

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74169; File No. SR-CBOE-2015-011)

January 29, 2015

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change to Amend Exchange Rules Related to Order Tickets

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 23, 2015, Chicago Board Options Exchange, Incorporated (the “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 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 proposes to amend its rules related to order tickets. The text of the proposed rule change is provided below.

(additions are in italics; deletions are [bracketed])

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**Chicago Board Options Exchange, Incorporated
Rules**

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Rule 6.53. Certain Types of Orders Defined

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. . . Interpretations and Policies:

.01 No change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

.02 Complex orders of twelve (12) legs or less (one leg of which may be for an underlying security or security future, as applicable) must be entered on a single order ticket at time of systemization. If permitted by the Exchange (which the Exchange will announce by Regulatory Circular), complex orders of more than twelve (12) legs (one leg of which may be for an underlying security or security future, as applicable) may be split across multiple order tickets, if the Trading Permit Holder representing the complex order includes twelve (12) legs on one of the order tickets and identifies for the Exchange the order tickets that are part of the same complex order (in a form and manner prescribed by the Exchange).

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Rule 24.20. SPX Combo Orders

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. . . Interpretations and Policies:

.01 An SPX Combo Order for twelve (12) legs or less must be entered on a single order ticket at time of systemization. If permitted by the Exchange (which the Exchange will announce by Regulatory Circular), an SPX Combo Order for more than twelve (12) legs may be represented or executed as a single SPX Combo Order in accordance with this Rule 24.20 if it is split across multiple order tickets and the Trading Permit Holder representing the SPX Combo Order includes twelve (12) legs on one of the order tickets and identifies for the Exchange the order tickets that are part of the same SPX Combo Order (in a manner and form prescribed by the Exchange).

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The text of the proposed rule change is also 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.

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

1. Purpose

The Exchange proposes to set forth order ticket requirements applicable to complex orders in open outcry pursuant to Rule 6.53, as well as SPX Combo Orders³ pursuant to Rule 24.20.

Background

On May 19, 2014, the Exchange submitted a rule change filing (SR-CBOE-2014-046), which became effective on that date, to amend Rule 24.20, "SPX Combo Orders". Rule 24.20, as amended, states: "For an order to be eligible for the trading procedures contained in this Rule, a Trading Permit Holder must apply an indicator to the SPX Combo Order upon systematization as provided in Rule 6.24."⁴ Once the Exchange implements the combo indicator requirement, TPHs will be required to apply the combo indicator upon systematization. Orders that include the combo indicator but do not meet the requirements of an SPX Combo Order (i.e., orders must be at least three legs and include an SPX combination⁵) will be rejected. Additionally, the Public Automatic Routing System ("PAR") will no longer allow an order to be endorsed as an SPX Combo Order and reported to OPRA as such.⁶

³ An "SPX Combo Order" consists of an order to purchase or sell one or more SPX option series and the offsetting number of SPX combinations defined by the delta, where an "SPX combination" is a purchase (sale) of an SPX call and sale (purchase) of an SPX put having the same expiration date and strike price and a "delta" is the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with one or more SPX option series.

⁴ Securities Exchange Act Release No. 34-72271 (May 29, 2014), 79 FR 32342 (June 4, 2014) (SR-CBOE-2014-046).

⁵ SR-CBOE-2014-046 defines an SPX combination as a purchase (sale) of an SPX call and sale (purchase) of an SPX put having the same expiration date and strike price.

⁶ See supra, note 2. Currently, brokers must apply an SPX Combo Order designation for

On August 19, 2014, the Exchange submitted a separate rule change filing (SR-CBOE-2014-015) to amend, among other things, Rule 24.20 to include Interpretation and Policy .01.⁷ Proposed Interpretation and Policy .01 was proposed to require that any complex order in open outcry, including an SPX Combo Order, for twelve (12) legs or less be entered on a single order ticket at time of systemization. In addition, a complex order, including an SPX Combo Order, that contains more than twelve (12) legs may be represented and executed as a single order, and for an SPX Combo Order in accordance with Rule 24.20 if it is split across multiple order tickets and the TPH representing the order identifies for the Exchange the order tickets that are part of the same order (in a manner and form prescribed by the Exchange).

