

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 publicly available. All submissions should refer to File Number SR-CBOE-2008-105 and should be submitted on or before November 17, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Florence E. Harmon,
Acting Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-58823; File No. SR-CBOE-2007-30]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to Amendments to Rule 9.21 (Communications to Customers)

October 21, 2008.

On March 19, 2007, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")¹, and Rule 19b-4 thereunder.² CBOE filed Amendment

No. 1 to the proposed rule change on June 9, 2008.³ Notice of the proposal, as modified by Amendment No. 1, was published for comment in the **Federal Register** on July 17, 2008.⁴ The Commission received one comment letter regarding the proposed rule change⁵ and a response to comments from CBOE.⁶ This order approves the proposed rule change.

I. Description of the Proposed Rule Change

On December 23, 2002, the Commission published final rules that exempt standardized options, as defined in Rule 9b-1⁷ under the Exchange Act, that are issued by a registered clearing agency and traded on a registered national securities exchange or on a registered national securities association, from all provisions of the Securities Act (other than the anti-fraud provisions) and the registration requirements of the Exchange Act.⁸ Because the Securities Act of 1933 ("Securities Act")⁹ and the rules thereunder (other than the anti-fraud provisions) are no longer applicable to such standardized options, CBOE proposed to remove elements of the Securities Act that are embedded in CBOE Rule 9.21 ("Communications to Customers"). In particular, CBOE proposed to remove all references to a "prospectus" from Rule 9.21. Prospectuses are no longer required for such standardized options, and the Options Clearing Corporation has, in fact, ceased publication of a prospectus.¹⁰ In addition, the proposed amendments expand the types of communications governed by Rule 9.21 to include independently prepared reprints and other communications between a member or member organization and a customer, exempt certain options communications from

the pre-approval requirement by a Registered Options Principal ("ROP") and update and reorganize Rule 9.21. The proposed amendments are similar to amendments filed with the Commission by the Financial Industry Regulatory Authority, Inc. ("FINRA").¹¹

A. Deletion of Certain Provisions

As noted above, CBOE Rule 9.21 contains a number of references to a prospectus and other Securities Act requirements. The Exchange proposed to delete the following from Rule 9.21:

(1) Rule 9.21(a)(iv), which references the Securities Act definition of prospectus,

(2) Rule 9.21(d), which incorporates Securities Act principles in that it prohibits written material concerning options from being furnished to any person who has not previously or contemporaneously received the ODD,

(3) Rule 9.21(e)(ii), which defines the term "Educational Material,"¹²

(4) Interpretation and Policy .02A of Rule 9.21, which outlines what is permitted in an "Advertisement,"¹³ and

(5) Interpretation and Policy .03 of Rule 9.21, which concerns educational material.¹⁴

B. Redesignation of Rule 9.21(a) to Proposed Rule 9.21(d) and Related Amendments

Rule 9.21(a) currently contains an outline of the "General Rule" for options communications. CBOE proposed to redesignate paragraph (a) as paragraph (d), and to incorporate limitations on the use of options communications contained in Interpretations and Policies .01 of Rule 9.21 into proposed Rule 9.21(d). In addition, proposed Rule 9.21(d)(iii) would amend Rule 9.21(a)(iii) by clarifying the types of cautionary statements and caveats that are prohibited. Also, as previously noted, CBOE proposed to delete Rule 9.21(a)(iv).

C. Proposed Amendments to Rule 9.21(b)

CBOE proposed to amend Rule 9.21(b) to include the types of communications

³ Amendment No. 1 replaces the original filing in its entirety.

⁴ See Securities Exchange Act Release No. 58138 (Jul. 10, 2008) 73 FR 40886 (Jul. 17, 2008) (SR-CBOE-2007-30) (notice).

⁵ See Letter from Melissa MacGregor, Vice President and Assistant General Counsel, Securities Industry and Financial Markets Association ("SIFMA"), dated July 31, 2008.

