This meeting will be webcast live at the Web address—*http://www.nrc.gov.*

Week of February 19, 2007—Tentative

There are no meetings scheduled for the Week of February 19, 2007.

Week of February 26, 2007—Tentative

Wednesday, February 28, 2007

9:30 a.m.
Periodic Briefing on New Reactor Issues (Public Meeting) (*Contact:* Donna Williams, 301 415–1322).

This meeting will be webcast live at the Web address—*http://www.nrc.gov.*

Week of March 5, 2007—Tentative

Monday, March 5, 2007

1 p.m.
Meeting with Department of Energy on New Reactor Issues (Public Meeting).

This meeting will be webcast live at the Web address—*http://www.nrc.gov.*

Tuesday, March 6, 2007

1 p.m.
Discussion of Management Issues (Closed—Ex. 2).

Wednesday, March 7, 2007

9:30 a.m.
Briefing on Office of Nuclear Security and Incident Response (NSIR) Programs, Performance, and Plans (Public Meeting). (*Contact:* Miriam Cohen, 301 415–0260).

This meeting will be webcast live at the Web address—*http://www.nrc.gov.*

1 p.m.
Discussion of Security Issues (Closed—Ex. 1 and 3).

Thursday, March 8, 2007

10 a.m.
Briefing on Office of Nuclear Materials Safety and Safeguards (NMSS) Programs, Performance, and Plans (Public Meeting) (*Contact:* Gene Peters, 301 415–5248).

This meeting will be webcast live at the Web address—*http://www.nrc.gov.*

1 p.m.
Briefing on Office of Nuclear Reactor Regulation (NRR) Programs, Performance, and Plans (Public Meeting) (*Contact:* Reginald Mitchell, 301 415–1275).

This meeting will be webcast live at the Web address—*http://www.nrc.gov.*

Week of March 12, 2007—Tentative

There are no meetings scheduled for the Week of March 12, 2007.

Week of March 19, 2007—Tentative

Tuesday, March 20, 2007

1:30 p.m.
Briefing on Office of Information Services (OIS) Programs, Performance, and Plans (Public Meeting) (Contact: Edward Baker, 301–415–8700).

This meeting will be webcast live at the Web address—*http://www.nrc.gov.*

*The schedule for Commission meetings is subject to change on short notice. To verify the status of meetings call (recording)—(301) 415–1292. *Contact person for more information:* Michelle Schroll, (301) 415–1662.

The NRC Commission Meeting Schedule can be found on the Internet at: *http://www.nrc.gov/what-we-do/policy-making/schedule.html.*

The NRC provides reasonable accommodation to individuals with disabilities where appropriate. If you need a reasonable accommodation to participate in these public meetings, or need this meeting notice or the transcript or other information from the public meetings in another format (e.g., braille, large print), please notify the NRC's Disability Program Coordinator, Deborah Chan, at 301–415–7041, *TDD:* 301–415–2100, or by e-mail at *DLC@nrc.gov.* Determinations on requests for reasonable accommodation will be made on a case-by-case basis.

This notice is distributed by mail to several hundred subscribers; if you no longer wish to receive it, or would like to be added to the distribution, please contact the Office of the Secretary, Washington, DC 20555 (301–415–1969). In addition, distribution of this meeting notice over the Internet system is available. If you are interested in receiving this Commission meeting schedule electronically, please send an electronic message to *dkw@nrc.gov.*

Dated: February 8, 2007.

R. Michelle Schroll,

Office of the Secretary.

[FR Doc. 07–694 Filed 2–9–07; 4:23 pm]

BILLING CODE 7590–01–P

SECURITIES AND EXCHANGE COMMISSION

[File No. 500–1]

In the Matter of One Price Clothing Stores, Inc.; Order of Suspension of Trading

February 12, 2007.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of One Price Clothing Stores, Inc. (''One Price''), a Delaware Corporation formerly headquartered in Duncan, South Carolina, which trades in the Pink Sheets under the symbol ''ONPRQ,'' because it has not filed any periodic reports since the period ended November 1, 2003.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in the securities of the above listed company.

Therefore, It Is Ordered, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the above listed company is suspended for the period from 9:30 a.m. EST, February 12, 2007 through 11:59 p.m. EST, on February 26, 2007.

By the Commission.

J. Lynn Taylor,

Assistant Secretary.

[FR Doc. 07–696 Filed 2–12–07; 11:08 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–55251; File No. SR–CBOE–2006–84]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change and Amendment Nos. 1, 2, 3, and 4 Thereto To List and Trade Credit Default Options

February 7, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 26, 2006, the Chicago Board Options Exchange, Incorporated (''Exchange'' or ''CBOE'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change to list and trade credit default options (''Credit Default Options''). On December 21, 2006, CBOE filed Amendment No. 1 to the proposed rule change; on January 16, 2007, CBOE filed Amendment No. 2 to the proposed rule change; on February 2, 2007, CBOE filed Amendment No. 3, to the proposed rule change; and on February 7, 2007, CBOE filed Amendment No.4 to the proposed rule change. The proposed rule change is described in Items I, II, and III below, which Items have been prepared substantially by the Exchange. The

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

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 provide for the listing and trading of cash-settled, binary call options based on credit events in one or more debt securities of an issuer or guarantor. The text of the proposed rule change is available at (*http://www.cboe.org/legal*), CBOE, and the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Amendment No. 4 deleted the text of proposed Rule 29.16 and made typographical and clarifying corrections to the discussion sections of the Form 19b–4 and the Exhibit 1 **Federal Register** notice, and the product description contained in Exhibit 3 to the Form 19b-4.

Amendment 3 replaced Amendment 2 it its entirety. The purpose of Amendment 3 was to: (i) Eliminate the term ''event-style option'' from the proposed rule text; (ii) amend the definition of a ''Credit Event'' in the proposed rule text to explicitly include references to restructuring of the Relevant Obligation(s) as an underlying Credit Event in a Credit Default Option class; (iii) revise the cutoff times applicable to the occurrence of Credit Events, Redemption Events, and related confirmation periods; (iv) expand the definition of ''Reference Entity'' to include guarantors in addition to issuers; and (v) make conforming changes and clarifications to this ''Purpose'' section, as well as various typographical corrections to the proposed rule text.

