

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-68572; File No. SR-CBOE-2012-132)

January 3, 2013

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fees Schedule

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 December 28, 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 Substance of the Proposed Rule Change**

The Exchange proposes to amend the Fees Schedule. 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.

**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

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

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

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 Exchange proposes to amend its Fees Schedule.<sup>3</sup> More specifically, the Exchange is proposing to make changes to the section “Regulatory Fees.” Under the Exchange’s Regulatory Fees, the Exchange charges a fee to Designated Primary Market-Makers<sup>4</sup> (“DPMs”) and firms for which the Exchange is the Designated Examining Authority (“DEA”) called the “DPM’s and Firm Designated Examining Authority Fee.” Under such fee, the Exchange currently charges DPMs and TPHs for which the Exchange is the DEA \$0.50 per \$1,000 of gross revenue as reported on quarterly FOCUS reports filed by such TPHs (excluding commodity commission revenue). In addition, this fee is subject to a monthly minimum fee of \$1,000 per month for Clearing TPHs and \$275 for non-Clearing TPHs. The Exchange is proposing to increase this fee from \$.50 per \$1,000 of gross revenue to \$0.60 per \$1,000 of gross revenue. In addition, the Exchange is proposing to increase the monthly minimum fee for Clearing TPHs from \$1,000 to \$1,500 and the monthly minimum fee for non-Clearing TPHs from \$275 to \$400. New proposed text has been added to the “Regulatory Fees” section of the Fees Schedule to reflect this charge.

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<sup>3</sup> See Exchange Rule 2.20, which authorizes the Exchange, from time to time, to “fix the fee and charges payable by Trading Permit Holders.”

<sup>4</sup> See Exchange Rule 8.80, which defines a “Designated Primary Market-Maker” as a “TPH organization that is approved by the Exchange to function in allocated securities as a Market-Maker . . . and is subject to the obligations under Rule 8.85 . . . .”

The Exchange has determined that these changes are necessary to increase the revenue of the Exchange for the purpose of continuing to adequately fund its regulatory functions. Specifically, the Exchange is proposing to increase this fee in order to help more closely cover the costs of regulating these TPHs. The proposed modifications are reasonable as they have not been recently changed to reflect growing regulatory costs.<sup>5</sup> In addition, the Exchange believes the proposed changes to the Fees Schedule are equitably allocated to all TPHs in which the Exchange is the DEA as all will be charged equally based upon their gross revenue.

The proposed changes are to take effect on January 1, 2013.

## 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.<sup>6</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>7</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles

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<sup>5</sup> See Securities Exchange Act Release No. 34-50903 (December 21, 2004), 69 FR 78070 (December 29, 2004) (SR-CBOE-2004-084) (immediately effective rule increasing, among other things, the firm FOCUS Minimum Monthly Fee to \$275 for non-clearing members while maintaining a monthly minimum of \$1000 for clearing members). See also Securities Exchange Act Release No. 34-63701 (January 11, 2011), 76 FR 2934 (January 18, 2011) (SR-CBOE-2010-116) (immediately effective rule change to increase, among other things, the DPMs and Designated Examining Authority Fee to \$.50 per \$1,000 of gross revenue as reported on quarterly FOCUS reports filed).

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitation 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 Section 6(b)(4) of the Act,<sup>8</sup> which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

In particular, the proposed rule change is equitable and not unfairly discriminatory as it is allocated to all Exchange DPMs and TPHs for which the Exchange is the DEA equally based upon their gross revenue. In addition, the fee is reasonable as it is a slight increase to the current Exchange fee which has not recently been updated to reflect current regulatory costs.<sup>9</sup> The Exchange believes the proposed rule change will protect investors and the public interest by increasing the Exchange's regulatory revenue to allow the Exchange to more adequately perform its regulatory functions and, thus, also allow the Exchange to better prevent fraudulent and manipulative acts and practices.

Finally, the Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>10</sup> which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's TPHs and persons associated with its TPHs with the Act, the rules and

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<sup>8</sup> 15 U.S.C. 78f(b)(4).

<sup>9</sup> See supra note 5.

<sup>10</sup> 15 U.S.C. 78f(b)(1).

regulations thereunder, and the rules of the Exchange. The proposed rule change is designed to fund the Exchange's regulatory program, and, more specifically, to help more closely cover the costs of regulating Exchange DPMs and those TPHs for which the Exchange is the DEA. Thus, the proposed changes will help the Exchange to enforce compliance of its TPHs with the Act and Exchange rules.

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. In particular, the proposed rule change will serve to aid the Exchange in fulfilling its obligations as a Self-Regulatory Organization by further funding the Exchange regulatory program.

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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and paragraph (f) of Rule 19b-4<sup>12</sup> 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.

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f).

#### **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-2012-132 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-2012-132. 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, D.C. 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-2012-132 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

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