

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 increase the execution fee for FARMM orders. FARMM orders are orders that are sent to the Exchange for execution by an Electronic Access Member ("EAM"), an ISE member, on behalf of a non-ISE market maker. The Exchange currently charges FARMM orders \$0.19 per contract comprised of an execution fee and a comparison fee of \$0.16 and \$0.03 per contract, respectively.⁵ FARMM orders do not include Linkage Orders. The Exchange proposes to increase the fee for all FARMM orders to \$0.40 per contract, comprised of an execution fee and a comparison fee of \$0.37 and \$0.03 per contract, respectively. The Exchange believes that the proposed increase to the execution fee will still leave ISE as one of the least expensive venues for executing FARMM orders through an electronic trading system.⁶

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(4) of the Act⁷ that an exchange have an equitable allocation of reasonable dues, fees, and other charges among exchange members and other persons using its facilities.

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on

this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁸ and Rule 19b-4(f)(2) thereunder,⁹ because it establishes or changes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-ISE-2007-41 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-ISE-2007-41. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than

those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. 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-ISE-2007-41 and should be submitted on or before July 9, 2007.

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

Nancy M. Morris,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55894; File No. SR-CBOE-2007-57]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt an Interpretation to CBOE Rule 8.95

June 11, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 31, 2007, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the CBOE. The Exchange has designated this proposal as one constituting a stated interpretation with respect to the meaning, administration, or enforcement of an existing rule under Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to

⁵ See Securities Exchange Act Release No. 53630 (April 11, 2006), 71 FR 19918 (April 18, 2006) (SR-ISE-2006-18).

⁶ The Exchange notes that the American Stock Exchange imposes a "Non-Member Market Maker" fee of \$.50 per contract side for Auto-Ex FARMM orders, and the Philadelphia Stock Exchange imposes a "Broker/Dealer" fee of \$.45 per contract for AUTOM-delivered FARMM orders. Telephone conversation between Samir Patel, Assistant General Counsel, ISE, Richard Holley, Senior Special Counsel, Division of Market Regulation, Commission, and Rahman Harrison, Special Counsel, Division of Market Regulation, Commission on June 7, 2007.

⁷ 15 U.S.C. 78f(b)(4).

⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

⁹ 17 CFR 240.19b-4(f)(2).

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

solicit comments on the proposed rule change from interested persons.

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

CBOE proposes to adopt an interpretation to CBOE Rule 8.95 clarifying that in the event an existing Designated Primary Market-Maker ("DPM") organization is authorized to act as an Off-Floor DPM in one or more option classes, such authorization will be considered a reallocation of securities pursuant to CBOE Rule 8.95. The text of the proposed rule change is available on CBOE's Web site (<http://www.cboe.com/Legal>), at the CBOE'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 CBOE included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to adopt an interpretation to CBOE Rule 8.95 clarifying that in the event an existing DPM organization is authorized to act as an Off-Floor DPM in one or more option classes, such authorization will be considered a reallocation of securities pursuant to CBOE Rule 8.95. In adopting this interpretation, the appropriate Exchange committee will retain jurisdiction for the first 12 months following the reallocation of securities to review the Off-Floor DPM's market performance commitments that were made in connection with the appropriate Exchange committee's authorization to permit the DPM organization to act as an Off-Floor DPM.

Pursuant to CBOE Rule 8.83(g), an On-Floor DPM may request that the appropriate Exchange committee authorize it to operate as an Off-Floor DPM in one or more equity option classes traded on the Hybrid Trading

System.⁵ If an On-Floor DPM is approved to act as an Off-Floor DPM, CBOE proposes to adopt an interpretation to CBOE Rule 8.95 clarifying that the option classes in which the On-Floor DPM is authorized to act as an Off-Floor DPM are considered a reallocation of securities.

