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

File No. SR - 2007 - 68
Amendment No. 1

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 ☐

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Description

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	Angelo	Last Name	Evangelou
Title	Assistant General Counsel		
E-mail	evangelou@cboe.com		
Telephone	(312) 786-7464	Fax	(312) 786-7919

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 10/19/2007

By Angelo Evangelou
(Name)

Assistant Secretary
(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.

Angelo Evangelou, evangelo@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information Add Remove View	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 Add Remove View	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 Add Remove View 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 Add Remove View Exhibit Sent As Paper Document ☐	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 Add Remove View	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 Add Remove View	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 Add Remove View	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. <u>Text of the Proposed Rule Change</u>

The Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") proposes to amend its rules regarding the handling of certain complex orders. Set forth below are proposed changes to the rule text, with additions represented by <u>underscoring</u> and deletions represented by [bracketing].

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 6.53C. Complex Orders on the Hybrid System

(a) Definition: A complex order is any order for the same account as defined below:
1. – 9. No change.
<u>10. Stock-Option Order: This order type is defined in Rule 1.1(ii). All components of a Stock-Option Order must be transmitted to the Exchange for it to be handled electronically by the Hybrid System.</u>

(b) Types of Complex Orders: Complex orders may be entered as fill-or-kill, immediate or cancel, or as all-or-none orders as defined in Rule 6.53, or as good-'til-cancelled.

(c) Complex Order Book

(i) Routing of Complex Orders: The appropriate Exchange committee will determine which classes and which complex order origin types (*i.e.*, non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange) are eligible for entry into the COB and whether such complex orders can route directly to the COB and/or from PAR to the COB. Complex orders not eligible to route to COB (either directly or from PAR to COB) will route to PAR. All pronouncements regarding routing procedures will be announced to the membership via Regulatory Circular.

(ii) Execution of Complex Orders in the COB: Notwithstanding the provisions of Rule 6.42, the appropriate Exchange committee will determine on a class-by-class basis whether complex orders that are routed to or resting in the COB may be expressed on a net price basis in a multiple of the minimum increment (*i.e.*, \$0.05 or \$0.10, as applicable) or in a one cent increment. All pronouncements regarding COB increments will be announced to the membership via Regulatory Circular. Complex orders resting in the COB may be executed without consideration to prices of the same complex orders that might be available on other exchanges, and the legs of a complex order may be executed in one cent increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. Complex orders resting in the COB may trade in the following way:

(1) Orders and Quotes in the EBook: A complex order in the COB will automatically execute against individual orders or quotes residing in the EBook provided the complex order can be executed in full (or in a permissible ratio) by the orders and quotes in EBook.

(2) Orders in COB: Complex orders in the COB that are marketable against each other will automatically execute. The allocation of a complex order within the COB shall be pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs.

(3) Market participants, as defined in Rule 6.45A or 6.45B, as applicable, may submit orders or quotes to trade against orders in the COB. The allocation of complex orders among market participants shall be done pursuant to CBOE Rule 6.45A(c) or 6.45B(c), as applicable.

(iii) Complex orders in the COB may be designated as day orders or good-til-cancelled orders. Only those complex orders with no more than four legs and having a ratio of one-to-three or lower, as determined by the appropriate Exchange committee, are eligible for placement into the COB.

(d) Process for Complex Order RFR Auction: Prior to routing to the COB or once on PAR, eligible complex orders may be subject to an automated request for responses ("RFR") auction process.

(i) For purposes of paragraph (d):

(1) "COA" is the automated complex order RFR auction process.

(2) A "COA-eligible order" means a complex order that, as determined by the appropriate Exchange committee on a class-by-class basis, is eligible for a COA considering the order's marketability (defined as a number of ticks away from the current market), size and complex order type, as defined in paragraph (a) above. All pronouncements regarding COA eligibility will be announced to the membership via Regulatory Circular. Complex orders processed through a COA may be executed without consideration to prices of the same complex orders that might be available on other exchanges.

(3) The "Response Time Interval" means the period of time during which responses to the RFR may be entered.

(ii) Initiation of a COA: On receipt of a COA-eligible order and request from the member representing the order that it be COA'd, the Exchange will send an RFR message to all members who have elected to receive RFR messages. The RFR message will identify the component series, the size of the COA-eligible order and any contingencies, if applicable, but will not identify the side of the market.

