appropriate Exchange committee, as applicable pursuant to the authority granted under CBOE Rule 8.14(a) to determine eligible categories of Market-Maker participants, may determine to designate classes for trading on Hybrid or the Hybrid 2.0 Platform without a DPM or LMM provided the following conditions are satisfied:

1.–4. No Change.

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**Rule 8.15. Lead Market-Makers and Supplemental Market-Makers in Non-Hybrid and Hybrid 3.0 Classes**

No Change.

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**Rule 8.85. DPM Obligations**

(a) No Change.

(b) No Change.

(c) No Change.

(d) No Change.

(e) Requirement to Own Membership. Each DPM organization shall own one Exchange membership, and own or lease such additional Exchange memberships as may be necessary based on the aggregate “appointment cost” for the classes allocated to the DPM organization. Each membership owned or leased by the DPM organization has an appointment credit of 1.0. The appointment costs for the classes allocated to the DPM organization are:

(i) No Change.

(ii) No Change.

(iii) For non-Hybrid Classes, the appointment costs as set forth and defined in paragraph (c)(iv) of Rule 8.3.

For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the DPM organization would be required to own at least one Exchange membership, and own or lease one additional Exchange membership. The Exchange will rebalance the “tiers” set forth in Rule 8.3(c)(i), excluding the “AA” and “A+”

tiers, once each calendar quarter, which may result in additions or deletions to their composition. When a class changes “tiers” it will be assigned the “appointment cost” of that tier. Upon rebalancing, each DPM organization will be required to own or lease the appropriate number of Exchange memberships reflecting the revised “appointment costs” of the classes that have been allocated to it. Additionally, a DPM organization is required to own or lease the appropriate number of Exchange memberships at the time a new option class allocated to it pursuant to Rule 8.95 begins trading.

An Exchange membership shall include a transferable regular membership or a Chicago Board of Trade full membership that has effectively been exercised pursuant to Article Fifth(b) of the Certificate of Incorporation. The same Exchange membership(s) may not be used to satisfy this ownership requirement for different DPM organizations. In the event the member organization approved as the DPM organization is also approved to act as an RMM and/or e-DPM, and has excess membership capacity above the aggregate appointment cost for the classes allocated to it as the DPM, the member organization may utilize the excess membership capacity to quote electronically in an appropriate number of Hybrid 2.0 Classes in the capacity of a RMM and not trade in open outcry, or to quote electronically in the Hybrid 2.0 Classes in which it is appointed an e-DPM. For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the member organization could request an appointment as an RMM in any combination of Hybrid 2.0 Classes whose aggregate “appointment cost” does not exceed .40. The member organization will not function as a DPM in any of these additional classes. In the event the member organization utilizes any excess membership capacity to quote electronically in some additional Hybrid 2.0 Classes as an RMM or e-DPM, it must comply with the provisions of Rules 8.4(c) and Rule 8.93(vii), respectively.

**\* \* \* Interpretations and Policies:**

No Change.

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**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. 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 parts of such statements.

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

**I. Purpose**

In 2003, CBOE introduced the Hybrid Trading System ("Hybrid" or "Hybrid System"), an electronic trading platform integrated with CBOE's floor-based open-outcry auction market.<sup>4</sup> Under CBOE's existing rules, the Hybrid System currently supports two trading platforms: (i) The original Hybrid Trading System, which is a trading platform that allows individual Market-Makers to submit electronic quotes in their appointed classes; and (ii) Hybrid 2.0, which is an enhanced trading platform that allows remote quoting by authorized categories of Exchange members. These two platforms operate on a technology system that is referred to as the CBOEdirect trade engine. In addition to these two platforms, prior to 2003 and through the present, CBOE has also utilized its TPF mainframe system to support trading in its "non-Hybrid" classes.<sup>5</sup> Therefore, options classes currently may be authorized by the Exchange to trade on the non-Hybrid, the Hybrid Trading System or Hybrid 2.0 platforms.

