

OMB APPROVAL

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

File No. SR - 2007 - 74

Amendment No. 1

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

Initial <input type="checkbox"/>	Amendment <input checked="" 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"/>	Extension of Time Period for Commission Action <input type="checkbox"/>		Name <input type="checkbox"/> [] <input type="checkbox"/> [] <input type="checkbox"/> [] <input type="checkbox"/> [] <input type="checkbox"/> [] <input type="checkbox"/> []		

Description

Proposed Rule Change to the Chicago Board Options Exchange

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 EFFF 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

☐

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

☐

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 CBOE Rule 6.13A to (i) modify the increments in which responses may be submitted during the Simple Auction Liaison ("SAL") auction process and (ii) incorporate provisions for Hybrid 3.0 Classes in which SAL is activated. Set forth below are the proposed changes to the rule text with additions underlined and deletions [bracketed].

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 6.13A. Simple Auction Liaison (SAL)

This Rule governs the operation of the SAL system. SAL is a feature within the Hybrid System that auctions marketable orders for price improvement over the NBBO.

(a) No Change.

(b) *SAL Auction.* Prior to commencing the auction, SAL shall stop the Agency Order at the NBBO against Market-Maker quotations displayed at the NBBO on the opposite side of the market as the Agency Order. SAL will not allow such quotations to be cancelled or to move to an inferior price or size throughout the duration of the auction. The auction will last for a period of time not to exceed two (2) seconds as determined by the Exchange on a class-by-class basis. Auction responses may be submitted by Market-Makers with an appointment in the relevant option class and Members acting as agent for orders resting at the top of the Exchange's book opposite the Agency Order. With respect to responses, the following shall apply:

(i) Responses shall not be visible to other auction participants and shall not be disseminated to OPRA.

(ii) Responses may be submitted in one-cent increments unless for the relevant option class the Exchange has determined that responses shall be submitted in standard increments.

(iii) Multiple responses are allowed.

(iv) Responses may be cancelled.

(v) Responses cannot cross the Exchange's disseminated quotation on the opposite side of the market.

(c) No Change.

(d) No Change.

... Interpretations and Policies:

.01 - .03 No Change.

.04 For Hybrid 3.0 Classes in which SAL is activated, SAL shall operate as follows:

(i) SAL eligibility and the auction process specified in paragraphs (a) and (b), respectively, shall apply.

(ii) Allocation of Agency Orders shall be conducted in one round only. The First Round Allocation criteria specified in paragraph (c)(i) shall not apply. The appropriate Exchange Procedure Committee shall determine, on a class-by-class basis, which electronic matching algorithm from Rule 6.45B shall apply to SAL executions. Additionally, the appropriate Exchange Market Performance Committee may establish, on a class-by-class basis, a DPM/LMM participation entitlement that is applicable only to SAL executions and the participation entitlement shall be in compliance with Rule 6.45B(a)(i)(2). The size of each response to the SAL auction shall be capped to the size of the Agency Order for allocation purposes.

(iii) The Exchange will not conduct a SAL auction when the Exchange's quote is represented by a manual quote (as defined in Rule 6.43).

* * * * *

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 June 29, 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 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

The purpose of this amendment to SR-CBOE-2007-74 is to make certain rule text changes and to make corresponding clarifying changes to the Purpose section. This amendment supersedes the original filing in its entirety.

CBOE Rule 6.13A governs the operation of the Exchange's SAL system. SAL is a feature on CBOE's Hybrid system that auctions marketable orders for price improvement over the NBBO. The purpose of this proposed rule change is to amend CBOE Rule 6.13A to (i) modify the increments in which responses may be submitted during the SAL auction process and (ii) incorporate provisions for Hybrid 3.0 Classes in which SAL is activated. Although modifying the auction increments in which responses could be submitted (to include standard increments) would widen the quote as compared to one-cent increments, this modification may encourage Market-Makers and other market participants to quote more aggressively overall. In addition, incorporating SAL on the Hybrid 3.0 Platform will further automate the order handling process on Hybrid 3.0.

