

Procedure Committee might determine to configure HOSS so that the DPM's quote must be present to open in order to ensure that there is sufficient liquidity available.

The Exchange is also proposing that, in the event HOSS is configured to open a series based on any market maker's quote, the DPM and any e-DPMs appointed to the class or, as applicable, the LMMs appointed to the class, would be obligated to ensure that a trading rotation is initiated promptly following the opening of the underlying security (or promptly after 8:30 a.m. (Central Time) in an index class) in accordance with CBOE Rule 6.2B in 100% of the series of each allocated class by entering opening quotes as necessary. In other words, if another market maker has already entered an opening quote in a particular series, it would not be necessary for the DPM and e-DPM, or LMM, to enter an opening quote for HOSS to automatically open the series. However, if no other market maker has entered an opening quote, the DPM and e-DPM, or LMM, would be responsible for ensuring that an opening quote is promptly entered so that HOSS can automatically open the series. This obligation to ensure that an opening rotation is conducted promptly in an allocated class by entering opening quotes only as necessary will be in lieu of the existing obligation, which requires DPMs, e-DPMs and LMMs to enter opening quotes in 100% of the series of each allocated class.<sup>6</sup> When HOSS is programmed to automatically open a series with any market maker's quote, the Exchange does not believe it is necessary for the maintenance of fair and orderly markets to always require DPMs, e-DPMs and LMMs to enter opening quotes.<sup>7</sup>

## 2. Statutory Basis

The Exchange states that, by allowing for more flexibility in the manner in which HOSS is programmed to conduct an opening rotation, it will enhance its ability to conduct fair and orderly openings. As such, CBOE believes this proposed rule change is consistent with section 6(b) of the Act<sup>8</sup> in general and furthers the objectives of section 6(b)(5) of the Act<sup>9</sup> in particular, which requires that the rules of a national securities 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

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

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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2007-87 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-2007-87. 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, 100 F Street, NE., Washington, 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 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-CBOE-2007-87 and should be submitted on or before December 17, 2007.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56795; File No. SR-DTC-2007-11]

### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change To Amend its Operational Arrangements as it Applies to Structured Securities

November 15, 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 September 7, 2007, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III

<sup>10</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>6</sup> See supra note 5.

<sup>7</sup> Although not obligated, DPMs, e-DPMs and LMMs would still be permitted to enter opening quotes even if another market maker has already entered an opening quote.

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

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

below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change seeks approval to amend DTC's Operational Arrangements as they apply to Structured Securities. DTC's Operational Arrangements is a contractual agreement between DTC, issuers, and paying agents that outlines the procedural and operational requirements for an issue to become and remain DTC eligible.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>3</sup>

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

The purpose of the proposed filing is to amend DTC's Operational Arrangements as it applies to Structured Securities to: extend the deadline by which paying agents of such securities must submit periodic payment rate information to DTC; effective January 1, 2008, establish an exception processing fee applied to certain Structured Securities that are unable to comply with the extended deadline; and provide that DTC track and make publicly available reports on paying agent performance as it relates to timeliness and accuracy of Structured Securities payment rate information submitted to DTC.

#### 1. Background

A Structured Security such as a collateralized mortgage obligation or asset-backed security ("ABS") is a bond backed by a pool of underlying financial assets. The underlying assets generally consist of receivables such as mortgages, credit card receivables, or student or

other bank loans for which the timing of principal payments by the underlying obligors may be variable and unpredictable. The security may also incorporate credit enhancements or other rights that affect the amount and timing of payments to investors.

Communication of periodic payment rates of principal and interest ("P&I") to the end investors in Structured Securities depends on application of stringent time frames for information reporting and significant interdependencies among servicers of the underlying assets, specifically trustees, custodians, paying agents on the securities, DTC, and the financial intermediaries that act on behalf of the investors. Given the complexity of structure and calculations of cash flow from the underlying assets through the issuer to the end investor and the interdependencies on timeliness and accuracy of performance throughout the chain of servicers and intermediaries, timely and accurate submission of payment rate information on Structured Securities may be difficult to achieve. As a result, payment rates typically are announced late on a significant number of issues, and the number of post-payable adjustments made to correct inaccurate payments due to inaccurate rates is higher than for any other security type. Furthermore, the volume of P&I payments for Structured Securities processed through DTC has grown rapidly in recent years and currently represents approximately 25% of all P&I payments processed through DTC. Incorrect and late payment rate reporting causes increased operations processing costs, inefficient cash management, and loss of income.

