

4(f)(6) thereunder.<sup>11</sup> At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

Under Rule 19b-4(f)(6) of the Act,<sup>12</sup> the proposal does not become operative for 30 days after the date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative date. The Exchange states that the proposed rule change provides the same flexibility to DPMs and LMMS that e-DPMs have in terms of allowing affiliated Market-Makers to hold an appointment and to submit electronic quotations in the same class. Moreover, CBOE believes that it would be unfair to DPMs and LMMS to have to wait 30 days for this rule change to take effect, given that such restriction is not in place for e-DPMs, and that DPMs have expressed an interest in having this rule change take effect immediately. Thus, waiving the 30-day operative period will allow the rule change to be implemented immediately and place these types of market participants on equal footing with e-DPMs. Based on these reasons, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, and thus designates the proposal effective upon filing.<sup>13</sup>

#### 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-2008-50 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-2008-50. 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 CBOE. 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-2008-50 and should be submitted on or before May 27, 2008.

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

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E8-9908 Filed 5-5-08; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-57734; File No. SR-CHX-2008-05]

### Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Change the Composition of its Regulatory Oversight Committee

April 29, 2008.

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 April 21, 2008, the Chicago Stock Exchange, Inc. ("CHX" 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. The Exchange has designated this proposal as non-controversial under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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

The Exchange proposes to amend its rules to change the composition of the Regulatory Oversight Committee ("ROC" or "Committee") so that this group consists of at least five Public Directors and to allow the Exchange's Vice Chairman to appoint, and the Public Directors on the Exchange's Board of Directors to approve, up to two Participant Directors to serve as non-voting advisors to the Committee. The text of this proposed rule change is available at the CHX, on the Exchange's Web site at [http://www.chx.com/rules/proposed\\_rules.html](http://www.chx.com/rules/proposed_rules.html), and in 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 CHX included statements concerning the purpose of, and basis for, the proposed rule change. The text of these 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

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> *Id.*

<sup>13</sup> For purposes only of waiving the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>14</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> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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

Under its existing rules, the Exchange's ROC consists of seven persons—five Public Directors and two Participant Directors.<sup>5</sup> One of the Participant Directors must be associated with a firm that is primarily engaged in business on the Exchange's trading floor.<sup>6</sup> The other Participant Director must be associated with a participant firm that is not primarily engaged in business on the Exchange's trading floor.<sup>7</sup>

Through this proposal, the Exchange would modify the composition of the ROC so that it would consist of at least five Public Directors. The Exchange would also amend its rules to allow the Exchange's Vice Chairman to appoint, and the Public Directors on the Exchange's Board of Directors to approve, up to two Participant Directors to serve as non-voting advisors to the Committee.

These proposed changes serve several purposes. First, the changes would eliminate references to the Exchange's trading floor when describing the Participant Directors who can serve on the ROC. In the Exchange's new trading model, the Exchange no longer operates a physical trading floor, so these distinctions are no longer particularly useful in distinguishing between Participant Directors.<sup>8</sup>

As an additional matter, the changes would modify the role that Participant

Directors play on the ROC—instead of being voting members of the ROC, the Participant Directors would serve as non-voting advisors. This status would allow the Participant Directors to share insights that might prove helpful to the ROC in its oversight of the Exchange's regulatory programs, but would not allow the Participant Directors to vote on issues that may arise.<sup>9</sup>

Finally, the changes would provide some flexibility in the number of persons who must serve on the ROC to better allow the Exchange to respond to changes over time. By allowing the ROC to be composed of "at least" five Public Directors, the Exchange's Vice Chairman would be able to appoint, and the Public Directors on the Exchange's Board would be able to approve, some or even all of its Public Directors to the ROC, as the Board believes is appropriate. Similarly, by allowing the Exchange's Vice Chairman to appoint, and the Public Directors on the Exchange's Board to approve, "up to" two Participant Directors to serve as advisors to the ROC, the Exchange's Board would be able to determine how many non-voting advisors are appropriate at a particular time. This flexibility would also allow the Board to be sensitive, within reasonable bounds, to the availability of its Board members to serve on committees—the proposal would allow the Exchange's Vice Chairman to appoint, and the Public Directors on the Exchange's Board to approve, five, six or seven Public Directors to the ROC, for example, depending upon each director's ability to dedicate time to the ROC's activities.

