

DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of NYSE Arca. 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-NYSEArca-2007-54 and should be submitted on or before July 18, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55906; File No. SR-NYSEArca-2007-46]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Firm Facilitation, Royalty, and Booth Fees

June 13, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 31, 2007, NYSE Arca, Inc. ("NYSE Arca" 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. NYSE Arca has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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

NYSE Arca proposes to amend its Schedule of Fees and Charges for Exchange Services ("Schedule") by making a technical change to the Firm Facilitation fee, eliminating one Royalty Fee, adding another, and capping the fees it charges to OTP Firms for booths on the options trading floor. The text of the proposed rule change is available at the Exchange, its Web Site (<http://www.nyse.com/regulation>), 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 these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

The purpose of this filing is to amend the existing Schedule by: (1) Making a technical change to the Firm Facilitation Fee; (2) eliminating one Royalty Fee; (3) adding one new Royalty Fee; and (4) establishing a monthly cap on Booth Fees. A brief description of each proposed change is provided below.

**Firm Facilitation Fees.** The Firm Facilitation rate applies to transactions involving a proprietary trading account of an OTP Firm<sup>5</sup> that has a customer of that OTP Firm on the contra side of the transaction. This practice is generally referred to as "facilitating" an order. Facilitation Orders on NYSE Arca are manually traded via open outcry and are not presently eligible for electronic execution. Open outcry trades are not subject to the Post/Take pricing model that NYSE Arca utilizes for issues that trade as part of the Penny Pilot. Accordingly, the Schedule now reads "N/A" for Firm Facilitation fees under both "Post" and "Take" Liquidity. Once the Facilitation Orders are fully automated, the Exchange will file with

the Commission, a proposal for a new Post/Take rate for this order type.

**Royalty Fees.** The Exchange proposes to eliminate Royalty Fees for options traded on the NASDAQ Fidelity Composite Index ETF (ONEQ). The Exchange will no longer collect the \$0.12 per contract fee on any trades in ONEQ. By eliminating these fees, the Exchange hopes to attract additional order flow and encourage more trading by market participants.

The Exchange plans to commence trading of options on the KBW Bank Index (BKX). The Exchange has entered into a licensing agreement with Keefe, Bruyette & Woods Inc., the firm that created and maintains the fund. As a part of this agreement, NYSE Arca will pay a fee to Keefe, Bruyette & Woods on every contract traded on the Exchange. Effective with this filing, the Exchange will assess a \$0.10 Royalty Fee, on a per contract basis, for Firm, Broker/Dealer, and Market Maker transactions in options on the KBW Bank Index. For electronic executions in issues included in the Penny Pilot, Royalty Fees will be passed through to the trading participant on the "Take" side of the transaction.<sup>6</sup>

**Booth Fees.** OTP Firms apply for, and receive permission to use, booths on the options trading floor. The Exchange currently charges a \$350 per month fee for each booth that an OTP Firm uses, without any monthly cap. The Exchange now proposes capping this fee at \$3500 per month. Going forward, firms will pay a maximum monthly booth fee of \$3500 regardless of how many booths they are authorized to use.

###### 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and Section 6(b)(4),<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members.

##### 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.

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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

<sup>5</sup> See NYSE Arca Options Rule 1.1(r) (defining "OTP Firm").

<sup>6</sup> See telephone conversation between Andrew Stevens, Assistant General Counsel, Amex, and Christopher Chow, Special Counsel, Commission, on June 13, 2007.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4).

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

The Exchange has neither solicited nor received written comments on 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 Act<sup>9</sup> and Rule 19b-4(f)(2)<sup>10</sup> thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange. Accordingly, the proposal is effective upon filing with the Commission. 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2007-46 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-NYSEArca-2007-46. 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 Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2007-46 and should be submitted on or before July 18, 2007.

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

**Florence E. Harmon,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-55939; File No. SR-OCC-2007-06]**

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Credit Default Basket Options**

June 21, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on April 20, 2007, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on June 16, 2007, amended the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments from interested persons.

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

The proposed rule change would permit OCC to clear and settle credit default basket options ("CDBOs").

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>2</sup>

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

The purpose of the proposed rule change is to permit OCC to clear and settle CDBOs, which are options related to the creditworthiness of an issuer or guarantor ("reference entity") of one or more specified debt securities ("reference obligations"). CDBOs are proposed to be traded by the Chicago Board Options Exchange ("CBOE").<sup>3</sup> CDBOs are binary options that pay a fixed amount to the holder of the option upon the occurrence of a "credit event" affecting the reference obligations.<sup>4</sup> Characteristics of CDBOs are described below, followed by an explanation of the specific rule changes being proposed in order that OCC may clear and settle them.

*Description of Credit Default Basket Options*

CDBOs are structured as binary options with an automatic exercise feature. They are very similar to Credit Default Options ("CDOs") that were recently approved for trading by CBOE and clearing by OCC except that CDBOs are based upon multiple reference entities instead of a single reference entity.<sup>5</sup> A CDBO will be automatically exercised and an exercise settlement amount will be payable if a "credit event" occurs with respect to any one of the reference entities at any time prior to the last day of trading. As in the case

<sup>2</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>3</sup> Securities Exchange Act Release No. 55938 (June 21, 2007) (notice of filing of proposed rule change) [File No. SR-CBOE-2007-26].

<sup>4</sup> "Binary" options (also sometimes referred to as "digital" options) are "all-or-nothing" options that pay a fixed amount if automatically exercised and otherwise pay nothing.

<sup>5</sup> Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007) [File No. SR-CBOE-2006-84]. See also Securities Exchange Act Release No. 55872 (June 6, 2007), 72 FR 32693 (June 13, 2007) [File No. SR-OCC-2007-01].

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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