

member organizations to become FINRA members is reasonable.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (File No. SR-NYSE-2007-67), be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56651; File No. SR-Phlx-2007-71]

#### Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change as Modified by Amendment No. 1 Thereto To Eliminate Position and Exercise Limits on Russell 2000® Index Options

October 12, 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 21, 2007, the Philadelphia Stock Exchange, Inc. (“Phlx” or “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 substantially prepared by the Exchange. On September 27, 2007, the Exchange filed Amendment No. 1 to the proposed rule change. This order provides notice of the proposed rule change, as modified by Amendment No. 1, and approves the proposal on an accelerated basis.

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

The Exchange proposes to amend its Rule 1079 (FLEX Index and Equity Options)<sup>3</sup> and Rule 1001A (Position

Limits) to specify that full-value options on the Russell 2000® Index (“RUT”) and one tenth (1/10th) value options on the Russell 2000® Index (“RMN”) shall have no position limits, and that reduced-value or mini-size contracts shall be aggregated with full-value or full-size contracts and counted by the amount by which they equal a full-value contract. The text of the proposed rule change is available at Phlx, the Commission’s Public Reference Room, and <http://www.phlx.com>.

#### 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 III 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 the proposed rule change is to amend Phlx Rules 1079 and 1001A to eliminate the position limits on RUT options and RMN options, which are multiply-listed and heavily traded options on the broad-based Russell 2000® Index.<sup>4</sup> The purpose of the proposed rule change is also to clarify that reduced-value or mini-size options contracts shall be aggregated with full-value or full-size options contracts and shall be counted by the amount by which they equal a full-value contract.

The current position limits for RUT options of 50,000 contracts, with no more than 30,000 of such contracts in a series in the nearest expiration month, and 500,000 contracts for RMN options, with 300,000 contracts in the nearest expiration month, were established when the Commission approved the rule change that provided for the listing and trading of RUT and RMN options on the Exchange, and have remained unchanged.<sup>5</sup> These limits are similar to

the position limits established on other exchanges trading options on the Russell 2000® Index, which have recently received Commission approval to eliminate position limits on these options.<sup>6</sup>

The Exchange believes that the circumstances and considerations relevant to the Commission approving the elimination of position and exercise limits for other heavily traded broad-based index options (e.g., options on the Standard & Poor’s 500 Index (“SPX”), the Standard & Poor’s 100 Index (“OEX”), the Dow Jones Industrial Average Index (“DJX”), and the Nasdaq-100 Index (“NDX”)) equally apply to the current proposal relating to RUT and RMN position limits.<sup>7</sup> In approving the elimination of position limits for SPX, OEX, DJX, and NDX options, the Commission considered that the enormous capitalization of each of these indexes and the deep and liquid markets for the securities underlying each index significantly reduced concerns of market manipulation or disruption in the underlying markets. The Commission also noted the active trading volume for options on these respective indexes.

Phlx believes that RUT shares common factors with the SPX, OEX, DJX, and NDX. As of the date of this filing, the approximate market capitalizations of the SPX, OEX, DJX, and NDX were \$13.95 trillion, \$8.06 trillion, \$4.4 trillion and \$2.36 trillion, respectively; the average daily trading volume (“ADTV”) for all underlying components of the indexes were 1.27 billion, 540 million, 240 million, and 400 million shares, respectively; and the ADTV for options on the indexes were 610,000 contracts, 60,000 contracts, 34,000 contracts, and 58,000 contracts respectively.<sup>8</sup> Phlx believes that RUT has very comparable characteristics. The market capitalization for RUT is approximately \$1.73 trillion dollars, the

<sup>6</sup> See Securities Exchange Act Release Nos. 56351 (September 4, 2007), 72 FR 51875 (September 11, 2007) (SR-Amex-2007-81); and 56350 (September 4, 2007), 72 FR 51878 (September 11, 2007) (SR-CBOE-2007-79) (collectively, “RUT Approval Orders”).

<sup>7</sup> See Securities Exchange Act Release Nos. 44994 (October 26, 2001), 66 FR 55722 (November 2, 2001) (SR-CBOE-2001-22) (elimination of position and exercise limits on SPX, OEX, and DJX options) (“SPX, OEX, and DJX Position Limit Elimination Approval Order”); and 52650 (October 21, 2005), 70 FR 62147 (October 28, 2005) (SR-CBOE-2005-41) (elimination of position and exercise limits on NDX options) (“NDX Position Limit Elimination Approval Order”). The Exchange also notes that there are no position and exercise limits for the Chicago Board Options Exchange, Incorporated (“CBOE”) volatility index options based on SPX, DJX, and NDX.