Accordingly, DTC formed a cross-industry working group to study the severity of the problem of processing Structured Securities P&I and to analyze possible solutions.<sup>4</sup> In its analysis, the working group studied the payment rate reporting history of various Structured Securities, noting factors such as paying agent and type of deal structure. The working group determined that extending the date by which paying agents must submit rate information to DTC would allow a greater number of Structured Securities to meet DTC's requirements and thus be eligible for DTC services. It also concluded that there is a significant subset of Structured Securities for which the paying agent may not be able to comply even with an extended time frame for

delivery of payment rate information because of features inherent in the structure of the security issue. It determined these securities should be expressly identified and handled as issues that require exception processing. Finally, it concluded that paying agent rate reporting performance on all Structured Securities should be evaluated and made publicly available to participants and other relevant parties. Accordingly, DTC proposes to implement the changes set forth below.

#### 2. Proposed Amendments to Operational Arrangements

DTC's "Operational Arrangements Necessary for an Issue to Become and Remain Eligible for DTC Services" ("Operational Arrangements") governs issue eligibility for deposit at DTC and issuer and agent obligations regarding servicing of the issue thereafter. Regarding notification on issues that pay P&I periodically or that pay interest at a variable rate, the Operational Arrangements currently requires the paying agent on the security to provide payment rate information to DTC preferably five business days but no later than two business days prior to the payable date.

##### (i) Extending the Deadline for Reporting on Payment Detail

The majority of Structured Securities cannot adhere to the current Operational Arrangements rate reporting deadline. DTC is proposing to amend the Operational Arrangements to require that the payment notification regarding Structured Securities be provided to DTC by the paying agent preferably five business days but no later than one business day prior to the payable date. In addition, DTC will extend its current processing deadline for receipt of payment rate files from 7 p.m to 11:30 p.m. The extended deadline should allow paying agents to provide rates in a timely and accurate fashion for a majority of Structured Securities issues and should permit the securities to remain eligible for DTC's services while providing DTC adequate time to process the information without delaying payment by DTC to its participants.

##### (ii) Securities Classifications

Due to the complexity of certain Structured Securities, it is anticipated that certain issues will not be able to meet the amended Operational Arrangements requirement for timely payment rate reporting even with the extended reporting period. Therefore, DTC proposes to distinguish between "conforming" and "non-conforming" Structured Securities. Non-conforming

<sup>3</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>4</sup> The group consisted of representative from the Securities Industry and Financial Markets Association (SIFMA), major paying agents, servicers and master servicers, underwriters, and major retail and institutional broker-dealers and custodians.

Structured Securities will be issues for which the issuer and paying agent have concluded that the security has features that will likely preclude the paying agent from submitting rate information to DTC in conformity with the requirements of the Operational Arrangements. The conforming/non-conforming identification will be made at the time the security is made eligible at DTC. For each Structured Securities underwriting that the issuer and paying agent identified as non-conforming, the issuer and paying agent shall submit a written attestation giving the reason for non-conformance. DTC will in turn identify non-conforming Structured Securities to participants and other relevant parties and will add an indicator to the appropriate DTC systems functions to denote non-conforming securities. Paying agents shall be required to evaluate their entire portfolio of Structured Securities on deposit at DTC to identify non-conforming securities that have previously been made eligible at DTC. Although approximately 15% of Structured Security issues currently fail to have rates submitted to DTC in a timely manner, it is estimated that approximately only half of these have structural impediments to meeting the requirements. Failures in timely rate reporting in other instances are believed to be curable by improved servicing and reporting on the securities.

#### (iii) Exception Processing Fee Applicable to Non-Conforming Securities

Securities processing inefficiencies and rate inaccuracies associated with late payment rate reporting lead to increased costs associated with non-conforming Structured Securities. In order to recoup the increased processing costs, DTC is proposing to impose, effective January 1, 2008, an exception processing fee to the managing underwriter of the non-conforming issue at the time of underwriting. No fee will be charged retroactively on issues already on deposit at DTC prior to the implementation of the fee.

The exception processing fee will be calculated based upon anticipated excess costs of Structured Securities P&I processing. Based on estimates derived from 2006 costs, the fee would be approximately \$4,200 per CUSIP. The fee applicable for 2008 would reflect more current costs and would be modified accordingly. The amount of the fee would be presented to DTC's Board of Directors for approval and filed with the SEC as part of DTC's annual establishment of fees, and would be modified in accordance with DTC's

standard procedures for fee modification.

The aggregate net amount of the exception processing fees will be allocated and rebated on a pro rata basis annually to the DTC participants for whom DTC processed Structured Securities P&I allocations. The total number of allocations would be calculated for each participant as a percentage of total annual allocations by DTC and that percentage would be applied against the total exception processing fund and rebated to each participant. The total exception processing fund would be calculated as the sum of all exception processing fees less DTC's cost to administer the program.

#### (iv) Evaluation and Publication of Paying Agent Performance

DTC is proposing to track and evaluate paying agent performance with regard to timeliness and accuracy of payment rate reporting on Structured Securities and to make these evaluations available to DTC participants and to the public. The purpose of these evaluations is to identify poor payment and reporting performance for which a paying agent should be able, based on its attestation, to correct any underlying servicing issues associated with the payment and information flows.

