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Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

RE: CBOE Response to Comment Letter Submitted by Citadel Investment Group,  
L.L.C. Pertaining to SR-CBOE-2007-98

Dear Ms. Morris:

The Chicago Board Options Exchange, Incorporated ("CBOE") submits this letter in response to the September 12, 2007 comment letter submitted by Citadel Investment Group, L.L.C. ("Citadel") pertaining to the proposed rule changes filed by the options exchanges to expand the industry-wide Penny Pilot Program.<sup>1</sup>

In its letter, Citadel urges, among other things, the SEC not to simply expand the Penny Pilot Program by adding 50 of the most actively traded multiply-listed option classes based on national average daily volume. Instead, Citadel recommends that the SEC develop and identify specific criteria to be used to measure whether an option class is a good candidate for the Penny Pilot. Then, the SEC could expand the Penny Pilot in those option classes where it has proven to be successful, avoid option classes where the Pilot has not been successful, and consider replacing some of the poorest performing Pilot classes with other option classes more suitable for penny quoting.

CBOE agrees with Citadel's statements that penny quoting appears to make sense for certain types of option classes and not for others. Moreover, CBOE fully supports removing from the Penny Pilot option classes that, after analysis and review, are found not to be good choices for quoting in penny increments, and replacing them with other classes that are suitable for penny quoting. Based on data collected to date, certain Pilot classes have experienced significant negative changes in volume and liquidity, clearly suggesting that these classes may not be good candidates for penny quoting. In its June 1, 2007 Penny Pilot report to the SEC, CBOE stated that that further analysis must be conducted over a longer period of time before drawing any firm conclusions as to the impact of quoting in penny increments, *and in order to determine which classes benefit from penny quoting versus those that do not*. As it has in the past, CBOE will continue to provide leadership in evaluating the impact of the Penny Pilot on the options industry and identifying which option classes are good candidates for quoting in penny increments.

Respectfully Submitted,

Edward J. Joyce

<sup>1</sup> CBOE's proposed rule change to expand the Penny Pilot Program is SR-CBOE-2007-98.