

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72230; File No. SR-CBOE-2014-029)

May 22, 2014

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order
Approving a Proposed Rule Change to Enhance the Exchange's Audit Trail

I. Introduction

On March 27, 2014, the Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to enhance the Exchange's audit trail. The proposed rule change was published for comment in the Federal Register on April 9, 2014.³ The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to require Floor Brokers⁴ and PAR Officials⁵ to electronically capture, by pressing a "Represent Button" on their trading device, the time at which they initially verbally present orders in the Exchange's trading crowd.⁶ The Represent Button will be located on PAR workstations and other Exchange-approved devices used by Floor Brokers.⁷

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 71859 (April 3, 2014), 79 FR 19697 ("Notice").

⁴ See CBOE Rule 6.70 defining a Floor Broker.

⁵ See CBOE Rule 7.12(a) defining a PAR Official.

⁶ See Notice, supra note 3, at 19697.

⁷ See id.

According to the Exchange, CBOE Trading Permit Holders may use Exchange-approved devices to systematize⁸ orders on the floor, but the Exchange does not currently require Floor Brokers and PAR Officials to electronically capture the time when orders are represented in the trading crowd on these devices.⁹ The Exchange states that the procedure Floor Brokers and PAR Officials currently follow to represent orders and consummate trades on the Exchange's trading floor will not change aside from the added step of capturing the time an order is initially represented in the trading crowd by pushing the Represent Button.¹⁰ The Exchange also represents that any new floor based order management device will be required to have the Represent Button functionality before CBOE will approve it to be used on the Exchange trading floor if it will be used to represent orders on an agency basis.¹¹ The Exchange believes that capturing the time when orders are represented on the Exchange's trading floor will help the Exchange develop and implement surveillances concerning the Exchange's rules, including, but not limited to, due diligence requirements of Floor Brokers and Exchange priority rules.¹²

The Exchange proposes to announce the implementation date of the proposed rule change within 30 days following approval by the Commission and has represented to the Commission that all devices currently used to represent orders in the trading crowd by Floor Brokers and PAR Officials will have the Represent Button functionality by the time of implementation.¹³

⁸ See id. at n. 4 (citing CBOE Rule 6.24).

⁹ See id. at 19698.

¹⁰ See id.

¹¹ See id. at n. 5.

¹² See id. at 19698.

¹³ See id.

III. Discussion and Commission Findings

After careful review, 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.¹⁴ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁵ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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.

As described above, the Exchange proposes to require that Floor Brokers and PAR Officials press the Represent Button to capture electronically the time at which they initially represent an order to the Exchange's trading crowd. The Commission notes that the Exchange has represented that, aside from this additional requirement, open out-cry trading will generally continue to operate as it currently does once this proposed rule change is implemented.¹⁶ The Represent Button will be added to devices already used by Floor Brokers and PAR Officials on the Exchange floor and represents an additional discrete functionality to capture the time that an order is represented. The Exchange also represents that this new requirement will apply equally to all participants that handle agency orders in the trading crowd.¹⁷ The Commission believes that the proposed rule change represents an incremental enhancement to CBOE's audit trail and

¹⁴ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See Notice, supra note 3, at 19698.

¹⁷ See id.

should help facilitate CBOE's ability to monitor activity on its trading floor and assess compliance with its rules.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁸ that the proposed rule change (SR-CBOE-2014-029) is approved.

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

Kevin M. O'Neill
Deputy Secretary

¹⁸ 15 U.S.C. 78s(b)(2).

¹⁹ 17 CFR 200.30-3(a)(12).