

securities, currencies or commodities of any ETF issued by the sponsor with which such specialist, member organization or any member, officer, employee or approved person therein has entered into a business transaction.

#### AMEX Company Guide Relationship With Specialist Procedures, Rules and Regulations

Sec. 910. Introduction and (a) through (c) No change.

(d) *Exchange Rules Governing Specialist's Activities*—In addition to certain provisions of the Securities Exchange Act of 1934, a number of Exchange regulations place clearly defined limits on a specialist's activities. An awareness of both the intent and spirit of Exchange rules, and the responsibilities the Exchange places on the specialist, will help ensure that contacts between company officials and the specialist are conducted within the framework provided for above.

With respect to any security in which a specialist is registered, Exchange rules prohibit specialists (and, with respect to paragraphs iii through ix, the member firm or member corporation of which the specialist is a member) from:

(i) through (v) No change.

(vi) effecting, directly or indirectly, any business transaction with the issuer of any such security or any officer, director or 10% stockholder of any such issuer, *except as provided in Commentary .07 to Rule 190 with respect to business transactions, under certain conditions, between a specialist or his member organization or any member, officer, employee or approved person therein and the sponsor of an ETF (as defined therein) that he or it is registered as specialist in;*

(vii) through (ix) No change.

With respect to any security in which a specialist is registered, Exchange rules require the specialist to report to the Exchange:

(i) through (iii) No change.

(iv) any unusual transaction in which the specialist participates as a broker or dealer; [and]

(v) each purchase and sale for the specialists' own account[.]; and

(vi) *a full description of any business transaction or relationship that a specialist or his member organization or any member, officer, employee or approved person therein may have, under certain conditions as provided in Commentary .07 to Rule 190, with any sponsor of an ETF (as defined therein) that he or it is registered as specialist in.*

(e) No change.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53537; File No. SR-CBOE-2006-15]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto To Reflect Committee Revisions

March 21, 2006.

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 February 6, 2006, 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 prepared by the Exchange. On March 13, 2006, the CBOE filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The CBOE has designated the proposed rule change as concerned solely with the administration of the Exchange under Section 19(b)(3)(A)(iii) of the Act,<sup>4</sup> and Rule 19b-4(f)(3) thereunder,<sup>5</sup> which renders the proposal effective upon filing with the Commission.<sup>6</sup> 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 amend its rules to delete or modify specific references to certain committees that have been eliminated and to modify

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

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

<sup>3</sup> Amendment No. 1 replaces the original filing in its entirety. In Amendment No. 1, the Exchange: (i) revised the rule text to reflect revisions that had become effective through separate, unrelated rule change filings and to correct typographical errors; and (ii) made certain clarifications in the text of CBOE Rule 4.11, Interpretation and Policy .05(b) regarding the Exchange's procedures in the event that a Market-Maker's position limit exemption request is denied and in the event that the Exchange subsequently reviews a position limit exemption request that it had granted.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>5</sup> 17 CFR 240.19b-4(f)(3).

<sup>6</sup> For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on March 13, 2006, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

specific references to other committees whose titles or authorities have changed. All references that currently relate to committees that are being eliminated will be replaced with terms such as the "appropriate Exchange committee" or the "Exchange." All references to committees that have changed titles or authorities will be amended accordingly. The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com>), 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 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

The purpose of the proposed rule change, as amended, is to delete from the CBOE Rules any specific references to the Clearing Procedures Committee, Exemption Committee, Modified Trading System Appointments ("MTS") Committee, appropriate Screen-Based Trading ("SBT") Trading Committee, appropriate SBT DPM Appointments Committee, and Special Product Assignment Committee. The Exchange is proposing to make these changes at this time because it recently determined to eliminate these committees and reassign their respective authorities to other committees and/or to Exchange staff.<sup>7</sup> The Exchange is also deleting all references to the Allocation Committee in the CBOE Rules in order to simplify the rule text and avoid confusion over the division of authorities among that

<sup>7</sup> For example, the authorities of the former MTS Committee have been reassigned to the Allocation Committee and the appropriate Market Performance Committees. There were also other committees that the Exchange eliminated for which there are no specific references in the CBOE rules that need to be updated. For example, the Market Fee Oversight Committee was eliminated and its specific authorities have been reassigned to the appropriate Market Performance Committees.

committee and other appropriate Exchange committees that are assuming the authorities of the former Special Product Assignment Committee. In addition, a reference to the Securities Committee in CBOE Rule 6.41 is being deleted to avoid confusion, because this committee is a committee of the Options Clearing Corporation and not of the Exchange. References to the "appropriate Floor Procedure Committee," the "appropriate FPC" and the like are also being amended to say the "appropriate Procedure Committee" to reflect a change in the names of those committees.<sup>8</sup>

The Exchange also proposes to make certain clarifications in the text of CBOE Rule 4.11, Interpretation and Policy .05(b) regarding the procedures following denial of a Market-Maker's position limit exemption request and subsequent Exchange review of a granted position limit exemption request.<sup>9</sup>

Finally, various miscellaneous changes to the rule text to accommodate the above-described changes are also being made.

