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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70618; File No. SR-CBOE-2013-093)

October 7, 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 September 27, 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

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[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 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 lowest minimum increment for bids and offers that makes it simple to monitor and participate for all market participants (for example, many of the web-based services that public customers use to enter options orders do not permit the entry of orders in sub-penny increments, while other types of market participants may not face that limitation). Further, this \$0.01 minimum increment will put the electronic and manual entry of complex orders on even footing (as the Exchange's Complex Order Book ("COB") and Complex Order Auction ("COA") (both being electronic complex order execution systems) are not configured to permit quoting in sub-penny increments[3]). Further, setting a minimum increment for bids and offers at \$0.01 ensures that price improvement occurs at a meaningful increment. Without this minimum, it would be possible for a market participant to jump ahead of another market

3 See CBOE Rules 6.53C(c)(ii) and 6.53C(d)(iii)(1).

participant's quoted price by a *de minimis* amount, and the knowledge that this could occur could discourage competitive quoting.

As such, in order to limit the potential to express orders in any increment, the Exchange hereby proposes to state that bids and offers on complex orders, as defined in Interpretation and Policy .01 below, may be expressed in any net price increment (that may not be less than $0.01) that may be determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders ("TPHs") via Regulatory Circular, regardless of the minimum increments otherwise appropriate to the individual legs of the order.

The Exchange proposes adding the parenthetical language which allows the Exchange to set minimum increments for bids and offers on complex orders on a class-by-class basis and announce such minimum increments to TPHs via Regulatory Circular 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")). The proposed parenthetical language would allow the Exchange to set and vary minimum increments for bids and offers on complex orders for different classes in response to different market conditions in those classes and in order to encourage more trading in such classes.[4] This language will also ensure that TPHs are notified of such minimum increments via Regulatory Circular. For example, the Exchange could release a Regulatory Circular stating that the minimum increments for complex order bids and offers within a certain class would be $0.01, or $0.05.

This proposed change will ensure that there is a lowest minimum increment for bids and offers on complex orders that makes it simple to monitor and participate for all market

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[4] The Exchange would not make changes to minimum increments for bids and offers on complex orders on an intra-day basis.

participants and places market participants entering orders manually and electronically on an equal footing. This is simpler and more restrictive than the current rule, which permits the expression of bids and offers on complex orders in any increment (though only complex orders entered manually can be in sub-penny increments), which would allow more sophisticated market participants entering orders electronically [sic][5] to express bids and offers in complex orders in infinitesimally small amounts.

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.[6] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[7] 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

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5 The Commission notes that the word "electronically" here is a typographical error. In an e-mail from CBOE to Commission staff on October 2, 2013, CBOE made clear that it meant "manually" where it presently says "electronically." Accordingly, the sentence should read: "This is simpler and more restrictive than the current rule, which permits the expression of bids and offers on complex orders in any increment (though only complex orders entered manually can be in sub-penny increments), which would allow more sophisticated market participants entering orders *manually* to express bids and offers in complex orders in infinitesimally small amounts." (emphasis added).

6 15 U.S.C. 78f(b).

7 15 U.S.C. 78f(b)(5).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[8] 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 lowest minimum increment for bids and offers in complex orders that makes it simple to monitor and participate for all market participants, thereby removing impediments to and perfecting the mechanism of a free and open market. Some market participants, such as public customers, may not have sophisticated enough order entry systems to quote in sub-penny increments, and this would ensure that they are placed on the same competitive footing as those that can do so. Further, the proposed change would place market participants bidding and offering electronically and manually on the same competitive footing, as well, since COB and COA both are not configured to permit quoting in sub-penny increments.[9] Moreover, setting a minimum increment for bids and offers at $0.01 ensures that price improvement occurs at a meaningful increment. Without this minimum, it would be possible for a market participant to jump ahead of another market participant's quoted price by a *de minimis* amount, and the knowledge that this could occur could discourage competitive quoting (which would be an impediment to a free and open market). The proposed minimum increment would apply to all CBOE market participants.

B. Self-Regulatory Organization's Statement on Burden on Competition

BOE 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 minimum increments for bids and offers on

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8 Id.

9 See CBOE Rules 6.53C(c)(ii) and 6.53C(d)(iii)(1).

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 (and the other changes proposed herein) 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-2013-093 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-2013-093. 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-2013-093, 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.[10]

Kevin M. O'Neill
Deputy Secretary

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10 17 CFR 200.30-3(a)(12).