Amendment 2 replaced Amendment 1 in its entirety. The purpose of Amendment 2 was to: (i) Modify the proposed margin requirements for Credit Default Options, (ii) modify the proposed definitions of the ''last trading day'' and the ''expiration date,'' (iii) modify the proposed definition of the ''Relevant Obligations,'' and (iv) make various conforming changes and clarifications to this ''Purpose'' section.

The purpose of Amendment 1, which replaced the original filing in its entirety, was to revise the rule text and related discussion in this ''Purpose'' section to make various changes and clarifications.

The purpose of the proposed rule change is to enable CBOE to list and trade Credit Default Options. With the introduction of Credit Default Options, as described more fully below, investors would be able to trade cash-settled options based on particular credit-related events that are confirmed to have occurred based on a particular debt security obligation or related debt security obligations of an issuer. Credit Default Options should provide investors with hedging and risk-shifting vehicles that correlate with the creditworthiness of the Reference Entity and its debt security obligations. Indeed, creditworthiness is viewed as a key component of the valuation of a debt security. Investors with substantial investments in debt securities would be able to use CBOE Credit Default Options to hedge their exposure and risk, or to supplement income by writing Credit Default Option calls. CBOE asserts that, as a result, these products would be useful to those with investments in debt securities, including institutional investors such as credit market participants and fixed income traders, as well as individual investors.

Credit Default Options would be structured as binary call options [3] that settle in cash based on confirmation of a Credit Event in a Reference Entity. A ''Reference Entity'' would be the issuer or guarantor [4] of the debt security underlying the Credit Default Option (referred to as the ''Reference Obligation'').

A ''Credit Event'' would occur:

(i) When the Reference Entity has a Failure-to-Pay Default on the Reference Obligation or any other debt security obligation(s) (the set of these obligations and the Reference Obligation are referred to as the ''Relevant Obligations''). A ''Failure-to-Pay Default'' would be defined in accordance with the terms of the Relevant Obligation(s); and/or

(ii) When the Reference Entity has any other Event of Default on the Relevant Obligation(s). Any applicable ''Event(s) of Default'' would be specified by the Exchange at the time the option class is initially listed in accordance with the procedures of proposed Rule 29.2 (described below) and, for each such Event(s) of Default specified, would be defined in accordance with the terms of the Relevant Obligation(s); and/or

(iii) When the Reference Entity has a change in the terms of the Relevant Obligation(s) (a ''Restructuring''). The terms of such a Restructuring would be specified by the Exchange in accordance with Rule 29.2 and, if so specified, would be defined in accordance with the terms of the Relevant Obligation(s).

To confirm, the particular Credit Events applicable to a Credit Default Option would be designated by the Exchange on a class-by-class basis. And, when designating the applicable Credit Events for a given Credit Default Option class, the Exchange would select from among the terms in the underlying instruments of the Relevant Obligation(s) of the particular Reference Entity.

The Exchange would confirm a Credit Event through at least two sources, which may include announcements published via newswire services or information services companies, the names of which would be announced to the membership via Regulatory Circular, and/or information contained in any order, decree, or notice of filing, however described, of or filed with the courts, the Commission, an exchange, or association, the Options Clearing Corporation (''OCC''), or another regulatory agency or similar authority. Every determination of a Credit Event would be within the Exchange's sole discretion and would be conclusive and binding on all holders and sellers of the Credit Default Option and not subject to review.

For a Credit Default Option to be automatically exercised, a Credit Event would need to have: (i) Occurred between the option's listing date and 10:59 p.m. (CT) on the option's last trading day which, subject to certain exceptions, would generally be the third Friday of the expiration month; and (ii) been confirmed by the Exchange no

[3] A ''binary call option'' is an option contract that will pay the holder of the option contract a fixed amount upon exercise.

[4] The Exchange has included ''guarantor'' within the proposed definition of ''Reference Entity'' in the event a succession occurs and the original issuer remains a guarantor of the debt security. Alternatively, the situation may arise in which the Reference Entity may not be the original issuer, but is a guarantor of the debt security.

later than the option's expiration date which, subject to certain exceptions, would generally be the fourth business day after the third Friday of the expiration month. If the Exchange confirms a Credit Event, the Credit Default Options class would be subject to an automatic exercise and the holders of long options positions would receive a fixed cash settlement amount payment equal to $100,000 per contract. Otherwise, if there is no Credit Event confirmed prior to the expiration date, the cash settlement amount would be $0. The last trading day, expiration day, and automatic exercise procedures are described in more detail below.

Given the binary nature of the product, a benefit of Credit Default Options is that the purchaser and writer of the options would know the expected return at the time the contract is entered. Further, since the payment is fixed, the risk (return) to the writer (purchaser) would be limited. CBOE believes that there are several other benefits to be realized by providing for the trading of Credit Default Options on its exchange marketplace. Among these benefits are the following: (i) By trading Credit Default Options in the CBOE's centralized, open-outcry auction market, with designated members having market-making responsibilities, investors would be better able to initiate and close out positions efficiently and at the best available prices; (ii) unlike the existing over-the-counter (''OTC'') market, CBOE's market would provide transparency as the result of the real-time dissemination of best bids and offers and reports of completed transactions in Credit Default Options; (iii) the role of the OCC as issuer and guarantor of Credit Default Options would eliminate concern over contra-party creditworthiness and assure performance upon automatic exercise of Credit Default Options; and (iv) subjecting Credit Default Options to CBOE's rules, regulations, and oversight would provide enhanced investor protection and market surveillance.

