and a national market system, and, in general, to protect investors and the public interest. The Commission believes that the proposal should allow for greater flexibility in pricing large-sized orders and may provide a greater opportunity for price improvement. The Commission also notes that the proposal is substantially similar to requirements set forth in the rules of another exchange.[12]

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[13] that the proposed rule change (SR–CBOE–2008–14), be, and hereby is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E8–7505 Filed 4–9–08; 8:45 am]

BILLING CODE 8011–01–P

[12] *See* paragraphs (d) and (e) of ISE Rule 716.

[13] 15 U.S.C. 78s(b)(2).

[14] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–57615; File No. SR–CBOE–2007–120]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Proposed Rule Change and Amendments No. 1 and No. 2 Thereto Relating to Market-Makers and Remote Maker-Makers

April 3, 2008.

On October 11, 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'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change relating to Market-Makers and Remote Market-Makers (''RMMs''). On February 13, 2008, the Exchange submitted Amendment No. 1 to the proposed rule change.[3] The proposed rule change was published for comment in the **Federal Register** on February 29, 2008.[4] On April 2, 2008, the Exchange submitted Amendment No. 2 to the proposed rule change.[5] The Commission received no comments regarding the proposal. This order approves the proposed rule change, as amended.

CBOE proposes to amend its rules relating to Market-Makers and RMMs. The Exchange notes that, since the time the RMM rules were adopted, the ability of Market-Makers to quote from a location outside of the trading crowd or trading floor has expanded. CBOE also states that the existing obligations of Market-Makers and RMMs are generally the same. CBOE therefore does not see a reason to maintain the RMM category of market participant and proposes to delete all references to RMMs in its rules. In connection with this change, CBOE's proposal also: (i) Amends the definition of Market-Maker to include member organizations; (ii) amends CBOE Rule 3.3 to clarify that the member organization membership statuses that are approved by the Membership Committee include Market-Maker; and (iii) deletes Interpretation and Policy .02 to CBOE Rule 3.8, and amends CBOE Rule 3.8(a)(ii), to allow any member organization that is the owner or lessee of more than one membership to designate one individual to be the nominee for all memberships utilized by the organization (except that, for each membership utilized for trading in open outcry on the trading floor, the organization must designate a different individual to be the nominee for each of the memberships).

CBOE also proposes to reorganize the text of two of the Exchange's pilot programs relating to the ability of e-DPMs, Off-Floor DPMs, and RMMs to have affiliated Market-Makers in the same class and clarify that they would no longer apply to RMMs.[6] The Exchange also is adding a new provision to CBOE Rule 8.3 that provides that there is no restriction on affiliated Market-Makers holding an appointment and submitting electronic quotations in the same class, provided CBOE uses an allocation algorithm in the class that does not allocate electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer.[7]

The Commission finds that the proposal, as amended, is consistent with section 6(b)(5) of the Act,[8] which requires, among other things, that the rules of a national securities exchange be 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.[9] Specifically, the Commission finds that it is consistent with the Act for CBOE to clarify, update, and consolidate the Exchange's rules related to Market-Makers and their obligations on the Exchange.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[10] that the proposed rule change (SR–CBOE–2007–120), as amended, is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[11]

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E8–7512 Filed 4–9–08; 8:45 am]

BILLING CODE 8011–01–P

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

[2] 17 CFR 240.19b–4.

[3] Amendment 1 replaced the original filing in its entirety.

[4] *See* Securities Exchange Act Release No. 57367 (February 21, 2008), 73 FR 11168 (''Notice'').

[5] In Amendment No. 2, CBOE made minor revisions to the proposed rule text to reflect changes made in a subsequent rule filing that extended two of the Exchange's pilot programs. *See* Securities Exchange Act Release No. 57519 (March 18, 2008) 73 FR 15805 (March 25, 2008) (''Pilot Extension''). These changes are technical and are not subject to public comment.

[6] In the Notice, the Exchange indicated that it proposed extending these pilot programs for an additional year. This extension was subsequently made in a separate filing. *See* Pilot Extension in note 5, *supra.*

[7] CBOE's proposal also: (i) Amends CBOE Rule 8.3 to provide that the appointment of a Market-Maker to a certain option class can be made by the Market-Maker's selection or by CBOE, consistent with certain criteria set forth in CBOE Rule 8.3; (ii) amends CBOE Rule 8.3 to delete the requirement that a Market-Maker may hold an appointment in an appropriate number of Hybrid option classes that are located at one trading station; (iii) amends CBOE Rule 8.7 to delete references to RMMs and other outdated references, and (iv) updates or deletes outdated provisions in other CBOE Rules, including CBOE Rule 8.3A relating to Class Quoting Limits.