(iii) Bidding and Offering in Response to RFRs: Each Market-Maker with an appointment in the relevant option class, and each member acting as agent for orders resting at the top of the COB in the relevant options series, may submit responses to the RFR message ("RFR Responses") during the Response Time Interval.

(1) RFR Response sizes will be limited to the size of the COA-eligible order for allocation purposes and may be expressed on a net price basis in a multiple of the minimum increment (*i.e.*, $0.05 or $0.10, as applicable) or in a one cent increment as determined by the appropriate Exchange committee on a class-by-class basis. RFR Responses will not be visible (other than by the COA system).

(2) The appropriate Exchange committee will determine the length of the Response Time Interval on a class-by-class basis; provided, however, that the duration shall not exceed three (3) seconds.

All pronouncements regarding COA increments and the Response Time Interval will be announced to the membership via Regulatory Circular.

(iv) Processing of COA-Eligible Orders: At the expiration of the Response Time Interval, COA-eligible orders will be allocated in accordance with subparagraph (v) below or routed in accordance with subparagraph (vi) below.

(v) Execution of COA-Eligible Orders: COA-eligible orders may be executed without consideration to prices of the same complex orders that might be available on other exchanges, and the legs of a COA-eligible order may be executed in one cent increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. COA-eligible orders will trade first based on the best net price(s) and, at the same net price, will be allocated in the following way:

(1) The individual orders and quotes residing in the EBook shall have first priority to trade against a COA-eligible order provided the COA-eligible order can be executed in full (or in a permissible ratio) by the orders and quotes in the EBook. The allocation of a COA-eligible order against the EBook shall be consistent with the UMA allocation described in Rule 6.45A or 6.45B, as applicable.

(2) Public customer complex orders resting in the COB before, or that are received during, the Response Time Interval and public customer RFR Responses shall, collectively have second priority to trade against a COA-eligible order. The allocation of a COA-eligible order against the public customer complex orders resting in the COB shall be according to time priority.

(3) Non-public customer orders resting in the COB before the Response Time Interval shall have third priority to trade against a COA-eligible order. The allocation of a COA-eligible order against non-public customer orders resting in the COB shall be pursuant to the UMA allocation described in Rule 6.45A or 6.45B, as applicable.

(4) Non-public customer orders resting in the COB that are received during the Response Time Interval and non-public customer RFR responses shall, collectively, have fourth priority. The allocation of a COA-eligible order against these opposing orders shall be consistent with the CUMA allocation described in Rule 6.45A or 6.45B, as applicable.

(vi) Routing of COA-Eligible Orders: If a COA-eligible order cannot be filled in whole or in a permissible ratio, the order (or any remaining balance) will route to the COB or back to PAR, as applicable.

(vii) Firm Quote Requirement for COA-Eligible Orders: RFR Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the Response Time Interval. At the end of the Response Time Interval, RFR Responses shall be firm only with respect to the COA-eligible order for which it is submitted, provided that RFR Responses that exceed the size of a COA-eligible order are also eligible to trade with other incoming COA-eligible orders that are received during the Response Time Interval. Any RFR Responses not accepted in whole or in a permissible ratio will expire at the end of the Response Time Interval.

(viii) Handling of Unrelated Complex Orders: Incoming complex orders that are received prior to the expiration of the Response Time Interval for a COA-eligible order (the "original COA") will impact the original COA as follows:

(1) Incoming complex orders that are received prior to the expiration of the Response Time Interval for the original COA that are on the opposite side of the market and are marketable against the starting price of the original COA-eligible order will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same. For purposes of this Rule, the "starting price," shall mean the better of the original COA-eligible order's limit price or the best price, on a net debit or credit basis, that existed in the EBook or COB at the beginning of the Response Time Interval.

(2) Incoming COA-eligible orders that are received prior to the expiration of the Response Time Interval for the original COA that are on the same side of the market, at the same price or worse than the original COA-eligible order and better than or equal to the starting price will join the original COA. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order(s) shall be according to time priority.

