

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2007 - 14
Amendment No.

Proposed Rule Change by Chicago Board Options Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial ☒ Amendment ☐ Withdrawal ☐

Section 19(b)(2) ☒ Section 19(b)(3)(A) ☐ Section 19(b)(3)(B) ☐

Pilot ☐ Extension of Time Period
for Commission Action ☐ Date Expires

Rule
☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

I am not a Section 19(b)(3) filer.



I am a Section 19(b)(3) filer.

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

This filing proposes to amend CBOE's membership rules as applied to statutory disqualifications.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date

By
(Name)

(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

The Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) proposes to amend its membership rules as applied to statutory disqualification hearings so as to not require the Exchange to conduct a statutory disqualification hearing for an associated person who does not perform any securities related activities. Set forth below are the proposed changes to the rule text with additions underlined and deletions [bracketed].

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 3.18. Members and Associated Persons Who Are or Become Subject to a Statutory Disqualification

No Change.

. . . Interpretations and Policies:

.01 The Exchange may waive the provisions of this Rule when a proceeding is pending before another self-regulatory organization to determine whether to permit a member or [an] associated person of a member to continue in membership or association with the member notwithstanding a statutory disqualification. In the event the Exchange determines to waive the provisions of this Rule with respect to a member or [an] associated person, the Department of Financial and Sales Practice Compliance shall determine whether the Exchange will concur in any Exchange Act Rule 19h-1 filing made by another self-regulatory organization with respect to the associated person.

.02 If an associated person of a member is or becomes subject to a statutory disqualification under the Exchange Act, the member shall immediately provide written notice to the Membership Department of the name of the associated person, the person's capacity with the member, and the nature of the statutory disqualification.

.03 In the event that an Exchange Act Rule 19h-1 filing is not required to permit an associated person to be associated with a member, the provisions of this Rule shall not apply to that associated person.

* * * * *

Item 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Exchange's Office of the Chairman pursuant to delegated authority on February 12, 2007. No further action is required.

(b) Questions and comments on the proposed rule change may be referred to Joanne Moffic-Silver, General Counsel, CBOE, 400 South LaSalle Street, Chicago, Illinois 60605; Telephone: (312) 786-7462; Fax: (312) 786-7919 or Greg Hoogasian, Attorney II, at (312) 786-7031.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

In accordance with Exchange membership rules, the Exchange may determine not to permit an Exchange member or associated person of an Exchange member to continue in membership or association with a member, if the member or associated person is or becomes subject to a statutory disqualification under the Securities and Exchange Act ("Exchange Act"). Pursuant to Exchange Rule 3.18, in the event that an individual, who is subject to statutory disqualification, wants to continue in membership or association with a member, the Exchange's Membership Committee will conduct a hearing to determine whether to allow the individual to continue in membership or association. The purpose of this filing is to not require the Exchange to conduct a statutory disqualification hearing for an associated person in those instances when the associated person does not perform any securities related activities.

An example of this situation is when a CBOE member firm conducts both securities activities at CBOE and futures activities at another exchange, and the individual in question

is only involved in the futures side of the member firm's business. However, since the member firm conducts securities activities, in addition to futures activities, the CBOE member firm must be registered with the SEC as a broker-dealer. Arguably, the SEC's rules related to statutory disqualifications and associated persons would then apply to the individual.

However, the Exchange, in evaluating such a scenario, solicited and received an interpretation from the SEC that provided, in substance, that an employee of an Exchange member would not be deemed to be an associated person of the Exchange member, when that employee (i) conducts no securities activities on behalf of the Exchange member and (ii) has no access to the books and records of the Exchange member that relate to securities activities.

Based on this interpretation, under this proposed rule change, if CBOE is not required to file an SEC Rule 19h-1 filing with the SEC to permit an associated person to be associated with a CBOE member firm (*e.g.*, if the individual is only involved in the futures activities of the member firm), then the statutory disqualification provisions of Exchange Rule 3.18 will therefore not apply to the associated person.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")¹ in general and furthers the objectives of Section 6(b)(5) of the Act² in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

¹ 15 U.S.C. 78f(b).

² 15 U.S.C. 78f(b)(5).

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act³ for Commission consideration of the proposed rule change.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or the Commission

Not applicable.

Item 9. Exhibits

Exhibit 1. Form of Notice of Proposed Rule Change for publication in the Federal Register.

³ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-CBOE-2007-14)

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change to Amend CBOE's Membership Rules as applied to Statutory Disqualification Hearings.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on _____, 2006, the Chicago Board Options Exchange, Incorporated filed with the Securities and Exchange 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 Substance of the Proposed Rule Change

The Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend its membership rules as applied to statutory disqualification hearings so as to not require the Exchange to conduct a statutory disqualification hearing for an associated person who does not perform any securities related activities. The text of the proposed rule change is available on the Exchange's website (<http://www.cboe.org/Legal>), 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 self-regulatory organization 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 those statements may

be examined at the places specified in Item IV below and is set forth in sections (A), (B), and (C) below.

(A) Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

(a) Purpose

In accordance with Exchange membership rules, the Exchange may determine not to permit an Exchange member or associated person of an Exchange member to continue in membership or association with a member, if the member or associated person is or becomes subject to a statutory disqualification under the Securities and Exchange Act (“Exchange Act”). Pursuant to Exchange Rule 3.18, in the event that an individual, who is subject to statutory disqualification, wants to continue in membership or association with a member, the Exchange’s Membership Committee will conduct a hearing to determine whether to allow the individual to continue in membership or association. The purpose of this filing is to not require the Exchange to conduct a statutory disqualification hearing for an associated person in those instances when the associated person does not perform any securities related activities.

An example of this situation is when a CBOE member firm conducts both securities activities at CBOE and futures activities at another exchange, and the individual in question is only involved in the futures side of the member firm’s business. However, since the member firm conducts securities activities, in addition to futures activities, the CBOE member firm must be registered with the SEC as a broker-dealer. Arguably, the SEC’s rules related to statutory disqualifications and associated persons would then apply to the individual.

However, the Exchange, in evaluating such a scenario, solicited and received an interpretation from the SEC that provided, in substance, that an employee of an Exchange member would not be deemed to be an associated person of the Exchange member, when that employee (i) conducts no securities activities on behalf of the Exchange member and (ii) has no access to the books and records of the Exchange member that relate to securities activities.

Based on this interpretation, under this proposed rule change, if CBOE is not required to file an SEC Rule 19h-1 filing with the SEC to permit an associated person to be associated with a CBOE member firm (*e.g.*, if the individual is only involved in the futures activities of the member firm), then the statutory disqualification provisions of Exchange Rule 3.18 will therefore not apply to the associated person.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”)¹ in general and furthers the objectives of Section 6(b)(5) of the Act² in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

This proposed rule change does not 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

¹ 15 U.S.C. 78f(b).

² 15 U.S.C. 78f(b)(5).

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve 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-2007-14 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2007-14. 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 Web site (<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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. 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-2007-14 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³

Nancy M. Morris
Secretary

Dated: _____

³ 17 CFR 200.30-3(a)(12).