

Exchange Commission, C/O Shirley Martinson, 6432 General Green Way, Alexandria, VA 22312; or send an e-mail to: PRA_Mailbox@sec.gov. Comments must be submitted to OMB within 30 days of this notice.

Dated: October 4, 2007.

Nancy M. Morris,
Secretary.

[FR Doc. E7-20215 Filed 10-12-07; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Federal Register Citation of Previous Announcement: [72 FR 57615, October 10, 2007].

Status: Closed Meeting.

Place: 100 F Street, NE., Washington, DC.

Announcement of Additional Meeting: Additional Meeting (Week of October 9, 2007).

The Commission has scheduled a Closed Meeting for Wednesday, October 10, 2007 at 4:30 p.m.

Commissioners, the Secretary to the Commission, and the General Counsel of the Commission will attend the Closed Meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, exemption 5 U.S.C. 552b(c)(5), (7), (9)(ii) and (10) and 17 CFR 200.402(a)(5), (7), (9)(ii) and (10) permit consideration of the scheduled matter at the Closed Meeting.

Commissioner Atkins, as duty officer, voted to consider the item listed for the closed meeting in closed session, and determined that no earlier notice thereof was possible.

The subject matter of the Closed Meeting scheduled for Wednesday, October 10, 2007 will be:

Institution and settlement of injunctive actions.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 551-5400.

Dated: October 10, 2007.

Nancy M. Morris,
Secretary.

[FR Doc. E7-20281 Filed 10-12-07; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56631; File No. CBOE-2007-99]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, Relating to a Delta Hedging Exemption From Equity Options Position Limits

October 9, 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 August 21, 2007, the Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared substantially by the CBOE. The Exchange filed Amendment No. 1 to the proposal on October 4, 2007.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to create a delta hedging exemption from equity options position limits. The text of the proposed rule change is available at CBOE, the Commission’s Public Reference Room, and <http://www.cboe.com/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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 replaces and supersedes the previously filed proposed rule change in its entirety.

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

1. Purpose

All options traded on the Exchange are subject to position and exercise limits, as provided under CBOE Rules 4.11 and 4.12.⁴ Position limits are imposed, generally, to maintain fair and orderly markets for options and other securities by limiting the amount of control one or more affiliated persons or entities may have over one particular options class or the security or securities that underlie that options class. Exchange rules also contain various hedge exemptions to allow certain hedged positions in excess of the applicable standard position limit.⁵

Over the years, CBOE has increased the size of options position and exercise limits, as well as the size and scope of available hedge exemptions to the applicable position limits.⁶ These hedge exemptions generally require a one-to-one hedge (*i.e.*, one stock option contract must be hedged by the number of shares underlying the options contract, typically 100 shares). In practice, however, many firms do not hedge their options positions in this manner. Instead, these firms engage in what is commonly known as “delta hedging.” Delta hedging varies the number of shares of the underlying security used to hedge an options position based upon the relative sensitivity of the value of the option contract to a change in the price of the underlying security.⁷ Delta hedging is a widely accepted method for risk management.

Delta Neutral-Based Equity Hedge Exemption. The Exchange proposes to adopt a new exemption from equity options position and exercise limits⁸ for positions held by CBOE members and certain of their affiliates that are “delta

⁴ Position limits for index options are provided separately under CBOE Rules 24.4, 24.4A, and 24.4B.

⁵ See Interpretation and Policy .04 to Rule 4.11.

⁶ See, *e.g.*, Securities Exchange Act Release No. 55176 (January 25, 2007), 72 FR 4741 (February 1, 2007) (SR-CBOE-2007-08); Securities Exchange Act Release No. 51244 (February 23, 2005), 70 FR 10010 (March 1, 2005) (SR-CBOE-2003-30); and Securities Exchange Act Release No. 45603 (March 20, 2002), 67 FR 14751 (March 27, 2002) (SR-CBOE-00-12).

⁷ To illustrate, a stock option contract with a delta of .5 will move \$0.50 for every \$1.00 move in the underlying stock.

⁸ Rule 4.12 establishes exercise limits for an option at the same level as the option’s position limit under Rule 4.11; therefore, no changes are proposed to Rule 4.12.