CBOE has determined to migrate the trading programs operating on its TPF mainframe system over to the CBOEdirect trade engine. To accommodate this changeover, this filing proposes to amend CBOE's Hybrid rules to introduce a third trading platform into its existing CBOEdirect system, called "Hybrid 3.0." Hybrid 3.0 will incorporate certain aspects of both the Hybrid Trading System and non-Hybrid platforms. Current CBOE hybrid rules will apply to the proposed Hybrid 3.0 except for a few distinctions noted below. This in turn will allow CBOE to provide a more streamlined, simplified and enhanced trading functionality for all options products trading on CBOE.

<sup>4</sup> See Securities Exchange Act Release No. 47959 (May 30, 2003), 68 FR 34441 (June 9, 2003).

<sup>5</sup> Currently, the "non-Hybrid" classes consist of options on the S&P 100 Index (OEX), options on the S&P 500 (SPX), and options on the Morgan Stanley Retail Index (MVR). Telephone conference between Greg Hoogasian, Assistant Secretary, CBOE, and Geoffrey Pemble, Special Counsel, Division of Market Regulation, Commission, on April 23, 2007.

Hybrid 3.0 will consist of a single set of automatically updated market quotations that represents the entire group of Market-Makers in the trading crowd that are assigned to an option class.<sup>6</sup> Consistent with this philosophy, Hybrid 3.0 will allow a single electronic quote to be submitted in each option series (collectively "Hybrid 3.0 crowd quote").<sup>7</sup> The single quote in each option series will be generated from either an appointed Designated Primary Market Maker ("DPM") or Lead Market Maker ("LMM"). Thus, as with the existing non-Hybrid platform where there may be an appointed DPM or LMM that generates an automated quote for the trading crowd,<sup>8</sup> in the proposed Hybrid 3.0 platform, the quote that the DPM or LMM electronically disseminates in each option series will be the quote that represents the trading crowd that is assigned to that option series' class.

In Hybrid 3.0, members of the trading crowd will be able to affect changes to the Hybrid 3.0 crowd quote through the submission of manual quotes. The manual quotes disseminated in Hybrid 3.0 Classes will be separate and additional to the Hybrid 3.0 crowd quote. Similar to automatic quotes and manual quotes in existing CBOE non-Hybrid classes, in Hybrid 3.0 Classes, members of the trading crowd may verbalize manual quotes to be input into Exchange systems by quote reporters for dissemination to the Options Price Reporting Authority ("OPRA").<sup>9</sup> In addition, this filing proposes that for Hybrid 3.0 classes, if market participants as defined in Rule 6.45B are eligible to submit orders for entry into the electronic book pursuant to proposed CBOE Rule 7.4(a)(1)(i), then the appropriate Procedure Committee may determine to disable manual quotes.<sup>10</sup> Whether orders are entered into the electronic book or whether manual quoting is allowed, access to Hybrid 3.0 classes will be maintained at all times.

CBOE Rule 7.4, which pertains to the obligations of orders, will be applied to Hybrid 3.0 similar to the way it applies to CBOE's existing Hybrid Trading

<sup>6</sup> By comparison, this is similar to CBOE's existing non-Hybrid platform.

<sup>7</sup> See proposed changes to CBOE Rule 1.1(aaa).

<sup>8</sup> Currently, the non-Hybrid platform allows for the use of an Exchange-sponsored autoquote system. However, this functionality will not be available for Hybrid 3.0.

<sup>9</sup> Similar to the existing functionality for manual quotes in non-Hybrid classes, in Hybrid 3.0 the Exchange's disseminated OPRA quote will not distinguish between electronic and manual quotes but members of the trading crowd will be able to distinguish between electronic and manual quotes.

<sup>10</sup> See proposed changes to CBOE Rule 6.43(b).

