

through PIXL must comply with this condition of the Rule.<sup>44</sup>

#### IV. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change, as amended, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with Section 6(b)(5) of the Act.<sup>45</sup>

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>46</sup> that the proposed rule change (SR-Phlx-2010-108) is approved, except that (1) paragraphs (n)(i)(A)(2), (n)(i)(B)(2), (n)(ii)(B)(4), and (n)(ii)(D) of Phlx Rule 1080 are approved on a pilot basis until August 31, 2011; and (2) there shall be no minimum size requirement for orders entered into the PIXL for a pilot period expiring on August 31, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>47</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. 2010-25252 Filed 10-6-10; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63026; File No. SR-CBOE-2010-046]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change To Amend Certain Rules Pertaining to Credit Options

October 1, 2010.

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 20, 2010, the Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have

been prepared by the Exchange. 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

CBOE proposes to amend certain rules pertaining to Credit Options. The text of the rule proposal is available on the Exchange’s Web site (<http://www.cboe.org/legal>), at the Exchange’s principal office, 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 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 parts 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 received approval to list and trade Credit Default Options and Credit Default Basket Options (collectively “Credit Options”) in 2007, and is planning to re-launch these products.<sup>3</sup> In connection with the Exchange’s planned re-launching of Credit Options, the Exchange will be introducing contracts that have a payout that is less than \$100,000.<sup>4</sup> In addition, the Exchange would like to: (1) Change the quoting convention for Credit Default Options, (2) change the minimum price variation for Credit Option, and (3) designate a single applicable Credit Event for Credit Options.

##### Quoting Convention and Minimum Price Variation Changes

When CBOE launched Credit Default Options, the Exchange designated the

cash settlement amount to be \$100,000, which was equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 1,000 (which was specified by the Exchange at listing).<sup>5</sup> Because the exercise settlement value is currently fixed by rule at \$100,<sup>6</sup> bids and offers for contracts are expressed in amounts ranging from \$0 (no bid) to \$100. The range of bids and offers is not hard coded into CBOE’s rules and is a function of pricing options that have a fixed payout.<sup>7</sup> To arrive at the total amount a bid or offer represents per contract, the bid or offer is multiplied by the contract multiplier. For example, if a Credit Default Option has a cash settlement amount of \$100,000 ( $\$100 \times 1,000$ ), bids of \$0.05, \$45.15 and \$67.50 equate to premium amounts of \$50, \$45,150 and \$67,500, respectively.

CBOE proposes to change the quoting conventions for Credit Default Options by permitting the exercise settlement value to be an amount determined by the Exchange on a class-by-class basis and that would be equal to \$1 or \$100, or a value between those values. By permitting the Exchange to vary the exercise settlement value, the range of bids and offers would vary in tandem. For example, if the Exchange sets the exercise settlement value at \$10, bids and offers for that contract would range from \$0 (no bid) to \$10, and the total premium amount would be determined by multiplying the bid or offer by the contract multiplier.

In addition, by permitting the Exchange to set the exercise settlement value on a class-by-class basis, the Exchange would be able to list a contract having a cash settlement amount that could be arrived at in different ways. For example, for a Credit Default Option with a cash settlement amount of \$1,000, the Exchange could: (1) Set the exercise settlement value at \$1 with a contract multiplier of \$1,000, (2) set the exercise settlement value at \$10 with a contract multiplier of 100, (3) set the exercise settlement value at \$100 with a contract multiplier of 10, or (4) set the exercise settlement value at \$1,000 with a contract multiplier of 1. The Exchange notes that it will not list more than one Credit Default Option contract with a cash settlement amount

<sup>5</sup> The Exchange may vary the particular contract multiplier on a class-by-class basis within a range of 1 to 1,000. See 29.1(a).

<sup>6</sup> See Rule 29.1(a)(i).

<sup>7</sup> The Exchange notes that with a fixed exercise settlement value of \$100, any quote above \$100 (e.g., \$150) would not make economic sense since it would represent a premium cost ( $\$150 \times 1,000 = \$150,000$ ) that exceeds than [sic] the exercise settlement amount of the contract ( $\$100 \times 1,000 = \$100,000$ ).

<sup>44</sup> See Phlx 11(a) Letter, *supra* note 32.

<sup>45</sup> 15 U.S.C. 78f(b)(5). In connection with the issuance of this approval order, neither the Commission nor its staff is granting any exemptive or no-action relief from the requirements of Rule 10b-0 under the Act. 17 CFR 240.10b-10.