To accommodate the introduction of these new Credit Default Options, CBOE proposes to adopt new Chapter XXIX to its rules and to make corresponding amendments to CBOE's initial and maintenance listing rules and margin rules. An introductory section to Chapter XXIX would explain that the proposed rules in the Chapter are applicable only to Credit Default Options. The introductory section would further explain that the existing rules in Chapters I through XIX, XXIVA, and XXIVB are also applicable to Credit Default Options and, in some cases, are supplemented by the proposed rules in the Chapter, except for existing rules that would be replaced in respect of Credit Default Options in the Chapter and except where the context otherwise requires. Whenever a proposed rule in the Chapter supplements or, for purposes of the Chapter, replaces rules in Chapter I through XIX, XXIVA, and XXIVB, that fact would be indicated following the rule text. Each of the proposed rules and amendments to the existing rules are described below.

a. Definitions (Proposed Rule 29.1)

New Chapter XXIX would include definitions applicable to Credit Default Options in proposed Rule 29.1. In particular, the terms ''Credit Default Option,'' ''Credit Event,'' and ''Reference Entity'' are defined as described above. In addition, the term ''cash settlement amount,'' which is the amount of cash that a holder would receive upon automatic exercise, if the Exchange has confirmed the occurrence of a Credit Event in a Reference Entity between the listing date and the last trading day, is proposed to be a fixed amount of $100,000. The $100,000 amount is equal to an exercise settlement value of $100 multiplied by the contract multiplier of 1,000. If no Credit Event is confirmed, the cash settlement amount would be $0. As described in more detail below, the $100,000 cash settlement amount may be subject to adjustment if certain adjustment-related events are confirmed to have occurred.

Also included within the proposed definitions, the term ''last trading day'' would be defined as the third Friday of the expiration month (or, if that day is not a business day, the last trading day would be the preceding business day); provided, however, if a Credit Event is confirmed prior to that day, the series would cease trading at the time of the confirmation of the Credit Event and the last trading day would be accelerated to the confirmation date. In addition, within the proposed definitions, the term ''expiration date'' would be defined as the fourth business day after the third Friday of the expiration month (or, if that day is not a business day, the expiration date would be the fourth business day after the preceding business day); provided, however, if a Credit Event is confirmed by the Exchange to members and the OCC before the third Friday of the expiration month, the expiration date would be accelerated to the second business day immediately following the confirmation date.[5]

b. Designation, Withdrawal & Adjustment (Proposed Rules 29.2–29.4; Revised Rules 5.3 and 5.4)

Proposed Interpretation and Policy .11 to existing Rule 5.3, *Criteria for Underlying Securities*, would be added to provide the listing criteria for Credit Default Options. Under the proposed criteria, the Exchange could list and trade a Credit Default Option that overlies a Reference Obligation of a Reference Entity, provided that the Reference Entity satisfies the following: (i) the Reference Entity or the Reference Entity's parent, if the Reference Entity is a wholly-owned subsidiary, must have at least one class of securities that is duly registered and is an ''NMS stock'' as defined in Rule 600 of Regulation NMS under the Act;[6] and (ii) the registered equity securities issued by the Reference Entity must also satisfy the requirements for continued options trading on CBOE pursuant to existing Exchange Rule 5.4.[7]

Proposed Interpretation and Policy .15 to existing Rule 5.4, *Withdrawal of Approval of Underlying Securities,* would similarly provide that a Credit Default Option initially approved for trading shall be deemed not to meet the Exchange's requirements for continued approval, and the Exchange would not open for trading any additional series of options contracts of the class covering such options and may prohibit any opening purchases transactions in such series as provided in existing Rule 5.4, at any time the Exchange determines on the basis of information made publicly available that any of the listing

[5] The Exchange understands, based on discussions with the OCC, that the final settlement would occur on the first business day following the expiration date.

[6] This criterion is designed to ensure that there is adequate information publicly available regarding the issuer of a debt security that serves as a Reference Obligation underlying a Credit Default Option. The market for debt securities that would serve as Reference Obligations is largely an OTC market, and many debt securities, including those among the most actively traded, are not themselves registered under Section 12 of the Act, 15 U.S.C. 78*l*. The issuers of many unregistered debt securities, however, have equity securities that are duly registered and are ''NMS stocks'' as defined in Rule 600 of Regulation NMS, 17 CFR 242.600. These issuers are required to provide periodic reports to the public due to the equity registration, and the fact that their debt securities are unregistered does not diminish in practical terms the information provided by their periodic reports. Thus, the requirements, would enable a wide array of credit Default Options to be listed while ensuring sufficient public disclosure of information about any debt securities that serve as Reference Obligations underlying the exchange-traded Credit Default Options.

[7] The provisions of existing Rule 5.4.01 require that an equity security underlying an option be itself widely held and actively traded. The requirement that the securities of an issuer of a debt security meet the criterion of Rule 5.4.01 provides an additional assurance that such issuer's securities enjoy widespread investor interest.

requirements identified above are not satisfied.

Proposed Rule 29.2, *Designation of Credit Default Option Contracts*, would supplement existing Rules 5.1, *Designation of Securities*, 5.3, 5.5, *Series of Option Contracts Open for Trading*, and 5.8, *Long-Term Equity Option Series (LEAPS®)*. The text of proposed Rule 29.2 references the applicable listing requirements in proposed Rule 5.3.11 and also provides that each Credit Default Options class would be designated by reference to the Reference Entity, Reference Obligation, and the applicable Credit Event(s). The applicable Credit Event(s) would include a Failure-to-Pay Default and might also include any other Event of Default or Restructuring, if any, specified by the Exchange.