System, with one distinction as noted below.<sup>11</sup> Consistent with current practices as applied to Hybrid, Hybrid 3.0 will allow customer orders to rest in the electronic book.<sup>12</sup> In addition, this filing proposes to permit Hybrid 3.0 to be configured to allow other origin order types into the electronic book with certain committee approval. Specifically, CBOE Rule 7.4 would allow the appropriate Procedure Committee to determine, on a class by class basis, to allow certain types of orders (other than customer orders) into the electronic book.<sup>13</sup> This filing proposes to allow the appropriate Procedure Committee to make such a determination in Hybrid 3.0, with one distinction, in that the appropriate Procedure Committee, on a class by class basis, may allow market participants as defined in Rule 6.45B to be eligible to submit orders for entry into the electronic book.<sup>14</sup> This is consistent with current practices in CBOE's non-Hybrid Classes.<sup>15</sup>

On the proposed Hybrid 3.0 platform, automatic execution against quotes will not be allowed.<sup>16</sup> However, if the electronic book price matches a manual quote, then automatic execution will be permissible against public customer orders in the electronic book (for example, if the electronic book is a \$1.20 bid and the manual quote is at a \$1.20 bid, then the system will allow for automatic execution against the \$1.20 electronic book bid but not the \$1.20 quote).<sup>17</sup>

For Hybrid 3.0 Classes, all eligible orders will receive automatic execution against public customer orders in the electronic book. The remaining balance of the eligible order, if any, may be (i) represented in the electronic book provided such order is eligible for book entry pursuant to Rule 7.4 or (ii) if the order is not eligible for book entry, it will route to PAR, BART, or to the order entry firm's booth printer.<sup>18</sup> Even if an order is eligible for book entry, the order entry firm would have the discretion to

<sup>11</sup> See proposed changes to CBOE Rule 7.4.

<sup>12</sup> See CBOE Rule 7.4(a)(1).

<sup>13</sup> *Id.*

<sup>14</sup> Currently, for Hybrid and Hybrid 2.0 classes, CBOE Rule 7.4(a)(1) permits market participants as defined in Rule 6.45A or 6.45B to be eligible to submit orders for entry into the electronic book without the appropriate Procedure Committee's approval.

<sup>15</sup> See CBOE Rule 6.8.01.

<sup>16</sup> See CBOE Rule 6.13.

<sup>17</sup> See proposed changes to CBOE Rule 6.43(b).

<sup>18</sup> By comparison, in CBOE's non-Hybrid Classes, orders may be eligible for automatic execution on the Exchange's Retail Automatic Execution System ("RAES") (See CBOE Rules 6.8 and 24.17). However, the number of trades that occur on RAES is minimal (approximately 1/10th of 1% of all volume occurs on RAES).

have the remaining balance of the eligible order route to PAR, BART, or to the order entry firm's booth printer. Consistent with existing practices in CBOE's non-Hybrid Classes, CBOE will apply similar firm quote surveillance procedures in Hybrid 3.0.

Hybrid 3.0 proposes to permit automatic execution by non-broker-dealer public customers, and, as determined by the appropriate Procedure Committee, on a class-by-class basis, broker-dealers that are not Market-Makers or Specialists on an exchange who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Act ("non-Market-Maker or non-Specialists broker-dealers") may be eligible for automatic execution.<sup>19</sup>

CBOE Rule 6.45B, which relates to the priority and allocation of trades, will also be applied to Hybrid 3.0 similar to the way it is applied to CBOE's existing Hybrid Trading System as described in various examples below.

In Hybrid 3.0, eligible public customer orders in the electronic book may have priority to trade against marketable orders in Hybrid 3.0 classes and multiple customer orders in the electronic book at the same price will be ranked based on time priority pursuant to the priority methods set forth in Rule 6.45B.<sup>20</sup>

