

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54065; File No. SR-CBOE-2006-54)

June 29, 2006

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change to Retroactively Credit Certain DPM Linkage-Related Transaction Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 31, 2006, the Chicago Board Options Exchange, Incorporated (“Exchange”) filed with the Securities and Exchange Commission (“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, and is granting accelerated approval to the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its Fees Schedule to retroactively credit Designated Primary Market-Makers (“DPMs”) for certain fees they incur in executing orders under the Intermarket Options Linkage Plan (“Linkage”). The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend the CBOE Fees Schedule to retroactively establish certain fee relief that was provided prospectively in a previous CBOE rule change filing, SR-CBOE-2006-44 (“Previous Filing”).³

In the Previous Filing, the Exchange amended Section 21 of the CBOE Fees Schedule to enhance the credits provided to DPMs under the DPM Linkage Fees Credit Program (“Program”). Under the enhanced Program established by the Previous Filing, the Exchange credits DPMs for certain fees they incur related to the execution of: (i) outbound principal acting as agent (“P/A”) orders; and (ii) outbound Principal orders on behalf of orders that are for the account of a broker-dealer (“P orders”). The purpose of the Program is to offset the additional costs DPMs incur in routing orders to other exchanges in order to obtain the National Best Bid or Offer (“NBBO”).

³ See Securities Exchange Act Release No. 53866 (May 25, 2006), 71 FR 31237 (June 1, 2006) (Notice of Filing and Immediate Effectiveness of File No. SR-CBOE-2006-44).

The Previous Filing established the enhanced Program as of May 18, 2006. In this filing, the Exchange proposes to extend this fee relief retroactively back to all applicable transactions occurring since May 1, 2006, a total of 13 business days.

2. Statutory Basis

The Exchange states that the proposed rule change is consistent with Section 6(b) of the Act⁴ in general, and furthers the objectives of Section 6(b)(4) of the Act⁵ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange 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 states that no written comments were solicited or received with respect to the proposed rule change.

III. 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:

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4).

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 No. SR-CBOE-2006-54 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2006-54. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of such 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-2006-54 and should be submitted by [insert date 21 days from the date of publication in the Federal Register].

IV. Commission Findings and Order Granting Accelerated Approval of a Proposed Rule Change

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁶ In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(4) of the Act,⁷ in that, by retroactively crediting DPMS for certain fees they incur in executing Linkage orders, the proposed rule change should help to ensure the equitable allocation of reasonable dues, fees, and other charges among the Exchange's members. As noted above, the Exchange recently established the proposed fees on a going-forward basis.⁸

The Commission finds good cause, pursuant to section 19(b)(2) of the Act,⁹ for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing thereof in the Federal Register. The proposal would allow the Exchange to apply the Program retroactively, for 13 additional business days. The Commission did

⁶ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See U.S.C. 78c(f).

⁷ 15 U.S.C. 78f(b)(4).

⁸ See Securities Exchange Act Release No. 53866, supra at note 3.

⁹ 15 U.S.C. 78s(b)(2).

not receive any comments regarding the Previous Filing, and therefore believes that retroactively crediting DPMs for certain fees they incur in executing Linkage orders would not raise any new or novel regulatory issues.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act¹⁰ that the proposed rule change (SR-CBOE-2006-54) is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Nancy M. Morris
Secretary

¹⁰ Id.

¹¹ 17 CFR 200.30-3(a)(12).