

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56853; File No. SR-Amex-2007-94]

### Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to Notes Linked to the Performance of the CBOE S&P 500 PutWrite Index (PUT<sup>SM</sup>)

November 28, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on August 20, 2007, the American Stock Exchange LLC ("Amex" 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. On November 27, 2007, the Exchange filed Amendment No. 1. 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 list and trade notes, the performance of which is linked to the CBOE S&P 500 PutWrite Index (PUT<sup>SM</sup>) (the "PUT Index" or "Index"). The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room and <http://www.amex.com>.

#### 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. 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

Under Section 107A of the Amex Company Guide ("Company Guide"), the Exchange may approve for listing

and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.<sup>3</sup> The Amex proposes to list for trading under Section 107A of the Company Guide notes linked to the performance of the PUT Index (the "Notes"). The PUT Index is determined, calculated and maintained solely by the Chicago Board Options Exchange, Inc. ("CBOE").<sup>4</sup> Eksportfinans will issue the Notes under the name "Eksportfinans Index-Linked Notes."<sup>5</sup>

The Notes will conform to the initial listing guidelines under Section 107A<sup>6</sup>

<sup>3</sup> See Securities Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8626 (March 8, 1990) (SR-Amex-89-29).

<sup>4</sup> If the CBOE discontinues publication of the Index and the CBOE or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the Index (a "Successor Index"), then the calculation agent may substitute the Successor Index as calculated by the CBOE or any other entity for the Index and calculate the Redemption Amount (as defined below) by reference to the Successor Index. In the event that the CBOE discontinues publication of the Index and (a) the calculation agent does not select or approve a Successor Index or (b) the Successor Index is no longer published on any of the relevant scheduled trading days, the calculation agent will compute a substitute level for the Index in accordance with the procedures last used to calculate the level of the Index before any discontinuation but using only those securities that comprised the Index prior to such discontinuation. If a Successor Index is selected or the calculation agent calculates a level as a substitute for the Index, the Successor Index or level will be used as a substitute for the Index for all purposes going forward even if CBOE elects to begin republishing the Index, unless the calculation agent decides to use the republished Index. If the CBOE discontinues publication of the Index and the calculation agent determines that no Successor Index is available at that time, then on each scheduled trading day until the earlier to occur of (a) the determination of the Redemption Amount or (b) a determination by the calculation agent that a Successor Index is available, the calculation agent will determine the level that would be used in computing the Redemption Amount as if that day were a scheduled trading day.

Eksportfinans, has been appointed to act as the calculation agent. Telephone conversation between Jeffrey P. Burns, Vice President and Associate General Counsel, Amex and Ronesha Butler, Special Counsel, Division of Trading and Markets, Commission ("Division"), Commission, on October 31, 2007.

<sup>5</sup> Eksportfinans and Standard & Poor's ("S&P"), a division of the McGraw-Hill Companies, Inc. have entered into a non-exclusive license agreement providing for the use of the PUT Index by Eksportfinans in connection with certain securities including the Notes. S&P is not responsible for and will not participate in the issuance and creation of the Notes.

<sup>6</sup> Section 107A of the Company Guide provides the initial listing standards for the Notes. Section 107A requires: (1) A minimum public distribution of one million units; (2) a minimum of 400 public shareholders; and (3) a market value of at least \$4 million. In addition, Section 107A provides a limited exception to the minimum public distribution and minimum public shareholder requirement if an issue is traded in thousand dollar denominations or if the securities are redeemable at

and continued listing guidelines under Sections 1001-1003<sup>7</sup> of the Company Guide. The Notes are a series of medium-term debt securities of Eksportfinans that provide for a cash payment at maturity or upon earlier exchange at the holder's option, based on the performance of the PUT Index as adjusted by an annual index fee (the "Index Fee"). The principal amount of each Note is expected to be \$20. The Notes will not have a minimum principal amount that will be repaid and, accordingly, payment on the Notes prior to or at maturity may be less than the original issue price of the Notes. In particular, the value of the PUT Index must increase for the investor to receive at least the \$20 principal amount per security at maturity.<sup>8</sup> The Notes will have a term of thirty (30) years. The Notes are not callable by the issuer; however, holders will be able to redeem the Notes in minimum aggregate amounts of \$1,000 on a weekly basis.

