

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76024; File No. SR-CBOE-2015-080)

September 29, 2015

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

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that on September 25, 2015, 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 self-regulatory organization. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁴ and Rule 19b-4(f)(6)(iii) thereunder,⁵ which renders it effective upon filing with the Commission. 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 provide that certain quote cancel messages are subject to bandwidth limitations. 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.

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6)(iii).

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 self-regulatory organization 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 those 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 parts 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 is proposing to make an amendment to Rule 6.23B to state that certain quote messages are subject to bandwidth limitations and count towards the maximum number of quotes allowed per second(s). Specifically, quote cancel messages, a message type that is used by an originator of quotes to cancel quotes, will be subject to existing bandwidth limitations and counted towards the maximum number of quotes allowed per second(s) as described below.

By way of background, 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). Currently, for example, a Trading Permit Holder ("TPH") is limited to x quote messages ("blocks") per 1 second. Each block is limited to a maximum number of quotes. Additionally, there is a set maximum number of total quotes per 3 seconds. For example, if the Exchange limited each Trading Permit to 100 quotes per 1 block, 10 blocks per 1 second and a maximum of 200 quotes per 3 seconds, then a user cannot, for example, enter 11 blocks per 1 second. The Exchange will reject the entire block of quotes that puts the user over the threshold. If a user in the above example were to enter, 10 blocks comprised of 10 quotes (i.e., total of 100 quotes) in

the first second and 5 blocks comprised of 20 quotes (i.e., total of 100 quotes) in the following second, then the user would not be able to enter any more blocks (and therefore quotes) in the third second, as the user would exceed the 200 quotes per 3 second threshold. To date, quote cancel messages have not been counted towards the maximum number of messages per second(s). The Exchange believes however, that the volume of quote cancel requests by series messages in addition to quotes, can potentially threaten the Exchange's systems capacity. As such, the Exchange proposes to include these messages as part of the maximum number of quotes allowed per second(s), so as not to overburden the Exchange's system. Accordingly, a "block" may be comprised of either a maximum number of quotes or quote cancels messages (for requests by series⁶) and the maximum number of blocks per second allowed may be comprised of quote blocks, quote cancel message blocks or both quote and quote cancel message blocks. Also, the maximum number of total quotes per 3 seconds may now be comprised of quotes, quote cancel messages, or a combination of both. The Exchange will reject any block of messages that put a user over the bandwidth thresholds.

The Exchange established bandwidth allowances for the purpose of protecting its systems and ensuring its systems were capable of handling all its message traffic. The Exchange believes that subjecting quote cancel messages (by series) to bandwidth allowance will help achieve this objective. The Exchange notes however, that requests to cancel by class or by session will not count towards the bandwidth limitation. Because the ability to cancel all quotes in a class is an

⁶ For example, under the proposed rule change, if a TPH were to send a quote cancel message for a quote in the XYZ 75 Dec 2015 Call and the XYZ 85 Dec 2015 Call (i.e. each a different series of XYZ class), a TPH could send a block identifying each series and would count towards the bandwidth limitations as two quote messages and one block message.

important risk control for TPHs, the Exchange does not wish to count requests to cancel quotes for an entire class towards the maximum bandwidth allowance.

The Exchange will announce the implementation date of the proposed rule change in an Information Circular to be published no later than 90 days following the effective date of this rule filing. The implementation date will be no later than 180 days following the effective date of this rule filing.

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.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ 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)⁹ 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 imposing a bandwidth limitation on quote cancel messages protects its systems and ensures its systems are capable of handling its message traffic,

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ Id.

thus removing impediments to and perfecting the mechanism of a free and open market and a national market system, as well protecting investors and the public interest. As noted above, quote cancel request messages in addition to quotes, can result in message traffic that can be burdensome to the Exchange's systems. In addition, the proposed rule change does not discriminate unfairly between market participants because this will be applied equally to all TPHs that may quote (i.e., Market-Makers).

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

CBOE does not believe that imposing a bandwidth limitation on quote cancel messages for a series or group of series 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 imposing a bandwidth limitation on quote cancel messages will place any burden on intramarket competition because this will be applied to equally to all relevant TPHs (i.e., Market-Makers), in that all Market-Makers will be limited (in terms of bandwidth capacity) in the number of quote cancel and quote messages that they can send to the Exchange. Additionally, as noted above, the proposed rule change allows the Exchange to better protect its systems and ensures its systems are capable of handling all its message traffic. The Exchange does not believe that imposing a bandwidth limitation on quote cancel messages will place any burden on intermarket competition because this only applies to the sending of quote cancel messages to CBOE. To the extent the proposed rule change 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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.¹⁰ The proposed rule change effects a change that does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 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; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter times as designated by the Commission.¹¹

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: (1) necessary or appropriate in the public interest; (2) for the protection of investors, or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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

¹⁰ In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹¹ The Exchange has fulfilled this requirement.

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-2015-080 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-2015-080. 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 20549-1090, 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 NYSE's principal office and on its Internet website at www.nyse.com. 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-2015-080 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.¹²

Robert W. Errett
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).