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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act [9] and Rule 19b–4(f)(2) [10] thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange. Accordingly, the proposal is effective upon filing with the Commission. 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.

### 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.* Please include File Number SR–NYSEArca–2007–46 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–NYSEArca–2007–46. 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. 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–NYSEArca–2007–46 and should be submitted on or before July 18, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E7–12391 Filed 6–26–07; 8:45 am]

**BILLING CODE 8010–01–P**

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## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34–55939; File No. SR–OCC–2007–06]**

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Credit Default Basket Options**

June 21, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] notice is hereby given that on April 20, 2007, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on June 16, 2007, amended the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments from interested persons.

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

The purposed rule change would permit OCC to clear and settle credit default basket options ("CDBOs").

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.[2]

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

The purpose of the proposed rule change is to permit OCC to clear and settle CDBOs, which are options related to the creditworthiness of an issuer or guarantor ("reference entity") of one or more specified debt securities ("reference obligations"). CDBOs are proposed to be traded by the Chicago Board Options Exchange ("CBOE").[3] CDBOs are binary options that pay a fixed amount to the holder of the option upon the occurrence of a "credit event" affecting the reference obligations.[4] Characteristics of CDBOs are described below, followed by an explanation of the specific rule changes being proposed in order that OCC may clear and settle them.

Description of Credit Default Basket Options

CDBOs are structured as binary options with an automatic exercise feature. They are very similar to Credit Default Options ("CDOs") that were recently approved for trading by CBOE and clearing by OCC except that CDBOs are based upon multiple reference entities instead of a single reference entity.[5] A CDBO will be automatically exercised and an exercise settlement amount will be payable if a "credit event" occurs with respect to any one of the reference entities at any time prior to the last day of trading. As in the case

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[9] 15 U.S.C. 78s(b)(3)(A)(ii).

[10] 17 CFR 240.19b–4(f)(2).

[11] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] The Commission has modified the text of the summaries prepared by OCC.

[3] Securities Exchange Act Release No. 55938 (June 21, 2007) (notice of filing of proposed rule change) [File No. SR–CBOE–2007–26].

[4] "Binary" options (also sometimes referred to as "digital" options) are "all-or-nothing" options that pay a fixed amount if automatically exercised and otherwise pay nothing.

[5] Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007) [File No. SR–CBOE–2006–84]. See also Securities Exchange Act Release No. 55872 (June 6, 2007), 72 FR 32693 (June 13, 2007) [File No. SR–OCC–2007–01].

of a CDO, a ''credit event'' is generally defined as any failure to pay on any of the reference obligations or any other occurrence that would constitute an ''event of default'' or ''restructuring'' under the terms of any of the reference obligations of a particular reference entity and that the listing exchange has determined would be a credit event for purposes of the CDBO.

CDBOs may be thought of as a bundle of CDOs in that there is a fixed exercise settlement amount that is determined for each of the reference entities included in the basket of reference entities underlying the CDBO. The exercise settlement amount may be the same for all of the reference entities or it may be different for each one.

CDBOs come in two types: Multiple payout CDBOs and single payout CDBOs. A multiple payout CDBO is automatically exercised each time there is a credit event affecting any one of the reference entities. Once the CDBO has been exercised with respect to that reference entity such reference entity is removed from the basket. In the unlikely event that a CDBO is exercised with respect to all of the reference entities in the basket, the expiration of the option would be accelerated. A single payout CDBO, on the other hand, is automatically exercised only the first time that a credit event is confirmed with respect to any one of the reference entities. A single payout CDBO cannot be exercised again with respect to any other reference entity and its expiration date will be accelerated. With either a multiple payout CDBO or a single payout CDBO, the exercise settlement amount is the exercise settlement amount that was assigned by the listing exchange to the reference entity affected by the credit event.

By-Law and Rule Amendments Applicable to CDOs

In order to accommodate the clearing and settlement of CDBOs, OCC proposes to amend the By-Law Article and Rule Chapter that were adopted for CDOs.

1. Terminology—Article I, Section 1 and Article XIV, Section 1 of the By-Laws

The definition of ''option contract'' in Article I of the By-Laws is amended to include CDBOs. ''Adjustment event'' and ''credit event'' are defined in Article XIV by reference to the rules of the listing exchange. The terms ''credit event confirmation'' and ''credit event confirmation deadline'' are used, respectively, to refer to the notice that must be provided by the listing exchange or other reporting authority to OCC that a credit event has occurred (and that a CDBO will therefore

automatically be exercised) and to the deadline for receipt of such notice if it is to be treated as having been received on the business day on which it is submitted. Credit event confirmations received after the deadline on the expiration date but before the expiration time will be given effect but may result in delayed exercise settlement.

OCC is also amending the definition of the term ''exercise settlement amount'' in Article XIV for purposes of CDBOs. The exercise settlement amount of a CDBO is the amount specified by the exchange on which the option is traded that will be paid in settlement when a CDBO is automatically exercised as a result of a credit event affecting a particular reference entity. The exercise settlement amount for each reference entity will be determined by the exchange at the time of listing when the exchange fixes the other variable terms for the options of a particular class or series.

OCC is replacing the definitions of ''variable terms,'' ''premium,'' and ''multiplier'' in Article I of the By-Laws with revised definitions in Article XIV, Section 1, that are applicable to CDBOs. The term ''class'' is also redefined in Article XIV, Section 1. To be within the same class, CDBOs must have the same reporting authority, which OCC anticipates will ordinarily be the listing exchange. This is necessary because of the degree of discretion that the reporting authority will have in determining whether a credit event has occurred.