After a particular Credit Default Option class has been approved for listing and trading on the Exchange, the Exchange would from time to time open for trading series of options on that class. Only Credit Default Option contracts approved by the Exchange and currently open for trading on the Exchange would be eligible to be purchased or written on the Exchange. Prior to the opening of trading in a particular Credit Default Options series in a given class, the Exchange would fix the expiration month and year. To the extent possible, CBOE intends to have Credit Default Options recognized and treated like existing standardized options. Standardized systems for listing, trading, transmitting, clearing, and settling options, including systems used by OCC, would be employed in connection with Credit Default Options. Credit Default Options would also have a symbology based on the current system. For example, the ABC Dec-07 Calls would designate a Credit Default Option on Reference Entity ABC, which option would expire in December 2007 and would cease trading on the third Friday of that month (assuming that date is an Exchange business day and assuming no Credit Event has been determined by the Exchange before that date).

A Credit Default Option series would generally be listed up to 123 months ahead of its expiration date and could expire in the months of March, June, September, or December. The last trading day would be the close of business on the third Friday of the expiration month. However, if that day is not a business day, the series would cease trading at the close of business on the preceding business day. The Exchange usually would open one to four series for each year up to 10.25 years from the current expiration. For example, in December 2006, the Exchange would open the Jun-07 and Dec-07 series, as well as the Dec-08, Dec-09, Dec-10, and Dec-11 series. Additional series of options on the same Credit Default Option class could be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of Credit Default Options on the Exchange would not affect any other series of options of the same class previously opened.

Proposed Rule 29.3, *Withdrawal of Approval of Underlying Reference Entity*, would provide that the requirements for continuance of approval of Credit Default Options would be in accordance with proposed Rule 5.4.15.

Proposed Rule 29.4, *Adjustments*, which for purposes of Credit Default Options would replace existing Rule 5.7, *Adjustments*, would contain information about adjustments due to succession or redemption events in the Reference Entity.

With respect to adjustments related to a succession, the proposed rule provides that each Credit Default Option would be replaced by one or more Credit Default Options derived from Reference Entities that have succeeded the original Reference Entity as a result of the Succession Event based on the applicable share of each Successor Reference Entity. For purposes of the proposed rule, a ''Successor Reference Entity'' and a ''Succession Event'' would be defined in accordance with the terms of the Relevant Obligation(s). In respect of each successor Credit Default Option, the cash settlement amount and contract multiplier would be based on the applicable share of each Successor Reference Entity. For example, if there are two Successor Reference Entities that each has an applicable share of 50%, the cash settlement for each replacement Credit Default Option would be $50,000 (equal to an exercise settlement value of $100 multiplied by the revised contract multiplier of 500). All other terms and conditions of each successor Credit Default Option would be the same as the original Credit Default Option unless the Exchange determines, in its sole discretion, that a change is necessary and appropriate for the protection of investors and the public interest, including but not limited to the maintenance of fair and orderly markets, consistency of interpretation and practice, and the efficiency of settlement procedures.

With respect to adjustments related to a redemption, the proposed rule provides that, once the Exchange has confirmed a Redemption Event, the Credit Default Option contract would cease trading on the confirmation date. If no Credit Event has been confirmed to have occurred prior to the effective date of the Redemption, the contract payout would be $0. If a Credit Event has occurred prior to the effective date of the Redemption, the cash settlement amount would be $100,000 per contract (or the applicable adjusted amount). The Credit Event confirmation period would begin when the Credit Default Option contact is listed and would extend to 3 p.m. (CT) on the fourth Exchange business day after the effective date of the Redemption. A ''Redemption Event'' would be defined in accordance with the terms of the Relevant Obligation(s) and would include the redemption of the Reference Obligation and of all other Relevant Obligations. However, if the Reference Obligation is redeemed but other Relevant Obligation(s) remain, a new Reference Obligation would be specified from among the remaining Relevant Obligation(s).

The Exchange would confirm adjustment events based on at least two sources, which could include announcements published via newswire services or information services companies, the names of which would be announced to the membership via Regulatory Circular, and/or information submitted to or filed with the courts, the Commission, an exchange or association, the OCC, or another regulatory agency or similar authority.

Proposed Rule 29.4 also would provide that every such determination made pursuant to the proposed rule would be within the Exchange's sole discretion and be conclusive and binding on all holders and sellers and not subject to review.

c. Determination of Credit Events, Automatic Exercise, and Settlement (Proposed Rules 29.9–29.10)

A Credit Default Option would be subject to automatic exercise upon the Exchange confirming that a Credit Event has occurred in a Reference Entity between the listing date and the last trading day. Under proposed Rule 29.9, the Credit Event confirmation period would begin when the Credit Default Option contract is listed and would extend to 3 p.m. (CT) on the expiration date.

The Exchange would confirm a Credit Event based on at least two sources, which could include announcements published via newswire services or information services companies, the names of which would be announced to the membership via Regulatory Circular,

or information submitted to or filed with the courts, the Commission, an exchange or association, the OCC, or another regulatory agency or similar authority. Proposed Rule 29.9 would also provide that every determination made pursuant to the proposed rule would be within the Exchange's sole discretion and be conclusive and binding on all holders and sellers and not subject to review.

Proposed Rule 29.10 would provide that the Exchange shall have no liability for damages, claims, losses, or expenses caused by any errors, omissions, or delays in confirming or disseminating notice of any Credit Event resulting from a negligent act or omission by the Exchange or any act, condition, or cause beyond the reasonable control of the Exchange, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission, or delay in the reports of transactions in one or more underlying securities.