DTC plans to expand evaluation reports ("Report Cards") that are currently used to compare rate submission performance and accuracy of Structured Securities paying agents. Currently the Report Cards are only distributed among the paying agents being compared. DTC is proposing to make the Report Cards available on its Web site. The Report Card tracks and reports performance for a given month by paying agent with respect to the number of collateralized mortgage obligations and asset-backed securities announcements processed, the number of late and amended announcements, the payment dollars, late payment dollars, and the number of payments and late payments. Timeliness of payment rate notification on non-conforming Structured Securities will not be included in the proposed paying agent performance evaluation based on the paying agent's attestation that it is a non-conforming issue subject to an exception processing fee. The other factors will be included with respect to both conforming and non-conforming securities.

In summary, altering the Operational Arrangements to allow paying agents additional time in which to calculate payment rates will allow more issues of Structured Securities to be eligible at

DTC. Identification of issues that cannot meet the extended reporting deadlines and reporting on paying agent performance will allow the industry to anticipate processing inefficiencies associated with certain Structured Securities issues. Furthermore, imposition of an exception processing fee on Structured Securities that cannot meet the extended reporting deadlines due to deal structure will shift the expense associated with these securities to the underwriters and issuers that create the structure.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>5</sup> and the rules and regulations thereunder because the proposed changes removes impediments to and perfects the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.

#### (B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will have any impact or impose any burden on competition.

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

Written comments relating to the proposed rule change have not been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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

Within thirty-five 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 ninety 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.

<sup>5</sup> 15 U.S.C. 78q-1.

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-DTC-2007-11 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-DTC-2007-11. 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 Section, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site at [http://www.dtcc.com/downloads/legal/rule\\_filings/2007/dtc/2007-11.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2007/dtc/2007-11.pdf). 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-DTC-2007-11 and should be submitted on or before December 11, 2007.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Florence E. Harmon,**  
Deputy Secretary.

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-56812; File No. SR-NYSE-2007-99]

### **Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change To Allow Issuers Voluntarily Delisting Index-Linked Securities To Submit to the Exchange a Letter From an Authorized Officer of the Issuer Rather Than a Board Resolution**

November 19, 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 October 31, 2007, the New York Stock Exchange LLC ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes as described in Items I, II, and III below, which items have been substantially prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons.

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

The Exchange proposes to amend section 806.02 of the Exchange's Listed Company Manual ("Manual") to provide that index-linked notes currently listed on the Exchange and voluntarily withdrawing from listing to transfer to another national securities exchange, need not provide the Exchange with a board resolution authorizing such action but, in lieu thereof, must provide a letter signed by an authorized executive officer of the issuer setting forth the reasons for the proposed withdrawal. The Exchange is also deleting the rule text that applied prior to April 24, 2006. On that date, the revised text of section 806.02 became effective. The text of the proposed rule change is available at the Exchange, on the Exchange's Web site at <http://www.nyse.com>, 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 self-regulatory organization 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 NYSE 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 amend section 806.02 of the Manual to provide that index-linked notes currently listed on the Exchange and voluntarily withdrawing from listing to transfer to another national securities exchange, need not provide the Exchange with a board resolution authorizing such action but, in lieu thereof, must provide a letter signed by an authorized executive officer of the issuer setting forth the reasons for the proposed withdrawal.

There are currently nine series of index-linked notes listed on the Exchange. Four of these securities were listed under section 703.19 of the Manual pursuant to individual rule filings under section 19(b)(2) of the Act.<sup>3</sup> The other five securities were listed under section 703.22 of the Manual, the Exchange's recently adopted generic listing standard for index-linked notes.

As part of its strategic business planning, NYSE Euronext, the parent company of the Exchange, is seeking to move the listing and trading of index-linked notes from the Exchange to NYSE Arca, Inc. ("NYSE Arca"), a separate self-regulatory organization owned by NYSE Euronext. As such, the Exchange does not currently plan to list any further index-linked notes on NYSE in the future. In addition, the Exchange has asked the issuers of index-linked notes currently listed on NYSE to voluntarily transfer the listing of those securities to NYSE Arca and such issuers have agreed to do so. As this transfer will require the delisting of the securities from the Exchange and there is no basis under Exchange rules for a delisting initiated by the Exchange itself, the issuers are required to voluntarily withdraw their securities from listing pursuant to section 806.02 of the Manual. Section 806.02 requires companies voluntarily withdrawing securities from listing to provide a resolution of the board of directors of the issuer authorizing such action. Each of the issuers involved has informed the Exchange that no such board

<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)(2).

<sup>6</sup> 17 CFR 200.30-3(a)(12).