In providing marketable orders with the potential for price improvement, SAL provides an auction, for a period of time not to exceed two seconds as determined by the Exchange on a class-by-class basis, for any qualifying order ("Agency Order") that is eligible for automatic execution by CBOE's Hybrid System.¹ Under the current SAL rule, during the auction process, Market-Makers with an appointment in the relevant option class and CBOE members acting as agents for orders resting at the top of the Exchange's book opposite the Agency Order could submit a response during the auction. CBOE Rule 6.13A(b) outlines the procedures in how a response shall be submitted during the auction including the requirement that the response may be submitted in one-cent increments. This filing proposes to modify

¹ See CBOE Rule 6.13(b)(C)(i).

this requirement to allow the auction response in all option classes in which SAL is activated to be submitted in one-cent increments unless for the relevant option class the Exchange has determined that responses shall be submitted in standard increments.²

Pursuant to CBOE's existing SAL rule, Agency Orders would be currently allocated in two rounds.³ For Hybrid 3.0 Classes, the filing proposes to conduct only one round of allocations since the DPM/LMM is the only "quoter" on the Hybrid 3.0 Platform.⁴ Specifically, the first round allocation specified in paragraph (c)(i) shall not apply. In Hybrid 3.0 Classes, the single round allocation will be conducted pursuant to the criteria in paragraph (c)(ii) with a few differences.

Such differences include the proposed modifications in how the allocation and participation entitlement process for SAL will work on Hybrid 3.0 Classes. The current SAL rule allocates the Agency Order pursuant to the matching algorithm that is in effect for the class pursuant to Rules 6.45A or 6.45B.⁵ This filing proposes to provide the Exchange with some flexibility regarding the allocation of the Agency Order to permit the matching algorithm as applied to SAL to be different from the matching algorithm that is currently in effect for the Hybrid 3.0 Class. Therefore, for Hybrid 3.0 Classes, we are proposing that the appropriate Exchange Procedure Committee may determine, on a class-by-class basis, which electronic matching algorithm shall apply to SAL executions. The matching algorithm applied to SAL in Hybrid 3.0 Classes will continue to be pursuant to Rule 6.45B.

The current SAL rule also provides for a Market-Maker to receive a participation entitlement only if the applicable matching algorithm (from Rule 6.45A or 6.45B) that is in

² See proposed changes to CBOE Rule 6.13A(b)(ii).

³ See CBOE Rule 6.13A(c).

⁴ Pursuant to CBOE Rule 1.1(aaa), the Hybrid 3.0 Platform is an electronic trading platform on the Hybrid trading system that allows a single quoter to submit an electronic quote which represents the aggregate Market-Maker quoting interest in a series for the trading crowd.

⁵ See CBOE Rule 6.13A(c)(1).

effect for the class includes a participation entitlement.⁶ Currently, Hybrid 3.0 does not permit a LMM or DPM to receive a participation entitlement as it pertains to the allocation of incoming electronic orders. In Hybrid 3.0 Classes, pursuant to existing rules all eligible orders pursuant to Rule 6.13 can receive automatic execution against public customer orders in the electronic book. The remaining balance of the eligible order, if any, may be (i) represented in the electronic book provided such order is eligible for book entry pursuant to Rule 7.4 or (ii) if not book eligible, will route to PAR, BART, or the order entry firm's book printer.⁷ Orders not eligible for automatic execution will route on a class by class basis to PAR, BART, or the order entry firm's booth printer.⁸ Since the LMM or DPM does not receive a participation entitlement with regard to incoming electronic orders, this filing proposes to permit the appropriate Exchange Market Performance Committee to establish, on a class-by-class basis, a LMM or DPM participation entitlement that is applicable only to SAL executions in Hybrid 3.0 Classes. Incorporating SAL on the Hybrid 3.0 Platform will provide not only a more automated order handling process in Hybrid 3.0 Classes, but will also provide Market-Makers with electronic access to the Agency Order since Market-Makers will be able to electronically respond to the Agency Order through SAL. With Market-Makers having access to electronically respond to the Agency Order, incorporating a LMM/DPM participation entitlement to SAL executions may in turn provide more aggressive quoting. The participation entitlement shall be in compliance with the provisions of Rule 6.45B(a)(i)(2).

The size of each response to the SAL auction shall continue to be capped to the size of the Agency Order for allocation purposes.

⁶ See CBOE Rule 6.13A(c)(3).

⁷ See CBOE Rule 6.13(b)(i)(A)(2).

⁸ See CBOE Rule 6.13(b)(i)(B).

Furthermore, when the SAL system is enabled, the Exchange will conduct a SAL auction only when the Exchange's quote is represented by the DPM/LMM quote. The Exchange will not conduct a SAL auction when the Exchange's quote is represented by a manual quote.⁹

All other aspects of SAL pursuant to CBOE Rule 6.13A shall apply to Hybrid 3.0 Classes.

