



EXECUTE SUCCESS™

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June 26, 2013

Via E-Mail

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File No. SR-CBOE-2013-026, Amendment No. 2

Dear Ms. Murphy:

As a courtesy to commenters, attached is Amendment No. 2 to the above-referenced proposed rule change that was filed with the Securities and Exchange Commission earlier today.

If you have any questions, please contact me at

Sincerely,

Laura Dickman

Attachment

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 7	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR -2013 - * 026 Amendment No. (req. for Amendments *) 2
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Filing by Chicago Board Options Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Pilot	Extension of Time Period for Commission Action *	Date Expires *	Rule
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) <input type="checkbox"/>	Section 806(e)(2) <input type="checkbox"/>
	Section 3C(b)(2) <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
-----------------------------------------------------------	-----------------------------------------------------------

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date

By

(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

PARTIAL AMENDMENT

Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) submits this Amendment, constituting Amendment No. 2 to rule filing SR-CBOE-2013-026 in which the Exchange proposes to amend its rules related to complex orders to provide additional liquidity for complex orders resting on the complex order book (“COB”) by adopting a new order type called “leg orders.” The purposes of this Amendment No. 2 are (1) to amend the rule text as well as the purpose and statutory basis sections regarding the price increments of leg orders, (2) to amend the purpose and statutory basis sections regarding the interaction of leg orders and all-or-none orders, and (3) to request accelerated approval of the rule filing.

Price Increments of Leg Orders

The Exchange proposes to amend the rule text for proposed Rule 6.53C(iv)(1) on page 4 of the Form 19b-4 and pages 44–45 of Exhibit 1 by adding the following sentence to the end of subparagraph (A):

Leg orders will only be generated in the minimum increment of the leg series, and the price of a leg order will be rounded down (bid) or up (offer) to the nearest minimum increment if it would otherwise be priced in a smaller increment than the minimum.

The Exchange also proposes to add the following paragraph before the first full paragraph on page 11 of the Form 19b-4 (but after the paragraph added to page 11 by Amendment No. 1) and before the first paragraph on page 52 of Exhibit 1 (but after the paragraph added to page 52 by Amendment No. 1):

Leg orders will only be generated in the minimum increment of the leg series, and the price of a leg order will be rounded down (bid) or up (offer) to the nearest minimum increment if it would otherwise be priced in a smaller increment than the minimum. For

example, suppose a complex order to buy 10 S1 and sell 10 S2, which both have minimum increments of \$0.05, for a net price of -\$0.07 is entered into the COB, there is no off-setting complex order, and the complex order cannot leg into the EBook because the Exchange BBO net price available for the order on the EBook is -\$0.10 as follows:

	<u>CBOE Bid</u>	<u>CBOE Offer</u>
S1	10 @ \$1.00	10 @ \$1.10
S2	10 @ \$1.00	10 @ \$1.10

In order to achieve net price execution of \$0.07, the System would need to generate a leg order in S1 to buy at \$1.07 and in S2 to sell at \$1.03. However, because the minimum in S1 and S2 is \$0.05, these leg orders would not be able to be displayed at \$1.07 and \$1.03, respectively. Therefore, the System will round the leg order to buy S1 to \$1.05 and round the leg order to sell S2 to \$1.05 and will use these prices for purposes of ranking and displaying these leg orders in the Book in accordance with CBOE rules. If either leg order were to execute against an incoming simple order, the complex order would execute at a net price of -\$0.05 (the price of the complex order on the COB would still be -\$0.07, which is the price at which it would execute against an incoming complex order on the COB). These are the prices at which the leg orders will be ranked, displayed and eligible to execute with incoming orders. The purpose of this provision is to make clear that complex orders that are expressed in increments smaller than the minimum increments of the legs will receive the benefits of increased execution opportunities provided by leg orders. Rounded leg orders will function in the same manner as non-rounded leg orders.

The Exchange also proposes to add the following sentence to the end of the carryover paragraph on pages 30–31 of the Form 19b-4 and the first full paragraph on page 71 of Exhibit 1:

Additionally, the proposed rule change will not allow leg orders to be generated in increments smaller than the minimum increments of the leg series.

In addition, the Exchange proposes to add the following sentence to the end of the first full bulleted paragraph on page 36 of the Form 19b-4:

- The proposed rule change describes how a leg order will be priced if the complex order it represents is expressed at a price that is in a smaller increment than the minimum increment of the leg series. If a complex order expressed in a \$0.01 increment entered the ISE book, but the leg series had a minimum increment of \$0.05, it is not clear whether a legging order would be generated under the ISE Rule and, if so, at what price.

All-or-None Orders

The Exchange proposes to amend the rule text for proposed Rule 6.53C(iv)(2) on page 5 of the Form 19b-4 and pages 45–46 of Exhibit 1 by deleting in its entirety subparagraph (C).

The Exchange also proposes to delete the last paragraph (including footnote 18) on page 21 of the Form 19b-4 and the carryover paragraph (including footnote 20) on pages 61–62 of Exhibit 1.

Finally, the Exchange proposes to delete the clause “execution of all-or-none orders” from inside the parenthetical in the fourth and fifth lines of the first full bulleted paragraph on page 38 of the Form 19b-4.

Accelerated Approval

The Exchange proposes to delete the text “Not applicable” in Item 7 on page 33 of the Form 19b-4 and replace it with the following:

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

(d) The proposed rule change is filed for accelerated effectiveness pursuant to Section 19(b)(2) of the Act.¹ The Exchange requests that the Commission approve the proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act so that it may be operative as soon as practicable. The Exchange believes there is good cause for the Commission to accelerate effectiveness, because the amended rule text with respect to all-or-none orders will eliminate any potential inconsistency between Regulation NMS Rule 602(a) (Firm Quote Rule) and the interaction of all-or-none orders with leg orders. All-or-none orders will execute against leg orders in the same manner as they would against non-leg orders (as provided in the proposed rule change, leg orders will have last priority). Additionally, the Exchange believes the amended rule text with respect to rounding of leg orders will ensure that leg orders will not be displayed at increments less than the minimum increment of a series, consistent with CBOE rules. The Exchange believes that this Amendment No. 2 amends proposed rule text related to specific, ancillary functionality of leg orders. Leg orders will ultimately function in a manner substantially similar to that described in the initial rule filing, as amended by

¹ 15 U.S.C. 78s(b)(2).

Amendment No. 1, and therefore, the Exchange believes it is appropriate for the Commission to grant approval of the proposed rule change on an accelerated basis.