The payment that a holder of a Note will receive at maturity or redemption (the "Redemption Amount") will depend on the relation of the final Index value (the "Final Index Value") to the closing value of the Index on the pricing date (the "Initial Index Value") of the PUT Index, as adjusted by the Index Fee (as defined below). For purposes of determining the amount payable at

the option of the holders on at least a weekly basis. Because the Notes will be redeemable on a weekly basis at the option of the holders, the exception to the minimum public distribution and public shareholder requirement in Section 107A will apply to the listing of the Notes. In addition, the listing guidelines provide that the issuer has assets in excess of \$100 million, stockholder's equity of at least \$10 million, and pre-tax income of at least \$750,000 in the last fiscal year or in two of the three prior fiscal years. In the case of an issuer which is unable to satisfy the earning criteria stated in Section 101 of the Company Guide, the Exchange will require the issuer to have the following: (1) Assets in excess of \$200 million and stockholders' equity of at least \$10 million; or (2) assets in excess of \$100 million and stockholders' equity of at least \$20 million.

<sup>7</sup> The Exchange's continued listing guidelines are set forth in Sections 1001 through 1003 of Part 10 to the Exchange's Company Guide. Section 1002(b) of the Company Guide states that the Exchange will consider removing from listing any security where, in the opinion of the Exchange, it appears that the extent of public distribution or aggregate market value has become so reduced to make further dealings on the Exchange inadvisable. With respect to continued listing guidelines for distribution of the Notes, the Exchange will rely, in part, on the guidelines for bonds in Section 1003(b)(iv). Section 1003(b)(iv)(A) provides that the Exchange will normally consider suspending dealings in, or removing from the list, a security if the aggregate market value or the principal amount of bonds publicly held is less than \$400,000.

<sup>8</sup> Telephone conversation between Jeffrey P. Burns, Vice President and Associate General Counsel, Amex and Ronesha Butler, Special Counsel, Division, Commission, on October 31, 2007.

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

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

maturity of the Notes, the Redemption Amount will be determined at the close of the markets on the maturity date (the "Final Valuation Date").<sup>9</sup> In the event that a market disruption event<sup>9</sup> occurs

on the Final Valuation Date, such Final Valuation Date will be postponed to the next scheduled trading day on which no market disruption event occurs.

The Index Fee will be 1.0%.

A holder or investor on the maturity date will receive a Redemption Amount equal to:

$$\$20 \times \left( \frac{\text{Final Index Value}}{\text{Initial Index Value}} \right) - \text{Annual Index Fee}$$

The Notes are cash-settled in U.S. dollars and do not give the holder any right to receive any of the component securities, dividend payments, or any other ownership right or interest in the securities comprising the PUT Index. The Notes are designed for investors who desire exposure to a covered put selling options strategy on a broad market index and who are willing to forego principal protection and market interest payments on the Notes during their term.<sup>10</sup>

The Commission has previously approved the listing on the Amex of securities with structures similar to that of the proposed Notes.<sup>11</sup>

#### *Description of the Index*

The PUT Index is a benchmark index designed to measure the performance of a hypothetical investment strategy that overlays short S&P 500 puts over a money market account. Developed by the CBOE in cooperation with S&P, the Index was initially announced in April 2002. The PUT Index was set to an initial value of 100.00 as of June 1, 1988.<sup>12</sup> The Exchange states that the CBOE developed the PUT Index in response to several factors, including the repeated requests by options portfolio managers that the CBOE provide an objective benchmark for evaluating the performance of put selling strategies. Further, the CBOE

developed the PUT Index to provide investors with a relatively straightforward indicator of covered put selling which otherwise may seem complicated and inordinately risky.

