

OMB APPROVAL

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

File No. SR - 2007 - 18
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) ☐

Rule

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

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

Exhibit 2 Sent As Paper Document
☐

Exhibit 3 Sent As Paper Document
☐

Description

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

Permanent Approval of Pilot Program relating to Market-Makers Quoting Remotely

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.

Patrick Sexton, sexton@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT 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

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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 1 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 Proposed Rule Change

(a) The Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend CBOE Rule 8.3 to request permanent approval of a pilot program relating to Market-Makers quoting away from CBOE's trading floor. The text of the proposed rule change is provided below:

(b) Inapplicable

(c) Inapplicable

* * * * *

(Additions are underlined and deletions are in [brackets])

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 8.3 – Appointment of Market-Makers

Rule 8.3. This Rule governs the appointment of Market-Makers other than Remote Market-Makers. Rule 8.4 governs the appointment of Remote Market-Makers.

(a) No change.

(b) No change.

(c) Market-Maker Appointments. Absent an exemption by the Exchange, an appointment of a Market-Maker confers the right to quote electronically or in open outcry in its appointed classes as described below. A Market-Maker may only change its appointed classes with the prior approval of the Exchange. Such requests must be made in a form and manner prescribed by the Exchange. In determining whether to approve such requests, the Exchange shall consider the factors contained in paragraph (a).

(i) – (v) No change.

(vi) A Market-Maker may submit[, as part of a pilot program ending March 24, 2007,] electronic quotations away from CBOE's trading floor in his/her appointed Hybrid Classes and Hybrid 2.0 Classes. While on the trading floor, a Market-Maker is not required to be present in the trading station where a class is located in order to stream electronic quotations into the class.

(vii) – (viii) No change.

(d) No change.

. . . Interpretations and Policies:

.01 No change.

* * * * *

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Exchange's Office of the Chairman pursuant to delegated authority on February 21, 2007.

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

(a) Purpose

The purpose of this rule change is to request permanent approval of an existing Pilot Program which allows a CBOE Market-Maker to submit electronic quotations away from CBOE's trading floor in his/her appointed Hybrid Classes and Hybrid 2.0 Classes.

In March 2005, CBOE amended its rules relating to Market-Maker appointments and quoting obligations.¹ Among other changes, CBOE amended Rule 8.3 to provide that a Market-Maker may submit electronic quotations from a location outside of his/her appointed trading station.² Previously, Market-Makers were only permitted to stream electronic quotations in their appointed Hybrid and Hybrid 2.0 classes when they were physically present in the trading crowd. In making this change, CBOE determined to request that it only be approved on a pilot basis so as to give CBOE the ability to evaluate the effectiveness of allowing Market-Makers to quote remotely. CBOE extended the Pilot Program for an additional year last March 2006.³ The current Pilot Program is scheduled to expire on March 24, 2007.

CBOE's believes that the Pilot Program has been successful, in that it allows Market-Makers to choose how they would like to participate in CBOE's Hybrid Trading System, *i.e.*, electronically, in open outcry, or both. Although not all Market-Makers have chosen to quote electronically away from CBOE's trading floor in their appointed Hybrid Classes and Hybrid 2.0 Classes, those Market-Makers that have availed themselves of this Pilot Program continue to provide liquidity and increased competition in their appointed option classes when they quote remotely. CBOE has not experienced any negative effects of allowing Market-Makers to quote from a location away from CBOE's trading floor. Thus, CBOE believes it would be appropriate and beneficial to permanently approve the Pilot Program, and permit Market-Makers to continue to have the option to quote electronically away from CBOE's trading floor.

(b) 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 under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the Section

¹ See Securities Exchange Act Release No. 34-51429 (March 24, 2005), 70 FR 16536 (March 31, 2005) (approving SR-CBOE-2004-58).

² Last year, CBOE amended its rules to allow Market-Makers to create a "Virtual Trading Crowd" appointment, and also modified the language in Rule 8.3(c) such that it states a Market-Maker can quote electronically away from CBOE's trading floor pursuant to the Pilot Program. (See Securities Exchange Act Release No. 34-54182 (July 20, 2006), 71 FR 42692 (July 20, 2006) (approving SR-CBOE-2006-51).)

³ See Securities Exchange Act Release No. 34-53410 (March 3, 2006), 71 FR 12747 (March 13, 2006) (granting immediate effectiveness to SR-CBOE-2006-24).

6(b)(5) Act⁴ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.

Item 4. 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.