[8] 15 U.S.C. 78f(b)(5).

[9] In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–57586; File No. SR–FICC–2007–10]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change, as Modified by Amendment No. 1, To Replace the Mortgage-Backed Securities Division Clearing Fund Calculation Methodology With a Yield-Driven Value-at-Risk Methodology

March 31, 2008.

I. Introduction

On August 31, 2007, the Fixed Income Clearing Corporation (''FICC'') filed with the Securities and Exchange Commission (''Commission'') and on September 27, 2007, amended proposed rule change SR-FICC–2007–10 pursuant

to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on November 30, 2007.[2] The Commission received no comment letters in response to the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change, as amended.

II. Description

FICC is replacing the Mortgage-Backed Securities Division (''MBSD'') margin calculation methodology with a value-at-risk (''VaR'') methodology.

Clearing participants of MBSD are required to maintain participants' fund deposits. Each participant's required deposit is calculated daily to ensure enough funds are available to cover the risks associated with that participant's activities.

The purpose served by the participants fund is to have on deposit from each participant assets sufficient to satisfy any losses that may otherwise be incurred by MBSD participants as the result of the default by another participant and the resultant close out of the defaulting participant's settlement positions.

FICC is replacing the current participants' fund methodology, which uses haircuts and offsets, with a VaR model. FICC expects the VaR model to better reflect market volatility and to more thoroughly distinguish levels of risk presented by individual securities.

Specifically, FICC will replace the existing MBSD margin calculation with a yield-driven VaR model. VaR is defined to be the maximum amount of money that may be lost on a portfolio over a given period of time within a given level of confidence. With respect to MBSD, FICC will use a 99 percent three-day VaR.

The changes to the components that comprise the current participants fund calculation as compared to the VaR calculation in relation to the risks addressed by the components are summarized below:

Existing methodology	Risk addressed	VaR methodology
Market Margin Differential, which is the greater of: (i) The P&L Requirement or (ii) The Market Volatility Requirement.	Adjusting contract price to market price and post mark-to-market fluctuations in security prices.	The sum of: (i) Mark-to-market and (ii) Interest rate or index-driven model, as appropriate.[3]
Final margin requirement generated for second processing cycle[4].	Additional exposure due to portfolio variation.	Margin Requirement Differential (''MRD'') to include intraday portfolio variations and protection regarding late margin deficit satisfaction.
Prefunding of certain debit cash obligation items through the participants fund (no offset for credits).	Uncertainty of whether a member will satisfy its cash settlement obligation.	Prefunding of certain debit cash obligation items through the participants fund (offset for credits)[5]
N/A	Potential loss in unlikely situations beyond the model's effective range.	Coverage Component (if necessary, applies additional charge to bring coverage to the applicable confidence level).
Minimum Market Margin Differential (currently $250,000).	Maintenance of a minimum amount of collateral to support potential counterparty liquidation losses.	A minimum charge of the greater of: (i) $100,000 or (ii) a defined percentage of gross portfolio.

In addition, FICC may include in a participant's participant fund calculation a ''special charge'' as determined by FICC from time to time in view of market conditions and the financial and operational capabilities of the participant. FICC will make any such determination based on such factors as it determines to be appropriate.

Because it will become obsolete upon the implementation of a VaR based participants fund calculation, FICC is also eliminating the provision in MBSD rules requiring participants to maintain a Basic Deposit and Minimum Market Margin Differential Deposit with MBSD pursuant to Article IV, Rule 1 (Participants Fund), Section 1(a) and (b).

III. Discussion

Section 19(b) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds in FICC's custody or control or for which it is responsible.[6] Because FICC's proposed rule change implements a VaR methodology that should better reflect market volatility and should more thoroughly distinguish the levels of risk presented by individual securities, FICC should be able to more accurately calculate the risk presented by each of its member's activity and to make participants fund collections to protect against that risk. As a result, FICC should be in a better position to assure the safeguarding of securities and funds in its custody or control or for which it is responsible.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder. In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation.[7]

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

[2] Securities Exchange Act Release No. 56837 (November 26, 2007), 72 FR 67770 (SR–FICC–2007–10).

[3] FICC shall have the discretion to not apply the interest rate model to classes of securities whose volatility is less amenable to statistical analysis (*e.g.*, a security that has a lack of pricing history). In lieu of such a calculation, the required charge with respect to such positions will be determined based on an historic index volatility model.