(3) Incoming COA-eligible orders that are received prior to the expiration of the Response Time Interval for the original COA that are on the same side of the market and at a better price than the original COA-eligible order will join the original COA, cause the original COA to end, and a new COA to begin for any remaining balance on the incoming COA-eligible order. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order shall be a according to time priority.

. . . Interpretations and Policies:

.01 - .05 No change.

<u>**.06** Special Provisions applicable to Stock-Option Orders:</u>

<u>(a) Stock Component. The stock portion of a Stock-Option Order shall be electronically executed on the CBOE Stock Exchange (CBSX) consistent with CBSX order execution</u>

rules. A Stock-Option Order shall not be executed on the Hybrid System unless the stock leg is executable on CBSX at the price(s) necessary to achieve the desired net price.

(b) Option Component. Notwithstanding the special priority provisions contained in paragraphs (c) and (d) below, the option leg of a Stock-Option Order shall not be executed on the Hybrid System at the Exchange's best bid (offer) in that series if one or more public customer orders are resting at that price on the electronic book, unless the option leg trades with such public customer order(s). The option leg of a Stock-Option Order may be executed in a one cent increment, regardless of the minimum quoting increment applicable to that series.

(c) Complex Order Book. Stock-Option orders submitted to the COB will trade in the following sequence: (1) against other stock-option orders in the COB using public customer priority and then time priority; (2) against individual orders or quotes on the Exchange provided the stock-option order can be executed in full (or in a permissible ratio); and (3) against orders or quotes submitted by Market Participants as set forth in subparagraph (c)(ii)(3) of this Rule.

(d) Complex Order Auction. Stock-Option orders executed via COA shall trade in the sequence set forth in subparagraph (d)(v)(1)-(4) of this Rule except that subparagraph (d)(v)(1) will be applied last in sequence.

(e) N-second group timer. The N-second group timer shall not be in effect for stock-option orders.

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Item 2. Procedures of the Self-Regulatory Organization

(a) The CBOE's Office of the Chairman approved the proposed rule change on June 19, 2007. No further action is required.

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

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

(a) Purpose

This amendment replaces the original filing in its entirety. The purpose of this amendment is the add clarifying language and examples to the purpose section, to make clarifying language changes to the proposed rule text, and to specifically state in the proposed rule text that the option leg of a stock-option order must (i) improve on any resting public customer orders in the option book for that series, and (ii) may be executed in a one cent increment regardless of the minimum increment applicable to that series.

CBOE Rule 6.53C governs the electronic handling and execution of complex orders by the Exchange's Hybrid System. The purpose of this filing is to allow for the electronic handling and execution of stock-option orders on the Exchange. These are a type of complex order that consist of an option component and a stock component. Stock-option orders are popular with investors (e.g. buy-writes) and are frequently handled on CBOE. To date, these orders are handled manually and the option component is traded in open outcry by a broker. With the establishment of the CBOE Stock Exchange (CBSX), an electronic stock trading facility of CBOE, the Exchange is now positioned to handle and trade stock-option orders electronically with the stock component execution taking place on CBSX.

The Exchange proposes to handle these orders in a manner that is substantially similar to other complex orders handled pursuant to Rule 6.53C. Electronic stock-option orders will be accepted by the Hybrid System and auctioned in the Complex Order Auction (COA) pursuant to subparagraph (d) of that Rule when the requirements for an auction are met. An unexecuted stock-option order can also be maintained by the system (either in the Complex Order Book (COB) or on the PAR workstation) either of which will monitor the marketability of the order taking into account the CBSX market for the execution of the stock component of the order.

There are four differences between the handling of stock-option orders and other complex order types handled pursuant to Rule 6.53C. First, as previously mentioned, the stock portion of the order will be executed on CBSX. All such executions will be consistent with CBSX trading rules including priority and matching rules. The execution of the stock-option order cannot take place until the desired price of the stock component is achievable on CBSX. The option leg of the stock-option order will not trade ahead of any resting public customer orders on the Hybrid book. This is consistent with existing Rule 6.45A(b)(ii) which provides that stock-option orders do not have priority over bids/offers in the public customer limit order book. The option leg may be executed in one cent increments regardless of the minimum increment applicable to the series. Here is an example: A customer enters a buy-write order to buy 100 shares of XYZ (trading around $40) and sell a 45 call with a net price of $39.00. There is a public customer order in the Hybrid book to sell the 45 call for $1. When executing the buy-write against auction responses, the system will not allow the option leg of the transaction to trade at $1 or higher (thereby preserving the resting limit order's priority at that price). An execution could occur where the option leg prints at $0.99 and the stock trade prints at $39.99 (in accordance with CBSX priority rules). This meets the buy-write's limit price (involving a total cost of $3900) and does not violate priority on CBOE or CBSX.

