

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-53537; File No. SR-CBOE-2006-15)

March 21, 2006

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto to Reflect Committee Revisions

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 6, 2006, the Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. On March 13, 2006, the CBOE filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The CBOE has designated the proposed rule change as concerned solely with the administration of the Exchange under Section 19(b)(3)(A)(iii) of the Act,<sup>4</sup> and Rule 19b-4(f)(3) thereunder,<sup>5</sup> which renders the proposal effective upon filing with the Commission.<sup>6</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

---

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

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

<sup>3</sup> Amendment No. 1 replaces the original filing in its entirety. In Amendment No. 1, the Exchange: (i) revised the rule text to reflect revisions that had become effective through separate, unrelated rule change filings and to correct typographical errors; and (ii) made certain clarifications in the text of CBOE Rule 4.11, Interpretation and Policy .05(b) regarding the Exchange’s procedures in the event that a Market-Maker’s position limit exemption request is denied and in the event that the Exchange subsequently reviews a position limit exemption request that it had granted.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>5</sup> 17 CFR 240.19b-4(f)(3).

<sup>6</sup> For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under Section 19(b)(3)(C) of

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

The Exchange proposes to amend its rules to delete or modify specific references to certain committees that have been eliminated and to modify specific references to other committees whose titles or authorities have changed. All references that currently relate to committees that are being eliminated will be replaced with terms such as the "appropriate Exchange committee" or the "Exchange." All references to committees that have changed titles or authorities will be amended accordingly. The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com>), 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.

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, as amended, is to delete from the CBOE Rules any specific references to the Clearing Procedures Committee, Exemption Committee, Modified Trading System Appointments ("MTS") Committee, appropriate Screen-Based Trading ("SBT")

---

the Act, the Commission considers the period to commence on March 13, 2006, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

Trading Committee, appropriate SBT DPM Appointments Committee, and Special Product Assignment Committee. The Exchange is proposing to make these changes at this time because it recently determined to eliminate these committees and reassign their respective authorities to other committees and/or to Exchange staff.<sup>7</sup> The Exchange is also deleting all references to the Allocation Committee in the CBOE Rules in order to simplify the rule text and avoid confusion over the division of authorities among that committee and other appropriate Exchange committees that are assuming the authorities of the former Special Product Assignment Committee. In addition, a reference to the Securities Committee in CBOE Rule 6.41 is being deleted to avoid confusion, because this committee is a committee of the Options Clearing Corporation and not of the Exchange. References to the “appropriate Floor Procedure Committee,” the “appropriate FPC” and the like are also being amended to say the “appropriate Procedure Committee” to reflect a change in the names of those committees.<sup>8</sup>

The Exchange also proposes to make certain clarifications in the text of CBOE Rule 4.11, Interpretation and Policy .05(b) regarding the procedures following denial of a Market-Maker’s position limit exemption request and subsequent Exchange review of a granted position limit exemption request.<sup>9</sup>

---

<sup>7</sup> For example, the authorities of the former MTS Committee have been reassigned to the Allocation Committee and the appropriate Market Performance Committees. There were also other committees that the Exchange eliminated for which there are no specific references in the CBOE rules that need to be updated. For example, the Market Fee Oversight Committee was eliminated and its specific authorities have been reassigned to the appropriate Market Performance Committees.

<sup>8</sup> Specifically, the Exchange has changed the titles of its Floor Procedure Committees to simply “Procedure Committees” (e.g., the Equity Floor Procedure Committee is now the Equity Option Procedure Committee and the Index Floor Procedure Committee is now the Index Option Procedure Committee).

<sup>9</sup> With respect to an initial request, ordinarily a first exemption request application will be considered without the presence of the Market-Maker. If a Market-Maker’s first

Finally, various miscellaneous changes to the rule text to accommodate the above-described changes are also being made.

In trying to accommodate the reassignments, the Exchange believes a better approach than making a specific reference to a committee is to make reference to the “appropriate Exchange committee” in the instances where the reassignment is to another committee and to the “Exchange” in instances where the reassignment is to Exchange staff and/or a committee. In this way, the Exchange will have the flexibility to delegate the authorities under the rules to the appropriate committee (or appropriate Exchange staff) and will not have to make a rule change merely, for instance, to accommodate a future change in the title of a committee or to accommodate the reassignment of an authority to another committee. As the authority exercised

---

application request for an exemption is denied and he wishes to reapply, he may make a brief personal appearance before the Exchange. The proposed rule change deletes language that had limited a Market-Maker’s appearance to presenting only those issues not previously considered as part of the first application. Under the proposed rule change, no such restriction will apply. With respect to review of a granted request, which may be revoked or modified by the Exchange, the proposed rule change clarifies that such reviews may be considered by the Exchange without the presence of the Market-Maker that originally received the exemption. The proposed rule change also clarifies that, if a granted exemption that is reviewed by the Exchange without the presence of a Market-Maker is revoked or modified and the Market-Maker wishes to reapply for the exemption or a modified exemption, the Market-Maker may make a brief scheduled personal appearance before the Exchange. The Exchange notes that CBOE Rule 4.11, Interpretation and Policy .05 applies only to Market-Makers seeking an exemption to the standard position limits in all options traded on the Exchange for the purpose of assuring that there is sufficient depth and liquidity in the marketplace, and not to confer a right upon the Market-Maker applying for an exemption. As such and in light of the procedural safeguards described herein, as well as other procedural safeguards set out in Rule 4.11, Interpretation and Policy .05, the purpose of the exemption process, and the prohibition against the granting of retroactive exemptions, decisions granting or denying exemptions are not subject to review under Chapter XIX of the Exchange Rules regarding Hearings and Review.

by committees (and by Exchange staff) is delegated pursuant to Exchange rules, the Exchange believes that the title of the committees exercising their authority should not be relevant.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act<sup>10</sup> which requires, among other things, that the rules of the Exchange be designed to promote just and equitable principles of trade, foster cooperation among persons engaged in facilitating securities transactions, and protect investors and the public interest. The CBOE believes that this proposal complies with the Act because the CBOE is amending its rules to update and/or generalize certain committee references to facilitate compliance.

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

The 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.

### 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 proposal.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has designated this proposal as concerned solely with the administration of the Exchange under Section 19(b)(3)(A)(iii) of the Act,<sup>11</sup> and Rule 19b-4(f)(3) thereunder,<sup>12</sup> which renders the proposal effective upon filing with the Commission.

At any time within 60 days of the filing of the proposed rule change, as amended, the Commission may summarily abrogate such rule change if it appears to the Commission that such

---

<sup>10</sup> 15 U.S.C. 78f(b)(5).

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

<sup>12</sup> 17 CFR 240.19b-4(f)(3).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.<sup>13</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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-2006-15 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 No. SR-CBOE-2006-15. 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 the

---

<sup>13</sup> See supra note 6.

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 No. SR-CBOE-2006-15 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

Nancy M. Morris  
Secretary

---

<sup>14</sup> 17 CFR 200.30-3(a)(12).