

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-64674; File No. SR-CBOE-2011-054)

June 15, 2011

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated: Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Sales Value Fee

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 3, 2011, Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) 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

Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) proposes to make clarifying changes to its Fees Schedule concerning the application and collection of the Sales Value Fee. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.org/legal>), at the Exchange’s Office of the Secretary and at the Commission.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

below. 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, Proposed Rule Change

1. Purpose

The Exchange is proposing amendments to its Fees Schedule to make clear the circumstances that trigger application of the Sales Value Fee, and to make other clarifying changes. Section 6 of the CBOE Fees Schedule permits the Exchange to collect a fee from its Trading Permit Holders for sales of securities on CBOE and the CBOE Stock Exchange, LLC (“CBSX”)<sup>3</sup> with respect to which the Exchange is obligated to pay a fee to the SEC pursuant to Section 31 of the Act<sup>4</sup> and Rule 31, thereunder.<sup>5</sup> Each national securities exchange and association is required to calculate the aggregate dollar amount of “covered sales” occurring on the exchange or through a member of the national securities association and to pay fees based on those covered sales to the Commission (“Section 31 fees”). A covered sale is a “sale of a security, other than an exempt sale or a sale of a security future, occurring on a national securities exchange or by or through any member of a national securities association otherwise than on a national securities exchange.”<sup>6</sup> Pursuant to Section 6 of the Fees Schedule, the Exchange assesses a Trading Permit Holder the Sales Value Fee for an executed sell order entered on CBOE or CBSX that results in a covered sale. The Sales Value Fee defrays the cost of the Section 31 fee triggered by the covered sale. In this regard, the Sales Value Fee assessed a Trading Permit Holder is equal to the Section 31 fee assessed by the Commission for the covered

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<sup>3</sup> CBSX operates as a facility of CBOE.

<sup>4</sup> 15 U.S.C. 78ee.

<sup>5</sup> 17 CFR 240.31.

<sup>6</sup> 17 CFR 240.31(a)(6).

sale. Further, the Exchange adjusts the Sales Value Fee in lock step with changes to the Section 31 fee made by the Commission. Assessing a sales fee is common practice among the national securities exchanges and associations.<sup>7</sup>

As noted above, the Sales Value Fee defrays the cost of the Section 31 fee. The Sales Value Fee is triggered by the fulfillment of a Trading Permit Holder's sell order in options securities entered on CBOE or equity securities entered on CBSX that results in a covered sale. If the Trading Permit Holder's sell order is fulfilled on CBOE or CBSX, the Exchange incurs a Section 31 fee obligation. Sell orders in options securities entered on CBOE or equity securities entered on CBSX that are routed to another market for execution, however, do not result in a covered sale on CBOE or CBSX. Execution of such routed orders is facilitated by CBOE's and CBSX's routing brokers,<sup>8</sup> which act as the selling Trading Permit Holder for a routed order on the away market on behalf of the CBOE or CBSX Trading Permit Holder that entered the sell order. Such routed sell orders result in a covered sale on the away market, which incurs a Section 31 fee obligation. Like the Exchange, the away market assesses a sales fee on the Trading Permit Holder that entered the sell order, in this case the CBOE or CBSX routing broker, as applicable, to defray the cost of the Section 31 fee obligation. The Exchange may reimburse its routing broker for all Section 31-related fees (e.g., away market sales fees) incurred by the routing broker in connection with the routing services it provides.

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<sup>7</sup> See, e.g., ISE Rule 212, NASDAQ Rule 7002, NASDAQ OMX PHLX Rule 607 and NYSE Rule 440H.

<sup>8</sup> CBOE and CBSX route orders to other exchanges in conjunction with one or more routing brokers pursuant to CBOE Rule 6.14B and CBSX Rule 52.10, respectively.

In turn, the Exchange assesses its Trading Permit Holder, the original selling party, a Sales Value Fee pursuant to Section 6 of the Fees Schedule to defray the cost of the Section 31 fee passed on by the away exchange pursuant to its sales fee. As such, the Exchange's Sales Value Fee offsets the sales fee its routing broker is assessed by the away market (which the routing broker then passes to CBOE), the result of which is to place the parties involved in the transaction in the same position as if the covered sale had occurred on CBOE or CBSX.

In light of the varying means by which a Sales Value Fee is incurred by Trading Permit Holders, as described above, the Exchange believes that a more detailed description of the circumstances that trigger the Sales Value Fee is warranted. Accordingly, the new Fees Schedule language proposed by the Exchange expressly discusses covered sales in both option and non-option securities. In addition, the proposed new Fees Schedule language includes a description of sell orders entered on CBOE or CBSX that result in a covered sale on another exchange, expressly discussing the fee incurred by the Exchange and the application of the Sales Value Fee in such circumstances.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act")<sup>9</sup>, in general, and furthers the objectives of Section 6(b)(4)<sup>10</sup> of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Trading Permit Holders and other persons using its facilities and it does not unfairly discriminate between customers, issuers, brokers or dealers.

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(4).

The proposed clarifying language does not change the application and assessment of the Sales Value Fee under the Fees Schedule, but rather provides greater detail on the transactions that trigger the fee and the process by which the fee is collected. The Exchange applies Section 6 of its Fees Schedule uniformly to all Trading Permit Holders' sell orders entered on CBOE and CBSX resulting in covered sales. The Exchange also believes the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>11</sup> in general and with Section 6(b)(5) of the Act,<sup>12</sup> in particular, which requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange believes that the proposed rule change is consistent with these requirements because the proposed amended Fees Schedule text provides Trading Permit Holders with more detail regarding the circumstances under which the Exchange assesses a Sales Value Fee, and the process by which the fee is collected. As such, the proposed changes will help avoid Trading Permit Holder confusion and foster better understanding of the application of the fee. Accordingly, the Exchange believes the proposed rule change will promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

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<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> 15 U.S.C. 78f(b)(5).

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.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and subparagraph (f)(2) of Rule 19b-4<sup>14</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2011-054 on the subject line.

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 C.F.R. 240.19b-4(f)(2).

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549–1090.

All submissions should refer to File Number SR-CBOE-2011-054. 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 website (<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 website viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of CBOE. 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 No. SR-CBOE-2011-054 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

Cathy H. Ahn  
Deputy Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).