

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54184; File No. SR-CBOE-2006-66)

July 20, 2006

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Regarding Market-Maker Appointments

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 July 11, 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. 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

CBOE proposes to amend CBOE Rule 8.3 relating to Market-Maker appointments.

The text of the proposed rule change is available on the Exchange’s Web site

(<http://www.cboe.com>), at the CBOE’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 those statements may be examined at the places

¹ 15 U.S.C. 78s(b)(1).

² 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 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 proposes to amend CBOE Rule 8.3 with respect to Market-Maker appointments. Currently, pursuant to CBOE Rule 8.1, a Market-Maker is by definition an individual (either a member or nominee of a member organization) who is registered with the Exchange for the purpose of making transactions as a dealer-specialist on the Exchange.³ Under CBOE Rule 8.3, an individual Market-Maker's appointment(s) are in the name of the Market-Maker even if the Market-Maker is a nominee of a member organization or has registered the Market-Maker's membership for a member organization.

CBOE proposes to amend CBOE Rule 8.3 to provide that in the event a Market-Maker is a nominee of a member organization or has registered the Market-Maker's membership for a member organization, the member organization with which the Market-Maker is associated would be permitted to request that the Exchange deem all class appointments be made to the member organization instead of to the individual Market-Maker. In such a case, if an individual Market-Maker were no longer associated with a member organization, the class appointments would continue to be held by the member organization and not the individual Market-Maker. A member organization, however, would not be required to make such a request. In the event a member organization did not request that the class appointments be held by the member organization, a Market-Maker's class

³ An RMM, on the other hand, can be either an individual member or a member organization. See CBOE Rule 8.4(a).

appointments would continue to be held in the name of the individual Market-Maker and not the member organization with which the Market-Maker is associated.

Additionally, CBOE proposes to amend CBOE Rule 8.3 to provide that if such a request is made by a member organization, CBOE would consider that the submission of electronic quotations and orders would be made by and on behalf of the member organization with which the individual Market-Maker is associated. However, CBOE Rule 8.3, as proposed to be amended, states that the individual Market-Maker would continue to have all of the obligations of a Market-Maker under Exchange rules in these circumstances.

Finally, CBOE proposes to replace various references to “appropriate Market Performance Committee” with the “Exchange” in CBOE Rule 8.3. Certain of these changes make the rule consistent with current practice and procedures. Additionally, CBOE would be permitted to continue to delegate to the appropriate Market Performance Committee various duties and responsibilities.

2. Statutory Basis

CBOE believes the proposed rule change is consistent with the Act⁴ and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.⁵ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁶ requirements that the rules of an exchange be designed to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

⁴ 15 U.S.C. 78a *et seq.*

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which CBOE consents, the Commission will:

- (A) By order approve such proposed rule change, or
- (B) Institute proceedings to determine whether the proposed rule change should be 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 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-2006-66 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-2006-66. 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 CBOE. 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-2006-66 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.⁷

Nancy M. Morris
Secretary

⁷ 17 CFR 200.30-3(a)(12).