

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55724; File No. SR-CBOE-2007-39)

May 8, 2007

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change Regarding Penny Price Improvement

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 April 24, 2007, the Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) 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 substantially prepared by the CBOE. 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 CBOE proposes to amend its Rules regarding penny price improvement for options not currently quoted in one-cent increments. The text of the proposed rule change is set forth below. Proposed new language is underlined; and proposed deletions are [bracketed].

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Rule 6.13B. Penny Price Improvement

The Exchange may designate one or more options trading on the Hybrid System for inclusion in the Penny Price Improvement Program. Under this program, the Exchange will allow all users to provide price improvement beyond the Exchange’s disseminated quotation (“Penny Pricing”) for classes or series that are not already quoted in one-cent increments and for which the Simple Auction Liaison system in Rule 6.13A is not in effect.

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

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



















