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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69629; File No. SR-CBOE-2013-054)

May 23, 2013

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change to Amend Rule 6.42

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 May 13, 2013, 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, 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 6.42. 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 amend its Rule 6.42 – Minimum Increments for Bids and Offers – regarding minimum increments of bids and offers for complex orders. Currently, Rule 6.42(4) states that bids and offers on complex orders may be expressed in any increment regardless of the minimum increments otherwise appropriate to the individual legs of the order. This language allows for complex order bids and offers to be expressed in any increment whatsoever. The Exchange believes that setting a minimum increment for bids and offers on complex orders of \$0.01 will ensure that there is a reasonable lowest minimum increment for bids and offers that makes it simple to monitor and participate for all market participants. As such, in order to limit this potential, the Exchange hereby proposes to state that bids and offers on complex orders, as defined in Interpretation and Policy .01 to Rule 6.42, may be expressed in any net price increment that may not be less than \$0.01 (as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders via Regulatory Circular) regardless of the minimum increments otherwise appropriate to the individual legs of the order. The addition of the “(as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders via Regulatory Circular)” language will allow the Exchange to establish such minimum increments on a class-by-class basis in order to ensure uniformity of minimum bid and offer increments within a class (as the Exchange may already do for bids and offers on complex orders in options on the S&P 500 Index (“SPX”), p.m.-settled S&P 500 Index

("SPXPM") or on the S&P 100 Index ("OEX" and "XEO")) as well as ensure that Trading Permit Holders are notified of such minimum increments via Regulatory Circular.

For example, the Exchange could release out a Regulatory Circular stating that the minimum increments for complex order bids and offers within a certain class would be \$0.01. Or the Exchange could release a Regulatory Circular stating that the minimum increments for complex order bids and offers within a certain class would be \$0.025, or even that \$0.01 and \$0.025 increments could be used for complex order bids and offers within a certain class (if, for example, such a class is accustomed to trading on both penny increments and also 2.5-cent increments). The Exchange could not, however, release a Regulatory Circular stating that the minimum increments for complex order bids and offers would be \$0.005, or anything lower than \$0.01.

The Exchange also proposes to make a similar change regarding complex orders in SPX, SPXPM, OEX and XEO (the "Specific Options"). Currently, Rule 6.42(4) states that bids and offers on complex orders in the Specific Options, except for box/roll spreads, shall be expressed in decimal increments no smaller than \$0.05 or in any increment, as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders via Regulatory Circular.³ This "any increment" language would also allow for the Exchange to determine that the minimum increment for bids and offers on complex orders in one or more class of the Specific Options would be smaller than \$0.01. The Exchange desires to prevent the entry of bids and offers on such orders from being smaller than \$0.01 for some of the reasons described above as well as to set a reasonable floor for such bid and offer increments. As such, the Exchange proposes to amend this language to state that bids and offers on complex orders in options on the

³ See CBOE Rule 6.42(4).

S&P 500 Index (SPX), p.m.-settled S&P 500 Index (SPXPM) or on the S&P 100 Index (OEX and XEO), except for box/roll spreads, shall be expressed in increments no smaller than \$0.05 or in any net price increment that may not be less than \$0.01, as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders via Regulatory Circular. The Exchange proposes to delete the word “decimal” from before “increments” because the specification of decimal increments is no longer relevant.

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.⁴ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵ 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)⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange believes that setting a minimum increment for bids and offers on complex orders of \$0.01 will ensure that there is a reasonable lowest minimum increment for bids and offers that makes it simple to monitor and participate for all market

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ Id.

participants, thereby removing impediments to and perfecting the mechanism of a free and open market.

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 believes that the proposed change will not impose an unnecessary burden on intramarket competition because it applies to bids and offers in complex orders from all market participants. The Exchange believes that the proposed change will not impose an unnecessary burden on intermarket competition because it applies only to CBOE. To the extent that setting the lowest possible minimum increment for bids and offers in complex orders at \$0.01 may be attractive to market participants at other options exchange, such market participants are always welcome to become CBOE market participants.

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 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.

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-2013-054 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-2013-054. 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 20549-1090, 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 available publicly. All submissions should refer to File Number SR-CBOE-2013-054, 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.⁷

Kevin M. O'Neill
Deputy Secretary

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⁷ 17 CFR 200.30-3(a)(12).