

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-61274; File No. SR-CBOE-2009-089)

January 4, 2010

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order  
Approving a Proposed Rule Change Related to Stock-Option Orders

I. Introduction

On November 18, 2009, the Chicago Board Options Exchange, Incorporated (“CBOE” or the “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 6.53C, Commentary .06(d) to modify the handling of market stock-option orders that cannot be filled in whole or in a permissible ratio at the conclusion of a complex order RFR auction (“COA”). The proposed rule change was published for comment in the Federal Register on December 4, 2009.<sup>3</sup> The Commission received no comments regarding the proposal. This order approves the proposed rule change.

II. Description of the Proposal

Under the CBOE’s rules, eligible complex orders, including stock-option orders, may be subject to an automated COA process where the eligible order is exposed for possible price improvement.<sup>4</sup> Currently, if a complex order cannot be filled in whole or in a permissible ratio at the conclusion of COA, the order, or any remaining balance, will route to the CBOE’s Complex Order Book or to PAR for manual handling.<sup>5</sup>

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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> See Securities Exchange Act Release No. 61068 (November 27, 2009), 74 FR 63807 (“Notice”).

<sup>4</sup> See CBOE Rule 6.53C(d).

<sup>5</sup> See CBOE Rule 6.53C(d)(vi).

The Exchange proposes to revise CBOE Rule 6.53C, Interpretation and Policy .06(d), to modify the operation of the COA with respect to market stock-option orders, including market stock-option orders with more than one option leg, that cannot be executed in whole or in a permissible ratio at the conclusion of a COA. Specifically, the CBOE proposes to allow the Exchange to determine, on a class-by-class basis, to route the remaining balance of the option leg(s) of such an order to CBOE's Hybrid System for processing as a simple market order(s), consistent with CBOE's order execution rules, and to route the remaining balance of the stock leg of such an order to the CBOE Stock Exchange ("CBSX"), CBOE's stock facility, for processing as a market order, consistent with CBSX's order execution rules.<sup>6</sup> The CBOE will announce to members via Regulatory Circular any determination regarding the routing of market stock-option orders pursuant to the rule.<sup>7</sup>

### III. Discussion and Commission Findings

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>8</sup> In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>9</sup> which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, 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. The Commission believes that the proposal could help facilitate the execution of market stock-option orders, including market stock-option orders with more

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<sup>6</sup> See CBOE Rule 6.53C, Interpretation and Policy .06(d), and Notice, supra note 3.

<sup>7</sup> See Notice, supra note 3, at note 4.

<sup>8</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

than one option leg, that are not filled in whole or in a permissible ratio at the conclusion of a COA. The Commission notes that the proposed rule applies solely to market stock-option orders. The Commission notes, further, that if the remaining balance of the option leg(s) and the stock leg of the market stock-option order are routed to the CBOE's Hybrid system and to CBSX, respectively, as provided in the proposed rule, the execution of the option leg(s) of the order on the CBOE's Hybrid system and the execution of the stock leg of the order on CBSX will be consistent with the order execution rules of CBOE and CBSX, respectively.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-CBOE-2009-089), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).