

Reference Asset, as the case may be, or any derivative instruments thereof.

#### *Acceleration*

The Commission finds good cause for approving the proposed rule change, as modified by Amendment No. 1 thereto, before the 30th day after the date of publication of notice of filing thereof in the **Federal Register**. The Exchange requested accelerated approval of the proposal to facilitate the prompt listing and trading of Commodity-Linked Securities and Currency-Linked Securities based on the specified criteria of proposed Sections 107E and 107F of the Company Guide. The Commission notes that the Exchange's proposed changes to the generic listing standards for Index-Linked Securities and the proposed generic listing standards for Commodity-Linked and Currency-Linked Securities are based on previously approved listing standards for such securities<sup>28</sup> and presently is not aware of any regulatory issue that should cause it to revisit that finding or would preclude the trading of such securities on the Exchange. Therefore, accelerating approval of this proposal should benefit investors by creating, without undue delay, additional competition in the market for Commodity-Linked Securities and Currency-Linked Securities, subject to the standards and representations discussed herein. Therefore, the Commission finds good cause, consistent with Section 19(b)(2) of the Act,<sup>29</sup> to approve the proposed rule change on an accelerated basis.

#### **V. Conclusion**

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>30</sup> that the proposed rule change (SR-Amex-2007-45), as modified by Amendment No. 1 thereto, be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>31</sup>

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

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#### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-55786; File No. SR-CBOE-2007-15]

#### **Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Granting Approval of Proposed Rule Change To Amend CBOE's Membership Application Procedures**

May 18, 2007.

#### **I. Introduction**

On February 14, 2007, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange"), filed with the Securities and Exchange Commission ("Commission") 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> a proposed rule change to amend membership application procedures. The proposed rule change was published for comment in the **Federal Register** on April 10, 2007.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

#### **II. Description of the Proposal**

The Exchange proposed to amend Rule 3.9, entitled "Application Procedures and Approval or Disapproval," which requires any person applying to the Exchange to (i) have completed the Exchange's Member Orientation Program ("Orientation Program") and (ii) passed an Exchange Trading Member Qualification Exam ("Qualification Exam"). A person who fulfills these requirements but does not possess an authorized trading function for more than one year must complete the Orientation Program and pass the Qualification Exam again before becoming a member.<sup>4</sup> If that person is not a member of the exchange for up to one year, he can submit an application to become a member again without having to complete the orientation program and the exam again.

CBOE proposed that PAR Officials and Order Book Officials ("OBOs"), as well as others acting in a similar capacity (*i.e.*, an exchange trading floor capacity), be included in the rule, because the functions they perform as

exchange employees are similar to the functions performed by members who are deemed to possess an authorized trading function.

In 2005, CBOE amended its rules to remove a Designated Primary Market-Maker's ("DPM's") obligation to act as an agent or Floor Broker in its allocated securities on the Exchange.<sup>5</sup> At the same time, the Exchange designated a PAR Official to be responsible for handling certain orders in the same manner as they were formerly handled by the DPM.<sup>6</sup> Specifically, the PAR Official is an Exchange employee or independent contractor designated by the Exchange to be responsible for (i) operating the PAR workstation; (ii) when applicable, maintaining the customer limit order book for the assigned option classes;<sup>7</sup> and (iii) effecting proper executions of orders placed with him.

In addition to PAR Officials, the Exchange also employs OBOs whose responsibilities include, among other things, (i) maintaining the book with respect to the classes of options assigned to them, (ii) effecting proper executions of orders placed with them, (iii) displaying bids and offers, and (iv) monitoring the market for the classes of options assigned to them.

The Exchange may employ a former member, who acted in the capacity of a DPM before CBOE established the PAR Official position, to act on behalf of the Exchange in a trading floor capacity. If these PAR Officials and OBOs become members of the Exchange after working for the Exchange in a trading floor capacity for longer than one year, these individuals would have to complete the Orientation Program and pass the Qualification Exam again under current Rule 3.9, since it would have been longer than one year since they had been acting in a capacity that has an authorized trading function.

These PAR Officials and OBOs, while acting in an Exchange trading floor capacity, are ultimately acting in the same capacity as when they were operating in a DPM capacity before the CBOE established the PAR Official trading floor capacity. Therefore, the Exchange believes it is appropriate to amend its procedures to allow for the one-year period under CBOE Rule 3.9(g) to be applied to an individual who has acted in an Exchange trading floor capacity.

<sup>5</sup> See Securities Exchange Act Release No. 52798 (November 18, 2005), 70 FR 71344 (November 28, 2005) (SR-CBOE-2005-46).

<sup>6</sup> *Id.*

<sup>7</sup> This provision will not apply to option classes that are on the CBOE's Hybrid System.

<sup>28</sup> See *supra* note 26.

