SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72660; File No. SR-CBOE-2014-058)

July 23, 2014

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Bandwidth Allowance

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 July 10, 2014, 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 Substance of the Proposed Rule Change

The Exchange proposes to amend its rule governing bandwidth allowance. The text of the proposed rule change is 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.

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1 15 U.S.C. 78s(b)(1).

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to make an amendment to Rule 6.23B to state that certain order messages are not subject to bandwidth limitations and do not count towards the maximum number of orders allowed per second(s). Specifically, paired order messages, meaning orders that come into the Exchange already matched with a contra side order (i.e., Qualified Contingent Cross ("QCC") orders[3] and orders submitted to initiate the Solicitation Auction Mechanism [4] or Automated Improvement Mechanism ("AIM")[5] (i.e., AIM Sweep orders and Sweep and AIM orders)), will not be subject to any bandwidth limitations and are not counted towards the maximum number of orders allowed per second(s). Currently, Rule 6.23B does not specify that paired order messages do not count towards total bandwidth allocation.

The Exchange does not have unlimited system bandwidth to support an unlimited number of order and quote entries per second. For this reason, the Exchange limits each Trading Permit to a maximum number of messages per second(s). Paired order messages however, are not counted towards the maximum number of messages per second(s). The Exchange represents that not including paired order messages as part of the maximum number of orders allowed per second(s), as compared to non-paired orders, will not jeopardize Exchange systems capacity. Specifically, the Exchange notes that paired order messages are not submitted at the same velocity or frequency as non-paired orders or quotes and thus do not result in message traffic that

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2 17 CFR 240.19b-4.

3 See CBOE Rule 6.53(u) for a description of QCC orders.

4 See CBOE Rule 6.74B for a description of the Solicitation Auction Mechanism.

5 See CBOE Rule 6.74A for a description of AIM.

is overly burdensome to the Exchange's systems. Accordingly, the Exchange systems have the necessary capability to handle paired order message traffic, even if such orders are not subjected to bandwidth limitations. The Exchange established bandwidth allowances for the purpose of protecting its systems and ensuring its systems were capable of handling all its message traffic. As the Exchange's systems do not need to be "protected" from paired order message traffic, the Exchange believes that, unlike non-paired orders, it is not necessary to subject paired orders to bandwidth allowance. If, in the future, the Exchange determines that the lack of a bandwidth limitation on paired order messages challenges the Exchange's systems capacity or capabilities, the Exchange would submit a proposed rule change to establish such a limitation and modify its systems accordingly. The Exchange lastly notes that the exclusion of paired order messages from the bandwidth limitation applies to all Trading Permit Holders ("TPHs").

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[6] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[7] 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

6 15 U.S.C. 78f(b).

is consistent with the Section 6(b)(5)[8] requirement 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 not imposing a bandwidth limitation regarding paired order messages perfects the mechanism of a free and open market by permitting investors to send in as many paired messages as they like (without threatening the Exchange's systems capacity). As noted above, paired order messages are not submitted at the same velocity or frequency as non-paired orders or quotes and thus do not result in message traffic that is overly burdensome to the Exchange's systems. Accordingly, the Exchange systems have the necessary capability to handle paired order message traffic, even if such orders are not subjected to bandwidth limitations. In addition, the proposed rule change does not discriminate unfairly between market participants because this will be applied equally to all TPHs, in that all TPHs will not be limited (in terms of bandwidth capacity) in the number of paired order messages that they can send to the Exchange.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

CBOE does not believe that not imposing a bandwidth limitation regarding paired order messages will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In particular, the Exchange does not believe that not imposing a bandwidth limitation regarding paired order messages will place any burden on intramarket competition because this will be applied to equally to all TPHs, in that all TPHs will not be limited (in terms of bandwidth capacity) in the number of paired order messages that they can send to the Exchange. The Exchange notes that any TPH can submit paired orders. The Exchange does not believe that not imposing a bandwidth limitation regarding paired order

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[7] 15 U.S.C. 78f(b)(5).

messages will place any burden on intermarket competition because this only applies to the sending of paired order messages to CBOE. To the extent that not imposing a bandwidth limitation regarding paired order messages makes CBOE a more attractive trading venue to market participants on other exchanges, such market participants may elect to become CBOE market participants.

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:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. 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) of the Act[9] and Rule 19b-4(f)(6)[10] 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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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8 Id.

9 15 U.S.C. 78s(b)(3)(A).

10 17 CFR 240.19b-4(f)(6).

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-2014-058 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2014-058. 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 the filing also will 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-2014-058 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.[11]

Kevin M. O'Neill
Deputy Secretary

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[11] 17 CFR 200.30-3(a)(12).