The ROC's composition is not described solely in the Exchange's rules; it is also set out in the 2003 settlement agreement that the Exchange entered into with the Commission.<sup>10</sup> The Exchange asked the Commission to amend the Order to incorporate this new composition for the ROC; this rule filing is designed to effectuate the

<sup>9</sup> The Exchange believes that a non-voting, advisory role for Participant Directors is more consistent with the Commission's proposed self-regulatory organization ("SRO") governance rules, which, if approved, would require that each SRO's ROC be composed entirely of independent (or public) directors, but that would not, at least on its face, prohibit an SRO from appointing an advisory group of members to work with the ROC. See Securities Exchange Act Release No. 50699 (November 18, 2004), 69 FR 71126 (December 8, 2004) (S7-39-04). Although these proposals have not been approved as final rules, the Exchange believes that they provide strong guidelines for SROs to consider as they review their internal governance structures.

<sup>10</sup> See Securities Exchange Act Release No. 48566 (September 30, 2003) (Administrative Proceeding File No. 3-11282) ("Order").

changes to the Order approved by the Commission.<sup>11</sup>

2. Statutory Basis

The CHX believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>12</sup> The proposed rule change is consistent with Section 6(b)(5) of the Act<sup>13</sup> because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by permitting the Exchange to make reasonable modifications to the required composition of its ROC.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition.

*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.

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

Because the proposed rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the

<sup>11</sup> See Securities Exchange Act Release No. 57605 (April 2, 2008) (Administrative Proceeding File No. 3-11282).

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

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

<sup>14</sup> U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6). Pursuant to Rule 19b-4(f)(6)(iii) under the Act, the Exchange is required to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied the five-day pre-filing requirement.

<sup>5</sup> See CHX Rules, Article 2, Rule 4. Under the Exchange's bylaws, a Public Director is a director who (i) is not a participant, or an officer, managing member, partner or employee of a participant firm; (ii) is not an employee of the CHX or any of its affiliates; (iii) is not a broker or dealer that is registered under the Act, or an officer or employee of a broker or dealer that is registered under the Act; or (iv) does not have any other material business relationship with (a) CHX, CHX Holdings or any of their affiliates or (b) any broker or dealer that is registered under the Act. A Participant Director is a participant or an officer, managing member or partner of a participant firm. See CHX Bylaws, Article II, Section 2(b). The Commission recently approved a proposed rule change by CHX to amend the definition of Public Director in its bylaws to refer to brokers or dealers registered under the Act. See Securities Exchange Act Release No. 57699 (April 23, 2008), 73 FR 23287 (April 29, 2008) (SR-2008-CHX-02).

<sup>6</sup> This director is called an "On-Floor Participant Director" in the current rule. See CHX Rules, Article 2, Rule 4.

<sup>7</sup> This director is called "Off-Floor Participant Director" in the current rule. See CHX Rules, Article 2, Rule 4.

<sup>8</sup> The Exchange fully transitioned to its new trading model on January 26, 2007.

Act<sup>16</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>17</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The CHX has requested that the Commission waive the 30-day operative delay. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to implement the changes to the ROC without delay.<sup>18</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the proposed rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### 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-CHX-2008-05 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-CHX-2008-05. 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 the filing also will be available for inspection and copying at the principal office of the CHX. 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-CHX-2008-05 and should be submitted on or before May 27, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-57736; File No. SR-ISE-2008-35]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Position and Exercise Limits for Options on the DIAMONDS Trust

April 29, 2008.

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 April 17, 2008, the International Securities Exchange, LLC ("Exchange" or "ISE") 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. The Exchange has designated this proposal as non-controversial under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change

effective upon filing with the Commission. 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

The Exchange proposes to amend its rules to increase the position and exercise limits applicable to options on the DIAMONDS Trust, Series 1 ("DIA"). The text of the proposed rule change is available on the Exchange's Web site (<http://www.ise.com>), at the offices of the Exchange, 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 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 IV 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 Exchange is proposing to amend its rules pertaining to position and exercise limits for options on DIA. The Exchange proposes to increase position and exercise limits for options on DIA to 300,000 contracts on the same side of the market. The Commission previously approved a similar proposal of the Chicago Board Options Exchange ("CBOE").<sup>5</sup>

<sup>5</sup> See Securities Exchange Act Release No. 47346 (February 11, 2003), 68 FR 8316 (February 20, 2003) (SR-CBOE-2002-26) (approving an increase in the position limits and exercise limits to 300,000 for DIA options). The Commission stated that "given the surveillance capabilities of the [CBOE] and the depth and liquidity in both the DIA options and the underlying cash market in DIAs, the Commission believes it is permissible to significantly raise position and exercise limits for DIA options without risk of disruption to the options or underlying cash markets." The Commission also stated that "financial and reporting requirements . . . should allow [CBOE] to detect and deter trading abuses arising from the increased position and exercise limits, and will also allow [CBOE] to monitor large positions in order to identify instances of potential risk and to assess additional margin and/or capital charges, if deemed necessary."

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

<sup>17</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>18</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the impact of the proposed rule on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>19</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> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).