The number of puts in the Index is set to collateralize the exposure to S&P 500 downturns. This design provides higher leverage than the BXM strategy<sup>13</sup> but will also capture the potentially "rich" options premium of S&P 500 put options. Short option strategies, and especially short put strategies, typically generate high risk-adjusted returns.

The PUT Index strategy invests cash at one- and three-month Treasury Bill rates and sells a sequence of one-month at-the-money S&P 500 puts (SPX). The short put position is collateralized by the Treasury bills.

The PUT Index portfolio is rebalanced on the third Friday of the month when the puts expire and new puts are sold. This procedure is referred to as the "roll." On every third roll, the total cash in the PUT portfolio is reinvested at the three-month Treasury bill rate. The rebalanced portfolio is long three-month Treasury bills and short one-month SPX puts. On other roll dates, the cash obtained from selling new SPX puts is invested at the one-month Treasury bill rate, and the cash required to settle expiring in-the-money puts is financed first by one-month Treasury bills and second by three-month Treasury bills, if

necessary. On such roll dates, the rebalanced portfolio is typically long one and three-month Treasury bills and short one-month SPX puts.

The theory of the PUT strategy is to trade a premium over Treasury bill rates for a leveraged exposure to S&P 500 downturns. It is expected that asset managers will find the PUT strategy a convenient method to utilize disposable cash to enhance returns.

From June 1988 to March 2007, the PUT Index had an annualized monthly return of 12.79% compared to 12.08% for the S&P 500 Total Return Index (SPTR), 11.91% for the BXM and 4.66% for three-month Treasury bills. The PUT Index had a smaller standard deviation than the BXM and SPTR.

As expected, PUT Index monthly returns tend to (a) increase with the return on the S&P 500, (b) be greater than the returns of the BXM and SPTR when SPTR returns are negative or small, and (c) be smaller when SPTR returns are larger. More specifically, the PUT Index tends to perform better when the monthly return of SPTR is at or below 2.5%. The solid relative performance of the PUT Index is explained by the fact that this occurred 67% of the time between June 1988 and March 2007.

#### *Construction of PUT Index Portfolio*

The PUT Index tracks the value of an initial investment of \$100 in a portfolio

<sup>9</sup> A "market disruption event" is defined as the failure of the primary market or related markets to open for trading during regular trading hours or the occurrence or existence of any of the following events: (i) A trading disruption, if material, at any time during the one hour period that ends at the close of trading for the applicable exchange; (ii) an exchange disruption, if material, at any time during the one hour period that ends at the close of trading for the applicable exchange; or (iii) an early closure. A "trading disruption" generally means any suspension of, or limitation, imposed on trading by the primary exchange or related exchange or otherwise, whether by reason of movements in price exceeding limits permitted by the relevant exchange or related exchange or otherwise: (i) Relating to securities that comprise 20% or more of the level of the S&P 500® Index (the "S&P 500"); or (ii) in options contracts or futures contracts relating to the Index or the S&P 500 on any relevant related exchange. An "exchange disruption" means any event (other than a scheduled early closure) that disrupts or impairs the ability of market participants in general to: (i) Effect transactions in,

or obtain market values on, any primary exchange or related exchange in securities that comprise 20 percent or more of the level of the S&P 500; or (ii) effect transactions in options contracts or futures contracts relating to the Index or the S&P 500 on any relevant related exchange. A "related exchange" is an exchange or quotation system on which futures or options contracts relating to the Index or the S&P 500 are traded.

<sup>10</sup> Telephone conversation between Jeffrey P. Burns, Vice President and Associate General Counsel, Amex and Ronesha Butler, Special Counsel, Division, Commission, on October 31, 2007.

