

(10) *Collection description:* Under the Railroad Retirement Act and the Railroad Unemployment Insurance Act, railroad employers are required to report service and compensation for employees needed to determine eligibility to and the amounts of benefits paid.

**ADDITIONAL INFORMATION OR COMMENTS:**

Copies of the forms and supporting documents can be obtained from Charles Mierzwa, the agency clearance officer (312-751-3363) or [Charles.Mierzwa@rrb.gov](mailto:Charles.Mierzwa@rrb.gov).

Comments regarding the information collection should be addressed to Ronald J. Hodapp, Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois, 60611-2092 or [Ronald.Hodapp@rrb.gov](mailto:Ronald.Hodapp@rrb.gov) and to the OMB Desk Officer for the RRB, at the Office of Management and Budget, Room 10230, New Executive Office Building, Washington, DC 20503.

**Charles Mierzwa**

*Clearance Officer*

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**BILLING CODE 7905-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54206; File No. SR-Amex-2005-096]

**Self-Regulatory Organizations; American Stock Exchange LLC; Order Granting Approval of a Proposed Rule Change and Amendment No. 1 Thereto Relating to the Relocation of Registered Options Traders Assigned Options Classes**

July 25, 2006.

**I. Introduction**

On September 22, 2005, the American Stock Exchange LLC (“Amex” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to permit registered options traders (“ROT’s”) to send proprietary electronic orders, representing a bona fide hedge and/or liquidating orders, in an assigned option class for up to three (3) months following a relocation of such option class when the ROT is no longer physically present in such trading crowd. On April 5, 2006, the Exchange submitted Amendment No. 1 to the proposed rule change. The proposed

rule change and Amendment No. 1 were published for comment in the **Federal Register** on April 20, 2006.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

**II. Description of the Proposed Rule Change**

Amex Rule 110 (applicable to options through Amex Rule 950—ANTE(a)) and Amex Rule 958—ANTE(a) require that each ROT be qualified and registered with the Exchange as a ROT and assigned by the Exchange to one or more classes of options. In addition, Amex Rule 958—ANTE(a) provides that Exchange options transactions initiated by a ROT on the floor of the Exchange for any account in which such ROT has an interest must be in his or her assigned classes and Amex Rule 958—ANTE(h) requires a ROT to be physically present at the specialist’s post on the floor of the Exchange where the ROT’s assigned options class is traded, whenever the ROT is using an automated quote calculation system, joining the specialist’s quote in a given option class, or sending an order into the ANTE system in that option.

When an option class is relocated on the trading floor, a ROT has two alternatives: (i) Stay in his or her present location and no longer keep the assigned options class, in which case, the ROT may only hedge and/or liquidate positions in the relocated options class by sending orders to another options exchange <sup>4</sup> or (ii) keep the assigned options class and relocate with the option to the new location which may be difficult, and near impossible, depending on the ROT’s other assigned classes. When an options class is relocated, the Exchange stated that a ROT would no longer be considered assigned to an option class once an assigned option class has been relocated to a different floor location and the ROT has not communicated his intention to relocate with such assigned options class.

Accordingly, the Exchange proposes to permit ROTs to apply to the Exchange to send proprietary electronic orders constituting bona fide hedging and/or position liquidations in a formerly assigned option class <sup>5</sup> without the need to be physically present that the

specialist’s post for that formerly assigned options class, for up to a three (3) month period from the date the application is granted. The Exchange believes that providing ROTs with this limited ability to send orders for the purpose of creating a bona fide hedge or liquidating positions in a formerly assigned options class would provide an effective and efficient means for ROTs to reduce position risk. The Exchange determined that three (3) months is a reasonable amount of time considering that that is the time period within which an expiration of an options class normally occurs. The Exchange also considered whether advance notice of an option class relocation is more suitable than a three (3) month extension; however, according to the Exchange, advance notice may be difficult, if not impossible, for such occurrences as market maker consolidations and mergers which are often the cause for the relocation and thus the Exchange believes that the three (3) month extension is the best alternative.

In order to send electronic orders in a formerly assigned options class under this proposal, a ROT would be required to submit an application in writing to the Exchange’s Division of Regulation and Compliance (“R&C”) and the R&C must approve such application.<sup>6</sup> The Exchange stated that the R&C would take into consideration several factors in determining whether to grant the ROT approval, including, but not limited to, if the ROT is in good standing with the Exchange, whether the ROT has had any recent regulatory issues and whether advance notice of the relocation was provided. The Exchange stated that the R&C would generally approve a ROT application to take advantage of the ability to send electronic orders under this proposal consistent with the absence of regulatory issues and sufficient advance notice of relocation. Once approved by R&C, a ROT would be able to send proprietary electronic orders, representing a bona fide hedge or position liquidation, in a formerly assigned option class, when such ROT is no longer physically present in the trading crowd, for a period of up to three (3) months, without extension.

