

(ii) as to which the Exchange 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 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-CBOE-2007-04 on the subject line.

Paper Comments

- 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-2007-04. 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, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2007-04 and should

be submitted on or before August 30, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56191; File No. SR-CBOE-2007-79]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto To Eliminate Position and Exercise Limits for Options on the Russell 2000 Index, and To Specify That Reduced-Value Options on Broad-Based Security Indexes for Which Full-Value Options Have No Position and Exercise Limits Similarly Have No Position and Exercise Limits

August 2, 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 July 17, 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. On August 2, 2007, the Exchange filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, 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 eliminate position and exercise limits for options on the Russell 2000 Index ("RUT"), a broad-based securities index that is multiply-listed and heavily traded. The Exchange also proposes to amend CBOE Rules 24.4(a) and 24.5 to specify that reduced-value options on broad-based security indexes for which full-value

options have no position and exercise limits similarly have no position and exercise limits. In addition, the Exchange proposes to make technical changes to Rules 24.4, 24.5, and 24A.7. The text of the proposed rule change is available on CBOE's Web site (<http://www.cboe.org/legal>), at CBOE, and at the Commission's Public Reference Room.

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 Exchange proposes to eliminate position and exercise limits for options on RUT, a broad-based securities index that is multiply-listed and heavily traded.⁴ The Exchange also proposes to amend Rules 24.4(a) and 24.5 to specify that reduced-value options on broad-based security indexes for which full-value options have no position and exercise limits similarly have no position and exercise limits. In addition, the Exchange proposes to make technical changes to Rules 24.4, 24.5, and 24A.7 to specify that there are no position and exercise limits for European-Style Exercise S&P 100 Index options ("XEO") and to add "XEO" to the position reporting and margin rules.

Eliminate Position and Exercise Limits for RUT Options

The Exchange believes that the circumstances and considerations relied

⁴ The current position and exercise limits for RUT options are 50,000 contracts, with no more than 30,000 of such contracts in a series in the nearest expiration month, were established almost 15 years ago when the Commission approved the rule change that provided for the listing and trading of RUT options and have since remained unchanged. See Securities Exchange Act Release No. 31382 (October 30, 1992), 57 FR 52802 (November 5, 1992) (SR-CBOE-1992-02). See also Rule 24.4, Position Limits for Broad-Based Index Options, and Rule 24.5, Exercise Limits, (providing that exercise limits for index option contracts are equivalent to prescribed position limits).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange made minor corrections to the rule text and purpose section of the proposed rule change.

upon by the Commission in approving the elimination of position and exercise limits for other heavily traded broad-based index options (e.g., options on the S&P 500 Index ("SPX"), the S&P 100 Index ("OEX"), the Dow Jones Industrial Average Index ("DJX"), and the Nasdaq-100 Index ("NDX")) equally apply to the current proposal relating to RUT position and exercise limits.⁵

In approving the elimination of position limits for SPX, OEX, DJX, and NDX options, the Commission considered the enormous capitalization of each of these indexes and the deep and liquid markets for the securities underlying each index significantly reduced concerns of market manipulation or disruption in the underlying markets. The Commission also noted the active trading volume for options on the respective indexes. CBOE believes that RUT shares these factors in common with the SPX, OEX, DJX, and NDX. As of the date of this rule filing, the approximate market capitalizations of the SPX, OEX, DJX, and NDX were \$13.95 trillion, \$8.06 trillion, \$4.4 trillion and \$2.36 trillion, respectively, the average daily trading volumes ("ADV's") for all underlying components of the indexes were 1.27 billion, 540 million, 240 million, and 400 million shares, respectively, and the ADV for options on the indexes were 610,000 contracts, 60,000 contracts, 34,000 contracts, and 58,000 contracts respectively.⁶ CBOE believes that RUT has very comparable characteristics. The market capitalization for RUT is \$1.73 trillion dollars, the ADV for the underlying securities is 535 million shares, and the ADV for the option is 79,000 contracts.

