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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73479; File No. SR-CBOE-2014-083)

October 31, 2014

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delay the Implementation Date of the Requirement to Apply an Indicator to SPX Combo Orders Upon Systematization

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 October 31, 2014, 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 delay the implementation date of the requirement to apply an indicator to SPX Combo Orders upon systematization. There is no proposed change to the rule language.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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."³ Pursuant to the rule change filing, the Exchange issued a Regulatory Circular requiring Trading Permit Holders ("TPHs") to begin applying the combo indicator upon systematization on November 1, 2014.⁴ 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

³ Securities Exchange Act Release No. 34-72271 (May 29, 2014), 79 FR 32342 (June 4, 2014) (SR-CBOE-2014-046).

⁴ CBOE Regulatory Circular RG14-125 – Implementation of SPX Combo Order Indicator (August 15, 2014).

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

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, which has not yet been approved by the Commission, would require that any complex order, 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 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, is in the process of developing an enhanced version of FBW to support the entry of complex orders with up to

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 Currently, brokers must apply an SPX Combo Order designation for 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.

⁷ Securities Exchange Act Release No. 34-72975 (September 2, 2014), 79 FR 53230 (September 8, 2014) (SR-CBOE-2014-015).

twelve legs. The third-party vendor has indicated that it will not complete development prior to the current November 1st implementation date established in the combo indicator circular.⁸

The Exchange believes that if the combo indicator requirement is implemented on November 1st, brokers utilizing FBW to execute SPX Combo Orders with more than four legs will be negatively impacted. For example, if a broker wanted to execute an SPX Combo Order with five legs, the current FBW requires the 5-leg order to be split into two orders (e.g., an order with two legs and an order with three legs). Each order would be required to have the combo indicator upon systematization; have at least three legs, and have an SPX combination. Therefore, CBOE would reject the order with two legs.⁹ Additionally, a 6-leg SPX Combo Order that was split into separate orders with three legs would also be rejected if one of the 3-leg orders did not have an SPX combination. Therefore, the Exchange is proposing to delay implementation of SR-CBOE-2014-046 in order to allow the third-party vendor more time to complete development of the enhanced version of FBW, which will support the entry of complex orders with up to twelve legs pursuant to SR-CBOE-2014-015.

Although the Exchange believes that users of FBW will be negatively impacted if the 12-leg order ticket is not available prior to the combo indicator requirement, the Exchange intends to implement the combo indicator requirement after this delay, regardless of the third-party vendor's ability to deliver the enhanced version of FBW. If

⁸ RG14-125, supra note 4.

⁹ If the broker failed to apply the combo indicator to the 2-leg order upon systematization, the CBOE system would view the order as a non-combo order and would not include a combo identifier for reporting purposes.

the enhanced version of FBW is not available by the next implementation date, the Exchange believes it can mitigate the negative impact to FBW users by issuing another Regulatory Circular in advance of the future implementation date that provides FBW users with sufficient time to find and test an alternative system to input SPX Combo Orders with more than four legs.¹⁰ The Exchange believes that requiring the combo indicator on November 1, 2014, as is currently contemplated, does not give FBW users sufficient time to find and test an alternative system. The Exchange will announce the implementation date of the proposed rule change, as well as the Exchange's intent to not delay implementation any further, in a Regulatory Circular to be published no later than 60 days following the effective date of this filing. The implementation date will be no later than 120 days following the effective date of this 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.¹¹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² 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,

¹⁰ The Exchange notes that it will ensure TPHs have access to at least one Exchange provided technology (e.g., PULSe) prior to implementation of SR-CBOE-2014-46 and SR-CBOE-2014-015 that will enable TPHs to enter SPX Combo Orders with up to twelve legs and apply the SPX Combo indicator.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

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)¹³ 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 that if the combo indicator requirement is implemented on November 1, 2014, brokers utilizing FBW to execute SPX Combo Orders with more than four legs will be negatively impacted. The Exchange believes delaying implementation of the combo indicator requirement will allow the third-party vendor the necessary time to develop an enhanced version of FBW to allow orders to be entered with greater than four legs. Furthermore, the Exchange believes that delaying implementation promotes fair and orderly markets and serves market participants because it will allow trading of SPX Combo Orders to continue uninterrupted. The enhanced version of FBW will also promote fair and orderly markets and serve market participants because it will provide an enhanced audit trail for the Exchange. Finally, if the third-party vendor is unable to develop the enhanced version of FBW prior to the next implementation date for the combo indicator, the Exchange will issue a Regulatory Circular that the Exchange believes will provide FBW users with sufficient time to find and test an alternative system to input SPX Combo Orders with more than four legs.

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.

¹³ Id.

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

Because the foregoing proposed rule does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

Under Rule 19b-4(f)(6) of the Act,¹⁶ the proposal does not become operative for 30 days after the date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the five-day pre-filing requirement and the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes operative. The Exchange states that waiver of the five-day pre-filing requirement and the 30-day operative delay period is appropriate because the implementation date for the combo indicator is currently November 1, 2014. The Exchange also states the proposed rule change does not present any new, unique or substantive issues that make the 30-day operative delay necessary. The Exchange notes that if the combo indicator requirement is implemented on November 1, 2014, brokers utilizing FBW to execute SPX Combo Orders with more than four legs will be negatively impacted. Based on the foregoing, the Commission has determined to waive the five-day pre-filing requirement and the 30-day operative date so that the proposal may take effect upon filing.¹⁷

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

¹⁶ Id.

¹⁷ For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

(<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2014-083 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2014-083. 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-2014-083 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.¹⁸

Kevin M. O'Neill
Deputy Secretary

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¹⁸ 17 CFR 200.30-3(a)(12).