<sup>11</sup> See Securities Exchange Act Release Nos. 51426 (March 23, 2005), 70 FR 16315 (March 30, 2005) (approving the listing and trading of Morgan Stanley notes linked to the BXM Index); 50719 (November 22, 2004), 69 FR 69644 (November 30, 2004) (approving the listing and trading of Morgan Stanley notes linked to the BXM Index); 51634 (April 29, 2005), 70 FR 24138 (May 6, 2006) (approving the listing and trading of Wachovia notes linked to the BXM Index); and 51840 (June

14, 2005), 70 FR 35468 (June 20, 2005) (approving the listing and trading of JPMorgan notes linked to the BXD Index). The BXM index is the CBOE S&P 500 BuyWrite Index<sup>SM</sup> while the BXD is the equivalent index using the DJIA as the underlying index rather than the S&P 500.

<sup>12</sup> Telephone conversation between Jeffrey P. Burns, Vice President and Associate General Counsel, Amex and Ronesha Butler, Special Counsel, Division, Commission, on October 31, 2007.

<sup>13</sup> The BXM Index is a benchmark index designed to measure the performance of a hypothetical "buy-write" strategy on the S&P 500. A "buy-write" is a conservative options strategy in which an investor buys a stock or portfolio and writes call options on the stock or portfolio. This strategy is also known as a "covered call" strategy. A buy-write strategy provides option premium income to cushion decreases in the value of an equity portfolio, but will underperform stocks in a rising market. A buy-write strategy tends to lessen overall volatility in a portfolio.

that passively follows the CBOE S&P 500 PUT strategy. The portfolio is managed and calculated as follows:

- On June 1, 1988, the inception date, SPX at-the-money put options are sold and \$100 plus the cash from this sale is invested at the three-month Treasury bill rate.<sup>14</sup> If the puts expire in the money at the next roll date, the final settlement loss is financed by the Treasury bills, and a new batch of puts is sold. The revenue from the sale of the puts is invested at the one-month Treasury bill rate.

- Similarly, on the second roll date, any settlement loss from expiring puts is financed first by one-month Treasury bills and if this is not sufficient, by three-month Treasury bills. Again, the cash from the sale of new puts is invested at the one-month Treasury bill rate.

- On the third roll date, both the one- and three-month Treasury investments are liquidated and the cash is used to finance possible losses from the expiring puts. New puts are sold and the total net cash balance is now reinvested at the three-month Treasury bill rate.

#### *Final Settlement Price of Expiring Put Options*

At expiration, the put options are settled to a Special Opening Quotation (SOQ, ticker "SET") of the S&P 500.<sup>15</sup> The SOQ is a special calculation of the S&P 500 Index compiled from the opening prices of S&P 500 stocks. The SOQ is calculated when all S&P 500 stocks have opened for trading; this typically happens before 11 a.m. Eastern Time ("ET").<sup>16</sup> The aggregate settlement value of the expiring puts is equal to the number of puts times the maximum of 0 and the difference between the strike price of the puts and the SOQ.

#### *Selection of the "At-the-Money" Strike Price*

The strike price of the new options is the strike price of the listed CBOE SPX put option that is closest to but not greater than the last value of the S&P 500 Index reported before 11 a.m. ET. For example, if the last S&P 500 Index value reported before 11 a.m. ET is 1433.10 and the closest listed SPX put option strike price below 1433.10 is 1430 then 1430 strike SPX put options are sold.

#### *Sale Price of Put Options<sup>17</sup>*

The new put options are deemed sold at a price equal to the volume-weighted average of the traded prices ("VWAP") of put options with that strike during the half-hour period beginning at 11:30 a.m. ET. The CBOE calculates the VWAP in a two-step process. First, the CBOE excludes trades between 11:30 a.m. and 12 p.m. ET that are identified as having been executed as part of a "spread." Second, the CBOE then calculates the weighted average of all remaining transaction prices at that strike between 11:30 a.m. and 12 p.m. ET, with weights equal to the fraction of total non-spread volume transacted at each price during this period. The source of the transaction prices used in the calculation of the VWAP is CBOE's Market Data Retrieval ("MDR") System.<sup>18</sup> If no transactions occur at the new put strike between 11:30 a.m. and 12 p.m. ET, the new put options are deemed sold at the last bid price reported before 12 p.m. ET.