In approving the elimination of position and exercise limits for SPX, OEX, DJX, and NDX options, the Commission also noted that the financial requirements imposed by both the Exchange and the Commission serve to address any concerns that a CBOE member or its customer(s) may try to maintain an inordinately large unhedged position in the indexes. These identical financial requirements would also apply to RUT options. Under CBOE rules, the Exchange has the authority to

impose additional margin and/or assess capital charges and is further able to monitor accounts to determine when such action is warranted.⁷

Finally, the Commission relied heavily on the Exchange's ability to provide surveillance and reporting safeguards to detect and deter trading abuses arising from the elimination of position and exercise limits in options on these indexes. The Exchange represents that it monitors trading in RUT options in much the same manner as trading in SPX, OEX, DJX, and NDX options and that the current CBOE surveillance procedures are more than adequate to continue monitoring RUT options. In addition, the Exchange intends to impose a reporting requirement on CBOE members (other than CBOE market-makers) or member organizations that trade RUT options. This reporting requirement, which is currently imposed on members who trade SPX, OEX, and NDX options, would require members or member organization who maintain in excess of 100,000 RUT contracts on the same side of the market, for their own accounts or for the account of customers, to report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in a manner and form required by the Exchange's Department of Market Regulation.⁸ The Exchange also may specify other reporting requirements, as well as the limit at which the reporting requirement may be triggered.⁹

In the interest of consistency, the Exchange also proposes to amend Exchange Rules relating to the trading of FLEX broad-based index options to reflect that there shall be no exercise or position limits on RUT options and to adopt the 100,000 contract reporting requirements for FLEX RUT options.¹⁰

In order to reflect the above-referenced proposed changes, the Exchange proposes to specify "RUT" in the text of Rules 24.4, Position and Limits for Broad-Based Index Options, and 24.5, Exercise Limits, as an option class on a broad-based index for which there are no position and exercise limits. Similarly, the Exchange proposes deleting the listing of "Russell 2000"

from the chart contained in Rule 24.4(a). In addition, the Exchange proposes adding "RUT" to the text of Interpretation and Policy .03 to Rule 24.4, Reporting Requirements, and to the text of Interpretation and Policy .04 to Rule 24.4, Margin and Clearing Firm Requirements. Finally, the Exchange proposes adding "RUT" to the text of Rule 24A.7, Position Limits for FLEX narrow-Based Index Options; Reporting Requirements for Flex Broad-Based Index Options and Flex Equity Options.

The Exchange believes that eliminating position and exercise limits for RUT options and FLEX options is consistent with CBOE rules relating to similar broad-based indexes and also allows CBOE members and their customers greater hedging and investment opportunities.

No Position and Exercise Limits for Reduced-Value Options on Broad-Based Indexes for Which There Are No Position and Exercise Limits for Full-Value Options

The Exchange lists and trades several reduced-value options on broad-based indexes for which the Exchange also lists and trades full-value options (e.g., Mini-SPX Index ("XSP") options, Mini-Russell 2000 Index ("RMN") options and Mini-Nasdaq-100 Index ("MNX") options). When the Exchange received approval to list and trade reduced-value options on broad-based indexes, the proscribed position and exercise limits were equivalent to the reduced-value contract factor (e.g., 10) multiplied by the applicable position and exercise limits for the full-value option on the same broad-based index.¹¹ For example, the position and exercise limits for RMN options (1/10th RUT value) are 500,000 contracts, which is equal to the applicable factor (10) multiplied by the position limit for RUT options (50,000). In other words, the Exchange's existing rules applicable to position and exercise limits for full-value broad-based index options are used to calculate the position and exercise limits for reduced-value options.¹²

¹¹ See Securities Exchange Act Release Nos. 32893 (September 14, 1993), 58 FR 49070 (September 21, 1993) (order approving SR-CBOE-1993-12 to list and trade XSP options); 43000 (July 10, 2000), 65 FR 42409 (July 30, 2000) (order approving SR-CBOE-2000-15 to list and trade MNX options); and 51220 (February 17, 2005), 70 FR 9398 (February 25, 2005) (order approving SR-CBOE-2004-89 to list and trade RMN options and other reduced-value options on the Russell 2000 Index).

¹² See Rule 24.4(d) ("Positions in reduced-value index options shall be aggregated with positions in full-value indices. For example, if an index is reduced by one-tenth, ten (10) reduced-value contracts shall equal one contract. If an index is

⁵ See Securities Exchange Act Release Nos. 44994 (October 26, 2001), 66 FR 55722 (November 2, 2001) (SR-CBOE-2001-22) (order granting permanent approval to the elimination of position and exercise limits on SPX, OEX and DJX options); and 52650 (October 21, 2005), 70 FR 62147 (October 28, 2005) (SR-CBOE-2005-41) (order approving the elimination of position and exercise limits on NDX options). The Exchange also notes that there are no position and exercise limits for volatility index options based on the SPX, DJX and NDX.

