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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75026; File No. SR-CBOE-2015-048)

May 21, 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 May 11, 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, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 seeks to amend its rules related to order tickets. The text of the proposed rule change is provided below.

(additions are italicized; deletions are [bracketed])

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**Chicago Board Options Exchange, Incorporated
Rules**

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

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Rule 6.53. Certain Types of Orders Defined

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. . . Interpretations and Policies:

.01 No change.

.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] uses the fewest order tickets necessary to systematize the order 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] uses the fewest order tickets necessary to systematize the order 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 amend the order ticket requirements applicable to complex orders in open outcry pursuant to Rule 6.53, as well as SPX Combo Orders⁵ pursuant to Rule 24.20.

Background

On February 26, 2015, rule change filing SR-CBOE-2015-011 was approved by the Securities and Exchange Commission (the "Commission").⁶ As amended by SR-CBOE-2015-011, Rule 6.53 requires complex orders of twelve (12) legs or less (one leg of which may be for an underlying security or security future, as applicable) to be entered on a single order ticket at time of systemization. Rule 6.53, as amended, also states that if permitted by the Exchange (which the Exchange will announce by Regulatory Circular), complex orders of more than

⁵ 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.

⁶ Securities Exchange Act Release No. 34-74389 (February 26, 2015), 80 FR 11717 (March 4, 2015) ("Order").

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 (“TPH”) 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).

Rule 24.20, as amended, also requires 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 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 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).

As noted above, SR-CBOE-2015-011 specifically provided that if an open outcry complex order or an SPX Combo 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 could not 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. However, prior to the Commission’s approval of SR-CBOE-2015-011, the Exchange held an informational session for Floor Broker Trading Permit Holders regarding the requirement to use a single order ticket to enter complex orders and SPX Combo Orders of twelve legs or fewer.⁷ At the informational session, Floor Broker TPHs indicated that for a 13 leg order in SPX (where the rule requires 12 legs to be on 1 order ticket and the 13th leg to be on a separate order ticket), the 13th leg would not be able to

⁷ See CBOE Information Circular IC15-012 (February 24, 2015).

execute in complex order increments (pennies) because CBOE's Hybrid System (the "System") would block the trade.⁸ In effect, the System would treat the 13th leg as a simple order that is ineligible to execute in penny increments.⁹

Additionally, for complex orders with over twelve legs and an equal number of put legs versus call legs, Floor Broker TPHs expressed the desire to place the put legs on one order ticket and the call legs on a separate order ticket. The Floor Broker TPHs indicated that splitting an order across multiple order tickets in this manner is a more efficient and simpler way to price the entire complex order.

Proposal

In an effort to address the above concerns and maintain an effective audit trail, the Exchange is seeking to amend Rules 6.53.02 and 24.20.1 by removing the requirement that for orders with over 12 legs TPHs must include 12 legs on one of the order tickets. As proposed, Rule 6.53.02 will provide:

- 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 uses the fewest order tickets necessary to systematize the order 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).

Proposed Rule 24.20.01 will similarly provide:

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

⁸ For certain options, SPX options included, single leg orders may not be executed in \$0.01 increments, but individual legs of complex orders may be executed in \$0.01 increments. See Rule 6.42.

⁹ The Exchange notes that the System would treat any standalone leg of a complex order in the same manner.

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 uses the fewest order tickets necessary to systematize the order 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).

As noted in the rule text, the Exchange will announce via Regulatory Circular whether an open outcry complex order or SPX Combo Order may have more than 12 legs.¹⁰ In addition, for orders with more than 12 legs, the Exchange will not prescribe the number of legs that must be on each order ticket, except that TPHs must use the fewest number of tickets necessary to systematize the order.¹¹ This will allow TPHs to split orders with more than 12 legs across multiple order tickets in any manner they choose, provided they use the fewest number of order tickets. For example, a 13 legged order could be split across two order tickets with 6 legs on one order ticket and 7 legs on another ticket but the order could not be split across three order tickets because the fewest number of order tickets required for an order with 13 to 24 legs is two.¹² The only restriction, as provided in the rule text, is that for orders greater than 12 legs TPHs must use the fewest number of order tickets necessary to systematize the order. Without the proposed

¹⁰ As noted in SR-CBOE-2015-011, current Exchange system limitations prevent a multi-part order with more than 12 legs from being entered on a single order ticket for representation and execution in open outcry as a complex order or SPX Combo Order.

¹¹ The Exchange notes that the requirement to use the fewest order tickets necessary to systematize an order is not meant to allow the Exchange the flexibility to increase the number of legs that must be on a single order ticket; rather, the Exchange will submit a rule filing to amend Rules 6.53.02 and 24.20.01 if the Exchange seeks to modify the number of legs required to be on a single order ticket.

¹² The fewest number of order tickets necessary to systematize an order is based on the current Exchange system limitation, which caps the number of legs that can be on a single order ticket at 12 legs. Thus, orders with 12-24 legs would be required to be on no more than two order tickets, orders with 25-36 legs would be required to be on no more than three order tickets, and so forth. As previously noted, the Exchange will submit a rule filing to amend Rules 6.53.02 and 24.20.01 if the Exchange seeks to modify the number of legs required to be on a single order ticket.

restriction there would be no limit on the number of order tickets a TPH could use to systematize an order, which could burden the manual process by which the CBOE Regulatory Division reviews these large orders. For example, without the restriction, an order with 13 legs could potentially be split across 13 different order tickets, which would require the Regulatory Division to manually review 13 different order tickets.

The Exchange will announce the implementation date of the proposed rule change, as well as the specific order ticket requirements to be set by the Exchange in accordance with this proposed rule, in a Regulatory Circular to be published within 90 days of the effective date of this filing. The implementation date of this filing will be within 180 days of 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.¹³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁴ 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

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

is consistent with the Section 6(b)(5)¹⁵ 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 the proposed rule change will allow the Exchange to maintain an enhanced audit trail with respect to open outcry complex order processing and SPX Combo Orders, which helps 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. Additionally, the Exchange believes allowing TPHs to split orders across multiple order tickets as proposed would allow TPHs to more quickly and efficiently systematize and execute open outcry complex orders and SPX Combo Orders, which helps to remove impediments to and perfect the mechanism of a free and open market. Finally, the proposal to require TPHs to use the fewest number of order tickets to systematize an order will prevent TPHs from utilizing five order tickets, for example, when two would suffice, which aids in surveillance and provides the Exchange the ability to better enforce compliance by TPHs.

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.

¹⁵

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 proposal.

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such shorter

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁶ and Rule 19b-4(f)(6)¹⁷ 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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or 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

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2015-048 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-2015-048. 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-2015-048 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.¹⁸

Robert W. Errett,
Deputy Secretary.

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¹⁸ 17 CFR 200.30-3(a)(12).