

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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2008-63 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2008-63. 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 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-2008-63 and

should be submitted on or before July 23, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Florence E. Harmon,

*Acting Secretary.*

[FR Doc. E8-14929 Filed 7-1-08; 8:45 am]

BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-58037; File No. SR-Amex-2008-50]

### Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish a Pilot Program That Reduces the Minimum Number of Contracts Required for a FLEX Equity Option Opening Transaction in a New Series and To Modify the Minimum Value Size for an Opening Transaction in a Currently-Opened FLEX Equity Series

June 26, 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 June 19, 2008, the American Stock Exchange LLC ("Amex" 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 Amex. The Exchange filed the proposal as a "non-controversial" rule change pursuant to 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 proposal effective upon receipt of this filing by 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 Amex proposes to establish a pilot program that reduces the minimum number of contracts required for a FLEX Equity Option opening transaction in a new series ("Pilot Program") and to modify the minimum value size for an opening transaction in a currently-opened FLEX Equity Option series. The text of the proposed rule

change is available on the Amex's Web site at <http://www.amex.com>, the Office of the Secretary, the Amex 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 Amex 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 Amex 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 initiate a year and a half long Pilot Program that would reduce the minimum value size for an opening transaction (other than FLEX Quotes responsive to a FLEX Request for Quotes ("RFQ"))<sup>5</sup> in any FLEX Equity Option<sup>6</sup> series in which there is no open interest at the time the RFQ is submitted, and to modify the minimum value size for an opening transaction in a currently-opened FLEX Equity series (other than FLEX Quotes responsive to a FLEX RFQ). The proposed amendments to the criteria for opening FLEX option transactions should provide members that use FLEX Equity Options greater flexibility in structuring the terms of such options to better comport with the particular needs of the members and their customers.

Currently, Amex Rule 903G(a)(4)(ii) sets the minimum opening transaction value size in the case of a FLEX Equity Option in a newly established series as the lesser of (i) 250 contracts or (ii) the number of contracts overlying \$1 million in the underlying securities.<sup>7</sup>

<sup>5</sup> FLEX Quotes responsive to a FLEX Request for Quote ("RFQ") have different parameters that are not changed by this filing. See Amex Rule 903G(a)(4)(iv).

<sup>6</sup> FLEX Equity Options are flexible exchange-traded options contracts that overlie equity securities. FLEX Equity Options provide investors with the ability to customize basic option features including size, expiration date, exercise style, and certain exercise prices. FLEX Equity Options may have a maximum term of five (5) years. See Amex Rule 903G(a)(2) and (4).

<sup>7</sup> Under this formula, an opening transaction in a FLEX Equity series in a stock priced at \$40 or more would reach the \$1 million limit before it would reach the contract size limit, *i.e.*, 250 contracts

<sup>21</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).

Under the Pilot Program, the Exchange proposes to reduce the “250 contracts” component to “150 contracts;” the \$1 million underlying value component will continue to apply unchanged.<sup>8</sup> The proposed Pilot Program would be similar to pilot programs that already exist at other options exchanges.<sup>9</sup>

Given that FLEX Equity Option transactions can occur in increments of 100 or more contracts in subsequent opening transactions,<sup>10</sup> the Exchange believes it is reasonable to permit the initial series opening transaction size to be 150 contracts (or \$1 million in underlying value, whichever is less). The Exchange believes that the proposed reduction of the minimum value size for opening a series provides FLEX-participating members and their customers with greater flexibility in structuring the terms of FLEX Equity Options to better suit the FLEX traders’ particular needs.

The Exchange notes that the opening size requirement for FLEX Equity Options was originally put in place to limit participation in FLEX Equity Options to sophisticated, high net worth investors rather than retail investors.<sup>11</sup> The Exchange has recently received requests from broker-dealers representing institutional clients that the minimum value size for opening transactions be reduced. In proposing the reduction of the 250 contract component to 150 contracts, the Amex (as was the case with the CBOE) is aware of the desire to continue to provide both the requisite amount of investor protection that the minimum

times the multiplier (100) times the stock price (\$40) equals \$1 million in underlying value. For a FLEX Equity series in a stock priced at less than \$40, the 250 contract size limit applies.

<sup>8</sup> Under this proposed formula, an opening transaction in a FLEX Equity series in a stock priced at approximately \$66.67 or more would reach the \$1 million limit before it would reach the contract size limit, *i.e.*, 150 contracts times the multiplier (100) times the stock price (\$66.67) equals just over \$1 million in underlying value. For a FLEX Equity series in a stock priced at less than \$66.67, the 150 contract size limit would apply.

<sup>9</sup> See, for example, Securities Exchange Act Release Nos. 57429 (March 4, 2008), 73 FR 13058 (March 11, 2008) (SR-CBOE-2006-36) and 57824 (May 15, 2008), 73 FR 29805 (May 22, 2008) (SR-Phlx-2008-35).

<sup>10</sup> Specifically, for FLEX Equity Options the minimum value size for a transaction in any currently-opened FLEX series is, as proposed, the lesser of 100 contracts or the number of contracts overlying \$1 million in the underlying securities; or the lesser of 25 contracts or the remaining size in the case of a closing transaction. Additionally, the minimum value size for a FLEX Quote entered in response to a RFQ in FLEX Equity Options is the lesser of 25 contracts or the remaining size in a closing transaction. See Amex Rule 903G(a)(4)(iii) and (iv).