Other terms that were created or amended for CDOs will be modified to apply to CDBOs as well.

2. Terms of Cleared Contracts—Article VI, Section 10(e)

A new paragraph (e) is added to Article VI, Section 10 so that an exchange is required to designate the exercise settlement amount and expiration date for a series of CDBOs at the time the series is opened for trading. Section 10(e) also reminds the reader that CDBOs are subject to adjustment under Article XIV.

3. Rights and Obligations—Article XIV, Section 2

Article XIV, Section 2A defines the general rights and obligations of holders and writers of CDBOs. As noted above, the holder of a CDBO that is automatically exercised has the right to receive the fixed exercise settlement amount for the particular reference entity affected by a credit event, and the assigned writer has the obligation to pay that amount.

4. Adjustments of Credit Default Basket Options—Article XIV, Section 3; Determination of Occurrence of Credit Event—Article XIV, Section 4

Article XIV, Section 3 provides for adjustment of CDBOs in accordance with the rules of the listing exchange. For example, CBOE's proposed rules provide for adjustment of CDBOs in the case of certain corporate events affecting the reference obligations, and OCC proposes simply to defer to those rules and to the determinations of CBOE pursuant to those rules. Accordingly, as in the case of CDOs, OCC will have no responsibility for adjustment determinations with respect to CDBOs.

Similarly, Section 4 provides that the listing exchange for a class of CDBOs will have responsibility for determining the occurrence of a credit event that will result in automatic exercise of the options of that class with respect to a particular reference entity. The listing exchange has the obligation to provide a credit event confirmation to OCC in order to trigger the automatic exercise.

5. Exercise and Settlement—Chapter XV of the Rules and Rule 801

CDBOs would not be subject to the exercise-by-exception procedures applicable to most other options under OCC's Rules but would instead be automatically exercised prior to or at expiration if the specified criterion for exercise is met. The procedures for the automatic exercise of CDBOs, as well as their assignment and settlement (including during periods when a clearing member is suspended), are set forth in Rules 1501 through 1505 of new Chapter XV and in revised Rule 801(b).

6. Special Margin Requirements—Rule 601; Deposits in Lieu of Margin—Rule 1506

As in the case of CDOs, OCC will not initially margin CDBOs through its ''STANS'' system in the same way that other options are margined. Because of the fixed payout feature of CDOs and CDBOs, further systems development is needed to accommodate these options in STANS on a portfolio basis. Until such development is completed, elements of STANS will be used to determine the expected liquidating value of each class of CDBOs and CDOs by extracting certain information regarding the default probability from the listed equity options on the common stock of the reference entity and the market price of the CDBOs and CDOs. Expected liquidating values can then be derived from simulated price movements in the stock over a range of values. Thus, general principles of

STANS will be applied, but each class of CDBOs and CDOs will be treated as a separate portfolio and will not be included within the entire portfolio of a particular account. An exception to this will be in the case where a firm has a net long position in CDBO or CDO contracts that are not required to be segregated and the risk computed under this methodology is less than 100% of the premium value of the net long position, the excess long value will be used to cover requirements associated with other cleared contracts. This margin methodology will result in a more conservative risk estimate than if the contracts were fully integrated in STANS since offsets in the risk calculation between these products and others will not be recognized except to the extent of any excess long value. Ultimately, CDBOs will be incorporated into the STANS system and will be valued and margined on a risk basis.

OCC does not propose to accept escrow deposits in lieu of clearing margin for CDBOs. Therefore, Rule 1506 states that Rule 610, which otherwise would permit such deposits, does not apply to CDBOs.

7. Acceleration of Expiration Date—Rule 1507

This provision would accelerate the expiration date of a single payout CDBO when the option is deemed to have been automatically exercised on any day prior to the expiration date and to accelerate the expiration date of a multiple payout CDBO when the option is deemed to have been automatically exercised with respect to every reference entity underlying such option prior to the expiration date.

The proposed changes to OCC's By-Laws and Rules are consistent with the purposes and requirements of Section 17A of the Act, as amended, because they are designed to promote the prompt and accurate clearance and settlement of transactions in, including exercises of, credit default basket options, to foster cooperation and coordination with persons engaged in the clearance and settlement of such transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of such transactions, and in general to protect investors and the public interest. They accomplish these purposes by applying substantially the same rules and procedures to these transactions as OCC applies to similar transactions in other cash-settled options except to the extent that special rules and procedures are required in order to accommodate unique features of CDBOs. Other than as

described in this Item II, the proposed rule change is not inconsistent with the existing rules of OCC, including rules proposed to be amended.

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

OCC does not believe that the proposed rule change would 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 were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

**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. 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*. Please include File Number SR–OCC–2007–06 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–OCC–2007–06. 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 OCC and on OCC's Web site at *http://www.theocc.com/publications/rules/proposed_changes/sr_occ_07_06.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–OCC–2007–06 and should be submitted on or before July 12, 2007.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[6]

**Florence E. Harmon,**
*Deputy Secretary.*
[FR Doc. E7–12425 Filed 6–26–07; 8:45 am]
**BILLING CODE 8010–01–P**

**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 Pub. L. 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

[6] 17 CFR 200.30–3(a)(12).