<sup>29</sup> 15 U.S.C. 78s(b)(2).

<sup>30</sup> 15 U.S.C. 78s(b)(2).

<sup>31</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> See Securities Exchange Act Release No. 55570 (April 2, 2007), 72 FR 17961 (April 10, 2007) (the "Notice").

<sup>4</sup> An individual "possesses an authorized trading function" if he is approved to act as a market maker, floor broker, remote market maker ("RMM") or nominee or person registered for an RMM or e-DPM organization.

### III. Discussion and Commission Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>8</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>9</sup> which, among other things, requires that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating 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.

The Commission believes that the amendment to CBOE's rules to permit persons who had been acting in an exchange trading floor capacity within the last year to become members without completing the Orientation Program and passing the Qualification Examination again is a reasonable expansion of the exception to the rule. The functions performed by such persons are similar to those performed by members possessing an authorized trading function.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-CBOE-2007-15), be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55792, File No. SR-MSRB-2006-10]

#### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Approving Proposed Rule Change Relating to Amendments to Rule G-27, on Supervision, Rule G-8, on Recordkeeping, and Rule G-9, on Record Retention

May 22, 2007.

On November 24, 2006, the Municipal Securities Rulemaking Board ("MSRB"), filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change consisting of amendments to Rule G-27, on supervision, and the related recordkeeping and record retention requirements of Rules G-8 and G-9. The MSRB proposed that the amendments become effective six months after Commission approval of the proposed rule change. The proposed rule change was published for comment in the **Federal Register** on December 20, 2006.<sup>3</sup> The Commission received two comment letters regarding the proposal.<sup>4</sup> On May 7, 2007, the MSRB filed a response to the comment letters.<sup>5</sup> This order approves the proposed rule change.

The proposed amendments to Rule G-27 incorporate most of the NASD requirements contained in its Rules 3010 (Supervision) and 3012 (Supervisory Control System) in order to promote regulatory consistency and make these requirements specifically applicable to the municipal securities activities of securities firms and bank dealers. The MSRB intends generally that the provisions of Rule G-27 be read consistently with the analogous NASD provisions, unless the MSRB specifically indicates otherwise. The MSRB believes that adopting most of the requirements of NASD Rules 3010 and 3012 will help ensure a coordinated regulatory approach in the area of

supervision, and will facilitate inspection and enforcement.

SIFMA's comment letter requests clarification that the proposed rule change would allow principals to delegate day-to-day supervisory activities to non-principals. SIFMA points out that under current MSRB Rule G-27 and NASD Rule 3010, principals regularly delegate day-to-day supervisory activities to appropriately trained employees who are not principals even though the principals are ultimately responsible for supervision.

In response to SIFMA's request for clarification concerning delegation, the MSRB notes that the proposed rule change states that the MSRB intends generally that the provisions of Rule G-27 be read consistently with the analogous NASD provisions, unless the MSRB specifically indicates otherwise. Thus, relevant NASD interpretations would be presumed to apply to the comparable MSRB provision, subject to the MSRB's right to make distinctions when necessary and appropriate. The MSRB also notes that NASD has previously stated that "certain supervisory tasks may be delegated to a registered representative. However, in all cases, ultimate supervisory responsibility \* \* \* must be assigned to one or more appropriately registered principals." [Emphasis in original.]<sup>6</sup> The MSRB believes, and the Commission concurs, that this guidance applies equally to Rule G-27—both as currently written and pursuant to the proposed rule change.

Banc of America's comment letter supports the proposed rule change in principle but believes that the proposed rule change will, if adopted, create an unnecessary hardship on dealers in municipal securities, and ultimately to issuers of municipal securities, in one specific area. Banc of America understands the requirement to designate one or more appropriately registered principals in each office of supervisory jurisdiction ("OSJ") to mean that an appropriately registered municipal securities principal must be located on site in each OSJ. However, Banc of America believes this requirement is not practical in instances where a particular office's activities are such that the office meets the definition of an OSJ in the proposed rule change but there is a very small number of registered associates located in that office (and in many cases, only one). Banc of America further states that

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 54930 (December 13, 2006), 71 FR 76400 (December 20, 2006).

<sup>4</sup> See letter from Leslie M. Norwood, Vice President and Assistant General Counsel, Securities Industry and Financial Markets Association ("SIFMA"), dated January 31, 2007, and letter from Tab T. Stewart, Assistant General Counsel, Banc of America Securities ("Banc of America"), dated January 31, 2007.

<sup>5</sup> See letter from Jill C. Finder, Associate General Counsel, MSRB, to Nancy M. Morris, Secretary, Commission, dated May 7, 2007.

<sup>6</sup> See NASD Notice to Members 99-45 (June 1999), which provided guidance on supervisory responsibilities.

<sup>8</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).