

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55814; File No. SR-CBOE-2007-27)

May 25, 2007

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change and Amendment No. 1 Thereto Relating to Class Quoting Limits

I. Introduction

On March 5, 2007, 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”)¹ and Rule 19b-4 thereunder,² a proposed rule change to provide for termination of a Market-Maker or Remote Market-Maker (“RMM”) appointment in an option class traded on Hybrid if the Market-Maker or RMM has not submitted any electronic quotations in that option class during the preceding 30 days. The Exchange submitted Amendment No. 1 to the proposed rule change on April 18, 2007. The proposed rule change, as amended, was published for comment in the Federal Register on April 25, 2007.³ The Commission received no comments on the proposal. This order approves the proposal, as amended.

II. Description of the Proposal

CBOE Rule 8.3A establishes the upper limit, *i.e.*, Class Quoting Limit (“CQL”), on the number of members that may quote electronically in a particular product traded on CBOE’s Hybrid Trading System and Hybrid 2.0 Platform (collectively “Hybrid”).⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 55644 (April 19, 2007), 72 FR 20570.

⁴ See Securities Exchange Act Release No. 51429 (March 24, 2005), 70 FR 16536 (March 31, 2005) (approving SR-CBOE-2005-58).

The purpose of this rule change is to amend CBOE Rule 8.3A to adopt an interpretation which is applicable only in those option classes traded on Hybrid in which the CQL for the option class is full and there is a waiting list of member(s) requesting the ability to quote electronically in the option class. Specifically, in the event a Market-Maker or RMM who holds an appointment in an option class traded on Hybrid has not submitted any electronic quotations in that option class during the preceding 30 days (calculated on a rolling basis), then the Market-Maker or RMM's appointment in that option class will be terminated effective immediately. CBOE will notify the Market-Maker or RMM prior to terminating its appointment, and the rule provides that CBOE can make exceptions to this Interpretation and Policy in unusual circumstances.

The Market-Maker or RMM can subsequently request an appointment in the option class. If there is a wait-list of members requesting the ability to quote electronically, then the Market-Maker or RMM will be placed on the wait-list for the option class. CBOE intends to implement the proposal upon approval by the Commission.

III. Discussion

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange⁵ and, in particular, the requirements of Section 6 of the Act.⁶ Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,⁷ in that the proposal has been designed to promote just and

⁵ The Commission has considered the amended proposed rule change's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(5).

equitable principles of trade, and to protect investors and the public interest. The Commission believes that the proposal should enhance liquidity by helping to ensure that members who might be willing to provide competitive quotations and liquidity in an option class are given an opportunity to do so.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-CBOE-2007-27), as modified by Amendment No. 1, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Florence E. Harmon
Deputy Secretary

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).