**III. Discussion**

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities

<sup>3</sup> Securities Exchange Act Release No. 53640 (April 12, 2006), 71 FR 20426 (April 20, 2006).

<sup>4</sup> See Amex Rule 958—ANTE(a).

<sup>5</sup> The Exchange stated that a ROT must communicate his intention to relocate if he wants to keep the assigned option class. For purposes of this order, such relocated assigned option class shall be referred to as a ROT’s “formerly assigned option class.”

<sup>6</sup> Proposed Commentary .10 to Amex Rule 958—ANTE.

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

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

exchange<sup>7</sup> and, in particular, the requirements of Section 6(b) of the Act<sup>8</sup> and the rules and regulations thereunder. Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>9</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, 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 providing ROTs with a limited ability to send orders in connection with a bona fide hedge or liquidating position in a formerly assigned options class is a reasonable response by the Exchange to the need for ROTs to reduce the position risk that occurs when an options class is relocated.

#### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-Amex-2005-096), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

Jill M. Peterson,

Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54192; File No. SR-CBOE-2006-27]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto Relating to Strike Price Intervals for VIX Options

July 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 March 15, 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 the Exchange. On July 19, 2006, the CBOE filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Commission is publishing this notice and order to solicit comments on the proposal from interested persons and to approve the proposed rule change, as amended, on an accelerated basis.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes rules that would permit the Exchange to list and trade VIX options in \$1 strike price intervals within certain parameters. The text of the proposed rule change, as amended, is below. Proposed new language is in *italics*.

\* \* \* \* \*

#### Rule 24.9 Terms of Index Option Contracts

No change.

\* \* \* Interpretations and Policies:

.01 The procedures for adding and deleting strike prices for index options are provided in Rule 5.5 and Interpretations and Policies related thereto, as otherwise generally provided by Rule 24.9, and include the following:

(a)-(d) No change.

(e)(i) *Notwithstanding paragraph (a), the interval between strike prices for options on the CBOE Volatility Index (VIX) will be no less than \$2.50; provided, that subject to the following conditions, the interval between strike prices for VIX will be no less than \$1.00:*

(A) *The Exchange may open for trading series at \$1.00 or greater strike price intervals for each expiration on up to 5 VIX option series above and 5 VIX option series below the current index level;*

(B) *The Exchange may open for trading additional series at \$1.00 or greater strike price intervals for each expiration as the current index level of VIX moves from the exercise price of those VIX options series that already have been opened for trading on the Exchange so as to maintain at least 5 VIX option series above and 5 VIX option series below the current index level;*

(C) *The Exchange may not open for trading series with \$1.00 intervals within \$0.50 of an existing \$2.50 strike price with the same expiration month; and*

(D) *The interval between strike prices for VIX LEAPs will be no less than \$2.50.*

(ii) *For the purposes of adding strike prices on options on VIX at \$1.00 or greater strike price intervals, as well as at \$2.50 or greater strike price intervals, the "current index level" shall mean the implied forward level based on VIX futures prices.*

.02-.14 No change.

\* \* \* \* \*

#### 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 III 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

The purpose of the proposed rule change is to permit the Exchange to list and trade options on the CBOE Volatility Index ("VIX") in \$1 strike price intervals within certain parameters described below.<sup>4</sup> VIX is calculated using real-time quotes of out-of-the-money and at-the-money nearby and second nearby index puts and calls on the S&P 500 Index ("SPX"). Generally, VIX provides investors with up-to-the-minute market estimates of expected volatility of the S&P 500 Index.

VIX is quoted in absolute numbers that represent the volatility of the S&P 500 Index in percentage points per annum. For example, an index level of 12.66 (the closing value of the VIX on March 7, 2006) represents an annualized volatility of 12.66% in the S&P 500 Index. The VIX level fluctuates quite differently than individual equity securities or indexes of individual equity securities. Specifically, the

<sup>4</sup> The Commission has also granted approval for CBOE to list options on the increased-value version of VIX ("Increased-Value VIX") (see Securities Exchange Act Release No. 49698 (May 13, 2004), 69 FR 29152 (May 20, 2004) (Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Options on Certain CBOE Volatility Indexes)). This proposed rule change does not apply to options on Increased-Value VIX.

<sup>7</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78f(b)(2).

<sup>11</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> Amendment No. 1 replaced and superseded the original rule filing in its entirety.