⁶ ADVs are calculated over the previous three months of trading.

⁷ See Interpretation and Policy .04 to Rule 24.4 and also Rule 15c3-1 under the Act.

⁸ See Interpretation and Policy .03 to Rule 24.4. The reporting requirements for DJX options are triggered at 1 million contracts.

⁹ *Id.*

¹⁰ See Rules 24A.7 and 24A.8. These rules are the subject of a pending rule filing, SR-CBOE-2006-99 (proposal to adopt rules related to FLEX Hybrid Trading System). Given the potential timing of the effectiveness of these two filings, the Exchange notes that an amendment may need to be submitted in order to reconcile the text of the two proposals.

Conversely, when the Exchange's rules specifically state that certain full-value broad-based index options have no position and exercise limits, the same equally applies to reduced-value options on those same broad-based indexes.¹³ In order to codify this provision, the Exchange proposes to amend Rules 24.4, Position Limits for Broad-Based Index Options, and 24.5, Exercise Limits, by adding the parenthetical phrase, "including reduced-value option contracts" prior to the identification of those full-value broad-based index options for which there are no position and exercise limits.

To reflect that there are no position limits for reduced-value options on the Russell 2000 Index and the Nasdaq-100 Index, the Exchange proposes deleting the listing of "Nasdaq 100 Index (1/10th) (MNX)," and "Russell 2000 Index (1/10th)" from the chart contained in Rule 24.4(a). Similarly, the Exchange proposes deleting the listing of "Nasdaq 100 Stock Index (1/10th value) (MNX)," "Russell 2000 Index (1/10th)," and "Russell 2000 Index (1/5th)" from the chart contained in Interpretation and Policy .01(e) to Rule 24.4.¹⁴

In addition, because position and exercise limits for reduced-value options are aggregated with full-value options for purposes of determining compliance with position and exercise limits, the Exchange proposes amending Interpretation and Policy .03 to Rule 24.4 and Rule 24A.7 to reflect that such aggregation will apply when calculating reporting requirements.¹⁵ Specifically, the Exchange proposes to add the sentence, "[i]n calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 XSP options equal 1 SPX full-value contract)."

reduced by one-fifth, five (5) reduced-value contracts shall equal one contract."').

¹³ See e.g., Securities Exchange Act Release No. 50759 (November 30, 2004), 69 FR 70728 (December 7, 2004) (SR-CBOE-2004-74) (immediately effective proposal to list, among other things, reduced-value options on the XEO for which there are no position and exercise limits because XEO has no position and exercise limits).

¹⁴ The Exchange inadvertently neglected to request the Commission's approval to delete the text listing MNX options in these rules when the Exchange eliminated position and exercise limits for NDX options. See Securities Exchange Act Release No. 52650 (October 21, 2005), 70 FR 62147 (October 28, 2005) (order approving elimination of position and exercise limits for NDX options).

¹⁵ See also Rule 24.4(d).

Technical XEO Option Changes

Lastly, the Exchange proposes to make technical changes to Rules 24.4 and 24.5 to specify that there are no position and exercise limits for XEO options.¹⁶ The Exchange proposes to reflect this by adding "XEO" to the text of Rules 24.4 and 24.5. In addition, the Exchange proposes to add "XEO" to the text of Interpretation and Policy .03 to Rule 24.4, Reporting Requirement, and the text of Interpretation and Policy .04 to Rule 24.4, Margin and Clearing Firm Requirements. Finally, the Exchange proposes to add "XEO" to the text of Rule 24A.7, Position Limits for FLEX narrow-Based Index Options; Reporting Requirements for Flex Broad-Based Index Options and Flex Equity Options.

2. Statutory Basis

Because this rule proposal will place position and exercise limits for RUT options that are multiply-listed and heavily-traded on an equal basis with other similar and heavily-traded broad-based index options and because it will make the Exchange's rules more explicit with respect to position and exercise limits and other reporting and margin requirements, the Exchange believes the rule proposal is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of section 6(b) of the Act.¹⁷ Specifically, the Exchange believes that the proposed rule change is consistent with the section 6(b)(5) Act¹⁸ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.