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 Act 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)

The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A)⁵ of the Securities Exchange Act of 1934 and Rule 19b-4(f)(6)⁶ thereunder because it effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

Allowing Market-Makers to quote electronically into their appointed Hybrid and Hybrid 2.0 option classes away from CBOE's trading floor does not raise any new or unique issues. It enhances competition and liquidity in those classes and also provides Market-Makers with additional trading opportunities. Additionally, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of the filing of the proposed rule change as required by Rule 19b-4(f)(6).

For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 of the Act. The Exchange respectfully requests that the Commission waive the provision providing for "non-controversial" rule changes to become operative in 30 days and permit the proposed rule change to take effect and become operative upon filing pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

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

⁴ 15 U.S.C. 78f(b)(5).

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6).

This proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

Item 9. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-CBOE-2007-018)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated to Request Permanent Approval of a Pilot Program relating to Market-Makers Quoting Remotely.

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 _____, 2007, the Chicago Board Options Exchange, Incorporated (“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)(iii) 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

CBOE proposes to amend CBOE Rule 8.3 to request permanent approval of a pilot program relating to Market-Makers quoting away from CBOE’s trading floor. The text of the proposed rule change is available on CBOE’s website (www.cboe.org/Legal), at the CBOE’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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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 parts of such statements.

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

The purpose of this rule change is to request permanent approval of an existing Pilot Program which allows a CBOE Market-Maker to submit electronic quotations away from CBOE's trading floor in his/her appointed Hybrid Classes and Hybrid 2.0 Classes.

In March 2005, CBOE amended its rules relating to Market-Maker appointments and quoting obligations.⁵ Among other changes, CBOE amended Rule 8.3 to provide that a Market-Maker may submit electronic quotations from a location outside of his/her appointed trading station.⁶ Previously, Market-Makers were only permitted to stream electronic quotations in their appointed Hybrid and Hybrid 2.0 classes when they were physically present in the trading crowd. In making this change, CBOE determined to request that it only be approved on a pilot basis so as to give CBOE the ability to evaluate the effectiveness of allowing Market-Makers to quote remotely. CBOE extended the Pilot Program for an additional year last March 2006.⁷ The current Pilot Program is scheduled to expire on March 24, 2007.

CBOE's believes that the Pilot Program has been successful, in that it allows Market-Makers to choose how they would like to participate in CBOE's Hybrid Trading System, *i.e.*, electronically, in open outcry, or both. Although not all Market-Makers have chosen to quote electronically away from CBOE's

⁵ See Securities Exchange Act Release No. 34-51429 (March 24, 2005), 70 FR 16536 (March 31, 2005) (approving SR-CBOE-2004-58).

⁶ Last year, CBOE amended its rules to allow Market-Makers to create a "Virtual Trading Crowd" appointment, and also modified the language in Rule 8.3(c) such that it states a Market-Maker can quote electronically away from CBOE's trading floor pursuant to the Pilot Program. (See Securities Exchange Act Release No. 34-54182 (July 20, 2006), 71 FR 42692 (July 20, 2006) (approving SR-CBOE-2006-51).)

⁷ See Securities Exchange Act Release No. 34-53410 (March 3, 2006), 71 FR 12747 (March 13, 2006) (granting immediate effectiveness to SR-CBOE-2006-24).

trading floor in their appointed Hybrid Classes and Hybrid 2.0 Classes, those Market-Makers that have availed themselves of this Pilot Program continue to provide liquidity and increased competition in their appointed option classes when they quote remotely. CBOE has not experienced any negative effects of allowing Market-Makers to quote from a location away from CBOE's trading floor. Thus, CBOE believes it would be appropriate and beneficial to permanently approve the Pilot Program, and permit Market-Makers to continue to have the option to quote electronically away from CBOE's trading floor.

Accordingly, CBOE believes the proposed rule change is consistent with the Act⁸ and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of section 6(b) of the Act.⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁰ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.

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 not necessary or appropriate in furtherance of the purposes of the Exchange Act.

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

The Exchange neither received nor solicited written comments on the proposal

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

Because the foregoing 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

⁸ 15 U.S.C. 78a *et seq.*

⁹ 15 U.S.C. 78(f)(b).

¹⁰ 15 U.S.C. 78(f)(b)(5).

given the Commission written notice of its intent to file the proposed rule change 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 Act¹¹ and Rule 19b-4(f)(6) thereunder.¹²

At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate 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.

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-2007-018 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-2007-018. 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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

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 20549-9303. 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-2007-018 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.¹³

Nancy M. Morris
Secretary

Dated: _____

¹³ 17 CFR 200.30-3(a)(12).