#### *Number of Puts Sold*

The PUT investor sells a different number of puts at every roll. The number of puts is chosen to ensure that the maximum final settlement loss can

be financed by Treasury bills. Therefore, if the S&P 500 falls to zero, the value of the PUT portfolio is zero. The number of puts sold increases with Treasury bill rates and the price of the put and will decrease with the strike price.

#### *Index Calculation*

CBOE calculates the PUT once per day at the close of trading. On any given date, the index represents the value of the initial \$100 invested in the CBOE S&P 500 PUT strategy.

At the close of every business date, the value of the PUT is equal to the value of the Treasury bill account less the mark-to-market value of the puts:

$$PUT_t = M_t - N_{last} P_t$$

where  $M_t$  is the Treasury bill balance at the close of date  $t$ ,  $N_{last}$  is the number of put options sold at the last roll date, and  $P_t$  is the arithmetic average of the last bid and ask prices of the put option reported before 4 p.m. ET on date  $t$ .

On all but roll dates, the Treasury bill balance is obtained by compounding the one and three-month Treasury balances at the previous business close at their respective daily rates.

$$M_t^i = (1 + r_{t-1}^i) M_{t-1}^i$$

where  $i = 1$  and  $3$  for one and three-month Treasury bills, and  $r_{t-1}^i$  is the corresponding Treasury bill rate from the previous to the current close. The Treasury bill rates between two roll dates are obtained by compounding the daily rates.

On every third roll date, the Treasury bills are deemed to mature, the cash is used to pay for final settlement of the puts if they expire in-the-money, and new puts are sold. The net cash balance available for reinvestment is:

$$M_t = \sum_i (1 + r_{t-1}^i) M_{t-1}^i - N_{last} \text{Max}[0, K_{old} - SOQ_t] + N_{new} P_{vwap}$$

where  $K_{old}$  is the strike price of the put options sold at the previous roll date,  $SOQ_t$  is the final settlement price on roll date  $t$ ,  $N_{new}$  is the number of new puts sold and  $P_{vwap}$  is the volume-weighted average price at which the new options are sold. This balance is reinvested at the three-month Treasury bill

rate. Therefore, in the month following a third roll date, the one-month Treasury balance is zero.

The number of new puts sold on any roll date  $t$  is set such that the Treasury balance at the next roll date covers the maximum put settlement loss:

$$N_{new} = M_t / (K_{new} / (1 + R_t) - P_{vwap})$$

where  $K_{new}$  is the strike price at which the new puts are sold, and  $R_t$  is the three-month Treasury bill rate to the next roll date.

<sup>14</sup> The intra-day cash from selling puts at the open is deemed to be invested at the close of the roll date. Similarly settlement losses are deemed to be financed at the close.

<sup>15</sup> If the third Friday is an exchange holiday, the put option will be settled against the SOQ on the previous business day and the new put option will be selected on that day as well.

<sup>16</sup> If one or more stocks in the S&P 500 Index do not open on the day the SOQ is calculated, the final

settlement price for SPX options is determined in accordance with the Rules and By-Laws of the Options Clearing Corporation.

<sup>17</sup> A slightly different roll procedure is used to calculate the historical series of the CBOE S&P 500 Collateralized Put Index. This is to take into account the changes in the timing of the expiration of S&P 500 options, and to mimic the changes made in the calculation of the BXM series over time. Up to November 20, 1992, the roll is deemed to take

place at the close of the 3rd Friday, the strike price of the new put is determined at 4 p.m. ET and the new puts are deemed sold at the last bid price before 4 p.m. ET. After this date, the index is rolled at 11 a.m. ET instead. And starting on March 17, 2006, the new puts were sold at the VWAP.

