

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-70424; File No. SR-CBOE-2013-088)

September 17, 2013

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Appointment Cost of IWM Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 13, 2013, 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 and II 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 Substance of the Proposed Rule Change

The Exchange proposes to amend the appointment cost for options on the iShares Russell 2000 Index Fund (IWM). The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

**Chicago Board Options Exchange, Incorporated  
Rules**

\* \* \* \* \*

**Rule 8.3. Appointment of Market-Makers**

(a) – (b) No change.

---

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

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

(c) Market-Maker Appointments. Absent an exemption by the Exchange, an appointment of a Market-Maker confers the right to quote electronically and in open outcry in the Market-Maker’s appointed classes as described below. Subject to paragraph (e) below, a Market-Maker may change its appointed classes upon advance notification to the Exchange in a form and manner prescribed by the Exchange.

(i) Hybrid Classes. Subject to paragraphs (c)(iv) and (e) below, a Market-Maker can create a Virtual Trading Crowd (“VTC”) appointment, which confers the right to quote electronically in an appropriate number of Hybrid classes (as defined in Rule 1.1(aaa)) selected from “tiers” that have been structured according to trading volume statistics, except for the AA tier. All classes within a specific tier will be assigned an “appointment cost” depending upon its tier location. The following table sets forth the tiers and related appointment costs.

<b>Tier</b>	<b>Hybrid Options Classes</b>	<b>Appointment Cost</b>
AA	• Options on the CBOE Volatility Index (VIX)	.50
	• Options on the iShares Russell 2000 Index Fund (IWM)	[.50].25
	• Options on the NASDAQ 100 Index (NDX)	.50
	• Options on the S&P 100 (OEX)	.40
	• Options on Standard & Poor’s Depository Receipts (SPY)	.25
	• Options on the Russell 2000 Index (RUT)	.25
	• Options on the S&P 100 (XEO)	.10
	• Morgan Stanley Retail Index Options (MVR)	.25
	• Options on the iPath S&P 500 VIX Short-Term Futures Index ETN (VXX)	.10
	• P.M.-Settled options on the Standard & Poor’s 500 (SPXPM)	1.0
A*	Hybrid Classes 1 – 60	.10
B*	Hybrid Classes 61 – 120	.05
C*	Hybrid Classes 121 – 345	.04
D*	Hybrid Classes 346 – 570	.02

E*	Hybrid Classes 571 – 999	.01
F*	All Remaining Hybrid Classes	.001

\* Excludes Tier AA.

(ii) – (vi) No change.

(d) – (e) No change.

\* \* \* \* \*

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend the appointment cost for options on the iShares Russell 2000 Index Fund (IWM). IWM options are part of Tier AA and have a fixed appointment cost of .50. The Exchange proposes to lower the appointment cost of IWM options to .25. While the appointment costs of Tier AA classes are not subject to quarterly rebalancing under Rule 8.3(c)(iv), the Exchange regularly reviews the appointment costs of Tier AA classes to ensure that they continue to be appropriate. The Exchange determines appointment costs of Tier AA

classes based on several factors, including competitive forces and trading volume.<sup>3</sup> The Exchange believes that the reduced appointment cost of IWM options is consistent with its most recent analysis of these factors. The Exchange believes that lowering the appointment cost of IWM options will encourage Market-Makers to select appointments in that class, and thus enhance competition in that class. Additionally, the Exchange believes the lower appointment cost will similarly promote competition in other classes, as Market-Makers can utilize the excess appointment credit of .25 to select an appointment and quote electronically in additional Hybrid option classes. The proposed rule change will become effective on September 17, 2013.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>4</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>5</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</sup> requirement

---

<sup>3</sup> Similarly, the appointment costs of classes in all tiers other than Tier AA are based on trading volume statistics. See Rule 8.3(c)(i).

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

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

<sup>6</sup> Id.

that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that lowering the appointment cost of IWM options will encourage Market-Makers to select appointments in that class, which may increase liquidity and enhance competition in that class. Additionally, the Exchange believes the lower appointment cost will similarly promote competition in other classes, as Market-Makers can utilize the excess appointment credit of .25 to select an appointment and quote electronically in additional Hybrid option classes. The Exchange believes this may result in more competitive pricing in IWM and other Hybrid option classes, which will promote just and equitable principles of trade and ultimately benefit investors. The proposed rule change does not result in unfair discrimination, as the lower appointment cost for IWM options will apply to all Market-Makers.

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. The lower appointment cost for IWM options will apply to all Market-Makers. Any Market-Maker may select an appointment in IWM options at the lower appointment cost as long as it has sufficient appointment credits to cover the cost. CBOE does not believe the proposed rule change will detriment market participants on other exchanges, as it relates solely to Market-Maker appointment costs of options classes listed on CBOE. Market participants on other exchanges are welcome to become CBOE Trading Permit Holders as Market-Makers and trade at CBOE if they determine that this proposed rule change has made CBOE more attractive or favorable.

CBOE believes that the proposed rule change will relieve any burden on, or otherwise promote, competition. As discussed above, the Exchange believes the lower appointment cost for IWM options will promote competition in IWM options and other option classes.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>7</sup> and Rule 19b-4(f)(6) thereunder.<sup>8</sup> Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>9</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>10</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. According to the Exchange, the proposed rule change lowers an appointment cost, so it will not cause any Market-Maker to be out of compliance with the rules. The Exchange stated

---

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> Id.

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

that waiving the 30-day operative delay period will allow Market-Makers with an appointment in IWM to obtain appointments in additional options classes in which they want to make markets as soon as possible and thus promote competition in those classes without undue delay. Based on the Exchange's statements, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby grants the Exchange's request and designates the proposal operative upon filing.<sup>11</sup>

At any time within 60 days of the filing of such 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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>12</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### 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-2013-088 on the subject line.

---

<sup>11</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78s(b)(2)(B).

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-2013-088. 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 Section, 100 F Street, NE, Washington, DC 20549-1090 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the principal office 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-2013-088 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.<sup>13</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>13</sup> 17 CFR 200.30-3(a)(12).