Consistent with the way CBOE Rule 8.95(c) is currently applied to allocations and reallocations of securities, the appropriate Exchange committee will then have the flexibility during the first 12 months following the reallocation of securities to the Off-Floor DPM to conduct a review at any time during that first 12 months to ensure that the Off-Floor DPM is adhering to any market performance commitments made by the DPM organization in connection with being authorized to act as an Off-Floor DPM. If the Off-Floor DPM is not adhering to the market performance commitments that it made in connection with being authorized to act as an Off-Floor DPM, then the appropriate Exchange committee may remove the allocated security from the Off-Floor DPM and reallocate the security pursuant to CBOE Rule 8.95(c). This in turn gives Off-Floor DPMs incentive to abide by these commitments.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act⁷ in particular, in that it is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received by the Exchange.

⁵ See Securities Exchange Act Release No. 34-55531 (March 26, 2007) 72 FR 15736 (April 2, 2007) (Order approving SR-CBOE-2006-94).

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act⁸ and Rule 19b-4(f)(1) thereunder,⁹ because it constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.¹⁰

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2007-57 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2007-57. 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

⁸ 15 U.S.C. 78s(b)(3)(A)(i).

⁹ 17 CFR 240.19b-4(f)(1).

¹⁰ See 15 U.S.C. 78s(b)(3)(C).

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 CBOE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2007-57 and should be submitted on or before July 9, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Nancy M. Morris,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55895; File No. SR-ISE-2007-38]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Payment for Order Flow Fees

June 11, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 1, 2007, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. ISE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by ISE under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The ISE is proposing to amend its Schedule of Fees to reduce the payment for order flow ("PFOF") fees for options on issues that trade as part of the Penny Pilot ("Pilot").⁵ The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.iseoptions.com>.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change, 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 substantially 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

On January 26, 2007, ISE and all of the other options exchanges commenced the Pilot for the quoting and trading of specified options contracts in \$.01 increments. The Exchange currently operates a PFOF program as approved by the Commission.⁶ This program is funded through a fee, currently set at \$0.65 per contract, paid by Exchange market makers for each customer contract they execute. All funds collected by the Exchange are administered by specified market makers.⁷ PFOF fees collected by the Exchange that are not distributed are rebated back to the market makers. Subsequent to the commencement of the Pilot, the Exchange amended its

⁵ See Securities Exchange Act Release No. 54603 (October 16, 2006), 71 FR 62024 (October 20, 2006) (SR-ISE-2006-62) (Notice of Filing of Proposed Rule Change to Implement a Pilot Program To Quote and To Trade Options in Pennies).

⁶ See Securities Exchange Act Release No. 43833 (January 10, 2001), 66 FR 7822 (January 25, 2001) (SR-ISE-2000-10).

⁷ Initially only Primary Market Makers administered PFOF pools. However, the Exchange recently amended its PFOF program to allow a preferred Competitive Market Maker ("CMM") to administer the PFOF funds collected by the Exchange with respect to orders in a group of options classes preferred to that CMM. See Securities Exchange Act Release No. 53127 (January 13, 2006), 71 FR 3582 (January 23, 2006) (SR-ISE-2005-57).

Schedule of Fees by reducing the PFOF fees for issues that trade as part of the Pilot from \$0.65 per contract to \$0.25 per contract ("Pilot PFOF Fees").⁸

The Exchange now proposes to reduce the Pilot PFOF Fees from \$0.25 per contract to \$0.10 per contract for transactions in all Pilot issues. This fee reduction shall also apply to other issues that become a part of the Pilot in the event the Pilot is expanded beyond the current 13 securities. The Exchange notes that quoting and trading in one cent increments pursuant to the Pilot has resulted in narrower spreads in the 13 Pilot securities. PFOF, as a result, has become less of a competitive factor in the Pilot securities. The Exchange thus believes that while it is prudent for it to maintain its PFOF fee, \$0.10 per contract is an appropriate PFOF rate relative to the trading increments in these instruments.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of Section 6(b)(4) of the Act¹⁰ in particular, because it is an equitable allocation of reasonable dues, fees, and other charges among exchange members and other persons using exchange facilities. In particular, the Exchange believes that lowering PFOF fees further in Pilot issues would enhance competition.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the

⁸ See Exchange Act Release No. 55271 (February 12, 2007), 72 FR 7699 (February 16, 2007) (SR-ISE-2007-08) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Payment for Order Flow Fees).

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4).

¹¹ 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).