⁶ See Letter from Lawrence J. Bresnahan, Vice President, CBOE, dated September 30, 2008.

⁷ 17 CFR 240.9b-1.

⁸ See "Exemption for Standardized Options From Provisions of the Securities Act of 1933 and From the Registration Requirements of the Securities Exchange Act of 1934; Final Rule," Securities Act Release No. 8171 and Exchange Act Release No. 47082 (Dec. 23, 2002), 68 FR 188 (Jan. 2, 2003).

⁹ 15 U.S.C. 77a et seq.

¹⁰ The options disclosure document ("ODD") prepared in accordance with Rule 9b-1 under the Exchange Act is not deemed to be a prospectus. 17 CFR 230.135b. See, e.g., Securities Act Release No. 8049 (Dec. 21, 2001), 67 FR 228 (Jan. 2, 2002).

¹¹ See Securities Exchange Act Release No. 57720 (Apr. 25, 2008) 73 FR 24332 (May 2, 2008), Exchange Act Release No. 58738 (approval order) (Oct. 6, 2008) 73 FR 60371 (Oct. 10, 2008) (SR-FINRA-2008-13).

¹² This paragraph essentially incorporates language of Securities Act Rule 134a. While this amendment would eliminate the separate educational material category, as discussed below the Exchange also proposed to revise the definition of Sales Literature to include educational material.

¹³ This paragraph essentially incorporates language of Securities Act Rule 134.

¹⁴ See note 12, *supra*.

²⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposed to be added to the definition of "Options Communications" in proposed Rule 9.21(a). Proposed Rules 9.21(b)(ii) and (b)(iii) would also amend the current requirements to obtain advance approval by a ROP for most options communications by exempting certain options communications, defined as "Correspondence" and "Institutional Sales Material." Specifically, proposed Rule 9.21(b)(ii) would exempt correspondence from the pre-approval requirement unless the correspondence is distributed to 25 or more existing retail customers within any 30 calendar-day period and makes any financial or investment recommendation or otherwise promotes a product or service of the member. All correspondence would be subject to general supervision and review requirements.¹⁵ Proposed Rule 9.21(b)(iii) would exempt institutional sales material from the pre-approval requirement if the material is distributed to "qualified investors" (as defined in Section 3(a)(54) of the Exchange Act¹⁶).

Pre-approval by a ROP would, however, be required with respect to independently prepared reprints. In addition, Proposed Rule 9.21(b)(iv) would require that firms retain options communications in accordance with the recordkeeping requirements of Rule 17a-4 under the Exchange Act.¹⁷ Proposed Rule 9.21(b)(iv) would also require that firms retain other related documents in the form and for the time periods required for options communications by Rule 17a-4.

D. Proposed Amendments to Rule 9.21(c)

Rule 9.21(c) currently requires members to obtain approval for every advertisement and all educational material from the Exchange's Department of Compliance. This requirement applies regardless of whether the options communications are used before or after the delivery of a current ODD. CBOE proposed to amend this provision to require approval by the Exchange only with respect to options communications used prior to the delivery of a current ODD. The Exchange pre-approval requirement for options communications used

subsequent to the delivery of the ODD is being eliminated because the ODD should help alert the customer to the characteristics and risks associated with trading in options and because Rule 9.21(b) requires the Registered Options Principal of a member organization to pre-approve options communications (with certain exceptions for "Correspondence" and "Institutional Sales Material"). Rule 9.21(c) would also be amended to include the types of communications added to the definition of "Options Communications" in proposed Rule 9.21(a).

E. Redesignation of Rule 9.21(e) to Proposed Rule 9.21(a) and Related Amendments

Rule 9.21(e) currently defines terms used in Rule 9.21. CBOE proposed to redesignate paragraph (e) as paragraph (a). CBOE also proposed to amend the definition of "Options Communications" in proposed Rule 9.21(a) to expand the types of communications governed by Rule 9.21 to include independently prepared reprints and other communications between a member or member organization and a customer. The Exchange proposed to amend the definitions of "Advertisement" and "Sales Literature;" and define "Correspondence," "Institutional Sales Material," "Public Appearances," and "Independently Prepared Reprints;" to clarify the rule. In addition, as previously noted, CBOE proposed to delete the definition of "Educational Material."