<sup>18</sup> Time & Sales information from CBOE's MDR System is disseminated through the Options Price Reporting Authority (OPRA) and is publicly available through most price quote vendors.

		Treasury balance		Number of puts	Strike price	SOQ	Settlement loss	Put bid	
		1 Month	3 Months						
11/20/03 .....	.....	22.0826	647.6421	0.6440	1040	.....	.....	.....	.....
11/21/03 .....	Pre-settlement .....	22.0832	647.6589	.....	.....	1038	1.1978	.....	.....
	Post-Settlement .....	20.8854	647.6589	0.6612	1030	.....	.....	18.2	1.00071

November 21, 2003 was a third roll date. Daily compounding of the one-month and three-months Treasury balances outstanding at the close of November 20, 2003 (daily compounding rates 1.000024 and 1.00003, respectively) yielded one- and three-month settlement balances of \$22.08 and \$647.66. Since the SOQ was 1038, the 1040 put expired in the money with a settlement loss of  $\$1.1978 = .644 * (1040 - 1038)$ . The number of new puts sold was  $N = M / [K / (1 + R) - P] = 668.5442 / (1030 / 1.000717 - 18.2) = .6612$ . Equivalently,  $N * K = (M + N * P) * (1 + R) = .6612 * 1030$ .

Assuming that the S&P 500 had decreased to 0 at the next roll date (December 19, 2003), the settlement loss on the puts would have been  $N * K = .6612 * 1030$ . By construction, this would have been exactly covered by the Treasury investment. The calculation on other roll dates is similar to that on third roll dates but the cash from sale of the puts is invested at the one-month Treasury bill rate.

The daily closing price of the PUT Index is calculated and disseminated by the CBOE on its Web site at <http://www.cboe.com> and via the Options Pricing and Reporting Authority ("OPRA") at the end of each trading day.<sup>19</sup> The value of the S&P 500 Index is disseminated at least once every fifteen (15) seconds throughout the scheduled trading day. The Exchange believes that the dissemination of the S&P 500 along with the ability of investors to obtain S&P 500 put option pricing provides sufficient transparency regarding the PUT Index. In addition, as indicated above, the value of the PUT Index is calculated once every scheduled trading day, thereby, providing investors with a daily value of such "hypothetical" put selling options strategy on the S&P 500.

The CBOE has represented that the PUT Index value will be calculated and disseminated by the CBOE once every scheduled trading day after the close. The daily change in the PUT Index reflects the daily changes in the Treasury bill account and related put

options positions. Eksportfinans represents that it will seek to arrange to have the PUT Index calculated and disseminated on a daily basis through a third party if the CBOE ceases to calculate and disseminate the Index.<sup>20</sup> If, however, Eksportfinans is unable to arrange the calculation and dissemination of the PUT Index as indicated above, the Exchange will undertake to delist the Notes.<sup>21</sup>

In order to provide an updated value of the daily Redemption Amount for use by investors, the Exchange will disseminate over the Consolidated Tape Association's Network B, a daily indicative Redemption Amount (the "Indicative Value"). The Indicative Value will be calculated by the Exchange after the close of trading and after the CBOE calculates the PUT Index for use by investors the next scheduled trading day. Indicative Value is not adjusted on an intra-day basis.<sup>22</sup> It is designed to provide investors with a daily reference value of the Index. The Indicative Value may not reflect the precise value of the current Redemption Amount or amount payable upon exchange or maturity. Therefore, the Indicative Value disseminated by the Exchange during trading hours should not be viewed as a real time update of the PUT Index, which is calculated only once a day. While the Indicative Value that will be disseminated by the Amex is expected to be close to the current PUT Index value, the values of the Indicative Value and the PUT Index will diverge due to the application of the Index Fee.

