



8011-01p  
SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-67383; File No. SR-CBOE-2012-063)

July 10, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fees Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 27, 2012, the 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 and II below, which Items have been prepared by the self-regulatory organization. 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 Fees Schedule. The text of the proposed rule change is available on the Exchange’s Web site (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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 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.

---

<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 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

Currently, when stock-option strategy orders are sent to the Exchange, the stock portions are processed and routed manually by brokers to a stock exchange for execution. However, CBOE will soon begin rollout of new functionality to automate the handling of complex orders containing a stock leg through the use of the Complex Order Auction (“COA”), Complex Order Book (“COB”), Automated Improvement Mechanism (“AIM”), Solicitation Auction Mechanism (“SAM”), and the splitting mechanism which is used for certain market orders pursuant to Interpretation .06(d) of CBOE Rule 6.53C (through which, if at the conclusion of COA an eligible market order cannot be filled in whole or in a permissible ratio, then any remaining balance of the option leg(s) will route to the Hybrid System for processing as a simple market order(s) and any remaining balance of the stock leg will route to a designated dealer for processing as a market order). Through this new functionality, the stock portions of stock-option strategy orders will be electronically communicated by the Exchange to a designated broker-dealer, who will then manage the execution of such stock portions.<sup>3</sup> As such, the Exchange proposes to adopt a fee of \$0.0010 per share for the processing and routing by the Exchange of the stock portion of stock-option strategy orders executed through those mechanisms. The purpose of the proposed fee is to cover the fees being assessed to the Exchange by the designated broker that will be managing the execution of these stock portions of stock-option strategy orders, as well as to cover the costs of developing and maintaining the Exchange systems that allow for the processing and routing of such stock portions to the designated broker.

---

<sup>3</sup> See Securities Exchange Act Release No. 66769 (April 6, 2012), 77 FR 22027 (April 12, 2012) (SR-CBOE-2012-005).

The Exchange proposes to waive this fee for customer orders until August 31, 2012 in order to encourage the sending of customer stock-option strategy orders to CBOE via this new system.

The proposed fee applies in addition to the fees assessed by the outside venue to which the stock portion of the order is routed if an exchange destination is specified on the original order (with such fees to be passed on to the market participant). A maximum of \$50.00 per order will be assessed under this fee in order to assure that market participants do not pay extremely large fees for the processing and routing by the Exchange of the stock portions of stock-option orders. Moreover, this maximum fee amount is in line with the maximum fee that will be assessed by the designated broker that the Exchange intends to use.

## 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.<sup>4</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act<sup>5</sup>, which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities. The amount of the proposed fee is reasonable because it is intended to cover the fees being assessed to the Exchange by the designated broker that will be managing the execution of these stock portions of stock-option strategy orders, as well as to help cover the costs of developing and maintaining the Exchange systems that allow for the processing and routing of such stock portions to the designated broker. The proposed fee

---

<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(4).

is equitable and not unfairly discriminatory because it will be applied to all market participants equally.

Waiving the fee for the processing and routing of the stock portion of customer stock-option strategy orders through August 31, 2012 is equitable and not unfairly discriminatory because this waiver is intended to encourage the sending of customer orders to the Exchange, and the resulting increased volume and liquidity will benefit all market participants. Finally, capping the fee at \$50.00 per order is reasonable because it will limit the amount a market participant will be assessed for the routing and processing by the Exchange of the stock portion of stock-option strategy orders, and is equitable and not unfairly discriminatory because this maximum will apply to all market participants.

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 proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>6</sup> of the Act and paragraph (f)(2) of Rule 19b-4<sup>7</sup> thereunder. At any time within 60 days of the filing of the 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.

---

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 C.F.R. 240.19b-4(f)(2).

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2012-063 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-2012-063. 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 such 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 publicly available. All submissions should refer to File Number SR-CBOE-2012-063 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.<sup>8</sup>

Kevin M. O'Neill  
Deputy Secretary

[FR Doc. 2012-17202 Filed 07/13/2012 at 8:45 am; Publication Date: 07/16/2012]

---

<sup>8</sup> 17 CFR 200.30-3(a)(12).