F. Proposed Rule 9.21(e)

Proposed Rule 9.21(e) would set forth (i) standards for options communications that are not preceded or accompanied by an ODD and (ii) standards for options communications used prior to delivery of an ODD. These requirements generally would clarify and restate the requirements contained in the current Interpretations and Policies .02 of Rule 9.21.

G. Interpretations and Policies

Proposed Rule 9.21(e)(i)(B) would require options communications to contain contact information for obtaining a copy of the ODD. Proposed Interpretation and Policy .01 would include the provisions found in current Section A of Interpretation and Policy .02 regarding how this requirement may be satisfied. In addition, as noted above, the provisions of Interpretation and Policy .01 regarding limitations on the use of options communications are proposed to be incorporated into proposed Rule 9.21(d).

As previously noted, the provisions of Interpretation and Policy .02 that outline what is permitted in an advertisement are proposed to be deleted and the provisions relating to standards for options communications used prior to delivery of the ODD are proposed to be incorporated into proposed Rule 9.21(e)(ii).

Interpretation and Policy .03, which concerns educational material, is proposed to be deleted as noted above.

Interpretation and Policy .04 sets forth the standards applicable to Sales Literature. Section A of Interpretation and Policy .04 sets forth the requirement that Sales Literature shall state that supporting documentation for any claims, comparisons, recommendations, statistics or other technical data will be supplied upon request. The Exchange proposed to redesignate Section A of Interpretation and Policy .04 as proposed Rule 9.21(d)(vii).

Section B of Interpretation and Policy .04 pertains to standards for Sales Literature that contains projected performance figures. Section C of Interpretation and Policy .04 pertains to standards for Sales Literature that contains historical performance figures. The Exchange proposed to redesignate Section B of Interpretation and Policy .04 as proposed Interpretation and Policy .02 and Section C of Interpretation and Policy .04 as proposed Interpretation and Policy .03.

Rule 9.21 currently requires that a copy of the ODD precede or accompany options related sales literature. The Exchange is proposing to modify the ODD delivery requirement applicable to sales literature to provide that an ODD must precede or accompany any communication that conveys past or projected performance figures involving options or constitutes a recommendation pertaining to options.¹⁸

A notice providing the name and address of a person from whom the ODD may be obtained would be required in sales literature that does not contain a recommendation or past or projected performance figures. Because CBOE is proposing to merge educational material into the sales literature category,¹⁹ this amendment would continue to allow communications that are educational in nature to be disseminated without being preceded or accompanied by a copy of the ODD.

The Exchange proposed to redesignate Section D of Interpretation and Policy .04 as proposed Interpretation and

¹⁵ See CBOE Rule 9.8.

¹⁶ 15 U.S.C. 78c(a)(54).

¹⁷ 17 CFR 240.17a-4. More specifically, Rule 17a-4(b)(4) requires that a broker-dealer retain "originals of all communications received and copies of all communications sent * * * including all communications which are subject to rules of a self-regulatory organization of which the member, broker or dealer is a member regarding communications with the public."

¹⁸ See proposed Rule 9.21(e)(i)(C) and proposed Interpretation and Policies .02 and .03.

¹⁹ See Proposed Rule 9.21(a)(ii).

Policy .04. The Exchange proposed to delete Sections E and F of Interpretation and Policy .04. The Exchange believes Section E is unnecessary because worksheets are included in the definition of "Sales Literature." The Exchange believes Section F is no longer necessary because the Exchange is proposing to clarify the record-keeping requirements applicable to options communications in proposed Rule 9.21(b)(iv).