Accordingly, a broker-dealer executing a customer order through the PIXL auction will need to comply with all applicable requirements of that Rule.

<sup>46</sup> 15 U.S.C. 78s(b)(2).

<sup>47</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> See Securities Exchange Act Release Nos. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007) (SR-CBOE-2006-84); 56275 (August 17, 2007), 72 FR 47097 (August 22, 2007).

<sup>4</sup> See Securities Exchange Act Release No. 56380 (September 10, 2007), 72 FR 52948 (September 17, 2007) (SR-CBOE-2007-105) (immediately effective filing pertaining to contract multiplier for Credit Default Options).

arrived at in difference [sic] ways.<sup>8</sup> The Exchange notes that it has the discretion to set the exercise settlement value for binary options on a class-by-class and is seeking to introduce that same flexibility to Credit Default Options.<sup>9</sup>

The Exchange is also proposing to change the minimum price variation ("MPV") for Credit Default Options. Currently, the MPV for bids and offers on both simple and complex orders for Credit Options is fixed at \$0.05.<sup>10</sup> Similar to binary options, the Exchange would like to build in the flexibility to establish the MPV on a class-by-class basis at an increment not less than \$0.01.<sup>11</sup> The ability to designate \$0.01 as the MPV would permit more pricing points than is currently allowed and would allow for more granular pricing points when lower exercise settlement values are designated. The Exchange believes that the introduction of more pricing points creates tighter spreads between quotes, which in turn benefits investors. For example, if the Exchange designates the exercise settlement value as \$1 bids and offers for that contract would range from \$0 (no bid) to \$1 and only 20 price points would be available since the MPV is \$0.05 (\$0.05, \$0.10, etc.). If the MPV is \$0.01 and the designated exercise settlement value is \$1, there would be 100 price points available for quoting. The Exchange notes that it has the discretion to establish the MPV on a class-by-class basis for binary options and believes that permitting more price points for options having a lower exercise settlement value will benefit market participants.

#### Designation of Single Credit Event Change

Currently, CBOE Rules 29.2, *Designation of Credit Default Options*, and 29.2A, *Designation of Credit Default Basket Option Contracts*, provide that a failure-to-pay default will always be a designated Credit Event for Credit Options. In addition, the Exchange may designate other event(s) of default and/or restructuring as Credit Events. The Exchange believes that there may be a market for Credit Options that specify a single Credit Event (e.g., bankruptcy as defined in accordance with the terms of the Relevant Obligation(s)) and is therefore proposing to provide the Exchange with the ability to designate a single Credit Event. To make this

change, the Exchange is proposing revisions to Rules 29.2(a) and 29.2A(a)(6) respectively.

#### Technical Change

The Exchange is also proposing to make a technical, non-substantive change to Rule 29.3.

#### Capacity

CBOE has analyzed its capacity and 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 ability to designate \$0.01 as the MPV for Credit Options. The Exchange does not believe that this change will lead to a proliferation of quotes and notes that the change will affect one series [sic] a product and not multiple series (i.e., various strikes) since Credit Options do not have strikes.

#### 2. Statutory Basis

The Exchange believes this rule proposal is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>12</sup> Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act<sup>13</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest, and thereby will provide investors with additional tools to hedge risk and tailor their investment needs.

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

CBOE does not believe that the proposed rule change will impose any burden on competition 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 45 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 or disapprove 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-2010-046 on the subject line.

##### Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-CBOE-2010-046. 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 Web site viewing and printing 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

<sup>8</sup> See e-mail from Jennifer L. Klebes, Senior Attorney, CBOE, to Jennifer Dodd, Special Counsel, and Andrew Madar, Special Counsel, Commission, dated September 27, 2010.

<sup>9</sup> See Rule 22.1(e).

<sup>10</sup> See Rule 29.14(b).

<sup>11</sup> See Rule 22.13(b).

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Number SR-CBOE-2010-046 and should be submitted on or before October 28, 2010.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. 2010-25251 Filed 10-6-10; 8:45 am]

**BILLING CODE 8011-01-P**

## DEPARTMENT OF STATE

[Public Notice: 7195]

### Bureau of Educational and Cultural Affairs (ECA) Request for Grant Proposals: Study of the United States Institutes for Student Leaders on U.S. History and Government

*Announcement Type:* New Cooperative Agreement.

*Funding Opportunity Number:* ECA/A/E/USS-11-10.

*Catalog of Federal Domestic Assistance Number:* 19.009.

*Key Dates:* July–August, 2011 and January, February, 2012.

*Application Deadline:* December 3, 2010.

