



EXECUTE SUCCESSSM

Jeff Dritz
Attorney
Legal Division
dritz@cboe.com
312.786.7070

April 10, 2014

Via E-Mail

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

Re: File No. SR-CBOE-2014-026, Amendment No. 1

Dear Ms. Murphy:

As a courtesy to commenters, attached is Amendment No. 1 to the above-referenced rule change that was filed with the Securities and Exchange Commission earlier today.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Dritz", is written over a horizontal line.

Jeff Dritz

Attachment

OMB APPROVAL

OMB Number: 3235-0045
 Estimated average burden
 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 6

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 Form 19b-4

File No.* SR - 2014 - * 026

Amendment No. (req. for Amendments *) 1

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) * ☐

Rule

Pilot ☐ Extension of Time Period
 for Commission Action * ☐ Date Expires *

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 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) * ☐ Section 806(e)(2) * ☐

Section 3C(b)(2) * ☐

I wish to submit an action for review



I wish to submit an action for review



Description

Provide a brief description of the action (limit 256 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 * Jeff Last Name * Dritz

Title * Attorney

E-mail * dritz@cboe.com

Telephone * (312) 786-7070 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 04/10/2014

Assistant Secretary

By Jeff Dritz

(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.

Persona Not Validated - 1384538174803.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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 *

Add Remove View

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 *

Add Remove View

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

Add Remove View

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 Sent As Paper Document

☐

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

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 Sent As Paper Document

☐

Exhibit 4 - Marked Copies

Add Remove View

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

Add Remove View

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

Add Remove View

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. 1, to rule filing SR-CBOE-2014-026 in which the Exchange proposes to amend its rule related to Multi-Class Broad-Based Index Option Spread Orders. The purpose of this Amendment No. 1 is to add two words that were inadvertently left out of the proposed rule text while also providing a bit more explanation in the accompanying purpose section. The Exchange does not believe that the proposed changes described in this Amendment 1 materially affect the substance of the proposed changes to the rule text of SR-CBOE-2014-026. The Exchange is proposing to make the following modifications.

First, the Exchange is proposing to amend the rule text for proposed Rule 24.19(b) on page 6 of the 19b-4, page 16 of the Exhibit 1 and page 23 of the Exhibit 5 to correct a typographical error. More specifically, the Exchange is proposing to add the word “the” between “at” and “time”. As such, the proposed Rule 24.19(b) would appear as follows on the Exhibit 5:

“(b) Multi-Class Complex Orders must be entered on a single order ticket at the time of systemization to be eligible for the procedures and relief set out in this Rule.”

Second, the Exchange, in replacing the word “Spread” with the word “Complex” throughout rule 24.19, inadvertently failed to add the word “Complex” after replacing the word “Spread” in the proposed changes to Rule 24.19(c) on page 23 of the Exhibit 5. As such, the Exchange proposes to add the word “Complex” after “Multi-Class” and before “Order” in the first sentence of Rule 24.19(c), and such first sentence would appear as follows on the Exhibit 5:

“[(b)] (c) Notwithstanding any other rules of the Exchange, a Multi-Class [Spread] Complex Order, which is identified as such, [may] must be represented

at the primary trading station [of either Broad-Based Index Option involved],
subject to the following conditions.”

Next, the Exchange proposes a number of changes to the Purpose section of the proposed rule change. First, the Exchange proposes to expound on its description, on page 4 of the 19b-4 and page 13 of the Exhibit 1, of the replacement of the word “Spread” with “Complex in Rule 24.19. Currently, the third sentence of the first paragraph on page 4 reads:

“The Exchange also proposes to replace the word “Spread” with “Complex” in order to achieve continuity within Exchange rules (spread orders are complex orders).”

The Exchange proposes to replace this sentence with the following statement:

“The Exchange also proposes to replace the word “Spread” with “Complex” because Spread Orders are a type of Complex Order. The Exchange notes, however, that Complex Orders in this Rule 24.19 involve the execution of two different Broad-Based Options. In contrast, Complex Orders (excluding stock-option orders and security futures orders) in other Exchange rules involve the execution of two or more different option series in the same underlying security. Accordingly, the Exchange emphasizes that replacing the word Spread with Complex in this Rule 24.19 does not extend the application of Exchange rules pertaining to Complex Orders or the application of the Options Order Protection and Locked/Crossed Market Plan to Multi-Class Broad-Based Index Option Spread Orders.

Next, the Exchange proposes to delete the word “generally” from before the word “offsets” in the second-to-last sentence of the final full paragraph on page 4 of the 19b-4 and

page 14 of the Exhibit 1. This change would better conform the purpose section to the proposed rule text. As such, this sentence would read:

“The common conception of a Multi-Class Complex Order really involves the transaction (either a buy or a sell) of a stated number of contracts of a Broad-Based Option and the transaction (either a buy or a sell) of an equal number, or equivalent number, of contracts of a different Broad-Based Option to achieve a position in which one leg of the order offsets the market exposure of the other leg.”

In addition, and related to the deletion of the word “generally”, the Exchange proposes to add another footnote to the end of the last sentence on page 5 of the 19b-4 and page 15 of the Exhibit 1 in order to elaborate on how the Exchange permits combinations of products for inclusion in a Multi-Class Complex Order and determines whether an appropriate offset is used. The proposed footnote is to read:

“The Exchange permits combinations of products for inclusion in a Multi-Class Complex Order by establishing that the products involved are derived from the same underlying index or underlying indices that have a close relationship in price movement. To determine whether an appropriate offset is used for a Multi-Class Complex Order using a permitted combination, the Exchange looks for an equivalency of contract exposure by comparing the relative sizes of the contracts involved. For example, to determine the equivalency of a Multi-Class Complex Order involving SPX and SPY, the Exchange takes into account the fact that the SPX contract size is approximately ten times the contract size of an SPY contract (at the close of trading on April 3, 2014, SPX was trading at \$1888.78, while SPY

was trading at \$188.63), and therefore determines that a 10:1 ratio is appropriate. In the case of a Multi-Class Complex Order involving SPX and OEX, while OEX and SPX are not based on the same underlying indices (SPX is based on the S&P 500 Index while OEX is based on the S&P 100 Index), the underlying indices have a close relationship in price movement, and the SPX contract size is approximately two times the size of an OEX contract (at the close of trading on April 3, 2014, OEX was trading at \$834.57). Therefore, the Exchange has determined a 2:1 ratio to be appropriate.”

The addition of this footnote will increase by 1 the numbering of each subsequent footnote.

The Exchange also proposes to clarify that a Multi-Class Complex Order may only be composed of two legs by adding a footnote at the end of the second-to-last sentence of the final full paragraph on page 4 of the 19b-4 and page 14 of the Exhibit 1. That footnote is to read:

“A Multi-Class Complex Order may still only be composed of two legs.”

The Exchange also proposes to amend the sentence on page 6 of the 19b-4 and page 15 of the Exhibit 1 that reads “The Multi-Class Complex Order type will enforce the permitted combinations of options covered by Rule 24.19.” to clarify how the Multi-Class Complex Order will apply. As such, the Exchange proposes to delete that sentence and replace it with the following:

“The Multi-Class Complex Order type will apply to the permitted combinations of options covered by Rule 24.19 (and only those combinations).”