

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56021; File No. SR-NYSEArca-2007-58)

July 6, 2007

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Extension of a Pilot Program That Increases Position and Exercise Limits for Options on the iShares[®] Russell 2000[®] Index Fund

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 22, 2007, NYSE Arca, Inc. (“NYSE Arca” 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 NYSE Arca. NYSE Arca has filed the proposal pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which renders the proposal 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

NYSE Arca proposes to amend Rule 6.8 in order to extend the pilot program (“IWM Pilot”) which allows for increased position and exercise limits on options overlying the iShares[®] Russell 2000[®] Index Fund (“IWM”). The text of the proposed rule change is available at NYSE Arca, the Commission’s Public Reference Room, and www.nysearca.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, NYSE Arca included statements concerning the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

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. NYSE Arca 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 this rule change is to extend the IWM Pilot for a six-month period, through January 18, 2008,⁵ and to make non-substantive changes to simplify the rule text describing the IWM Pilot. The IWM Pilot increases the position and exercise limits for IWM options traded on the Exchange. The Exchange is not proposing any other changes to the IWM Pilot at this time. NYSE Arca represents that it has not encountered any problems or difficulties relating to the IWM Pilot since its inception.

The proposal that established the IWM Pilot was designated by the Commission to be effective and operative upon filing and provided that the pilot would run through July 22, 2007.⁶ At that time, the Exchange amended Commentary .06 to Rule 6.8 on a six-month pilot basis to exempt options on IWM from the Rule 6.8 Pilot Program. Under the Rule 6.8 Pilot Program, the position and exercise limits for IWM would have been reduced on January 22, 2007 from 500,000 to 250,000 contracts. The Exchange proposed to allow position and exercise limits for options on IWM to remain at 500,000 contracts on a pilot basis, from January 25, 2007 through July 22, 2007.

⁵ The actual time period for the extension will be slightly less than six months. January 18, 2008 is the third Friday of the month (or expiration Friday), which is the day on which January 2008 IWM options will expire.

⁶ See Securities Exchange Act Release No. 55185 (January 29, 2007), 72 FR 5481 (February 6, 2007) (SR-NYSEArca-2007-10).

In June 2005, as a result of a 2-for-1 stock split, the position limit for IWM options was temporarily increased from 250,000 contracts (covering 25,000,000 shares) to 500,000 contracts (covering 50,000,000 shares). At the time of the split, the furthest IWM option expiration date was January 2007. Therefore, the temporary increase of the IWM position limit would have reverted to the pre-split level (as provided for in connection with the Rule 6.8 Pilot Program) of 250,000 contracts after expiration in January 2007, or on January 22, 2007.

The Exchange described in the proposal that a position limit of 250,000 contracts is too low and may be a deterrent to the successful trading of IWM options. The Exchange stated that options on IWM are 1/10th the size of options on the Russell 2000[®] Index (“RUT”), which have a position limit of 50,000 contracts.⁷ Traders on NYSE Arca who trade IWM options to hedge positions in RUT options would likely find a position limit of 250,000 contracts in IWM options too restrictive and insufficient to properly hedge. For example, if a trader held 50,000 RUT options and wanted to hedge that position with IWM options, the trader would need - at a minimum- 500,000 IWM options to properly hedge the position. Therefore, the Exchange believes that a position limit of 250,000 contracts is too low and may adversely affect market participants’ ability to provide liquidity in this product.

As the Exchange also described in the proposal that established the IWM Pilot, IWM options have grown to become one of the largest options contracts in terms of trading volume. For example, through May 29, 2007 year-to-date industry volume in IWM options has averaged over 460,000 contracts per day, for a total of over 61 million contracts. In contrast, QQQQ options, which have a position limit of 900,000 contracts, have averaged almost 575,000 contracts per day.

⁷ See NYSE Arca Rule 6.8 Commentary .06(b).

The Exchange believes that maintaining the increased position and exercise limits⁸ for IWM options will lead to a more liquid and competitive market environment for IWM options that will benefit all investors interested in trading this product. As a result, the Exchange requests that the Commission extend the pilot for an additional six-month time period, through January 18, 2008.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act,⁹ in that it is 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.

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 solicited or received with respect to the proposed rule change.

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

Because the forgoing rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) become operative for 30 days after the date of this filing, or such shorter time as the Commission

⁸ Pursuant to Commentary .03 of NYSE Arca Rule 6.9, the exercise limit established under Rule 6.9 for IWM options shall be equivalent to the position limit prescribed for IWM options in Commentary .06 under Rule 6.8. The increased exercise limits would only be in effect during the pilot period, to run from July 22, 2007 through January 18, 2008.

⁹ 15 U.S.C. 78f(b)(5).

may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.¹² However, Rule 19b-4(f)(6)(iii)¹³ 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. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because such waiver would permit position and exercise limits for options on IWM to continue at 500,000 option contracts for an approximately six-month pilot period. For this reason, the Commission designates the proposed rule change to be operative upon filing with the Commission.¹⁴

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.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii). 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 Exchange has satisfied the five-day pre-filing notice requirement.

¹³ Id.

¹⁴ For the 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).

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-2007-58 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-2007-58. 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 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of NYSE Arca. 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-2007-58 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Florence E. Harmon
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).