Unlike CBOE's non-Hybrid classes, Hybrid 3.0 proposes to allow the interaction of certain market participants' quotes and orders with the electronic book. Specifically, Hybrid 3.0 proposes to allow (i) Each Market-Maker in the trading crowd and (ii) all floor brokers in the trading crowd (collectively referred to as "in-crowd market participants" or "ICMPs") to trade against the electronic book pursuant to CBOE Rule 6.45B(c). As with CBOE's existing Hybrid platforms and pursuant to CBOE Rule 6.45B(c), if only one ICMP submits an electronic order or quote to trade with an order in the electronic book on the proposed Hybrid 3.0, then that ICMP will automatically execute against the order in the electronic book and shall be entitled to receive an allocation of the order in the electronic book up to the size of the market participant's order or quote. For instances when there is more than one ICMP, Hybrid 3.0 proposes to allow the use of a quote trigger (joining

period) which may be set by the appropriate Procedure Committee, on a class by class basis, pursuant to CBOE Rule 6.45B(c). Under the quote trigger process, the first ICMP to interact with the electronic book order starts a counting period lasting N-seconds whereby each ICMP that submits an order within that "N-second period" becomes part of the "N-second group" and is entitled to share in the allocation of that order via the formula contained in CBOE Rule 6.45B(c).

CBOE Rule 6.45B(d) currently governs the interaction of quotes when they are locked (e.g., \$1.00 bid-1.00 offer). Specifically, CBOE Rule 6.45B(d) provides that when the quotes of two Market-Makers interact (i.e., "quote lock"), either party has one second during which it may move its quote without obligation to trade with the other party. If, however, the quotes remain locked at the conclusion of one-second, the quotes trade in full against each other. For quote locks in Hybrid 3.0 classes, this filing proposes the length of the counting period to be set by the appropriate Procedure Committee pursuant to CBOE Rule 6.45B(d) provided that the period shall not exceed ten seconds.<sup>21</sup> The proposed ten second threshold is intended to provide additional flexibility for Market-Makers to become acclimated with Hybrid 3.0.<sup>22</sup>

Regarding the time periods pertaining to order exposure in "Principal Transactions" in Interpretation .01 of Rule 6.45B and "Solicitation Orders" in Interpretation .02 of Rule 6.45B, this filing proposes a minimum exposure time for Hybrid 3.0 classes, on a class-by-class basis, to be at least three seconds but shall not exceed thirty seconds.<sup>23</sup> Again, this extended time frame for exposure will provide additional flexibility as ICMPs become more acclimated with Hybrid 3.0.<sup>24</sup>

Since Hybrid 3.0 proposes a single quoter environment, only the DPM or LMM responsible for generating the trading crowd's quote will be required to enter quotes as part of the opening rotations<sup>25</sup> in Hybrid 3.0 option classes. The DPM or LMM must enter opening quotes in opening rotations that comply with the legal quote width requirements of Rule 8.7(b)(iv), and if there is not a

quote present in a series that complies with the legal quote width requirements of Rule 8.7(b)(iv), then that series will not open.<sup>26</sup> Additionally, Hybrid 3.0 will allow public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist participation in the opening. Since Hybrid 3.0 is a single quoter environment, these participants will not be permitted to enter opening quotes in opening rotations but will be permitted to directly enter opening orders in opening rotations in Hybrid 3.0 classes.<sup>27</sup>

Similar to CBOE's non-Hybrid classes, Hybrid 3.0 also proposes to allow special "modified" opening procedures for settlement in options on the Volatility Indexes.<sup>28</sup> Similar to what is utilized today in CBOE's non-Hybrid classes, the proposed Modified HOSS Opening Procedures in Hybrid 3.0 will provide a more accurate determination of these settlement values and will assure that these values more closely converge with the prices of the index options from which they are derived just as they do for settlement in the Volatility Indexes. This in turn will continue to make it easier for all market participants to participate fully in the establishment of the settlement values of Volatility Indexes in an efficient and automated manner.

Consistent with CBOE's current Hybrid platforms, this filing also proposes to allow the appropriate Exchange committee to determine whether complex orders entered in Hybrid 3.0 option classes are eligible for entry into CBOE's Complex Order Book.<sup>29</sup>

Overall, this filing proposes to incorporate Hybrid 3.0 into CBOE's existing Hybrid rules, since Hybrid 3.0 is being introduced as an additional platform to CBOE's current Hybrid Trading System. By establishing Hybrid

<sup>26</sup> By comparison, this is consistent with the opening quote requirements in CBOE's existing Hybrid classes that utilize CBOE's Hybrid Opening System ("HOSS") (See CBOE Rule 6.2B).