If the Exchange determines that a Credit Event in the underlying Reference Entity has occurred prior to 10:59 p.m. (CT) on the last trading day, the final cash settlement amount would be $100,000 per contract (or the applicable adjusted amount). Otherwise the final settlement price would be $0. As indicated above, if a Credit Event has been confirmed by the Exchange to have occurred prior to the last trading day, the Credit Default Option would cease trading upon confirmation of the Credit Event. Once a Credit Event is confirmed, the Exchange would also provide the OCC with notice of the Credit Event and notice of the applicable cash settlement value, similar to the notification procedures that are currently in place for existing index products trading on the Exchange. The rights and obligations of holders and sellers of Credit Default Options dealt in on the Exchange shall be set forth in the By-Laws and Rules of OCC.

d. Position Limits, Reporting Requirements, Exercise Limits, and Other Restrictions (Proposed Rules 29.5–29.8)

The Exchange is proposing that the position limits for Credit Default Option contracts be equal to 5,000 contracts on the same side of the market. The Exchange believes this amount is sufficiently low enough to minimize potential risks on firms as Credit Default Options are first introduced. However, over time and based on the Exchange's experience in trading Credit Default Options, CBOE anticipates these limits would be increased. Any such increase would be reflected through a rule filing submitted pursuant to Section 19(b) of the Act.[8]

In determining compliance with the Exchange's position limit requirements, proposed Rule 29.5 would provide that Credit Default Options shall not be aggregated with option contracts on the same or similar underlying security. CBOE believes that the ''all-or-none'' nature of Credit Default Options as well as the risk/return profile of these options provides significant differences to existing standardized options that render aggregation of such positions unnecessary. In addition, Credit Default Options shall not be subject to the hedge exemption to the standard position limits found in existing Rule 4.11.04. Instead, the following qualified hedge exemption strategies and positions shall be exempt from the established position limits: (i) A Credit Default Option position ''hedged'' or ''covered'' by an appropriate amount of cash to meet the cash settlement amount obligation (*e.g.*, $100,000 for a Credit Default Option with an exercise settlement value of $100 multiplied by a contract multiplier of 1,000); and (ii) a Credit Default Option position ''hedged'' or ''covered'' by an amount of an underlying debt security(ies) that serves as a Relevant Obligation(s) and/or other securities, instruments, or interests related to the Reference Entity that is sufficient to meet the cash settlement amount obligation. For example, a long Credit Default Option position could be offset by a long position in a debt security of the Reference Entity that is worth $100,000 per contract (or the applicable adjusted amount) and a short Credit Default Option position could be offset by a short position in a debt security of the Reference Entity that is worth $100,000 per contract (or the applicable adjusted amount).

The existing Market-Maker and firm facilitation exemptions to position limits currently available to members under existing Rules 4.11.05 and 4.11.06, respectively, would also apply. With respect to the Market-Maker hedge exemption, the Exchange is proposing that the positions must generally be within 20% of the applicable limits of the Credit Default Option before an exemption would be granted. With respect to the firm facilitation exemption, the Exchange is proposing that the aggregate exemption position could not exceed three times the standard limit of $5,000 and be applied consistent with the procedures described in existing Rule 4.11.06.

Under proposed Rule 29.6, *Reports Related to Position Limits and Liquidation of Positions*, the standard equity reporting requirements described in existing Rule 4.13, *Reports Related to Position Limits*, would be applicable to Credit Default Options. As such, in accordance with Rule 4.13(a), positions in Credit Default Options would be reported to the Exchange via the Large Option Positions Report when an account establishes an aggregate same side of the market position of 200 or more Credit Default Options. In computing reportable Credit Default Options under existing Rule 4.13, Credit Default Options could not be aggregated with non-Credit Default contracts. In addition, Credit Default Options on a given class shall not be aggregated with any other class of Credit Default Options. The applicable position reporting requirements described in existing Rule 4.13(b) would also apply, except that the reporting requirement would be triggered for a Credit Default Option position on behalf of a member's account or for the account of a customer in excess of 1,000 contracts on the same side of the market, instead of the normal 10,000 contract trigger amount. The data to be reported would include, but would not be limited to, the Credit Default Option positions, whether such positions are hedged, and documentation as to how such contracts are hedged. The Exchange believes that the reporting requirements and the surveillance procedures for hedged positions would enable the Exchange to closely monitor sizable positions and corresponding hedges.

Upon determination of a Credit Event, the Credit Default Option class would cease trading and all outstanding Credit Default Option contracts would be subject to automatic exercise. As a result and given the fixed payout nature of these options, there shall be no exercise limits for Credit Default Options. Proposed Rule 29.7 confirms this.

Proposed Rule 29.8 provides that Credit Default Options shall also be subject to existing Rule 4.16, *Other Restrictions on Options Transactions and Exercises*, which provides the Exchange's Board with the power to impose restrictions on transactions or exercises in one or more series of options of any class dealt in on the Exchange as the Board in its judgment determines advisable in the interests of maintaining a fair and orderly market or otherwise deems advisable in the public

[8] 15 U.S.C. 78s(b).

interest or for the protection of investors.[9]

CBOE believes the proposed safeguards would serve sufficiently to help monitor open interest in Credit Default Option series and significantly reduce any risks.

e. Margin Requirements (Amendment to Rules 12.3 and 12.5)

The Exchange is proposing to supplement its existing Rule 12.3, *Margin Requirements*, to include requirements applicable to the initial and maintenance margin required on any Credit Default Options carried in a customer's account. The requirements would be as follows: The initial and maintenance margin required on any Credit Default Option carried long in a customer's account would be 100% of the current market value of the Credit Default Option; provided, however, for the account of a qualified customer, the margin would be 20% of the current market value of the Credit Default Option. The initial and maintenance margin required on any Credit Default Option carried short in a customer's account would be the cash settlement amount, *i.e.*, $100,000 per contract; provided, however, for the account of a qualified customer, the margin would be the lesser of the current market value plus 20% of the cash settlement amount defined in proposed Rule 29.1 or the cash settlement amount.

The Exchange is also proposing to amend its existing Rule 12.5, *Determination of Value for Margin Purposes,* to provide that Credit Default Options carried for the account of a qualified investor that are listed or guaranteed by the carrying broker-dealer may be deemed to have market value for the purposes of the customer margin account provisions provided in existing Rule 12.3(c). For purposes of these proposed provisions, the term ''qualified customer'' would be defined a person or entity that owns and invests on a discretionary basis no less than $5,000,000 in investments.