Second, the execution of a stock-option order submitted to the complex order book is slightly different than the priority outlined in subparagraph (c)(ii). More specifically, they will trade in the following sequence: (1) against other stock-option orders in the COB using public customer priority and then time priority (thus, if there are multiple public customer and broker-dealer stock-option orders resting in COB, the public customer orders will trade first with time priority between them, and then the broker-dealer orders will trade with time priority between them); (2) against individual orders or quotes on the Exchange (i.e. the CBSX book and the options Hybrid book) provided the stock-option order can be executed in full (or in a permissible ratio); and (3) against orders or quotes submitted by Market Participants as set forth in subparagraph (c)(ii)(3) of the Rule. Because a portion of a stock-option order is executed on a different platform (CBSX), it is more practical to execute resting stock-option orders against other stock-option orders received by the system first before scanning for executions against the legs on the CBSX book and the options Hybrid book.

The third difference involves the manner in which stock-option orders are executed through the complex order auction. Individual orders and quotes for the various legs of the order will have last priority. Again, this is because it is more practical to execute resting stock-option orders against other stock-option orders received by the system first before scanning for executions against the legs on the CBSX book and the options Hybrid book. Here is an example: The market for XYZ stock on CBSX is \$39.94 – 39.99. The 45 call market on CBOE is \$0.95- 1.00. A stock-option order is entered to buy 100 shares and sell the 45 call with a net price of \$39.00. The stock-option order is auctioned through the complex order auction, but no responses are received (if responses had been received priority would have been afforded to public customer responses and any resting public customer stock-option orders that were marketable against the auctioned order using time priority). After the system has determined that there are no responses or resting stock-option orders that can trade against the auctioned stock-option order, it will look to the individual leg markets. In this case, the stock-option order will be filled by the system by executing the stock at $39.99 against the CBSX book and the option at $1 against the CBOE book.

With respect to the last difference, the N-second group timer shall not be in effect for stock-option orders.

(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 Act,[2] in particular, in that it is designed to facilitate transactions in securities, to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest. In particular, the Exchange believes that the addition of stock-option orders to the list of complex orders eligible for electronic handling under Rule 6.53C is a significant enhancement for investors seeking automated handling of stock-option orders.

Item 4. 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 Act.

Item 5. 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.

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1 15 U.S.C. 78f(b).

2 15 U.S.C. 78f(b)(5).

Item 6. <u>Extension of Time Period for Commission Action</u>

The Exchange does not consent to an extension of the time period for Commission action.

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

Not applicable.

Item 8. <u>Proposed Rule Change Based on Rules or By-Laws of Another Self-Regulatory Organization or of the Commission</u>

Not applicable.

Item 9. <u>Exhibits</u>

Exhibit 1. Notice of proposed rule change for publication in the <u>Federal Register</u>.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2007-68)

Dated:____________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Regarding Complex Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Exchange Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 20, 2007, the 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 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 Rules regarding complex orders. 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 discussed any comments it received on the proposed rule change. The text of those statements may be examined at the

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

CBOE Rule 6.53C governs the electronic handling and execution of complex orders by the Exchange's Hybrid System. The purpose of this filing is to allow for the electronic handling and execution of stock-option orders on the Exchange. These are a type of complex order that consist of an option component and a stock component. Stock-option orders are popular with investors (e.g. buy-writes) and are frequently handled on CBOE. To date, these orders are handled manually and the option component is traded in open outcry by a broker. With the establishment of the CBOE Stock Exchange (CBSX), an electronic stock trading facility of CBOE, the Exchange is now positioned to handle and trade stock-option orders electronically with the stock component execution taking place on CBSX.