II. Comment Letter

The Commission received one comment letter from SIFMA on the proposed rule change.²⁰ CBOE responded to this comment letter.²¹

SIFMA expressed support for the proposed rule change and incorporated by reference SIFMA's prior comments on a similar proposal by FINRA regarding options communications with the public.²² FINRA addressed SIFMA's prior comments in an amendment to FINRA's proposed rule change.²³ CBOE stated it concurred in general with FINRA's responses to SIFMA's prior comments.²⁴ Therefore, CBOE did not believe that additional changes to the proposed rule change were required.²⁵

III. Discussion and Findings

After careful review of the proposed rule change, the comment letter and CBOE's response to the comment letter, the Commission finds that the proposed rule change is consistent with the requirements of the Exchange Act, and the rules and regulations thereunder that are applicable to a national securities exchange.²⁶ In particular, the Commission believes that the proposed rule change is consistent with Section 6(b) of the Exchange Act²⁷ in general and would further the objectives of Section 6(b)(5)²⁸ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest by providing the investing public with

options communications rules that are designed to provide appropriate safeguards and greater clarity by promoting harmonization between CBOE's and other SROs' options communications rules.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁹ that the proposed rule change (SR-CBOE-2007-30), as modified by Amendment No. 1 thereto, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁰

Florence E. Harmon,

Acting Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-58828; File No. SR-CBOE-2008-107]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend CBOE Rules Relating to the Minimum Size Requirement for Quotations

October 21, 2008.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 14, 2008, the Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 amend its rules pertaining to the minimum size requirement for quotations. The text of

the proposed rule change is available on the Exchange's Web site (<http://www.cboe.org/Legal>), at the Exchange's Office of the Secretary 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 those 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

CBOE proposes to amend its rules pertaining to the minimum size requirement for quotations. Currently, the initial size of a Market-Maker's, DPM's or LMM's electronic quotation must be for at least 10 contracts, unless the underlying primary market is disseminating a 100-share quote. In that case, the quote size can be as low as one contract.⁵ In open outcry, the minimum quotation size is ten contracts for non-broker-dealer orders and one contract for broker-dealer orders. (See, e.g., CBOE Rules 8.7, 8.14, and 8.15A.)

CBOE proposes to amend its rules to allow the Exchange to set a minimum quotation size requirement for electronic and open outcry quotes on a class by class basis, provided the minimum set by the Exchange is at least one contract.⁶ CBOE would not impose a minimum quotation size requirement greater than 10 contracts. With respect to trading in open outcry, the minimum quotation size requirement could be different for non-broker-dealer orders and broker-dealer orders as is currently the case.

Although CBOE at this time does not anticipate lowering the minimum quotation size requirement from its current level of 10 contracts to one

⁵ Pursuant to Rule 6.2B, if the underlying primary market disseminates less than a 1000-share quote immediately prior to the time an opening quote is submitted, the opening quote may be for as low as one contract.

⁶ The minimum quotation size determined by CBOE might vary depending on the quotation size disseminated by the underlying primary market, as is currently permitted.

²⁰ See note 5, *supra*.

²¹ See note 6, *supra*.

²² See Letter from Melissa MacGregor, Vice President and Assistant General Counsel, SIFMA, dated May 22, 2008, regarding Exchange Act Release No. 57720 (Apr. 25, 2008) 73 FR 24332 (May 2, 2008).

²³ See Securities Exchange Act Release No. 58738 (Oct. 6, 2008) 73 FR 60371 (Oct. 10, 2008) (SR-FINRA-2008-13).

²⁴ See note 6, *supra*.

²⁵ See *id.*

²⁶ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. See 15 U.S.C. 78c(f).

²⁷ 15 U.S.C. 78f(b).

²⁸ 15 U.S.C. 78f(b)(5).

²⁹ 15 U.S.C. 78s(b)(2).

³⁰ 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)(iii).

⁴ 17 CFR 240.19b-4(f)(6).