

appropriate in the public interest, consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act, and consistent with and supported by Commission precedent. Applicants also submit that the provisions for recapture of Credit Enhancements under the Contracts do not violate Section 2(a)(32) and 27(i)(2)(A) of the 1940 Act and Rule 22c-1 thereunder.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Florence E. Harmon,**  
*Acting Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-58043; File No. SR-ODD-2008-02]

### Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of Accelerated Delivery of Supplement to the Options Disclosure Document Reflecting Changes to Disclosure Regarding Certain Binary Stock and Index Options, Range Options and Delayed Start Options

June 26, 2008.

On June 9, 2008, The Options Clearing Corporation (“OCC”) submitted to the Securities and Exchange Commission (“Commission”), pursuant to Rule 9b-1 under the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> five preliminary copies of a supplement to its options disclosure document (“ODD”) reflecting changes to disclosure regarding certain binary options on stock and broad-based indexes, range options and delayed start options (“DSOs”).<sup>2</sup> On June 26, 2008, the OCC submitted to the Commission five definitive copies of the supplement.<sup>3</sup>

The ODD currently contains general disclosures on the characteristics and risks of trading standardized options. Recently, the Chicago Board Options Exchange, Incorporated (“CBOE”) amended its rules to permit the listing

and trading of certain binary index options.<sup>4</sup> The CBOE also recently amended its rules to permit the listing and trading of range options.<sup>5</sup> The proposed supplement amends the ODD to accommodate these changes by providing disclosure regarding certain binary stock and index options, range options and DSOs.<sup>6</sup>

Specifically, the proposed supplement to the ODD adds new disclosure regarding the characteristics of binary index options on broad-based indexes as well as the special risks of these binary index options. The proposed supplement to the ODD also adds new disclosure regarding the characteristics and special risks of range options. Finally, the proposed supplement makes disclosures regarding the characteristics and special risks of binary stock options and DSOs.<sup>7</sup> The proposed supplement is intended to be read in conjunction with the more general ODD, which, as described above, discusses the characteristics and risks of options generally.<sup>8</sup>

Rule 9b-1(b)(2)(i) under the Act<sup>9</sup> provides that an options market must file five copies of an amendment or supplement to the ODD with the

<sup>4</sup> See Securities Exchange Act Release No. 57850 (May 22, 2008), 73 FR 31169 (May 30, 2008) (SR-CBOE-2006-105). CBOE Rule 22.3(a) permits it to trade binary options on any broad-based index that has been selected in accordance with CBOE Rule 24.2.

<sup>5</sup> See Securities Exchange Act Release No. 57376 (February 25, 2008), 73 FR 11689 (March 4, 2008) (SR-CBOE-2007-104). CBOE Rule 20.3(a) permits it to trade range options on any index that is eligible for options trading on CBOE.

<sup>6</sup> The proposed June supplement supersedes and replaces the April 2008 supplement to the ODD to accommodate the approval of trading of certain binary index options and range options. See notes 4 and 5, *supra*. The April 2008 supplement contained disclosure on binary options on individual equity securities, including exchange-traded funds, and DSOs, which were previously approved for trading by the Commission. See Securities Exchange Act Release No. 56251 (August 14, 2007), 72 FR 46523 (August 20, 2007) (SR-Amex-2004-27) (order approving the listing and trading of binary options on individual stocks and exchange-traded funds, also known as fixed return options) and Securities Exchange Act Release No. 56855 (November 28, 2007), 72 FR 68610 (December 5, 2007) (CBOE-2006-90) (order approving the listing and trading of DSOs).

<sup>7</sup> The Commission notes that the disclosure regarding binary stock options and DSOs in the proposed June supplement is substantially similar to that provided in the April 2008 supplement.

<sup>8</sup> The Commission notes that the options markets must continue to ensure that the ODD is in compliance with the requirements of Rule 9b-1(b)(2)(i) under the Act, 17 CFR 240.9b-1(b)(2)(i), including when future changes regarding binary index options, range options and/or DSOs are made. Any future changes to the rules of the options markets concerning binary index options, range options and/or DSOs would need to be submitted to the Commission under Section 19(b) of the Act. 15 U.S.C. 78s(b).

<sup>9</sup> 17 CFR 240.9b-1(b)(2)(i).

Commission at least 30 days prior to the date definitive copies are furnished to customers, unless the Commission determines otherwise, having due regard to the adequacy of information disclosed and the public interest and protection of investors.<sup>10</sup> In addition, five copies of the definitive ODD, as amended or supplemented, must be filed with the Commission not later than the date the amendment or supplement, or the amended options disclosure document, is furnished to customers. The Commission has reviewed the proposed supplement and finds, having due regard to the adequacy of information disclosed and the public interest and protection of investors, that the proposed supplement may be furnished to customers as of the date of this order.

*It is therefore ordered*, pursuant to Rule 9b-1 under the Act,<sup>11</sup> that definitive copies of the proposed supplement to the ODD (SR-ODD-2008-02), reflecting changes to disclosure regarding certain binary stock and index options, range options and DSOs may be furnished to customers as of the date of this order.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Florence E. Harmon,**  
*Acting Secretary.*

[FR Doc. E8-15102 Filed 7-2-08; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-58051; File No. SR-CBOE-2008-54]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Proposed Rule Change Related to Sponsored Users

June 27, 2008.