Pursuant to rule change filing SR-CBOE-2014-046, the Exchange issued a Regulatory Circular requiring Trading Permit Holders (“TPHs”) to begin applying the combo indicator upon systematization on November 1, 2014.⁸ The implementation date was subsequently delayed until February 27, 2015⁹ in order to coincide with the implementation date of the order ticket requirements in SR-CBOE-2014-015.¹⁰

the purposes of price reporting. This is accomplished by endorsing a trade via PAR; however the system changes that allow a combo indicator to be applied upon systematization will remove the capability to endorse an order as an SPX Combo Order on PAR. Id.

⁷ Securities Exchange Act Release No. 34-72975 (September 2, 2014) (“Notice”), 79 FR 53230 (September 8, 2014) (SR-CBOE-2014-015). SR-CBOE-2014-015 was withdrawn by the Exchange on November 21, 2014, in order to bifurcate the filing into two separate filings. The first filing is represented by this proposed rule change regarding the single order ticket requirements. The second filing will, among other things, include amendments to the complex order definitions.

⁸ CBOE Regulatory Circular RG14-125 – Implementation of SPX Combo Order Indicator (August 15, 2014).

⁹ See CBOE Regulatory Circular RG14-153 – Delayed Implementation of SPX Combo Order Indicator (October 31, 2014).

¹⁰ See Securities Exchange Act Release No. 34-73479 (October 31, 2014), 79 FR 66014 (November 6, 2014) (SR-CBOE-2014-083) (delaying the combo indicator requirement in

Pursuant to SR-CBOE-2014-046, a third-party vendor updated the Exchange provided Floor Broker Workstation (“FBW”) to support the combo indicator. Pursuant to SR-CBOE-2014-015, the Exchange, through a third-party vendor, developed an enhanced version of FBW to support the entry of complex orders with up to twelve legs. The enhanced version of FBW was made available to TPHs for training purposes on January 2, 2015.¹¹ The Exchange notes that PULSe, which is an Exchange provided alternative to FBW, also currently allows up to twelve (12) legs on a single order ticket and has been updated with the combo indicator.¹² In addition, the Exchange has been in contact with TPH broker groups consistently since the filing of SR-CBOE-2014-015 in an effort to prepare TPH broker groups for the combo indicator and the single order ticket requirements.¹³

Proposal

Currently, Exchange system limitations may prevent a multi-part order with more than a certain number of legs from being entered on a single order ticket for representation and

SR-CBOE-2014-046 in order to coincide with the order ticket requirements of SR-CBOE-2014-015).

¹¹ See RG14-176.

¹² The Exchange also notes that TPHs will not be required to make changes to their own or third-party vendor’s order entry and execution systems. However, to the extent a TPH wants to represent and execute a multi-part order in open outcry as a complex order, the order must be entered on a single order ticket and cannot exceed twelve (12) legs (or, if the Exchange has determined to make it available, an order for more than twelve (12) legs that is entered on multiple order tickets, which tickets are linked in a form and manner prescribed by the Exchange). For example, if a TPH’s order entry and execution system currently only supports the open outcry processing of a complex order with up to four (4) legs, the system would not need to be enhanced if the TPH does not intend to represent and execute complex orders with more than four (4) legs. If the TPH intends to represent and execute complex orders with more than four (4) legs (i.e., complex orders with five (5) to twelve (12) legs), then the TPH may need to enhance its existing system or utilize another order entry and execution system that supports the open outcry processing of such orders on a single order ticket.

¹³ See RG14-125; RG-14-153; and RG14-176. Beyond Regulatory Circulars, the Exchange has been in contact with TPHs about the upcoming single order ticket requirements.

execution in open outcry as a complex order.¹⁴ As a result, complex orders with more than the applicable leg limitation that are represented in open outcry must be split up and entered on multiple order tickets. For consistency in processing and in order to enhance the Exchange's audit trail, the Exchange proposes to amend Rules 6.53 to require:

- Complex orders of twelve (12) legs or less (one leg of which may be for an underlying security or security future, as applicable) must be entered on a single order ticket at time of systemization. If permitted by the Exchange (which the Exchange will announce by Regulatory Circular), complex orders of more than twelve (12) legs (one leg of which may be for an underlying security or security future, as applicable) may be split across multiple order tickets, if the Trading Permit Holder representing the complex order includes twelve (12) legs on one of the order tickets¹⁵ and identifies for the Exchange the order tickets that are part of the same complex order (in a form and manner prescribed by the Exchange).

