

investment manager for the relevant Underlying FT Fund, (3) each of the FT Subadvisers will implement the same investment strategy for the Replacement Fund that it uses to manage the corresponding Underlying FT Fund, and (4) the assets of the Replacement Fund will be equally divided among the three relevant investment strategies in exactly the same manner as the Existing Fund equally divides its assets among the three Underlying FT Funds. The portfolio securities are of the type and quality that the Replacement Fund would have acquired with the proceeds from the sale of shares of the Existing Fund had the shares of the Existing Fund been sold for cash. To assure that this condition is met, as applicable, the Investment Managers and the subadvisers for the Replacement Fund will examine the portfolio securities being offered to the Replacement Fund and accept only those securities as consideration for shares that it would have acquired for each such fund in a cash transaction.

Conclusion:

For the reasons and upon the facts set forth above and in the application, the Substitution Applicants and the Section 17 Applicants believe that the requested orders meet the standards set forth in Section 26(c) of the Act and Section 17(b) of the Act, respectively, and should therefore, be granted.

For the Commission, by the Division of Investment Management, under delegated authority.

Kevin M. O'Neill,
Deputy Secretary.

[FR Doc. 2012-21773 Filed 9-4-12; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold a Closed Meeting on Thursday, September 6, 2012 at 2 p.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (5), (7), 9(ii)

and (10), permit consideration of the scheduled matters at the Closed Meeting.

Commissioner Walter, as duty officer, voted to consider the items listed for the Closed Meeting in a closed session.

The subject matter of the Closed Meeting scheduled for Thursday, September 6, 2012 will be:

Institution and settlement of injunctive actions;

Institution and settlement of administrative proceedings; and

Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 551-5400.

Dated: August 30, 2012.

Elizabeth M. Murphy,
Secretary.

[FR Doc. 2012-21910 Filed 8-31-12; 11:15 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67752; File No. SR-CBOE-2012-043]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change Relating to Spread Margin Rules

August 29, 2012.

I. Introduction

On May 29, 2012, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend CBOE Rule 12.3 to propose universal spread margin rules. The proposed rule change was published for comment in the **Federal Register** on June 7, 2012.³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 67086 (May 31, 2012), 77 FR 33802.

II. Description of the Proposal

An option spread is typically characterized by the simultaneous holding of a long and short option of the same type (put or call) where both options involve the same security or instrument, but have different exercise prices and/or expirations. To be eligible for spread margin treatment, the long option may not expire before the short option. These long put/short put or long call/short call spreads are known as two-legged spreads.

Since the inception of the Exchange, the margin requirements for two-legged spreads have been specified in CBOE margin rules.⁴ The margin requirement for a two-legged spread that is eligible for spread margin treatment is its maximum risk based on the intrinsic values of the options, exclusive of any net option premiums paid or received when the positions were established.⁵ For example, consider the following equity option spread:

Long 1 XYZ May2011 60 call
Short 1 XYZ May2011 50 call

The maximum potential loss (*i.e.*, risk) for this particular spread would be a scenario where the price of the underlying stock (XYZ) is \$60 or higher. If the market price of XYZ is \$60, the May2011 60 call would have an intrinsic value of zero, because the right to buy at \$60 when XYZ can be purchased in the market for \$60 has no intrinsic value. The May2011 50 call would have an intrinsic value of \$10 because of the \$10 advantage gained by being able to buy at \$50 when it costs \$60 to purchase XYZ in the market. Because each option contract controls 100 shares of the underlying stock, the intrinsic value, which was calculated on a per share basis, is multiplied by 100, resulting in an aggregate intrinsic value of \$1,000 for the May2011 50 call.⁶ However, because the May2011 50 call is short, the \$1,000 intrinsic value is a loss, because it represents the cost to close (*i.e.*, buy-back) the short option. At an assumed XYZ market price of \$60, netting the intrinsic values of the options results in a loss of \$1,000 (-\$1,000 + \$0).⁷ Therefore, the

⁴ CBOE Rules Chapter 12; CBOE Rule 12.3(c)(5)(C)(4).

⁵ Any net credit received for establishing a spread may be applied to the margin requirement, if any. In the case of a spread that is established for a net debit, the net debit must be paid for in full.

⁶ The result would be multiplied by the number of contracts when more than a one-by-one contract spread is involved.

⁷ At an assumed market price of \$50, both the May2011 50 call and May2011 60 call would have no intrinsic value. Thus, there is no risk (provided any net debit is paid for in full) at an assumed market price of \$50.