On May 12, 2008, Chicago Board Options Exchange, Incorporated (“CBOE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend CBOE Rule 6.20A to permit Sponsored User

<sup>10</sup> This provision permits the Commission to shorten or lengthen the period of time which must elapse before definitive copies may be furnished to customers.

<sup>11</sup> 17 CFR 240.9b-1.

<sup>12</sup> 17 CFR 200.30-3(a)(39).

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

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

<sup>1</sup> 17 CFR 240.9b-1.

<sup>2</sup> See letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division of Trading and Markets (“Division”), Commission, dated June 9, 2008.

<sup>3</sup> See letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division of Commission, dated June 25, 2008.

access to all products traded on CBOE. The proposed rule change was published for comment in the **Federal Register** on May 27, 2008.<sup>3</sup> The Commission received no comments regarding the proposal.

The Commission has carefully reviewed the proposed rule change and finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange<sup>4</sup> and, in particular, Section 6(b)(5) of the Act,<sup>5</sup> which requires that an exchange have rules designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

The proposal will expand the scope of Sponsored User access, which has previously been approved by the Commission,<sup>6</sup> beyond CBOE's FLEX Hybrid Trading System ("FLEX") and the CBOE Stock Exchange facility ("CBSX") to all other products that are traded on CBOE. Sponsored Users who access other products trading on CBOE will be subject to the same requirements as Sponsored Users on FLEX and CBSX.<sup>7</sup> In addition, although the number of Sponsored Users who may access products other than FLEX and CBSX will be limited to fifteen, CBOE will admit applicants in a non-discriminatory manner using a first-in, first-out method. In this regard, CBOE's actions will be subject to review under Chapter XIX of its rules.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-CBOE-2008-54) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Florence E. Harmon,**

*Acting Secretary.*

[FR Doc. E8-15104 Filed 7-2-08; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-58038; File No. SR-ISE-2008-50]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Exposure of Public Customer Orders to all ISE Members

June 26, 2008.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 23, 2008, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the ISE. The ISE has designated the proposed rule change 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 the proposed rule change 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 ISE proposes to amend ISE Rule 803 relating to the exposure of public customer orders. The text of the proposed rule change is available on ISE's Web site at <http://www.ise.com>, at ISE's principal office, 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 ISE 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 ISE 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 purpose of this proposed rule change is to amend ISE Rule 803 relating to the exposure of public customer orders. Pursuant to Commission approval, before a Primary Market Maker ("PMM") sends a public customer order through the intermarket linkage ("Linkage") when ISE is not at the national best bid or offer ("NBBO"), the Exchange exposes these customer orders to all its market makers to give them an opportunity to match the NBBO.<sup>5</sup>

Specifically, before the PMM sends a Linkage Order on behalf of a public customer, the public customer order is exposed at the NBBO price for a period established by the Exchange not to exceed one second. During this exposure period, Exchange market makers may enter responses up to the size of the order being exposed in the regular trading increment applicable to the option. If at the end of the exposure period, the order is executable at the then-current NBBO and the ISE is not at the then-current NBBO, the order is executed against responses that equal or better the then-current NBBO.<sup>6</sup> The exposure period will be terminated if the exposed order becomes executable on the ISE at the prevailing NBBO or if the Exchange receives an unrelated order that could trade against the exposed order at the prevailing NBBO price.<sup>7</sup> If, after an order is exposed, the order is not executed in full on the Exchange at the then-current NBBO or better, and it is marketable against the then-current NBBO, the PMM sends a Linkage Order on the customer's behalf for the balance of the order as provided in Rule 803(c)(2)(ii) even though there may be other ISE members who would be willing to execute the order at the better price. If the balance of the order is not marketable against the then-

<sup>3</sup> See Securities Exchange Act Release No. 57836 (May 19, 2008), 73 FR 30430.

<sup>4</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

<sup>6</sup> See Securities Exchange Act Release No. 56792 (November 15, 2007), 72 FR 65776 (November 23, 2007) (SR-CBOE-2006-99) (approving proposed rule change to permit sponsored user access to FLEX). See also Securities Exchange Act Release No. 57646 (April 10, 2008), 73 FR 20726 (April 16, 2008) (SR-CBOE-2008-37) (notice of filing and immediate effectiveness of proposed rule change to permit sponsored user access to CBSX).

<sup>7</sup> See CBOE Rule 6.20A.

<sup>8</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.

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

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

<sup>5</sup> See Securities Exchange Act Release No. 57812 (May 12, 2008), 73 FR 28846 (May 19, 2008) (Notice of Filing of Amendment No. 1 to the Proposed Rule Change and Order Granting Accelerated Approval of Proposed Rule Change, As Modified by Amendment No. 1 Thereto, Relating to the Exposure of Public Customer Orders).

<sup>6</sup> Executions will be allocated pro-rata based on size (*i.e.*, the percentage of the total number of contracts available at the same price that is represented by the size of a market maker's response).

<sup>7</sup> The order is executed against orders and quotes on the book and responses received during the exposure period in price priority. At the same price, customer orders are executed first in time priority and then all other interest (orders, quotes and responses) are allocated pro-rata based on size.