<sup>8</sup> ADTVs are calculated over the previous three months of trading.

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</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> Flexible Exchange Options (“FLEX options”) are customized equity or index option contracts made available by Phlx and other option exchanges that allow certain terms of the option to be specified, such as the underlying security, the type of the option, the exercise price, the expiration date, and the exercise style. See Phlx Rule 1079.

<sup>4</sup> As result of the rule changes proposed herein, RUT options and RMN options would likewise have no exercise limits. See Phlx Rules 1079(e) and 1002A.

<sup>5</sup> See Securities Exchange Act Release No. 55305 (February 15, 2007), 72 FR 8240 (February 23, 2007) (SR-Phlx-2006-65).

ADTV for the underlying securities is 535 million shares, and the ADTV for the option is 79,000 contracts.

In approving the elimination of position and exercise limits for SPX, OEX, DJX, and NDX options, the Commission also noted that the financial requirements imposed by an exchange (and the Commission) would serve to address any concerns that a member or its customer(s) may try to maintain an inordinately large unhedged position in the indexes. Similar financial requirements would also apply to RUT options. Under Phlx rules, for example, the Exchange has the authority to impose additional margin and/or assess capital charges and the ability to monitor accounts to determine when such action is warranted.<sup>9</sup>

In approving the elimination of position limits for SPX, OEX, DJX, and NDX, the Commission also relied heavily on the Exchange's ability to provide surveillance and reporting safeguards to detect and deter trading abuses arising from the elimination of position and exercise limits in options on these indexes. The Exchange represents that it monitors trading in RUT options in much the same manner as trading in its other index options (e.g., Phlx Gold/Silver Sector options, Phlx Oil Service Sector options) and that the current Phlx surveillance procedures are more than adequate to continue monitoring RUT options. Moreover, the proposed rule change would impose a reporting requirement on Phlx members or member organizations that trade RUT options.<sup>10</sup> This reporting requirement would require members or member organizations who maintain in excess of 100,000 RUT option contracts on the same side of the market, for their own accounts or for the account of customers, to report information to the Exchange as to whether the positions are hedged and if applicable, provide a description of the hedge and information concerning collateral used to carry the position. In the interest of consistency, the Exchange also proposes to amend Exchange Rule 1079 relating to the trading of FLEX broad-based index options to reflect that there shall be no position or exercise limits on RUT and RMN options.

Finally, position and exercise limits for reduced-value options are aggregated with full-value options for the purpose

of determining compliance with position and exercise limits. The Exchange proposes amending its Rules 1007(d) and 1001A(e) to clarify that reduced-value options contracts will be aggregated with full-value options contracts and counted by the amount by which they are equivalent to a full-value contract (e.g., ten (10) one tenth (1/10th) value contracts equal one (1) full-value contract). In light of this general aggregation and counting rule, the Exchange proposes to delete language that indicates how specific reduced value contracts must be counted for aggregation purposes.

The Exchange believes that eliminating position and exercise limits for RUT options (including FLEX options) and clarifying the applicable aggregation methodology is consistent with the rules of other exchanges relating to RUT and similar broad-based indexes, and allows Phlx members and their customers greater hedging and investment opportunities.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>11</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act, specifically,<sup>12</sup> in that it is designed to perfect the mechanism of a free and open market and the national market system, protect investors and the public interest, and promotes just and equitable principles of trade. The proposal would achieve these objectives by clarifying the Exchange's position limit rules regarding multiply-listed and heavily-traded RUT and RMN options and placing them on an equal basis with the rules of other exchanges trading such options.

### 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 either solicited or received.

## III. 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-Phlx-2007-71 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-Phlx-2007-71. 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, 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-Phlx-2007-71 and should be submitted on or before November 8, 2007.

## IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a

<sup>9</sup> See Phlx Rules 1001A and 722 (Margin Accounts). The Exchange notes that File No. SR-Phlx-2007-33, which is pending before the Commission, proposes to amend Phlx Rule 722 to make this rule similar to CBOE and New York Stock Exchange LLC margin rules.

<sup>10</sup> See Phlx Rule 1001A(c).

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

national securities exchange.<sup>13</sup> In particular, the Commission believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act, which requires that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general to protect investors and the public interest.<sup>14</sup>

Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise. These rules are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.

