

of the Act,⁸ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will 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. 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-Amex-2007-44 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-Amex-2007-44. 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 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-Amex-2007-44 and should be submitted on or before July 18, 2007.

IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

After careful consideration, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁹ In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,¹⁰ which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The Commission believes that the proposal should expand the use of Underlying Indexes comprised of foreign securities and/or ADRs to the benefit of the marketplace and investors, so long as such component securities, having their respective primary foreign trading markets that are not members of ISG or parties to a comprehensive surveillance sharing agreement, do not represent in the aggregate more than 20% of the overall weight of the Underlying Index.

The Commission finds good cause for approving the proposed rule change, as modified by Amendment Nos. 1 and 2

⁹ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78f(b)(5).

thereto, before the 30th day after the date of publication of notice of filing thereof in the **Federal Register**.¹¹ The Commission notes that it has previously approved substantially similar provisions with respect to the expanded eligibility of component securities included in indexes underlying index-linked securities¹² and presently is not aware of any regulatory issue that should cause it to revisit that finding or would preclude the trading of such securities on the Exchange. Therefore, the Commission finds good cause, consistent with Section 19(b)(2) of the Act,¹³ to approve the proposed rule change on an accelerated basis.

V. Conclusion

It is therefore Ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-Amex-2007-44), as modified by Amendment Nos. 1 and 2 thereto, be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55927; File No. SR-CBOE-2007-55]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Transaction Fees for Electronically Executed Broker-Dealer Orders in IWM and QQQ Options

June 20, 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 May 29, 2007, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission

¹¹ In Amendment No. 2, the Exchange requested for accelerated approval of the proposal.

¹² See Securities Exchange Act Release No. 55687 (May 1, 2007), 72 FR 25824 (May 7, 2007) (SR-NYSE-2007-27) (approving, among other things, the eligibility requirements of component securities underlying Equity Index-Linked Securities).

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ *Id.*

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁸ 15 U.S.C. 78f(b)(5).

("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the CBOE. 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 the CBOE Fees Schedule ("Fees Schedule") to reduce transaction fees for electronically executed broker-dealer orders in options on the iShares Russell 2000 Index Fund ("IWM") and the Nasdaq-100 Index Tracking Stock ("QQQQ"). The text of the proposed rule change is available at the CBOE, on the Exchange's Web site at <http://www.cboe.org/legal>, and in 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

Currently, the Exchange assesses a transaction fee of \$.45 per contract on broker-dealer orders that are electronically executed on the CBOE Hybrid Trading System ("Hybrid").³ Manually executed broker-dealer orders are assessed a transaction fee of \$.25 per contract.⁴ The broker-dealer electronic

transaction fee helps allocate to broker-dealer orders a fair share of the costs of running the automatic execution feature of Hybrid and related Exchange systems.

The Exchange proposes to reduce the broker-dealer electronic transaction fee from \$.45 per contract to \$.25 per contract in IWM and QQQQ options, so that both electronic and manual broker-dealer executions in these products would be assessed \$.25 per contract. The Exchange believes it is reasonable and appropriate not to assess a higher fee for electronic broker-dealer executions in IWM and QQQQ options because these options are among the largest options contracts on the Exchange in terms of trading volume and generate significant revenues for the Exchange.

The Exchange implemented the proposed fee changes on June 1, 2007.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(4)⁶ of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members and other persons using its facilities.

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 that is not necessary or appropriate in furtherance of 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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and subparagraph (f)(2) of Rule 19b-4⁸ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is

necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.⁹

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-2007-55 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-2007-55. 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 office of the 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-2007-55 and should be submitted on or before July 18, 2007.

³ "Broker-dealer" orders are defined in Footnote 16 of the Fees Schedule as broker-dealer orders (orders with "B" origin code), non-member market-maker orders (orders with "N" origin code), and orders from specialists in the underlying security (orders with "Y" origin code).

⁴ However, electronically and manually executed broker-dealer orders in options on the S&P 100 Index ("OEX" and "XEO"), S&P 500 ("SPX"), and Morgan Stanley Retail Index ("MVR") are charged \$.30 per contract, \$.40 per contract, and \$.25 per contract, respectively. Telephone conversation between Jaime Galvan, Assistant Secretary, CBOE, and Sara Gillis, Attorney, Division of Market Regulation, Commission, on June 18, 2007.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(2).