(b) Statutory Basis

Modifying the SAL auction increments in which responses could be submitted (to include standard increments) may encourage more aggressive quoting and incorporating SAL on the Hybrid 3.0 Platform will further automate the order handling process on Hybrid 3.0. Accordingly, the Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")¹⁰ in general and furthers the objectives of Section 6(b)(5) of the Act¹¹ 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

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.

⁹ See proposed CBOE 6.13A.04(iii).

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

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 Act¹² 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.

Exhibit 4. Marked Copy Reflecting Rule Text Changes from Original Rule Filing SR-CBOE-2007-74.

¹² 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-CBOE-2007-74)

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change to Amend CBOE Rule 6.13A to Modify the Simple Auction Liaison Auction Process and Incorporate Specific Provisions for Hybrid 3.0 Classes.

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 _____, 2007, 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 CBOE Rule 6.13A to (i) modify the increments in which responses may be submitted during the Simple Auction Liaison ("SAL") auction process and (ii) incorporate provisions for Hybrid 3.0 Classes in which SAL is activated. The text of the proposed rule change is available on the Exchange's website (<http://www.cboe.com/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

CBOE Rule 6.13A governs the operation of the Exchange's SAL system. SAL is a feature on CBOE's Hybrid system that auctions marketable orders for price improvement over the NBBO. The purpose of this proposed rule change is to amend CBOE Rule 6.13A to (i) modify the increments in which responses may be submitted during the SAL auction process and (ii) incorporate provisions for Hybrid 3.0 Classes in which SAL is activated. Although modifying the auction increments in which responses could be submitted (to include standard increments) would widen the quote as compared to one-cent increments, this modification may encourage Market-Makers and other market participants to quote more aggressively overall. In addition, incorporating SAL on the Hybrid 3.0 Platform will further automate the order handling process on Hybrid 3.0.

In providing marketable orders with the potential for price improvement, SAL provides an auction, for a period of time not to exceed two seconds as determined by the Exchange on a class-by-class basis, for any qualifying order ("Agency Order") that is eligible for automatic execution by CBOE's Hybrid System.¹ Under the current SAL rule, during the auction process, Market-Makers with an appointment in the relevant option class and CBOE members acting as agents for orders resting at the top of the Exchange's book opposite the Agency Order could submit a response during the auction. CBOE Rule 6.13A(b) outlines the procedures in how a response shall be submitted

¹ See CBOE Rule 6.13(b)(C)(i).

during the auction including the requirement that the response may be submitted in one-cent increments. This filing proposes to modify this requirement to allow the auction response in all option classes in which SAL is activated to be submitted in one-cent increments unless for the relevant option class the Exchange has determined that responses shall be submitted in standard increments.²

Pursuant to CBOE's existing SAL rule, Agency Orders would be currently allocated in two rounds.³ For Hybrid 3.0 Classes, the filing proposes to conduct only one round of allocations since the DPM/LMM is the only "quoter" on the Hybrid 3.0 Platform.⁴ Specifically, the first round allocation specified in paragraph (c)(i) shall not apply. In Hybrid 3.0 Classes, the single round allocation will be conducted pursuant to the criteria in paragraph (c)(ii) with a few differences.

Such differences include the proposed modifications in how the allocation and participation entitlement process for SAL will work on Hybrid 3.0 Classes. The current SAL rule allocates the Agency Order pursuant to the matching algorithm that is in effect for the class pursuant to Rules 6.45A or 6.45B.⁵ This filing proposes to provide the Exchange with some flexibility regarding the allocation of the Agency Order to permit the matching algorithm as applied to SAL to be different from the matching algorithm that is currently in effect for the Hybrid 3.0 Class. Therefore, for Hybrid 3.0 Classes, we are proposing that the appropriate Exchange Procedure Committee may determine, on a class-by-class basis, which electronic matching algorithm shall apply to SAL executions.

² See proposed changes to CBOE Rule 6.13A(b)(ii).

³ See CBOE Rule 6.13A(c).

⁴ Pursuant to CBOE Rule 1.1(aaa), the Hybrid 3.0 Platform is an electronic trading platform on the Hybrid trading system that allows a single quoter to submit an electronic quote which represents the aggregate Market-Maker quoting interest in a series for the trading crowd.

⁵ See CBOE Rule 6.13A(c)(1).

The matching algorithm applied to SAL in Hybrid 3.0 Classes will continue to be pursuant to Rule 6.45B.