The Commission notes that it continues to believe that the fundamental purposes of position and exercise limits remain valid. Nevertheless, the Commission believes that experience with the trading of index options as well as enhanced reporting requirements and the Exchange's surveillance capabilities have made it possible to approve the elimination of position and exercise limits on certain broad-based index options.<sup>15</sup> The Commission believes that the considerations upon which it relied in approving the elimination of position and exercise limits for other index options equally apply with respect to options on RUT.<sup>16</sup>

As noted by the Exchange, the market capitalization of the RUT is approximately \$1.73 trillion. The ADTV for all underlying components of the index is approximately 535 million shares. The Commission believes that the enormous market capitalization of RUT and the deep, liquid market for the underlying component securities significantly reduce concerns regarding market manipulation or disruption in the underlying market. Removing position and exercise limits for RUT options may also bring additional depth

and liquidity, in terms of both volume and open interest, to RUT options without significantly increasing concerns regarding intermarket manipulation or disruption of the options or the underlying securities.

In addition, the Commission believes that financial requirements imposed by both the Exchange and the Commission adequately address concerns that a Phlx member or its customer may try to maintain an inordinately large unhedged position in RUT options. Current risk-based haircut and margin methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a member must maintain for a large position held by itself or by its customer. Under the proposal, Phlx also would have the authority under its rules to impose a higher margin requirement upon an account maintaining an under-hedged position when it determines a higher requirement is warranted. In addition, the clearing firm carrying the account would be subject to capital charges under Rule 15c3-1 under the Act<sup>17</sup> to the extent of any margin deficiency resulting from the higher margin requirement.

In approving the elimination of position and exercise limits for other index options, the Commission took note of the enhanced surveillance and reporting safeguards that the exchanges had adopted to allow it to detect and deter trading abuses that might arise as a result.<sup>18</sup> Phlx represents that it monitors trading in RUT options and RMN options in much the same manner as trading in its other index options. These safeguards, including the new 100,000-contract reporting requirement described above, would allow Phlx to monitor large positions in order to identify instances of potential risk and to assess and respond to any market concerns at an early stage. In this regard, the Commission expects Phlx to take prompt action, including timely communication with the Commission and other marketplace self-regulatory organizations responsible for oversight of trading in component stocks, should any unanticipated adverse market effects develop. Moreover, as previously noted, the Exchange has the flexibility to specify other reporting requirements, as well as to vary the limit at which the reporting requirements may be triggered. The Exchange also proposes to amend its rules to state that reduced-

value options will be aggregated with full-value options when calculating reporting requirements.

The Commission finds good cause, consistent with Section 19(b)(2) of the Act, to grant accelerated approval of the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission notes that it recently approved substantially similar proposals filed by the American Stock Exchange LLC and CBOE.<sup>19</sup> The Commission believes that Phlx's proposal to eliminate position and exercise limits for RUT options raises no new issues. Moreover, accelerating approval of the proposed rule change will allow Phlx members and their customers greater hedging and investment opportunities in RUT options without further delay.

## V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>20</sup> that the proposed rule change (SR-Phlx-2007-71), as modified by Amendment No. 1, be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>21</sup>

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

[FR Doc. E7-20522 Filed 10-17-07; 8:45 am]

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## SOCIAL SECURITY ADMINISTRATION

### Agency Information Collection Activities: Proposed Request and Comment Request

The Social Security Administration (SSA) publishes a list of information collection packages that will require clearance by the Office of Management and Budget (OMB) in compliance with Public Law 104-13, the Paperwork Reduction Act of 1995, effective October 1, 1995. The information collection packages that may be included in this notice are for new information collections, approval of existing information collections, revisions to OMB-approved information collections, and extensions (no change) of OMB-approved information collections.

SSA is soliciting comments on the accuracy of the agency's burden estimate; the need for the information; its practical utility; ways to enhance its quality, utility, and clarity; and on ways

<sup>13</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> See SPX, OEX, and DJX Position Limit Elimination Approval Order and NDX Position Limit Elimination Approval Order, *supra* note 7.

<sup>16</sup> See *id.*

<sup>17</sup> 17 CFR 240.15c3-1.

<sup>18</sup> See SPX, OEX, and DJX Position Limit Elimination Approval Order and NDX Position Limit Elimination Approval Order, *supra* note 7.

<sup>19</sup> See RUT Approval Orders, *supra* note 6.

<sup>20</sup> 15 U.S.C. 78s(b)(2).

<sup>21</sup> 17 CFR 200.30-3(a)(12).