<sup>27</sup> See proposed Interpretation .01 to CBOE Rule 6.2B. By comparison, in non-Hybrid option classes (such as options on the S&P 500 ("SPX") and options on the S&P 100 ("OEX")), Market-Makers and broker-dealers are not able to directly participate in the opening series that utilize ROS. For example, Market-Makers who wish to participate on ROS in the opening series in non-Hybrid option classes may submit orders through the LMM at least ten minutes prior to the opening of trading pursuant to CBOE Rules 6.2A and 24.13.

<sup>28</sup> See the "Modified HOSS Opening Procedures" in proposed Interpretation .01 to CBOE Rule 6.2B. By comparison, non-Hybrid option classes that utilize RAES and ROS have special procedures for purposes of settlement in the volatility indexes called "Modified ROS Opening Procedures" pursuant to Interpretation .03 to CBOE Rule 6.2A.

<sup>29</sup> See CBOE Rule 6.53C.

<sup>21</sup> See proposed changes to CBOE Rule 6.45B(d).

<sup>22</sup> By comparison, the current quote lock timer for Hybrid and Hybrid 2.0 classes may not exceed one second. (See CBOE Rule 6.45B(d)(i)(C)).

<sup>23</sup> See proposed changes to CBOE Rule 6.45B.01 and 6.45B.02.

<sup>24</sup> By comparison, the current exposure period for Hybrid and Hybrid 2.0 classes is at least three seconds. (See CBOE Rule 6.45B.01 and 6.45B.02).

<sup>25</sup> Opening rotations include all openings and re-openings in Hybrid 3.0 option classes.

<sup>19</sup> See proposed changes to CBOE Rule 6.13(b)(i)(C)(i). By comparison, this is consistent with the appropriate Procedure Committee's determination to permit broker-dealer orders to be automatically executed through RAES in CBOE's non-Hybrid Classes (See CBOE Rule 6.8.01).

<sup>20</sup> See CBOE Rule 6.45B(a)(ii)(A)(1).

3.0, CBOE will then be able to migrate all of its trading platforms to the more advanced CBOE direct technology platform. For these reasons, we are proposing to define all references to "Hybrid," "Hybrid System," and "Hybrid Trading System" in CBOE's rules to mean all CBOE hybrid platforms, including Hybrid 3.0, unless otherwise provided by a specific CBOE rule.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")<sup>30</sup> in general and furthers the objectives of Section 6(b)(5) of the Act<sup>31</sup> in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

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

This proposed rule change does not 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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) As the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve the proposed rule change, or

B. Institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with

the Act. Comments may be submitted by any of the following methods:

### Electronic Comments

<bullet> Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

<bullet> Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2006-101 on the subject line.

### Paper Comments

<bullet> 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 Number SR-CBOE-2006-101. 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 offices 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-CBOE-2006-101 and should be submitted on or before May 24, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>32</sup>

**Florence E. Harmon,**  
Deputy Secretary.

[FR Doc. E7-8395 Filed 5-2-07; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55673; File No. SR-CBOE-2007-38]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Extension of a Pilot Program That Allows for the Listing of Option Series at \$1 Strike Price Intervals

April 26, 2007.

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 April 24, 2007, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by CBOE. The Exchange has filed the proposal as a "non-controversial" rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it 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 proposes to extend the pilot period for the \$1 strike price pilot program ("Pilot Program") for an additional year until June 5, 2008. The text of the proposed rule change is available at CBOE, the Commission's Public Reference Room, and <http://www.cboe.org/legal>.

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

In its filing with the Commission, CBOE 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. CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>30</sup> 15 U.S.C. 78f(b).

<sup>31</sup> 15 U.S.C. 78f(b)(5).

<sup>32</sup> 17 CFR 200.30-3(a)(12).