Under the proposal, Credit Default Option margin requirements could be satisfied by a deposit of cash or marginable securities or by presentation to the member organization carrying such customer's account of a letter of credit in a form satisfactory to the Exchange and issued by a bank. Such a letter of credit would be required to: (i) Contain the unqualified commitment of the issuer to pay to the member or participant organization a specified sum of money equal to or greater than the amount of margin due with respect to such option position, immediately upon demand at any time prior to the expiration of such letter of credit; (ii) be irrevocable; and (iii) expire no earlier than the expiration of such option. Such a letter of credit would be permitted to serve as margin for more than one Credit Default Option position written by the customer for whose account the letter of credit is issued, provided that the margin due with respect to each such option position does not, in the aggregate, exceed the sum specified in such letter of credit and provided that such letter expires no sooner than the most distant expiration date of any of the options with respect to which it is designed to serve as margin.

The proposed margin provisions also would provide that a Credit Default Option carried short in a customer's account be deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter: (i) Cash or cash equivalents equal to 100% of the cash settlement amount as defined in Rule 29.1; or (ii) an escrow agreement. Under the proposal, the escrow agreement must certify that the bank holds for the account of the customer as security for the agreement: (i) Cash, (ii) cash equivalents, (iii) one or more qualified equity securities, or (iv) a combination thereof having an aggregate market value of not less than 100% of the cash settlement amount (*e.g.*, $100,000 in the case of an unadjusted Credit Default Option) and that the bank would promptly pay the member organization the cash settlement amount in the event of a Credit Event.

The Exchange notes that, in accordance with Rule 12.10, *Margin Required is Minimum*, the Exchange would also have the ability to determine at any time to impose higher margin requirements than those described above in respect of any Credit Default Option position(s) when it deems such higher margin requirements appropriate.

In setting the proposed margin requirements, particularly those with respect to qualified customers, and the proposed position limit and reporting requirements described above, the Exchange has been cognizant of the sophistication and capitalization of the particular market participants and their need for substantial options transaction capacity to hedge their substantial investment portfolios, on the one hand, and the potential for untoward effects on the market and on firms that might be attributable to excessive Credit Default Option positions, on the other. The Exchange has also been cognizant of the existence of the competitive OTC market, in which similar restrictions do not apply. For these reasons, the Exchange believes that the requirements set forth in the proposed rules strike a necessary and appropriate balance and adequately address concerns that a member or its customer may try to maintain an inordinately large unhedged position in Credit Default Options.

f. Letter of Guarantee or Authorization (Proposed Rule 29.18)

Proposed Rule 29.18 would extend the general letter of guarantee requirement under existing Rule 8.5, *Letters of Guarantee*, to Market-Makers with appointments in Credit Default Options, thereby subjecting such Market-Makers to a focused creditworthiness review by their clearing members. Similarly, proposed Rule 29.18 would extend the general letter of authorization requirement under existing Rule 6.72, *Letters of Authorization*, to floor brokers that would represent orders in Credit Default Option contracts.

g. Trading Mechanics for Credit Default Options (Proposed Rules 29.11–29.17 and 29.19)

The Exchange intends to trade Credit Default Options similar to the manner in which it trades equity options on its Hybrid Trading System (''Hybrid''). The existing Hybrid equity option trading rules would apply largely unchanged to Credit Default Options, with a few distinctions noted below. Under the proposed rules, trading in Credit Default Options would be conducted in the following manner:

• *Days and Hours of Business (Proposed Rule 29.11 and Revised Rule 6.1):* Proposed Rule 29.11 would provide that, except under unusual conditions as may be determined by the Exchange, the hours during which Credit Default Options transactions could be made on the Exchange would be from 8:30 a.m. to 3 p.m. (CT). The Exchange is also proposing to include a cross-reference to proposed Rule 29.11 in existing Rule 6.1, *Days and Hours of Business,* to reflect that existing Rule 6.1 would be supplemented by proposed Rule 29.11.

• *Trading Rotations (Proposed Rule 29.12):* Trading rotations would generally be conducted through use of the Hybrid Opening System (''HOSS''), which is described in existing Rule 6.2B. Normally equity options open at a

[9] For example, it is possible that the Exchange would prohibit exercises in a Credit Default Option if a court, the Commission, or another regulatory agency having jurisdiction would impose a restriction which would have the effect of restricting the exercise of an option.

randomly selected time following the opening of the underlying security. Because Credit Default Options would not have a traditional underlying security, the opening rotation process would begin at a randomly selected time within a number of seconds after 8:30 a.m. (CT), unless unusual circumstances exist.

• *Trading Halts and Suspension of Trading (Proposed Rule 29.13):* The trading halt procedures contained in existing Rules 6.3 and 6.3B that are applicable to equity options shall also be applicable to Credit Default Options. In addition, proposed Rule 29.13 provides that another factor that may be considered by Floor Officials in connection with the institution of a trading halt under existing Rule 6.3 in Credit Default Options is that current quotations for the Relevant Obligation(s) or other securities of the Reference Entity are unavailable or have become unreliable.

• *Premium Bids and Offers & Minimum Increments, Priority and Allocation (Proposed Rule 29.14):* Bids and offers would have to be expressed in terms of dollars per the contract multiplier unit (*e.g.*, a bid of ''7'' shall represent a bid of $7,000 for a Credit Default Option with a contract multiplier of 1,000). In addition, the minimum price variation (''MPV'') for bids and offers would be $0.05 ($50 per contract) on both simple orders and multi-part complex orders. All bids or offers made for Credit Default Option contracts would be deemed to be for one contract unless a specific number of option contracts is expressed in the bid or offer. A bid or offer for more than one option contract would be deemed to be for the amount thereof or a smaller number of option contracts. The rules of priority and order allocation procedures set forth in Rule 6.45A, *Priority and Allocation of Equity Option Trades on the CBOE Hybrid System*, would apply to Credit Default Options.