Because the PUT Index is not calculated and disseminated every 15 seconds, the Exchange seeks a limited exception from the generic continued listing requirement set forth in Section

107D(h) of the Company Guide. In current Commentary .01 to Section 107, the Exchange provides that although the BXM and BXD Indexes do not satisfy the requirements of Section 107D(h), these Indexes nevertheless may be listed and traded pursuant to the generic standards set forth in Section 107D. The Exchange believes that the dissemination requirement found in Section 107D(h) of the Company Guide is not necessary for the PUT Index because the dissemination of the S&P 500 along with the ability of investors to obtain put option pricing information provides sufficient transparency regarding the Index. Accordingly, the Exchange requests that the Commission approve the proposed revision to Commentary .01 to Section 107D.

The Exchange represents that it prohibits the initial and/or continued listing of any security that is not in compliance with Rule 10A-3 under the Act.<sup>23</sup>

Because the Notes are issued in \$20 denominations, the Amex's existing equity floor trading rules will apply to the trading of the Notes. First, pursuant to Amex Rule 411, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the Notes.<sup>24</sup> Second, the Notes will be subject to the equity margin rules of the Exchange.<sup>25</sup> Third, the Exchange will, prior to trading the Notes, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the Notes and highlighting the special risks and characteristics of the Notes. With respect to suitability recommendations and risks, the Exchange will require members, member organizations and employees thereof recommending a transaction in the Notes: (1) To determine that such transaction is suitable for the customer; and (2) to

<sup>20</sup> The Exchange represents, that it will file a proposed rule change pursuant to Rule 19b-4, seeking approval to continue trading the Notes based on a successor or substitute index, and unless approved, the Exchange will commence delisting of the Notes. Telephone conversation between Jeffrey P. Burns, Vice President and Associate General Counsel, Amex and Ronesha Butler, Special Counsel, Division, Commission, on October 31, 2007.

<sup>21</sup> See *supra* note 4.

<sup>22</sup> The Telephone conversation between Jeffrey P. Burns, Vice President and Associate General Counsel, Amex and Ronesha Butler, Special Counsel, Division, Commission, on October 31, 2007.

<sup>23</sup> 17 CFR 240.10A-3.

<sup>24</sup> Amex Rule 411 requires that every member, member firm or member corporation use due diligence to learn the essential facts, relative to every customer and to every order or account accepted.

<sup>25</sup> See Amex Rule 462 and Section 107D(k) of the Company Guide.

<sup>19</sup> The Commission, in connection with BXM and BXD Index Notes, approved the listing and trading of these products where the dissemination of the value of the underlying index occurred once per trading day. See *supra* note 11.

have a reasonable basis for believing that the customer can evaluate the special characteristics of, and is able to bear the financial risks of such transaction. In addition, Eksportfinans will deliver a prospectus in connection with the initial sales of the Notes.

The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Notes. Specifically, the Amex will rely on its existing surveillance procedures governing equities and options. In addition, the Exchange also has a general policy which prohibits the distribution of material, non-public information by its employees.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>26</sup> in general, and furthers the objective of Section 6(b)(5) of the Act,<sup>27</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to 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 proposed rule change does not 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. 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.

The Amex has requested accelerated approval of this proposed rule change prior to the 30th day after the date of publication of the notice of the filing thereof. The Commission has determined that a 15-day comment period is appropriate in this case.

## 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](mailto:rule-comments@sec.gov). Please include File Number SR-Amex-2007-94 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-2007-94. 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 at (<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-Amex-2007-94 and should

be submitted on or before December 21, 2007.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>28</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56862; File No. SR-CBOE-2007-135]

### **Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to a Transaction Fee Waiver for Options on the Mini-SPX**

November 29, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 16, 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 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 waive all transaction fees in options on the Mini-SPX ("XSP"). 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, 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. The Exchange has

<sup>28</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>26</sup> 15 U.S.C. 78f(b).

<sup>27</sup> 15 U.S.C. 78f(b)(5).