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

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

¹⁶ See Securities Exchange Act Release No. 44994 (October 26, 2001), 66 FR 55722 (November 2, 2001) (order approving SR-CBOE-2001-22 and granting permanent approval to the elimination of position and exercise limits on SPX, OEX, and DJX options). The only difference between OEX and XEO options is the manner in which the respective contracts are exercised (i.e., American-style versus European-style).

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(5).

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposal.

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 such 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 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-CBOE-2007-79 on the subject line.

Paper Comments

- 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-2007-79. 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, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of CBOE. 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-2007-79 and should be submitted on or before August 24, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁹

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56197; File No. SR-CBOE-2007-91]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Temporary Membership Status Access Fee

August 3, 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 July 26, 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 prepared by the Exchange. CBOE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A),³ and Rule 19b-4(f)(2) 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

CBOE proposes to adopt a monthly access fee for persons granted temporary CBOE membership status pursuant to Interpretation and Policy .01 under CBOE Rule 3.19 ("Rule 3.19.01"). The text of the proposed rule change is provided below. Changes are indicated by *italics*, and deletions are [bracketed].

* * * * *

Chicago Board Options Exchange, [INC.] Incorporated

Fees Schedule July [2]26, 2007.

1.-4. Unchanged.

Footnotes: (1)-(16) Unchanged.

5.-21. Unchanged.

22. TEMPORARY MEMBERSHIP STATUS ACCESS FEE \$4700 per month*

*This access fee is assessed to each person granted temporary CBOE membership status under CBOE Rule 3.19.01. The access fee is due and payable for each calendar month on the first day of that calendar month. The first month for which the access fee will be assessed is September 2007. The access fee is non-refundable except as specified below. The access fee and any other applicable monthly fees will be assessed for a calendar month unless the person provides written notice to the Membership Department at least five business days prior to the start of that month that the person is relinquishing temporary membership status effective on a date prior to the start of that month. The access fee will be assessed through the integrated billing system. The access fee will terminate when the SEC takes final action on SR-CBOE-2006-106. All access fees shall be payable to and held in an interest-bearing escrow account maintained by the Exchange until the SEC takes such final action. The Exchange will retain such fees if the SEC approves SR-CBOE-2006-106, and such fees will be returned to the payor, with interest, if the SEC disapproves SR-CBOE-2006-106.

Remainder of Fee Schedule:
Unchanged.

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Chicago Board Options Exchange, Incorporated

Rules

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Rule 3.19. Termination from Membership

Rule 3.19. No change.

* * * *Interpretations and Policies:*

.01 If the proposed merger between Chicago Mercantile Exchange Holdings, Inc. and CBOT Holdings, Inc. ("CME/CBOT Transaction"), the parent company of the Board of Trade of the City of Chicago, Inc. ("CBOT"), is consummated and if such consummation occurs before the Securities and Exchange Commission ("Commission") takes final action on SR-CBOE-2006-106, a person who is a member of CBOE (an "exerciser member") pursuant to paragraph (b) of Article Fifth of the CBOE Certificate of Incorporation ("Article Fifth(b)") as of July 1, 2007 will be granted temporary membership status at the Exchange, until the Commission takes final action on SR-CBOE-2006-106, if and only if such person (i) Remains an exerciser member in good standing as of the close of business on the trading day immediately before the consummation of the CME/CBOT Transaction, (ii) thereafter remains in good standing and continues to pay all applicable fees, dues, assessments and other like charges that are assessed against CBOE members, and (iii) pays to the Exchange, for each month starting in the *second* month after the CME/CBOT Transaction is consummated, a monthly access fee [based on the then current monthly lease fees being paid to lessors of the interest that CBOT denominates as a full CBOT membership, with such fee to be] set by the Exchange [on a monthly basis based on published lease fee information]. Such access fee shall be due and payable in *accordance with the provisions of the Exchange Fee Schedule* [advance of each calendar month that the person decides to retain the temporary membership status granted pursuant to this paragraph]. All such access fees shall be payable to and held in an interest-bearing escrow account maintained by the Exchange until the Commission takes final action on SR-CBOE-2006-106. The Exchange will retain such fees if the Commission approves SR-CBOE-2006-106, and such fees will be returned to the payor, *with interest*, if the Commission disapproves SR-CBOE-2006-106. The temporary membership status granted pursuant to this paragraph shall be subject to the regulatory jurisdiction of CBOE under the Act, the Constitution and the Rules, including CBOE's disciplinary jurisdiction under Chapter XVII.

* * * * *

¹⁹ 17 CFR 200.30-3(a)(12).

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)(2).