

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52111; File No. SR-CBOE-2005-52)

July 22, 2005

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to an Extension of its Prospective Fee Reduction Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 30, 2005, 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 prepared by 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

CBOE proposes to amend its Fees Schedule to extend the Prospective Fee Reduction Program through the close of the current Exchange fiscal year on December 31, 2005. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

**CHICAGO BOARD OPTIONS EXCHANGE, INC.
FEES SCHEDULE
[MAY 23]JUNE 30, 2005**

1. – 4. Unchanged.

Footnotes: (1) – (16) Unchanged.

5. – 18. Unchanged.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

19. PROSPECTIVE FEE REDUCTION PROGRAM

Fee reductions will be in effect August 1, 2004 through December 31, 2005 under the following scenarios:

If CBOE volume exceeds predetermined average contracts per day (CPD) thresholds at the end of any month on a fiscal year-to-date (YTD) basis, Market-Maker and DPM transaction and floor brokerage fees will be reduced in the subsequent month according to the schedule presented below:

FY05 YTD AVG. CPD	FEEES DISCOUNT	EQUITIES MARKET- MAKER REDUCTIONS	QQQQ/SPDR/INDEX MARKET- MAKER/DPM REDUCTIONS	<u>EQUITIES</u> DPM TRANS. FEEES REDUCTIONS	FLOOR BROKERAGE REDUCTIONS
1,300,000	10%	\$.022	\$.024	\$.012	\$.004
1,400,000	15%	\$.033	\$.036	\$.018	\$.006
1,500,000	20%	\$.044	\$.048	\$.024	\$.008
1,600,000	25%	\$.055	\$.060	\$.030	\$.010
1,700,000	30%	\$.066	\$.072	\$.036	\$.012
1,800,000	35%	\$.077	\$.084	\$.042	\$.014
1,900,000	40%	\$.088	\$.096	\$.048	\$.016
2,000,000	45%	\$.099	\$.108	\$.054	\$.018

20. – 23. Unchanged.

Remainder of Fee Schedule – Unchanged.

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

In its filing with the Commission, CBOE 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 CBOE 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 Exchange proposes to continue the Prospective Fee Reduction Program (“Program”) through the close of the current Exchange fiscal year on December 31, 2005.³ No other changes to the Program are proposed. The current Program took effect on August 1, 2004.⁴ The Program is intended to reduce Market-Maker and DPM transaction fees in periods of high volume. As before, the Exchange will continue to monitor its financial results to determine whether the Program should be continued, modified, or eliminated in the future.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(4) of the Act⁶ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members.

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

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of purposes of the Act.

³ The Exchange also proposes certain minor clarifying changes to the table headings in Section 19 of the Fees Schedule to reconcile those headings with a previous rule change. See Securities Exchange Act Release No. 51027 (January 12, 2005), 70 FR 3407 (January 24, 2005). CBOE represents that the instant proposed rule change imposes no new fees or fees reductions. Telephone conversation between Steve L. Kuan, Special Counsel, Division of Market Regulation, Commission, and Jaime Galvan, Assistant Secretary, CBOE, on July 14, 2005.

⁴ See Securities Exchange Act Release No. 50175 (August 10, 2004), 69 FR 51129 (August 17, 2004).

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4).

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 foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(2) thereunder.⁸ At any time within 60 days of the filing of the 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. Please include File Number SR-CBOE-2005-52 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 C.F.R. 240.19b-4(f)(2).

All submissions should refer to File Number SR-CBOE-2005-52. 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. 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-CBOE-2005-52 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.⁹

Margaret H. McFarland
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).