

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-54379; File No. SR-CBOE-2006-66)

August 28, 2006

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order  
Approving a Proposed Rule Change Regarding Market-Maker Appointments

On July 11, 2006, 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 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change 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.<sup>3</sup> 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. In the event a member organization did not request that the class appointments be held by the member organization, a Market-Maker’s class 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. The

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

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

<sup>3</sup> 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 proposes that CBOE Rule 8.3 would state that the individual Market-Maker would continue to have all of the obligations of a Market-Maker under Exchange rules in these circumstances.

proposed rule change was published for comment in the Federal Register on July 27, 2006.<sup>4</sup> The Commission received no comments on the proposal.

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<sup>5</sup> and, in particular, the requirements of Section 6 of the Act<sup>6</sup> and the rules and regulations thereunder. The Commission specifically finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>7</sup> in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission believes that the proposal should provide more flexibility to Market-Maker organizations in structuring class appointments.

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<sup>4</sup> See Securities Exchange Act Release No. 54184 (July 20, 2006), 71 FR 42690.

<sup>5</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

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

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-CBOE-2006-66) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Nancy M. Morris  
Secretary

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<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12).