[4] MBSD generates a preliminary margin report as part of a first processing cycle at the close of the business day and calculates a final margin requirement as part of a second processing cycle completed at approximately 11:30 am each business day. Upon the implementation of the new VaR methodology, the MBSD will no longer generate a margin requirement as part of the second cycle. Instead, a final margin requirement will be established after the running of the first cycle at approximately 9:00 pm.

[5] Cash obligation item credits are retained by MBSD and are not passed through to the participant. As a result, MBSD has correspondingly less risk vis-à-vis a firm with cash obligation credits and therefore requires less collateral.

[6] 15 U.S.C. 78q–1(b)(3)(F).

[7] 15 U.S.C. 78c(f).

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–FICC–2007–10), as amended, be and hereby is approved.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.[8]

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E8–7504 Filed 4–9–08; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–57614; File No. SR–NASDAQ–2008–029]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify a Pricing Incentive Program for Market Makers in Exchange-Traded Funds and Index-Linked Securities Listed on NASDAQ

April 3, 2008.

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 March 31, 2008, The NASDAQ Stock Market LLC (''NASDAQ'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASDAQ. Pursuant to Section 19(b)(3)(A)(ii) of the Act[3] and Rule 19b–4(f)(2) thereunder,[4] NASDAQ has designated this proposal as establishing or changing a due, fee, or other charge, which renders the proposed rule change effective immediately upon filing. 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

NASDAQ proposes to modify a pricing incentive program for market makers in exchange-traded funds (''ETFs'') and index-linked securities (''ILSs'') listed on NASDAQ. NASDAQ will implement the proposed rule change on April 1, 2008. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and *http://www.nasdaq.com/about/LegalCompliance.stm.*

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

In its filing with the Commission, NASDAQ 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. NASDAQ 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

Last year, NASDAQ introduced a pricing incentive program for market makers in ETFs and ILSs listed on NASDAQ. The program was designed both to enhance NASDAQ's competitiveness as a listing venue for ETFs and ILSs and to further strengthen its market quality as a transaction venue for ETFs and ILSs.

Under NASDAQ's program, a market maker in an ETF or ILS may become a ''Designated Liquidity Provider'' in a ''Qualified Security'' and receive favorable incentive pricing. A ''Designated Liquidity Provider'' is a registered NASDAQ market maker in a Qualified Security that has committed to maintain minimum performance standards. The minimum performance standards applicable to a Designated Liquidity Provider may be determined from time to time by NASDAQ and may vary depending on the price, liquidity, and volatility of a particular Qualified Security. The performance measurements include: (A) Percent of time at the national best bid/best offer (''NBBO''); (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread. NASDAQ may remove Designated Liquidity Providers that do not meet performance standards or that decide to change their status at any time.

A Qualified Security is an ETF or ILS that is listed on NASDAQ, has at least one Designated Liquidity Provider, and trades at volumes below a NASDAQ-designated maximum trading volume. Since the inception of the program, the maximum trading volume has been set such that a security is no longer eligible to be a Qualified Security once there have been two calendar months in any three calendar-month period during which its average daily volume on NASDAQ exceeded 250,000 shares. Although the program has had some success in encouraging additional listings of ETFs on NASDAQ since its inception, NASDAQ has concluded, based on feedback from sponsors of ETFs and ILSs and market makers, that the attractiveness of NASDAQ as a listing venue for these products would be further enhanced by increasing the maximum volume threshold such that a security would no longer be a Qualified Security once there have been two calendar months in any three calendar-month period during which its average daily volume on NASDAQ exceeded 10,000,000 shares. NASDAQ believes that this increase reflects a commitment to make NASDAQ the most attractive venue for listing and trading ETFs and ILSs. The change will encourage market maker support for ETFs and ILSs beyond their initial introductory period and thereby further enhance liquidity for the products as their trading volumes increase.

Designated Liquidity Providers will continue to pay $0.003 per share executed when accessing liquidity in Qualified Securities; when providing liquidity, the Designated Liquidity Provider will continue to receive a credit of $0.004 per share executed. Consistent with the requirements of Regulation NMS, in the unlikely event that a security is trading at less than $1 per share, the normal execution fee and credit schedule in Rule 7018(a) regarding securities trading at less than $1 would apply. Once the 10,000,000 share volume threshold is reached, the pricing for the ETF or ILS becomes consistent with pricing for other securities traded on NASDAQ.

2. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[5] in general, and with Section 6(b)(4) and (5) of the Act,[6] in particular, in that the provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls, and 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

[8] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

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

[4] 17 CFR 240.19b–4(f)(2).

[5] 15 U.S.C. 78f.

[6] 15 U.S.C. 78f(b)(4) and (5).