

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68350; File No. SR-CBOE-2012-117)

December 4, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Rule Related to Multi-Class Broad-Based Index Option Spread Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 29, 2012, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend its rule related to multi-class broad-based index option spread orders. The text of the proposed rule change is available on the Exchange’s Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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, the Exchange 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. The Exchange 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, the Proposed Rule Change

1. Purpose

The purpose of this rule filing is to (i) clarify that the term “Multi-Class Broad-Based Index Option Spread Order (Multi-Class Spread Order)” may refer to either an order or a quote; (ii) clarify who Trading Permit Holders (“TPHs”) initiating a Multi-Class Spread Order in the primary trading station must notify in the secondary trading station; (iii) provide that the recipient Order Book Official (“OBO”), Designated Primary Market-Maker (“DPM”) or Exchange staff in the secondary trading station must verbalize the terms of a Multi-Class Spread Order to the secondary trading crowd; and (iv) require that the recipient OBO, DPM or Exchange staff in the secondary trading station document the terms of the order.

Exchange Rule 24.19 describes a Multi-Class Spread Order as “an order” to buy a stated number of contracts of a Broad-Based Index Option and sell an equal number, or an equivalent number, of contracts of a different Broad-Based Index Option. Market-Makers however, may also enter a “Multi-Class Spread Order” quote. Accordingly, the Exchange is seeking to clarify in its rules that the term “Multi-Class Spread Order” may refer to either an order or a quote, thereby maintaining clarity in the rules and reducing potential confusion.

The Exchange is also seeking to clarify the procedure for which notice regarding a Multi-Class Spread Order is given to the trading crowd at a secondary trading station. Rule 24.19 provides that a Multi-Class Spread Order may be represented at the trading station of either Broad-Based Index, subject to certain conditions. First, Rule 24.19(b)(i) currently requires that upon an announcement of a Multi-Class Spread Order at the primary trading station, the TPH

initiating the order must contact either an OBO or the DPM at the secondary trading station, who then must disseminate notice of the order to the secondary trading crowd. In some classes however, it is possible that neither an OBO nor DPM is assigned. Therefore, the Exchange is proposing to clarify that, in addition to an OBO or DPM, a TPH may contact otherwise appropriate Exchange staff (e.g. PAR official or trading official). Trading stations which do not have an OBO or DPM assigned must ensure that an appropriate Exchange staff is present for purposes of disseminating a notice of a Multi-Class Spread Order. The proposed rule change would reduce confusion, as well as provide guidance in situations where neither an OBO nor DPM exists.

Next, the Exchange proposes to specify the manner in which the recipient OBO, DPM, or Exchange staff in the secondary trading station must disseminate a notice of a Multi-Class-Spread Order. The proposed rule change requires the recipient OBO, DPM, or Exchange staff in the secondary trading station to verbalize the terms of the order to the secondary trading crowd. This proposed change ensures adequate dissemination of a notice of an order and its terms and promotes transparency. Finally, the Exchange seeks to require that the recipient OBO, DPM, or Exchange staff document the terms of the order for purposes of record retention and aiding surveillance.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act, in general. Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general,

to protect investors and the public interest. Clarifying that a “Multi-Class Spread Order” may refer to an order or a quote should clear up any potential confusion and therefore inform investors. Clarifying and specifying the procedures in which a notice of a Multi-Class Spread Order is disseminated and documented also reduces potential confusion and maintains clarity in the rules. Further, it promotes transparency and aids in surveillance, thereby protecting investors.

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 the purposes of the Act.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such shorter

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)³ of the Act and Rule 19b-4(f)(6)⁴ thereunder.

At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

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. Please include File Number SR-CBOE-2012-117 on the subject line.

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-2012-117. 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 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 offices of the Exchange. 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 Number SR-CBOE-2012-117, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵

Kevin M. O'Neill
Deputy Secretary

⁵ 17 CFR 200.30-3(a)(12).