• *Nullification and Adjustment of Credit Default Option Transactions (Proposed Rule 29.15):* The provisions in existing Rule 6.25, which pertain to the nullification and adjustment of equity option transactions, would be generally applicable to Credit Default Options. However, the conditions for determining an obvious error in a Credit Default Option would differ. For Credit Default Options, there would be two categories of errors. The first type of error pertains to an obvious pricing error, which occurs when the execution price of an electronic transaction is below or above the theoretical price range (*i.e.*, $0–$100) for the series by an amount equal to at least 5% per contract. Trading Officials would adjust such transactions to a price within 5% of the theoretical price range (*i.e.*, to −$5 or $105), unless both parties agree to a nullification. The second type of error pertains to electronic or open outcry transactions arising out of a verifiable disruption or malfunction in the use or operation of any Exchange automated quotation, dissemination, execution, or communication system. Trading Officials would nullify such transactions, unless both parties agree to an adjustment. All other provisions of existing Rule 6.25 related to procedures for review, and obvious error panel and appeals committee reviews, would apply unchanged.

• *Market-Maker Appointments & Obligations (Proposed Rule 29.17):* Proposed Rule 29.17 provides that the Market-Maker appointment process for Credit Default Option classes would be the same as the appointments for other options, as set out in existing Rules 8.3, *Appointment of Market-Makers;* 8.4, *Remote Market-Makers,* 8.15A; *Lead Market-Makers in Hybrid Classes;* and 8.95, *Allocation of Securities and Location of Trading Crowds and DPMs.* This proposed rule would further provide that an appointed Market-Maker could, but would not be obligated to, enter a response to a request for quotes in an appointed Credit Default Option class and need not provide continuous quotes or quote a minimum bid-offer spread. However, when quoting, the Market-Maker's minimum value size would have to be at least one contract. With respect to an appointed DPM or LMM, as applicable, there would be additional obligations to enter opening quotes in accordance with existing Rule 6.2B, *Hybrid Opening System (''HOSS''),* in 100% of the series in the appointed class and to enter a quote in response to any open-outcry request for quotes on any appointed Credit Default Option class. The Exchange also could establish permissible price differences for one or more series of classes of Credit Default Options as warranted by market conditions. These quoting mechanics would be similar to the mechanics that exist today for trading Flexible Exchange Options (''FLEX Options'') on the Exchange.

• *FLEX Trading Rules (Proposed Rule 29.19):* In addition to Hybrid, Credit Default Options also would be eligible for trading as FLEX Options. For proposes of existing Chapter XXIVA and proposed Chapter XXIVB, which chapters contain the Exchange's rules pertaining to FLEX Options, references to the term ''FLEX Equity Options'' would include a Credit Default Option and references to the ''underlying security'' or ''underlying equity security'' in respect of a Credit Default Option would mean the Reference Obligation as defined in proposed Rule 29.1. For purposes of existing Rule 24A.4 and Rule 24B.4,[10] a FLEX Equity Option that is a Credit Default Option would be cash-settled and the exercise-by-exception provisions of OCC Rule 805 would not apply.

These trading mechanics are designed to create a modified trading environment that takes into account the relatively small number of transactions that are likely to occur in this sophisticated, large-size market, while at the same time providing the Credit Default Options market with the price improvement and transparency benefits of competitive Exchange floor bidding, as compared to the OTC market. The Exchange believes that the resulting market environment would be fair, efficient, and creditworthy and, as such, would prove to be particularly suitable to the large sophisticated trades and investors that now resort to the OTC market to effect these types of options transactions.

h. Options Disclosure Document

To accommodate the listing and trading of Credit Default Options, it is expected that the OCC would amend its By-Laws and Rules to reflect the different structure of Credit Default Options. In addition, it is expected that OCC would seek a revision to the Options Disclosure Document (''ODD'') to incorporate Credit Default Options.

i. Systems Capacity

CBOE represents that it believes the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing and trading of Credit Default Options as proposed herein. Further, in light of the above-described proposed trading, quoting, and product structures, including that there would be a maximum of one series per quarterly expiration in a given Credit Default Option class, CBOE does not anticipate that there would be any additional quote mitigation strategy necessary to accommodate the trading of Credit Default Options.

j. Applicability of Rule 9b–1 Under the Act

The Exchange asks the Commission to clarify that Credit Default Options are standardized options under Rule 9b–1

[10] Chapter XXIVB and Rule 24B.4 are proposed to be adopted through a separate rule filing, SR–CBOE–2006–99.

under the Act.[11] Subsection (a)(4) of Rule 9b–1 [12] defines ''standardized options'' as ''options contracts trading on a national securities exchange, an automated quotations system of a registered securities association, or a foreign securities exchange which relate to options classes the terms of which are limited to specific expiration dates and exercise prices, or such other securities as the Commission may, by order, designate.'' Credit Default Options are like existing standardized options trading on CBOE in every respect except for the exercise price. Credit Default Options: (i) Trade on a national securities exchange, (ii) have a specific expiration date, (iii) have fixed terms, (iv) have a specific exercise style,[13] and (v) would be issued and cleared by the OCC. All of these are attributes of ''standardized options'' as defined in Rule 9b–1. The one respect with which Credit Default Options differ from existing standardized options is in the exercise price.

