

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63763; File No. SR-CBOE-2011-005)

January 25, 2011

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Short Sell Order Handling

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 14, 2011, the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Exchange has designated the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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

The Exchange is proposing to amend CBOE Stock Exchange, LLC’s (“CBSX,” the CBOE’s stock trading facility) rules to describe the manner in which the CBSX System⁵ will

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ The “CBSX System” means the electronic system which performs the functions set out in the CBSX rules including controlling, monitoring, and recording trading by CBSX Traders through CBSX Workstations and trading between CBSX Traders. USeeU Rule 50.1(a). A “CBSX Trader” means an individual who or organization which has the right to trade on CBSX. USeeU Rules 50.1(f) and 50.3. A “CBSX Workstation” means a computer connected to CBSX for the purposes of trading

handle short sell orders for openings and reopenings in relation to Rule 201 of Regulation SHO.⁶ The text of the proposed rule change is available on the Exchange's website (www.cboe.org/Legal), at the Exchange's Office of the Secretary and at the Commission.

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 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

Rule 201 of Regulation SHO under the Act⁷ sets forth a short sale-related circuit breaker that, if triggered, will impose a restriction on the prices at which NMS stocks⁸ may be sold short. In anticipation of the upcoming February 28, 2011 compliance date for Rule

pursuant to the CBSX rules. USeeU Rule 50.1(d).

⁶ 17 CFR 242.201. USeeU Securities Exchange Act Release Nos. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010) and 63247 (November 4, 2010), 75 FR 68702 (November 9, 2010). In connection with the adoption of Rule 201, Rule 200(g) of Regulation SHO, 17 CFR 242.200(g), was amended to include a "short exempt" marking requirement. The amendments to Rule 201 and Rule 200(g) have a compliance date of February 28, 2011.

⁷ UIdU.

⁸ 17 CFR 242.201(a)(1).

201,⁹ the Exchange is proposing to amend CBSX’s rules to describe the manner in which the CBSX System will handle short sell orders during opening rotations when a circuit breaker is triggered under Rule 201 of Regulation SHO.¹⁰

In particular, the Exchange is proposing to amend Interpretation and Policy .02 to its Rule 51.8, Types of Orders Handled, to provide that, if a short sale-related circuit breaker is triggered under Regulation SHO, orders marked “short” that are received by the CBSX System after the time a circuit breaker is triggered but prior to the opening of trading or reopening of trading following a halt, suspension or pause in the NMS stock will be cancelled/rejected.¹¹ Consistent with the existing text of the rule and a proposed clarifying amendment to that text, (1) short sell orders that are resting in the CBSX Book¹² at the time a circuit breaker is triggered will be permitted to continue resting and/or execute,¹³ and (2) short sell orders that are received by the CBSX System after the time a circuit breaker is triggered and while the NMS stock is open for trading on CBSX that are (A) priced above the

⁹ USeeU Securities Exchange Act Release No. 63247, note 6, U^{supra}U, which extended the compliance date for Rule 201, 17 CFR 242.201 and Rule 200(g), 17 CFR 242.200(g), from November 10, 2010 to February 28, 2011.

¹⁰ Opening and reopening rotations are conducted pursuant to Rule 52.2, U^{Opening Procedures}U. Rule 52.2 provides that the CBSX System shall automatically open each security at the price that provides the highest matched quantity of order volume. Subsequent to any such opening prints, or immediately if there are no pre-opening orders in a security, the CBSX System shall disseminate regular quotations.

¹¹ USeeU proposed paragraph (a)(3) of Rule 51.8.02.

¹² The “CBSX Book” means all unexecuted orders currently held by the CBSX System. USeeU Rule 50.1(c).

¹³ Short sell orders that are resting in the CBSX Book at the time a circuit breaker is triggered by definition are priced above the National Best Bid at the time of initial display and therefore will be permitted to continue resting and/or execute intra-day and during any opening/reopening rotations that occur while a circuit breaker is in effect. 17 CFR 242.201(b)(1).

National Best Bid will be permitted to rest and/or execute or (B) priced at or below the National Best Bid will be rejected/cancelled.¹⁴

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,¹⁵ in general, and, in particular, furthers the objectives of Section 6(b)(5) of the Act,¹⁶ which requires that an exchange have rules that are designed to promote just and equitable principles of trade and, in general, to protect investors and the public interest. In particular, the Exchange believes the proposed change will provide clarity on the short sell order handling procedures that the CBSX System will apply for openings and reopenings when a short sale-related circuit breaker is triggered under Rule 201 of Regulation SHO.

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

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

Because the foregoing rule does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become

¹⁴ USeeU existing paragraphs (a)(1) through (2) of Rule 51.8.02 and proposed changes to clarify that subparagraph (2) (which is also numbered as item (2) in the description above) applies to short sale orders received Uwhile the NMS stock is open for trading on CBSXU.

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷ and Rule 19b-4(f)(6) thereunder.¹⁸

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2011-005 on the subject line.

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f)(6).

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2011-005. 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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. 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-2011-005 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Elizabeth M. Murphy
Secretary

¹⁹ 17 CFR 200.30-3(a)(12).