<sup>8</sup> Specifically, the Exchange has changed the titles of its Floor Procedure Committees to simply "Procedure Committees" (e.g., the Equity Floor Procedure Committee is now the Equity Option Procedure Committee and the Index Floor Procedure Committee is now the Index Option Procedure Committee).

<sup>9</sup> With respect to an initial request, ordinarily a first exemption request application will be considered without the presence of the Market-Maker. If a Market-Maker's first application request for an exemption is denied and he wishes to reapply, he may make a brief personal appearance before the Exchange. The proposed rule change deletes language that had limited a Market-Maker's appearance to presenting only those issues not previously considered as part of the first application. Under the proposed rule change, no such restriction will apply. With respect to review of a granted request, which may be revoked or modified by the Exchange, the proposed rule change clarifies that such reviews may be considered by the Exchange without the presence of the Market-Maker that originally received the exemption. The proposed rule change also clarifies that, if a granted exemption that is reviewed by the Exchange without the presence of a Market-Maker is revoked or modified and the Market-Maker wishes to reapply for the exemption or a modified exemption, the Market-Maker may make a brief scheduled personal appearance before the Exchange. The Exchange notes that CBOE Rule 4.11, Interpretation and Policy .05 applies only to Market-Makers seeking an exemption to the standard position limits in all options traded on the Exchange for the purpose of assuring that there is sufficient depth and liquidity in the marketplace, and not to confer a right upon the Market-Maker applying for an exemption. As such and in light of the procedural safeguards described herein, as well as other procedural safeguards set out in Rule 4.11, Interpretation and Policy .05, the purpose of the exemption process, and the prohibition against the granting of retroactive exemptions, decisions granting or denying exemptions are not subject to review under Chapter XIX of the Exchange Rules regarding Hearings and Review.

In trying to accommodate the reassignments, the Exchange believes a better approach than making a specific reference to a committee is to make reference to the "appropriate Exchange committee" in the instances where the reassignment is to another committee and to the "Exchange" in instances where the reassignment is to Exchange staff and/or a committee. In this way, the Exchange will have the flexibility to delegate the authorities under the rules to the appropriate committee (or appropriate Exchange staff) and will not have to make a rule change merely, for instance, to accommodate a future change in the title of a committee or to accommodate the reassignment of an authority to another committee. As the authority exercised by committees (and by Exchange staff) is delegated pursuant to Exchange rules, the Exchange believes that the title of the committees exercising their authority should not be relevant.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act<sup>10</sup> which requires, among other things, that the rules of the Exchange be designed to promote just and equitable principles of trade, foster cooperation among persons engaged in facilitating securities transactions, and protect investors and the public interest. The CBOE believes that this proposal complies with the Act because the CBOE is amending its rules to update and/or generalize certain committee references to facilitate compliance.

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

The CBOE 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

The Exchange neither solicited nor received comments on the proposal.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has designated this proposal as concerned solely with the administration of the Exchange under Section 19(b)(3)(A)(iii) of the Act,<sup>11</sup> and

Rule 19b-4(f)(3) thereunder,<sup>12</sup> which renders the proposal effective upon filing with the Commission.

At any time within 60 days of the filing of the proposed rule change, as amended, 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.<sup>13</sup>

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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-CBOE-2006-15 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 No. SR-CBOE-2006-15. 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 the 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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>12</sup> 17 CFR 240.19b-4(f)(3).

<sup>13</sup> See *supra* note 6.

information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CBOE-2006-15 and should be submitted on or before April 19, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

Nancy M. Morris,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53543; File No. SR-CBOE-2006-21]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Revise Provisions of the Exchange's Crossing Rule

March 23, 2006.

