

CDBOs in the case of certain corporate events affecting the reference obligations, and OCC proposes simply to defer to the rules and to the determinations of the listing exchange pursuant to its rules. Accordingly, as in the case of CDOs, OCC will have no responsibility for adjustment determinations with respect to CDBOs.

Similarly, Section 4 provides that the listing exchange for a class of CDBOs will have responsibility for determining the occurrence of a credit event that will result in the automatic exercise of the CDBOs of that class with respect to a particular reference entity. The listing exchange has the obligation to provide a credit event confirmation to OCC in order to trigger the automatic exercise.

5. Exercise and Settlement—Chapter XV of the Rules and Rule 801

CDBOs will not be subject to the exercise-by-exception procedures applicable to most other options under OCC's Rules but instead will be automatically exercised prior to or at expiration if the specified criterion for exercise is met. The procedures for the automatic exercise of CDBOs, as well as their assignment and settlement (including during periods when a clearing member is suspended), are set forth in Rules 1501 through 1505 of new Chapter XV and in revised Rule 801(b).

6. Special Margin Requirements—Rule 601; Deposits in Lieu of Margin—Rule 1506

As in the case of CDOs, OCC will not initially margin CDBOs through its "STANS" system in the same way that other options are margined. Because of the fixed payout feature of CDOs and CDBOs, further systems development is needed to accommodate these options in STANS on a portfolio basis. Until such development is completed, elements of STANS will be used to determine the expected liquidating value of each class of CDBOs and CDOs by extracting certain information regarding the default probability from the listed equity options on the common stock of the reference entity and the market price of the CDBOs and CDOs. Expected liquidating values can then be derived from simulated price movements in the stock over a range of values. Thus, general principles of STANS will be applied, but each class of CDBOs and CDOs will be treated as a separate portfolio and will not be included within the entire portfolio of a particular account. An exception to this will be in the case where a firm has a net long position in CDBO or CDO contracts that is not required to be segregated and the risk computed under

this methodology is less than 100% of the premium value of the net long position. In such a situation, the excess long value will be used to cover requirements associated with other cleared contracts. This margin methodology will result in a more conservative risk estimate than if the contracts were fully integrated in STANS since offsets in the risk calculation between these products and others will not be recognized except to the extent of any excess long value. Ultimately, CDBOs will be incorporated into the STANS system and will be valued and margined on a risk basis.

OCC does not propose to accept escrow deposits in lieu of clearing margin for CDBOs. Therefore, Rule 1506 states that Rule 610, which otherwise would permit such deposits, does not apply to CDBOs.

7. Acceleration of Expiration Date—Rule 1507

This provision permits OCC to accelerate the expiration date of a single payout CDBO when the option is deemed to have been automatically exercised on any day prior to the expiration date and to accelerate the expiration date of a multiple payout CDBO when the option is deemed to have been automatically exercised with respect to every reference entity underlying such option prior to the expiration date.

III. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁶ The Commission finds the proposed rule change to be consistent with Section 17A(b)(3)(F) of the Act because it is designed to promote the prompt and accurate clearance and settlement of transactions in, including exercises of, credit default basket options. The proposed rule change is also consistent with Section 17A(b)(3)(F) of the Act because it is designed to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of such transactions.⁷ These purposes are accomplished by having the clearance and settlement of CDBOs take place at OCC with OCC applying substantially the same rules and procedures to CDBOs as it applies to

similar transactions in other cash-settled options.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-2007-06) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E7-16839 Filed 8-24-07; 8:45 am]

BILLING CODE 8010-01-P

SMALL BUSINESS ADMINISTRATION

Houston District Advisory Council; Public Federal Meeting

Pursuant to the Federal Advisory Committee Act, Appendix 2 of Title 5, United States code, Public Law 92-463, notice is hereby given that the U.S. Small Business Administration, Houston District Advisory Council will hold a federal public meeting on Tuesday, September 25, 2007 starting at 11 a.m. The meeting will be held at the U.S. Small Business Administration, Houston District Office, 8701 Gessner, Suite 1200, Houston, TX 77074.

The purpose of the meeting is to discuss the following topics: (1) District Office update and goals; performance and rankings; (2) 2007 Mid America Conference; (3) SBA's 7(a), 504, 8(a) programs and Patriot Express Loan Program; (4) Small Business Week and Small Business Development Center; and (5) SCORE updates.

Anyone wishing to attend or to make a presentation must contact Alfreda Crawford, Business Development Specialist, U.S. Small Business Administration, Houston District Office, 8701 Gessner, Suite 1200, Houston, TX 77074; phone (713) 773-6555; fax (202) 481-0150; E-mail: alfreda.crawford@sba.gov.

Matthew Teague,

Committee Management Officer.

[FR Doc. 07-4160 Filed 8-24-07; 8:45 am]

BILLING CODE 8025-01-M

⁸ 17 CFR 200.30-3(a)(12).

⁶ 15 U.S.C. 78q-1(b)(3)(F).

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