SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-60381; File No. SR-CBOE-2009-038)

July 24, 2009

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order
Approving a Proposed Rule Change Relating to the Complex Order Book

I.   Introduction

On June 16, 2009, the Chicago Board Options Exchange, Incorporated ("CBOE" or

"Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to

Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4

thereunder,[2] a proposal to amend CBOE Rule 6.53C(c) to modify the order and quote types that

market participants may enter to trade against orders resting in the complex order book ("COB").

The proposed rule change was published for comment in the Federal Register on June 24, 2009.[3]

The Commission received no comments regarding the proposal. This order approves the

proposed rule change.

II.   Description of the Proposal

A market participant, as defined in CBOE Rule 6.45A or CBOE Rule 6.45B, may submit

orders or quotes to trade against orders in the COB.[4] However, under CBOE Rule 6.53C(c)(i),

the CBOE may determine the options classes and the complex order origin types (i.e., non-

broker-dealer public customer, broker-dealers that are not Market Makers or specialists on an

options exchange, and/or Market Makers or specialists on an options exchange) that are eligible

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

[2]   17 CFR 240.19b-4.

[3]   See Securities Exchange Act Release No. 60130 (June 17, 2009), 74 FR 30194.

[4]   See CBOE Rule 6.53C(c)(ii)(3).

to be entered into (i.e., rest in) the COB, and whether such orders may route directly to the COB and/or from PAR to the COB.

Currently, a market participant whose quotes or orders are not eligible to rest in the COB, but that wishes to trade against orders resting in the COB, may enter limit orders using an immediate-or-cancel ("IOC") contingency to avoid resting its orders in the COB. If such a market participant does not use an IOC contingency, it must cancel the unexecuted balance of its limit order or quote if the limit order or quote is partially filled by trading against an order resting in the COB.

The CBOE proposes to amend CBOE Rule 6.53C(c)(ii)(3) to require market participants whose quotes or orders are not eligible to rest in the COB to enter only IOC orders and such other order or quote types as the CBOE may determine on a class-by-class basis. Quote types that are not eligible to rest in or trade against the COB will be cancelled automatically.[5] According to the CBOE, Market Makers whose quotes are not eligible to rest in or trade against the COB would be able, at a minimum, to submit IOC orders to trade against the COB.[6]

Finally, the CBOE proposes to amend CBOE Rule 6.53C(c)(i) to clarify that an order entry firm whose complex orders are not eligible to route to the COB could route its orders to the firm's booth, as well as to PAR.

III.   Discussion and Commission Findings

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.[7]

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[5]   See CBOE Rule 6.53C(c)(ii)(3).

[6]   Only Market Makers may enter quotes.

[7]   In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the

Act,[8] which requires, in part, that the rules of a national securities exchange be designed to

prevent fraudulent and manipulative acts and practices, to promote just and equitable principles

of trade, 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. CBOE Rule

6.53C(c)(i) currently allows the Exchange to determine the class of entities that may enter orders

to rest in the COB. By requiring market participants who are not eligible to rest orders or quotes

in the COB to enter only IOC orders and such other order or quote types as the CBOE

determines, and by providing for the automatic cancellation of quote types that are not eligible to

rest in or trade against the COB, the proposal could help to prevent the entry of ineligible orders

and quote types in the COB. The Commission notes that Market Makers that are not eligible to

enter quotes to rest in or trade against the COB would be permitted, at a minimum, to enter IOC

orders to trade against orders in the COB. Finally, the Commission believes that the amendment

to CBOE Rule 6.53C(c)(i) to indicate that an order entry firm may route its orders to the firm's

booth, as well as to PAR, should clarify the operation of CBOE Rule 6.53C.

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[8]   15 U.S.C. 78f(b)(5).

IV.   Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[9] that the

proposed rule change (File No. SR-CBOE-2009-038) is approved.

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

authority.[10]

                                        Florence E. Harmon
                                        Deputy Secretary

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[9]   15 U.S.C. 78s(b)(2).

[10]   17 CFR 200.30-3(a)(12).