<sup>11</sup> The existing customer base for FLEX Options includes both institutional investors and high net worth individuals.

opening size requirement was originally designed to achieve, as well as the need for market participants to have the flexibility to serve their customers’ particular investment needs.<sup>12</sup>

The Exchange believes that modifying the minimum opening transaction value size in this way will further broaden the base of institutional investors that use FLEX Equity Options to manage their trading and investment risk, including investors that currently trade in the over-the-counter (“OTC”) market for customized options which can take on contract characteristics similar to FLEX Options but for which similar opening size restrictions do not apply. The Exchange believes that market participants benefit from being able to trade these customized options in an exchange environment in several ways, including, but not limited to, enhanced efficiency in initiating and closing out positions; increased market transparency; and heightened contra-party creditworthiness due to the role of The Options Clearing Corporation as issuer and guarantor of FLEX Equity Options.

Should the Exchange desire to propose an extension, expansion, or permanent approval of the Pilot Program, the Exchange would submit, along with a filing proposing any necessary amendments to the Pilot Program, a pilot program report. The report would be submitted to the Commission at least ninety days prior to the expiration date of the one-and-a-half year Pilot Program. At a minimum, the report would provide (i) data and analysis on the open interest and trading volume in FLEX Equity Options for which series were opened with a minimum opening size of 150 to 249 contracts and less than \$1 million in underlying value; and (ii) analysis on the types of investors that initiated opening FLEX Equity Options transactions (*i.e.*, institutional, high net worth, or retail, if any).<sup>13</sup>

The report should provide the Commission with information on whether the intended customers (institutional and high net worth) are in fact the investors utilizing the lower opening contract requirement in the FLEX Equity Options market, as well as whether the lower opening size has increased liquidity in FLEX Equity Options.<sup>14</sup> Based on the report’s information, the Commission should be

<sup>12</sup> See *supra* note 6.

<sup>13</sup> Telephone conference between Jeffrey P. Burns, Vice President and Associate General Counsel, Amex, and Kristie Diemer, Special Counsel, Division of Trading and Markets, Commission, on June 25, 2008.

<sup>14</sup> *Id.*

able to determine whether the Pilot Program should be extended or approved on a permanent basis, consistent with the Act.

Finally, the Exchange is also proposing to modify the minimum value size for an opening transaction in a currently-opened FLEX Equity series (other than FLEX Quotes responsive to a FLEX RFQ). Presently, Amex Rule 903G(a)(4)(iii) sets the minimum transaction value size for an opening transaction in a currently-opened series at 100 contracts. The Exchange is proposing to modify the minimum size formula to the lesser of (i) 100 contracts or (ii) the number of contracts overlying \$1 million in the underlying securities. This change would only impact those FLEX Equity series in which the underlying stock is trading at more than \$100.<sup>15</sup>

The FLEX minimum size requirements for subsequent opening transactions in a currently-opened series is higher for certain stocks priced over \$100 than the minimum size needed to initially open the series in similarly priced stocks. The Exchange therefore believes that this proposal is necessary for there to be consistency between the minimum size requirements for new series and currently-opened series when the underlying stock is trading at more than \$100.<sup>16</sup>

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5)<sup>17</sup> in particular in that the Exchange’s proposed rules are designed to promote just and equitable principles of trade, 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. Specifically, the Exchange believes that reducing the minimum value sizes for certain opening transactions in FLEX Equity

<sup>15</sup> Under this proposed formula, a transaction in a currently-opened FLEX Equity series in a stock priced at more than \$100 would reach the \$1 million limit before it would reach the contract size limit, *i.e.*, 100 contracts times the multiplier (100) times the stock price (\$100) equals \$1 million in underlying value.

<sup>16</sup> For example, a new FLEX Equity series in a stock trading at \$110 could open with an initial transaction size of 91 contracts, *i.e.*, 91 contracts times the multiplier (100) times the stock price (\$110) equals just over \$1 million in underlying value. Once the series is opened, absent the proposed change, any further opening transactions would require a minimum contract size of 100 contracts, despite the fact that with the stock price of \$110, this would be valued at \$1.1 million, more than the value of the initial opening transaction.

<sup>17</sup> 15 U.S.C. 78(f)(5).

Options series thereby providing FLEX-participating members and their customers greater flexibility to trade FLEX Equity Options will benefit the marketplace and market participants.

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

The proposed rule change will impose no 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 solicited or received by the Exchange on this proposal.

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

Because the foregoing proposed rule change does not: (A) Significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>18</sup> and Rule 19b-4(f)(6) thereunder.<sup>19</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay and designate the proposed rule change immediately operative, so that the Exchange can implement the rule change, which is substantially similar to proposals recently implemented at other exchanges, without delay. The Amex believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest for competitive reasons, and

because the proposal raises no new or controversial issues.

The Commission notes that the Amex proposal is substantially similar to the CBOE Pilot Program which was published for comment in the **Federal Register**. No comments were received on CBOE's proposal, and the Amex proposal raises no new or novel issues. Based on this, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission designates the proposed rule change to be operative upon filing.<sup>20</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.

### **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-Amex-2008-50 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-Amex-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, 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 Amex. 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-Amex-2008-50 and should be submitted on or before July 23, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

**Florence E. Harmon,**

*Acting Secretary.*

[FR Doc. E8-15002 Filed 7-1-08; 8:45 am]

**BILLING CODE 8010-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-58018; File No. SR-CBOE-2008-62]**

### **Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Quarterly Options Series Pilot Program Until July 10, 2009**

June 25, 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 June 12, 2008, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") 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

<sup>21</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).

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires that a self-regulatory organization submit to 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 Commission notes that Amex has satisfied the five-day pre-filing notice requirement.

<sup>20</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).