

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67827; File No. SR-CBOE-2012-085)

September 11, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Complex Order Auctions

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 August 30, 2012, Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) 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

The Exchange proposed to amend its Rules regarding complex order auctions. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’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 these 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 aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On a class-by-class basis, the Exchange may activate the electronic complex order request for responses (“RFR”) auction (“COA”), which is a process by which eligible complex orders³ are given an opportunity for price improvement before being routed to the electronic complex order book (“COB”) or once on a PAR workstation. Rule 6.53C(d) provides that prior to routing a complex order to the COB or once on PAR, eligible complex orders may be subject to a COA. On receipt of a COA-eligible order and request from the Trading Permit Holder representing the order that it be COA’d, the Exchange will send an RFR message to all Trading Permit Holders who have elected to receive RFR messages.⁴ The RFR message identifies the component series, the size of the COA-eligible order and any contingencies, but not the side of the market. Eligible Trading Permit Holders may then submit responses to the RFR message (“RFR Responses”) during the Response Time Interval.⁵

³ An eligible complex order, referred to in Rule 6.53C as a “COA-eligible order,” means a complex order that, as determined by the Exchange on a class-by-class basis, is eligible for a COA considering the order’s marketability (defined as a number of ticks away from the current market), size, complex order type, and complex order origin type (i.e. non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange). All determinations by the Exchange on COA-eligible order parameters are announced to Trading Permit Holders by Regulatory Circular. See Rule 6.53C(d)(i)(2) and Interpretation and Policy .01 to Rule 6.53C.

⁴ See Rule 6.53C(d)(ii).

⁵ Each Market-Maker with an appointment in the relevant option class, and each Trading Permit Holder acting as agent for orders resting at the top of the COB in the relevant option series, may submit responses to the RFR message. Alternatively, the Exchange may determine on a class-by-class basis to permit COA responses by all Trading Permit Holders. See Rule 6.53C(d)(iii). A “Response Time Interval” means the period of time during which RFR Responses may be entered, the length of which is determined by the Exchange on a class-by-class basis but may not exceed three seconds. See Rule 6.53C(d)(iii)(2). RFR Response sizes will be limited to the size of the COA-eligible

Responders to the auction, not knowing the side of the COA order, may send RFR Responses on both sides of the market. The CBOE Hybrid System (the “System”)⁶ only considers RFR Responses on the opposite side of the COA order. RFR Responses that are on the same side as the COA order cannot trade with it and thus are unnecessary, and as a result, the System automatically rejects these RFR Responses.

The Exchange proposes to amend its rules to provide that the RFR message will identify the side of the market of the COA-eligible order and to clarify that RFR Responses must be on the opposite side of the market of the COA order. Identification of the side of the market of the COA order in the RFR message will eliminate the entry of unnecessary RFR Responses on the same side of the market of the COA order that the System automatically rejects. The Exchange believes that the proposed rule change will therefore improve the efficiency of the COA process by eliminating excess RFR Responses that can never actually trade with the COA order. The Exchange believes that providing this additional information to Trading Permit Holders in the RFR message could result in more meaningful and effective RFR Responses. RFR Responses that exist at the end of the Response Time Interval with respect to COA-eligible orders will still

order for allocation purposes and may be expressed on a net price basis in a multiple of the minimum increment or in a smaller increment that may not be less than \$0.01, as determined by the Exchange on a class-by-class basis. RFR responses are not visible other than by the COA system. See Rule 6.53C(d)(iii)(1). Rule 6.53C(d)(iv) through (viii) describes the processing, execution, and routing of COA-eligible orders, firm quote requirements for COA-eligible orders, and handling of unrelated complex orders.

⁶ The System is a trading platform that allows automatic executions to occur electronically and open outcry trades to occur on the floor of the Exchange. To operate in this “hybrid” environment, the Exchange has a dynamic order handling system that has the capability to route orders to the trade engine for automatic execution and book entry, to Trading Permit Holder and PAR Official workstations located in the trading crowds for manual handling, and/or to other order management terminals generally located in booths on the trading floor for manual handling. Where an order is routed for processing by the Exchange order handling system depends on various parameters configured by the Exchange and the order entry firm itself.

be firm. The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 90 days following the effective date. The implementation date will be no later than 180 days following the effective date.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

In particular, the Exchange believes the proposed rule change protects investors and is in the public interest because it will eliminate the submission of unnecessary RFR Responses on the same side of the market as a COA order (which the System rejects because they cannot trade with the COA order), which will ultimately make the COA process more efficient. The Exchange believes this added efficiency could lead to more meaningful and competitive price RFR Responses, which responses may result in better prices for customers.

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.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

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 proposed rule change.

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

Within 45 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 the self-regulatory organization consents, the Commission will:

A. by order approve or disapprove 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-2012-085 on the subject line.

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-2012-085. 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 website (<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 website 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 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. 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-2012-085 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.⁹

Kevin M. O'Neill
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).