*Executive Summary:* The Branch for the Study of the United States, Office of Academic Exchange Programs, Bureau of Educational and Cultural Affairs (ECA), invites proposal submissions for the design and implementation of six (6) Study of the U.S. Institutes for Student Leaders on U.S. History and Government, pending the availability of funds. Participants will be drawn from countries throughout Central and South America and the Caribbean. Three institutes will be conducted entirely in Spanish, and the remaining three in English. Each academic institute will be five weeks in duration, including a one-week integrated study tour.

#### I. Funding Opportunity Description Authority

Overall grant making authority for this program is contained in the Mutual Educational and Cultural Exchange Act of 1961, Public Law 87-256, as amended, also known as the Fulbright-Hays Act. The purpose of the Act is “to enable the Government of the United States to increase mutual understanding between the people of the United States and the people of other countries\* \* \* to strengthen the ties which unite us

with other nations by demonstrating the educational and cultural interests, developments, and achievements of the people of the United States and other nations \* \* \* and thus to assist in the development of friendly, sympathetic and peaceful relations between the United States and the other countries of the world.” The funding authority for the program above is provided through legislation.

*Purpose:* All ECA programs seek to increase mutual understanding between the people of the United States and the people of other countries. The Study of the U.S. Institutes for Student Leaders on U.S. History and Government provide a group of undergraduate students, who have little to no prior experience in the U.S., with an introduction to U.S. history, government, society, and culture. In addition to this core American Studies component, students will participate in seminars, workshops, and activities to strengthen their leadership skills. Participants will also engage in volunteer activities and learn about civic engagement as a core American value. Throughout the course of the institutes, participants will interact with American peers in the classroom, community, and through a weekend long home-stay experience.

This award will support up to 120 undergraduate participants. Three institutes for twenty participants each will take place in Summer 2011 while an additional three institutes will take place in Winter 2012. Please refer to the Project Objectives, Goals, and Implementation (POGI) document for programmatic details.

**Please note:** This award will be in the form of a cooperative agreement. In a cooperative agreement, ECA is substantially involved in the management and oversight of the institute. Please refer to the statement of work in the POGI to see the division of responsibilities between the recipient institution and the Program Office.

#### II. Award Information

*Type of Award:* Cooperative Agreement. ECA’s level of involvement in this program is listed under number 1 above.

*Fiscal Year Funds:* FY 2011.

*Approximate Total Funding:* \$1,440,000.

*Approximate Number of Awards:* One.

*Approximate Average Award:* \$1,440,000.

*Anticipated Award Date:* Pending availability of funds, February 2011.

*Anticipated Project Completion Date:* February, 2012.

*Additional Information:* Pending successful implementation of this program and the availability of funds in subsequent fiscal years, it is ECA’s intent to renew this cooperative agreement for two additional fiscal years, before openly competing it again.

#### III. Eligibility Information

*III.1. Eligible applicants:* The Bureau is seeking detailed proposals from accredited post-secondary U.S. institutions (community colleges, liberal arts colleges, public and private universities), consortia of organizations, and/or from public and private non-profit organizations meeting the eligibility requirements outlined below.

The Bureau intends to issue one award and is seeking proposals from organizations with the ability to administer, support, and oversee the six academic institutes. Recipient organizations may be public or private organizations that provide sub-awards to up to six institutions of higher education to implement the institutes. Or, higher education institutions may apply to administer and implement the institutes working with branch campuses, other colleges in a consortium, or partnering with any other institution of higher education.

Institutions of higher education may host no more than one institute at a time (for up to 20 students), but may host up to two institutes per year (e.g. a summer and a winter institute); this policy is to advance the Bureau’s goals of diversity and increased mutual understanding, and to provide more individualized attention to participants.

The recipient organization will serve as the lead organization and will be responsible for the oversight of all six institutes and must appoint a project director who will be the main point of contact and liaison with ECA.

*III.2. Cost Sharing or Matching Funds:* There is no minimum or maximum percentage required for this competition. However, the Bureau encourages applicants to provide maximum levels of cost sharing and funding in support of its programs.

When cost sharing is offered, it is understood and agreed that the applicant must provide the amount of cost sharing as stipulated in its proposal and later included in an approved agreement. Cost sharing may be in the form of allowable direct or indirect costs. For accountability, you must maintain written records to support all costs which are claimed as your contribution, as well as costs to be paid by the Federal government. Such records are subject to audit. The basis for determining the value of cash and

<sup>14</sup> 17 CFR 200.30-3(a)(12).