The Exchange proposes to handle these orders in a manner that is substantially similar to other complex orders handled pursuant to Rule 6.53C. Electronic stock-option orders will be accepted by the Hybrid System and auctioned in the Complex Order Auction (COA) pursuant to subparagraph (d) of that Rule when the requirements for an auction are met. An unexecuted stock-option order can also be maintained by the system (either in the Complex Order Book (COB) or on the PAR workstation) either of which will monitor the marketability of the order taking into account the CBSX market for the execution of the stock component of the order.

There are four differences between the handling of stock-option orders and other complex order types handled pursuant to Rule 6.53C. First, as previously mentioned, the stock portion of the order will be executed on CBSX. All such executions will be consistent with CBSX trading rules including priority and matching rules. The execution of the stock-option order cannot take place until the desired price of the stock component is achievable on CBSX. The option leg of the stock-option order will not trade ahead of any resting public customer orders on the Hybrid book. This is consistent with existing Rule 6.45A(b)(ii) which provides that stock-option orders do not have priority over bids/offers in the public customer limit order book. The option leg may be executed in one cent increments regardless of the minimum increment applicable to the series. Here is an example: A customer enters a buy-write order to buy 100 shares of XYZ (trading around $40) and sell a 45 call with a net price of $39.00. There is a public customer order in the Hybrid book to sell the 45 call for $1. When executing the buy-write against auction responses, the system will not allow the option leg of the transaction to trade at $1 or higher (thereby preserving the resting limit order's priority at that price). An execution could occur where the option leg prints at $0.99 and the stock trade prints at $39.99 (in accordance with CBSX priority rules). This meets the buy-write's limit price (involving a total cost of $3900) and does not violate priority on CBOE or CBSX.

Second, the execution of a stock-option order submitted to the complex order book is slightly different than the priority outlined in subparagraph (c)(ii). More specifically, they will trade in the following sequence: (1) against other stock-option orders in the COB using public customer priority and then time priority (thus, if there are multiple public customer and broker-dealer stock-option orders resting in COB, the public customer orders will trade first with time priority between them, and then the broker-dealer orders will trade with time priority between them); (2) against individual orders or quotes on the Exchange (i.e. the

CBSX book and the options Hybrid book) provided the stock-option order can be executed in full (or in a permissible ratio); and (3) against orders or quotes submitted by Market Participants as set forth in subparagraph (c)(ii)(3) of the Rule. Because a portion of a stock-option order is executed on a different platform (CBSX), it is more practical to execute resting stock-option orders against other stock-option orders received by the system first before scanning for executions against the legs on the CBSX book and the options Hybrid book.

The third difference involves the manner in which stock-option orders are executed through the complex order auction. Individual orders and quotes for the various legs of the order will have last priority. Again, this is because it is more practical to execute resting stock-option orders against other stock-option orders received by the system first before scanning for executions against the legs on the CBSX book and the options Hybrid book. Here is an example: The market for XYZ stock on CBSX is $39.94 – 39.99. The 45 call market on CBOE is $0.95- 1.00. A stock-option order is entered to buy 100 shares and sell the 45 call with a net price of $39.00. The stock-option order is auctioned through the complex order auction, but no responses are received (if responses had been received priority would have been afforded to public customer responses and any resting public customer stock-option orders that were marketable against the auctioned order using time priority). After the system has determined that there are no responses or resting stock-option orders that can trade against the auctioned stock-option order, it will look to the individual leg markets. In this case, the stock-option order will be filled by the system by executing the stock at $39.99 against the CBSX book and the option at $1 against the CBOE book.

With respect to the last difference, the N-second group timer shall not be in effect for stock-option orders.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),[3] in general, and furthers the objectives of Section 6(b)(5) of the Act,[4] in particular, in that it is designed to facilitate transactions in securities, to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest. In particular, the Exchange believes that the addition of stock-option orders to the list of complex orders eligible for electronic handling under Rule 6.53C is a significant enhancement for investors seeking automated handling of stock-option orders.

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 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

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3 15 U.S.C. 78f(b).

4 15 U.S.C. 78f(b)(5).

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-2007-68 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-2007-68. 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 20549-1090. 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-2007-68 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.[5]

Dated: ____________________

Nancy M. Morris
Secretary

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[5] 17 CFR 200.30-3(a)(12).