⁹ *Id.*

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55926; File No. SR-CBOE-2007-61]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Extension of the iShares Russell 2000 Index Fund (IWM) Option Pilot Program Until January 18, 2008

June 20, 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 June 12, 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 the Exchange. The Exchange filed the proposed rule change as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)³ of the Act and Rule 19b-4(f)(6) 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 extend an existing pilot program that increases the position and exercise limits for options on the iShares Russell 2000 Index Fund ("IWM options") traded on the Exchange ("IWM Option Pilot Program"). The text of the rule proposal is available on the Exchange's Web site (<http://www.cboe.org/legal>), at the Exchange'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 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. CBOE 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 the proposed rule change is to extend the IWM Option Pilot Program for an additional six-month period, through January 18, 2008,⁵ and to make non-substantive changes to simplify the rule text describing the IWM Option Pilot Program. The IWM Option Pilot Program increases the position and exercise limits for IWM options traded on the Exchange.⁶ The Exchange is not proposing any other changes to the IWM Option Pilot Program. The Exchange represents that it has not encountered any problems or difficulties relating to the IWM Option Pilot Program since its inception.

The proposal that established the IWM Option Pilot Program was designated by the Commission to be effective and operative upon filing and provided that it would run from January 22, 2007 through July 22, 2007.⁷ In that filing, the Exchange explained that in June 2005, as a result of a 2-for-1 stock split, the position limit for IWM options was temporarily increased from 250,000 contracts (covering 25,000,000 IWM shares) to 500,000 contracts (covering 50,000,000 IWM shares). At the time of the split, the furthest IWM option expiration date was January 2007. Therefore, the temporary position limit increase was scheduled to automatically revert to the pre-split level (as provided for in connection with the Rule 4.11

Pilot Program) of 25,000 contracts after expiration in January 2007.

As the Exchange described in the proposal that established the IWM Option Pilot Program, the Exchange believes that a position limit of 250,000 option contracts would prevent traders from adequately hedging their options positions, thereby impairing their ability to provide liquidity. Specifically, the Exchange stated that IWM options are $\frac{1}{10}$ the size of options on the Russell 2000 Index ("RUT"), which have a position limit of 50,000 contracts.⁸ Therefore, traders who trade IWM options to hedge positions in RUT options are likely to find a position limit of 250,000 contracts in IWM options too restrictive and insufficient to properly hedge. For example, if a trader held 50,000 RUT options and wanted to hedge that position with IWM options, the trader would need, at a minimum, 500,000 IWM options to properly hedge the position. The Exchange additionally notes that index options on $\frac{1}{10}$ the RUT have a position limit of 500,000 contracts, which is consistent with and corresponds to the increased position limits permitted under the IWM Option Position Limit Pilot.⁹ Therefore, the Exchange continues to believe that a position limit of 250,000 contracts is too low and may adversely affect market participants' ability to provide liquidity in this product.

As the Exchange also described in the proposal that established the IWM Option Pilot Program, IWM options have grown to become one of the largest options contracts in terms of trading volume. For example, through May 29, 2007, year-to-date industry volume in IWM options has averaged over 460,000 contracts per day, for a total of over 61 million contracts. CBOE alone has averaged almost 250,000 IWM option contracts per day during that time, for a total of almost 33 million contracts. In contrast, QQQQ options, which have a position limit of 900,000 contracts, have averaged almost 575,000 contracts per day in 2007.

The Exchange believes that maintaining the increased position and exercise limits for IWM options will lead to a more liquid and more competitive market environment for IWM options that will benefit customers interested in this product. In fact, the Exchange has received positive feedback from market participants, who have expressed a desire that the IWM Option Pilot Program be renewed. For these reasons, the Exchange believes that the above stated reasons justify the IWM

¹⁰ 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)(6).

⁵ January 18, 2008 is the third Friday of the month (or expiration Friday), which is the day on which January 2008 IWM options will expire.

⁶ Exercise limits for IWM options are equivalent to the position limits prescribed for IWM options in Rule 4.11.07 and the increased exercise limits are only in effect during the IWM Option Pilot Period. See Rule 4.12.02.

⁷ See Securities Exchange Act Release No. 55176 (January 25, 2007), 72 FR 4741 (February 1, 2007).

⁸ See Rule 24.4(a).

⁹ See *id.*