



Edward T. Tilly
President and Chief Operating Officer

Phone: 312 786-7088
Fax: 312 786-7407
tillye@cboe.com

June 5, 2012

Via Electronic Mail

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Release No. 34-66983; File No. SR-BX-2012-030

Dear Ms. Murphy:

The Chicago Board Options Exchange, Incorporated (“CBOE”) is commenting in response to a proposed rule change submitted by NASDAQ OMX BX, Inc. (“BX”) that would establish a new options market. This letter expresses concern with the timing of the proposal and also requests that the Securities and Exchange Commission (“Commission”) grant CBOE and its affiliated exchange, C2 Options Exchange, Incorporated (“C2”), temporary relief from the Options Order Protection and Locked/Crossed Market Plan (the “Linkage Plan”) in the event the proposal is approved.

BX has announced a June 29, 2012 launch date for the BX options platform (subject to Commission approval).¹ However, CBOE first became aware of the proposal through a March 27, 2012 communication from the Options Price Reporting Authority.² For previous launches of new options exchanges or platforms, existing options exchanges were provided with more advanced notice. This is important because certain technical efforts must be addressed by exchanges in connection with the launch of a new exchange/platform. More specifically, options exchanges are required to process the displayed quotations of all other options exchanges in order to comply with the Linkage Plan (as well as exchange rules that are in place pursuant to the Linkage Plan). Additionally, testing must take place with routing broker-dealers that are utilized for linkage routing purposes to make sure that linked orders can be reliably sent to a new exchange in a production environment.

Once we were made aware of the BX proposal, CBOE and C2 commenced systems work to allow for the identification of BX displayed quotations and the routing of orders to BX.

¹ See NASDAQ OMX Options Trader Alert 2012- 36.

² The actual proposal was filed with the Commission on April 30, 2012.

However, that work will not be complete by June 29, 2012.³ We anticipate that the necessary work will be complete and “loaded” into our trading systems in August 2012. If the Commission approves the proposal before the CBOE/C2 systems work is complete, CBOE and C2 will not be able to identify better-priced quotations on BX, will not route orders to BX, and will potentially trade-through better-priced quotations on BX.

We believe that if the Commission approves the proposal before September 2012, it should stipulate that BX quotations are not Protected Quotations (as defined in the Linkage Plan and CBOE Rules) until CBOE and C2 (and any other similarly situated exchanges) are able to read and act upon BX options quotations in accordance with the Linkage Plan. We note that even with such a stipulation, CBOE and C2 will be at a competitive disadvantage to other exchanges that are able to read and route to BX.

CBOE respectfully requests that the Commission consider the concern expressed in this letter and that it act upon our request if the proposal is approved. A certain minimum level of coordination is necessary in order to effectively operate a national market system. In this case, we were not provided with sufficient notice to allow us to complete required systems work. A temporary exemption from the Linkage Plan, as described above, would allow BX to launch in accordance with its preferred timeline, while allowing CBOE and C2 to continue to operate in a manner that is not inconsistent with the Linkage Plan and related rules. If you have any questions regarding this letter, please contact the undersigned or Angelo Evangelou, Associate General Counsel, at 312-786-7464.

Sincerely,



cc: Robert Cook, SEC, Division of Trading and Markets
Heather Seidel, SEC, Division of Trading and Markets

³ CBOE informed Commission staff of this concern via a telephone conversation before the filing was noticed for comment.