''Exercise price'' is not a defined term in Rule 9b–1. However, the significance of having a specific exercise price term in a standardized option is that traditionally it, in conjunction with the specific exercise style (*e.g.*, American-, European-, or capped-style), symbolizes the formula for calculating the exercise settlement of the option that is publicly known and announced, objectively determined, and unalterable. For example, in the case of a physical delivery option, the exercise price (which is sometimes called the ''strike price'') is the price at which the option holder has the right either to purchase (in the case of a call) or to sell (in the case of a put) the underlying interest upon exercise.[14] In the case of a cash-settled option, the exercise price is the base used for determining the amount of cash, if any, that the option holder is entitled to receive upon exercise (referred to as the ''cash settlement amount'').[15] Traditionally, the cash settlement amount is the amount by which the exercise settlement value of the underlying interest of a cash-settled call exceeds the exercise price, or the amount by which the exercise price of a cash-settled put exceeds the exercise settlement value of the underlying interest, multiplied by the multiplier for the option.[16]

Whereas for traditional cash-settled options the cash settlement amount is determined by reference to the particular price of the underlying interest, the cash settlement amount for a Credit Default Option would be a fixed sum of $100,000 payable upon automatic exercise if a Credit Event in the underlying Relevant Obligation(s) is confirmed. As with traditional cash-settled options, the calculation of the cash settlement amount of a Credit Default Option would be established prior to the commencement of trading according to a formula that is publicly known and announced, objectively determined, and unalterable. Thus, as with a traditional cash-settled option, a party entering into a Credit Default Option would know exactly the terms under which a Credit Default Option would be automatically exercised and the option's cash settlement value, which would be an exercise settlement value of $100 multiplied by the contract multiplier of 1,000. In this regard, the Exchange believes that Credit Default Options, by their proposed terms, are standardized options within the meaning of Rule 9b–1.

If the Commission cannot determine that Credit Default Options are, by their proposed terms, standardized options, then the Exchange requests that the Commission use its authority under Rule 9b–1(a)(4) to otherwise designate options, such as Credit Default Options, as standardized options. The Commission used this authority in 1993 to designate ''FLEX Options'' as standardized options.[17] In making this designation, the Commission found that, ''[a]part from the flexibility with respect to strike prices, settlement, expiration dates, and exercise style, all of the other terms of [FLEX] Options are standardized.'' The Commission observed that standardized terms include matters such as ''exercise procedures, contract adjustments, time of issuance, effect of closing transactions, restrictions on exercise under OCC rules [and] margin requirements * * * .'' Credit Default Options share all of these characteristics and, in fact, are more standardized than FLEX Options in that the exercise settlement calculation, settlement, expiration dates, and exercise style of a given class may not vary.

k. Surveillance Program

The Exchange represents that it would have in place adequate surveillance procedures to monitor trading in Credit Default Options prior to listing and trading such options, thereby helping to ensure the maintenance of a fair and orderly market for trading in Credit Default Options.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations under the Exchange Act applicable to national securities exchanges and, in particular, the requirements of Section 6(b) of the Act.[18] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) [19] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

CBOE does not believe that the proposed rule change would 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 on the proposed rule change.

[11] 17 CFR 240.9b–1.

[12] 17 CFR 240.9b–1(a)(4).

[13] Credit Default Options would be automatically exercised at any time before expiration upon confirmation of a Credit Event. In this regard, the proposed exercise style of Credit Default Options is similar to capped-styled options, which are automatically exercised when the cap price is reached prior to expiration. The distinction between a Credit Default Option and a capped-styled option is that at expiration a capped-styled option is exercisable whereas a Credit Default Option is not (unless a Credit Event happens to occur and is confirmed at the same time as expiration). *See* existing CBOE Rule 1.1(ww) (which provides that, if the cap price is not reached prior to expiration, a capped-styled option can be exercised, subject to the provisions of rule 11.1 and to the Rules of the OCC, only on its expiration date).

[14] *See* ODD at 6–7.

[15] *See id.*

[16] Currently, instead of a variable amount, the cash settlement amount may instead be ''capped.'' A capped option will be automatically exercised prior to expiration if the options market on which the option is trading determines that the value of the underlying interest at a specified time on a trading day ''hits the cap price'' for the option. Capped options may also be exercised, like European-style options, during a specified period before expiration. Cash-settled options having a binary cash settlement amount based upon the price of the underlying security may be introduced for trading in the future.

[17] *See* Securities Exchange Act Release No. 31910 (February 23, 1993), 58 FR 12056 (March 2, 1993).

[18] 15 U.S.C. 78f(b).

[19] 15 U.S.C. 78f(b)(5).

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.

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–2006–84 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–2006–84. 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 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–2006–84 and should be submitted on or before March 7, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[20]

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E7–2477 Filed 2–13–07; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–55247; File No. SR–ISE–2007–03]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to a Complex Order Fee Waiver

February 6, 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 February 1, 2007, the International Securities Exchange, LLC (''ISE'' or ''Exchange'') submitted to 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 ISE. ISE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the self-regulatory organization under Section 19(b)(3)(A)(ii) of the Act[3] and Rule 19b–4(f)(2) thereunder,[4] which renders it 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

The Exchange is proposing to amend its Schedule of Fees to adopt a waiver for customer fees for certain Complex Orders.

The text of the proposed rule change is available on ISE's Web site at *http://www.ise.com*, at the principal office of ISE, 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, ISE 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. ISE 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 this proposed rule change is to amend ISE's Schedule of Fees to adopt a waiver of customer fees for certain Complex Orders.[5] The Commission recently approved an Exchange proposed fee for customers that transact in Complex Orders, i.e., customer orders that interact with Complex Orders resident on the complex order book thereby taking liquidity from the complex order book.[6] The Exchange now proposes to waive this fee for the first 15,000 contracts transacted in a month by a member on behalf of its customers. This fee will apply once a member transacts more than 15,000 contracts in a month (whether on behalf of one or more than one of its customers) that take liquidity from the complex order book. As an example, a member who collectively transacts 17,500 contracts on behalf of its customers in a month will be assessed the complex order fee on 2,500 contracts, not on the entire 17,500 contracts.

In the filing that adopted this fee, the Exchange stated its belief that the proposed fee is objective in that it is based on the behavior of market participants and the type of orders submitted. Since the behavior of these customers is similar to the behavior of a broker dealer, it is fair for the Exchange to charge for these customer orders the same fees as those charged for broker dealer orders. The Exchange

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[20] 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)(ii).

[4] 17 CFR 240.19b–4(f)(2).

[5] Complex Orders are defined in ISE Rule 722(a).

[6] *See* Exchange Act Release No. 34–54751 (November 14, 2006), 71 FR 67667 (November 22, 2006).