With respect to the order ticket requirements, the Exchange also proposes to add to Rule 24.20 (pertaining to SPX Combo Orders) Interpretation and Policy .01 to require that an SPX Combo Order for twelve (12) legs or less be entered on a single order ticket at time of systemization. An SPX Combo Order that contains more than twelve (12) legs may be

¹⁴ As noted above, system enhancements currently allow orders with up to twelve legs to be processed for open outcry.

¹⁵ The Exchange recognizes that SR-CBOE-2014-015 indicated that the Exchange was not imposing requirements on how a complex order with more than 12 legs should be split across multiple tickets. See *supra* note 5, at page 6. However, the Exchange does not believe TPHs will be adversely affected by the proposed requirement specifying how an order with more than 12 legs should be split across multiple tickets because the Exchange believes PULSe, the enhanced version of FBW, and proprietary systems that TPHs have designed to comply with the single order ticket requirements of SR-CBOE-2014-015 are capable of complying with the requirement specifying how orders with more than 12 legs should be split across multiple tickets without further programming or configuration.

represented and executed as a single SPX Combo Order in accordance with Rule 24.20 if it is split across multiple order tickets and the TPH representing the SPX Combo Order includes twelve (12) legs on one of the order tickets¹⁶ and identifies for the Exchange the order tickets that are part of the same SPX Combo Order (in a manner and form prescribed by the Exchange). The Exchange will announce by Regulatory Circular whether it permits SPX Combo Orders with more than 12 legs and, if so permitted, the form and manner in which the TPH must link the multiple order tickets. The Exchange notes that a TPH may submit an order that does not satisfy these ticket requirements, but such order may not be represented or executed as a single SPX Combo Order in accordance with Rule 24.20. The Exchange also notes that Rule 24.20 already specifies an applicable ratio (defined by the delta as noted above), and it is proposing no changes to the ratio through this rule filing.

The Exchange will announce the implementation date of the proposed rule change in a Regulatory Circular to be published within 90 days of the filing date of this filing. The implementation date of this filing, if the filing is approved, will be within 180 days of the filing date, but no earlier than the approval date of the filing.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁷ Specifically, the

¹⁶ As noted in the proposed rule text, for an open outcry complex order and an SPX Combo Order, if an order with more than twelve legs is split across multiple order tickets, one of the order tickets must contain twelve legs. For example, a thirteen leg order cannot have seven legs on one ticket and six legs on another ticket; rather, one ticket must have twelve legs and the other ticket must have one leg.

¹⁷ 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁸ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes enhancing the audit trail with respect to open outcry complex order processing and SPX Combo Orders will help to protect investors and the public interest because an enhanced audit trail promotes transparency and aids in surveillance, as well as, provides the Exchange the ability to better enforce compliance by the Exchange's TPHs (and persons associated with its TPHs) with the Act, the rules and regulations thereunder and the rules of the Exchange, thereby protecting investors.

In addition, the Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act,²⁰ which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's TPHs (and persons associated with its TPHs) with the Act, the rules and regulations thereunder and the rules of the Exchange. Enhancing the audit trail with respect to open outcry complex order processing will further improve the Exchange's ability to better enforce compliance by the

¹⁸ 15 U.S.C. 78f(b)(5).

¹⁹ Id.

²⁰ 15 U.S.C. 78f(b)(1).

Exchange's TPHs (and persons associated with its TPHs) with the Act, the rules and regulations thereunder and the rules of the Exchange.

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. The Exchange does not believe that the proposed rule change will impose any burden on intramarket or intermarket competition because the order ticket requirements will be applicable to all TPHs executing complex orders in open outcry and SPX Combo Orders.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange 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.

The Exchange has requested accelerated approval of the proposed rule change. The Commission is considering granting accelerated approval of the proposed rule change at the end of a 15-day comment period.

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-2015-011 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2015-011. 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, D.C. 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-2015-011 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Jill M. Peterson
Assistant Secretary

²¹ 17 CFR 200.30-3(a)(12).