

## OMB APPROVAL

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

File No. SR - 2007 - 64

Amendment No. 

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

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>						
Pilot <input type="checkbox"/>			Rule: <table border="0"><tr><td><input type="checkbox"/> 19b-4(f)(1)</td><td><input type="checkbox"/> 19b-4(f)(4)</td></tr><tr><td><input type="checkbox"/> 19b-4(f)(2)</td><td><input type="checkbox"/> 19b-4(f)(5)</td></tr><tr><td><input type="checkbox"/> 19b-4(f)(3)</td><td><input type="checkbox"/> 19b-4(f)(6)</td></tr></table>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)
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<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)										
Extension of Time Period for Commission Action <input type="checkbox"/>			Date Expires <input type="text"/>								

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).

This filing adds stock option orders to the definition of complex orders in CBOE's linkage rules.

**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 officer.

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 EDFS 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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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 Sent As Paper Document

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**Exhibit 3 - Form, Report, or Questionnaire**

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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 Sent As Paper Document

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**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.

1. Text of Proposed Rule Change

Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) proposes to amend the definition of “complex trade” under its intermarket linkage rules to include stock-option trades. The text of the proposed rule change is provided below with additions underlined and deletions in [brackets].

**CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED  
RULES**

\*\*\*\*\*

**CHAPTER VI**

**DOING BUSINESS ON THE EXCHANGE FLOOR  
SECTION E: INTERMARKET LINKAGE**

\*\*\*\*\*

**Rule 6.80 – Definitions**

The following terms shall have the meaning specified in this Rule solely for the purpose of this Section E under Chapter VI:

(1)-(3) No change.

(4) “Complex Trade” means: (i) the execution of an order in an option[s] series in conjunction with the execution of one or more related orders in different option[s] series in the same underlying security occurring at or near the same time [for the purpose of executing a particular investment strategy and for an equivalent number of contracts, provided that the number of contracts of the legs of a spread, straddle, or combination order may differ by a permissible ratio. The permissible ratio for this purpose is any] in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0[0]) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than 8 option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.

(5) – (21) No change.

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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 June 11, 2007. No further action is required.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, General Counsel, CBOE, 400 South LaSalle, Chicago, IL 60605, (312) 786-7462 or Angelo Evangelou, (312) 786-7464.

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

(a) Purpose

CBOE Rule 6.80 lists definitions applicable to intermarket linkage. The Exchange proposes to amend Rule 6.80(4) regarding "complex trades" to cover certain stock-option trades. The term "complex trade" is used primarily as part of an exemption from the Exchange's trade-through provisions. The six options exchanges believe it is appropriate that the trade-through exemption extend to these specialty trades. Pursuant to the proposal, "complex trades" exempt from trade-through liability would cover stock-option trades where the options leg of the trade is coupled with the purchase or sale of either (1) the same number of units of the underlying stock or convertible security, or (2) the number of units of the underlying stock or convertible security necessary to create a "delta neutral" position, but in no case in a ratio greater than 8 option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation. Each of

the six options exchanges will be proposing uniform rules as part of their administration of the Intermarket Linkage Plan.

(b) Statutory Basis

The Exchange believes that by changing the definition of “complex trade,” Exchange members will have a better understanding of the types of trades that are exempt from the trade-through provisions. Therefore, the Exchange believes that the proposed rule change is consistent with the requirements provided under Section 6(b)(5) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup>, as amended, that the rules of an exchange be designed 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. In particular, the proposal will facilitate the ability of customers and other market participants to execute complex trades.

4. Self-Regulatory Organization’s Statement on Burden on Competition

The CBOE does not believe that the proposed rule change will impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of this Act.

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.

6. Extension of Time Period for Commission Action

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<sup>1</sup> 15 U.S.C. 78f(b)(5).

The Exchange does not consent to an extension of the time period for Commission action specified in Section 19(b)(2) of the Exchange Act.

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

Not applicable.

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

Not applicable.

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-2007-64)

Dated: \_\_\_\_\_

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change Regarding the Definition of a Complex Trade for Linkage Purposes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”)<sup>1</sup>, and Rule 19b-4 thereunder<sup>2</sup>, notice is hereby given that on June 12, 2007, the Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) 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 self-regulatory organization. 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 amend its definition of “complex trade” under its intermarket linkage (“Linkage”) rules to include stock-option trades. The text of the proposed rule change is available on the Exchange’s Web site (<http://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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

Purpose – CBOE Rule 6.80 lists definitions applicable to intermarket linkage.

The Exchange proposes to amend Rule 6.80(4) regarding “complex trades” to cover certain stock-option trades. The term “complex trade” is used primarily as part of an exemption from the Exchange’s trade-through provisions. The six options exchanges believe it is appropriate that the trade-through exemption extend to these specialty trades. Pursuant to the proposal, “complex trades” exempt from trade-through liability would cover stock-option trades where the options leg of the trade is coupled with the purchase or sale of either (1) the same number of units of the underlying stock or convertible security, or (2) the number of units of the underlying stock or convertible security necessary to create a “delta neutral” position, but in no case in a ratio greater than 8 option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation. Each of the six options exchanges will be proposing uniform rules as part of their administration of the Intermarket Linkage Plan.

Basis - The Exchange believes that by changing the definition of “complex trade,” Exchange members will have a better understanding of the types of trades that are exempt from the trade-through provisions. Therefore, the Exchange believes that the proposed rule change is consistent with the requirements provided under Section 6(b)(5) of the



Securities Exchange Act of 1934 (the “Act”)<sup>3</sup>, as amended, that the rules of an exchange be designed 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. In particular, the proposal will facilitate the ability of customers and other market participants to execute complex trades.

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

The 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

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

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<sup>3</sup> 15 U.S.C. 78f(b)(5).

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](mailto:rule-comments@sec.gov). Please include File No. SR-CBOE-2007-64 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-2007-64. 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 Room, 100 F Street, NE, Washington, DC 20549-1090. 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-2007-64 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

Dated: \_\_\_\_\_

Nancy M. Morris  
Secretary

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<sup>4</sup> 17 CFR 200.30-3(a)(12).