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 February 28, 2006, 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 and II below, which Items have been prepared by CBOE. The Exchange filed the proposal 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

CBOE proposes certain changes to provisions of its rule that governs the participation rights of firms crossing orders in open outcry. The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com>), 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, CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

Paragraphs (d) and (e) of CBOE Rule 6.74 currently provide guaranteed participation rights to floor brokers in trades that are crossed in open outcry in certain circumstances. Generally, these provisions provide that if the trade takes place at the market provided by the crowd then, after all public customer orders in the book and represented in the trading crowd at the time the market was established are satisfied, the floor broker representing the order will be entitled to cross a certain percentage of the contracts remaining in the original order. The percentage could be 40% or 20%, depending upon the particular type of option. For example, transactions in equity options are generally subject to a 40% participation guarantee under paragraph (d) and broad-based index options (where the option class is not traded at an equity option trading post) are generally subject to a 20% participation guarantee under paragraph (e).

In order to clarify and simplify the crossing provisions related to the 40% and 20% participation entitlements, the Exchange is deleting the current crossing entitlement provisions in paragraphs (d) and (e) of CBOE Rule 6.74 and creating a new crossing entitlement provision (proposed new paragraph (d) of CBOE Rule 6.74), which combines aspects of current paragraphs (d) and (e) of the current rule. The new paragraph (d) would provide a crossing entitlement for all option classes traded on the Exchange,<sup>5</sup> and set forth applicable parameters that

would be set by the appropriate Exchange Procedure Committee on a class-by-class basis.<sup>6</sup> In addition, proposed CBOE Rule 6.74(d)(viii) would provide that the appropriate Procedure Committee would have the authority to exempt an option class from the section of the rule that provides for the crossing guarantee.<sup>7</sup> For each class that is subject to the crossing entitlement provisions, the appropriate Procedure Committee would determine the following: (i) Whether the crossing guarantee applies to facilitations and/or solicitations;<sup>8</sup> (ii) a crossing guarantee percentage of either 20% or 40% (after public customer orders are satisfied);<sup>9</sup> and (iii) the eligible size for an order that may be subject to the guaranteed crossing entitlement, although the eligible order size may not be less than 50 contracts.<sup>10</sup>

<sup>6</sup> The particular open outcry trading procedures applicable to the crossing guarantee will continue to apply unchanged. Generally, a floor broker representing an order eligible for crossing must request bids and offers and make all persons in the trading crowd aware of the request. When the cross involves a facilitation of a public customer order, the floor broker must make certain disclosures on the order ticket for the public customer and must disclose all securities that are components of the public customer order before requesting bids and offers for the execution of all components of the order. Once the trading crowd has provided a quote, the floor broker is entitled to cross a certain percentage of the order after all public customer orders that were on the limit order book and represented in the trading crowd at the time the market was established have been satisfied. The current provisions describing the Designated Primary Market-Maker's ("DPM") guaranteed participation level (the guaranteed participation level will be a percentage that when combined with the percentage the originating firm crossed, does not exceed 40% of the order that remains after satisfying those public customer orders which trade ahead of the cross transaction) and priority of members of the trading crowd who established the market also apply unchanged under the proposed rule change. As is also provided in the existing procedures, nothing prohibits a floor broker or DPM from trading more than their applicable participation entitlements if the other members of the trading crowd do not choose to trade the remaining portion of the order. The proposed rule change also includes references to Lead Market-Makers, since that category of Exchange market participant may be entitled to a participation entitlement pursuant to CBOE Rule 8.15B.

<sup>7</sup> This exemptive provision is identical to what is currently provided in subparagraph (e)(viii) of CBOE Rule 6.74 with respect to broad-based index options. Telephone conversation of March 15, 2006.

<sup>8</sup> Currently, CBOE Rule 6.74(d) and Commentary .08 to CBOE Rule 6.74 provide for a crossing guarantee for both facilitation and solicitation orders in the case of equity options, and CBOE Rule 6.74(e) provides a crossing guarantee for facilitation orders only in the case of broad-based index options. Telephone conversation of March 15, 2006.

<sup>9</sup> As described above, the current rules provide a 20% crossing guarantee in the case of broad-based index options and a 40% crossing guarantee in the case of equity options. Telephone conversation of March 15, 2006.

<sup>10</sup> The proposed rule change also would establish that, in determining whether an order satisfies the eligible order size requirement, any multi-part or complex order (including a spread, straddle,

<sup>14</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> Currently, the crossing entitlements of CBOE Rule 6.74(d) and (e) apply only to trading in equity and broad-based index options. See Telephone conversation between David Doherty, Attorney, CBOE, and Jan Woo, Attorney, Division of Market Regulation, Commission, March 15, 2006 ("Telephone conversation of March 15, 2006").