The current SAL rule also provides for a Market-Maker to receive a participation entitlement only if the applicable matching algorithm (from Rule 6.45A or 6.45B) that is in effect for the class includes a participation entitlement.⁶ Currently, Hybrid 3.0 does not permit a LMM or DPM to receive a participation entitlement as it pertains to the allocation of incoming electronic orders. In Hybrid 3.0 Classes, pursuant to existing rules all eligible orders pursuant to Rule 6.13 can receive automatic execution against public customer orders in the electronic book. The remaining balance of the eligible order, if any, may be (i) represented in the electronic book provided such order is eligible for book entry pursuant to Rule 7.4 or (ii) if not book eligible, will route to PAR, BART, or the order entry firm's book printer.⁷ Orders not eligible for automatic execution will route on a class by class basis to PAR, BART, or the order entry firm's booth printer.⁸ Since the LMM or DPM does not receive a participation entitlement with regard to incoming electronic orders, this filing proposes to permit the appropriate Exchange Market Performance Committee to establish, on a class-by-class basis, a LMM or DPM participation entitlement that is applicable only to SAL executions in Hybrid 3.0 Classes. Incorporating SAL on the Hybrid 3.0 Platform will provide not only a more automated order handling process in Hybrid 3.0 Classes, but will also provide Market-Makers with electronic access to the Agency Order since Market-Makers will be able to electronically respond to the Agency Order through SAL. With Market-Makers having access to electronically respond to the Agency Order, incorporating a LMM/DPM participation

⁶ See CBOE Rule 6.13A(c)(3).

⁷ See CBOE Rule 6.13(b)(i)(A)(2).

⁸ See CBOE Rule 6.13(b)(i)(B).

entitlement to SAL executions may in turn provide more aggressive quoting. The participation entitlement shall be in compliance with the provisions of Rule 6.45B(a)(i)(2).

The size of each response to the SAL auction shall continue to be capped to the size of the Agency Order for allocation purposes.

Furthermore, when the SAL system is enabled, the Exchange will conduct a SAL auction only when the Exchange's quote is represented by the DPM/LMM quote. The Exchange will not conduct a SAL auction when the Exchange's quote is represented by a manual quote.⁹

All other aspects of SAL pursuant to CBOE Rule 6.13A shall apply to Hybrid 3.0 Classes.

(b) Statutory Basis

Modifying the SAL auction increments in which responses could be submitted (to include standard increments) may encourage more aggressive quoting and incorporating SAL on the Hybrid 3.0 Platform will further automate the order handling process on Hybrid 3.0. Accordingly, the Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")¹⁰ in general and furthers the objectives of Section 6(b)(5) of the Act¹¹ 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

⁹ See proposed CBOE 6.13A.04(iii).

¹⁰ 15 U.S.C. 78f(b).

¹¹ 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.

(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

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-2007-74 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-2007-74. 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 on official business days between the hours of 10:00 am and 3:00 pm. 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-2007-74 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.¹²

Florence E. Harmon
Deputy Secretary

DATE: _____

¹² 17 CFR 200.30-3(a)(12).

EXHIBIT 4

(Additions set forth in the proposed rule text of SR-CBOE-2007-74 are underlined and deletions are [bracketed]. Additions being made pursuant to Amendment No. 1 to SR-CBOE-2007-74 are double underlined and deletions are ~~struck through~~.)

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 6.13A. Simple Auction Liaison (SAL)

This Rule governs the operation of the SAL system. SAL is a feature within the Hybrid System that auctions marketable orders for price improvement over the NBBO.

(a) No Change.

(b) *SAL Auction.* Prior to commencing the auction, SAL shall stop the Agency Order at the NBBO against Market-Maker quotations displayed at the NBBO on the opposite side of the market as the Agency Order. SAL will not allow such quotations to be cancelled or to move to an inferior price or size throughout the duration of the auction. The auction will last for a period of time not to exceed two (2) seconds as determined by the Exchange on a class-by-class basis. Auction responses may be submitted by Market-Makers with an appointment in the relevant option class and Members acting as agent for orders resting at the top of the Exchange's book opposite the Agency Order. With respect to responses, the following shall apply:

(i) Responses shall not be visible to other auction participants and shall not be disseminated to OPRA.

(ii) Responses may be submitted in one-cent increments unless for the relevant option class the Exchange has determined that responses shall be submitted in standard increments.

(iii) Multiple responses are allowed.

(iv) Responses may be cancelled.

(v) Responses cannot cross the Exchange's disseminated quotation on the opposite side of the market.

(c) No Change.

(d) No Change.

. . . Interpretations and Policies:

.01 - .03 No Change.

.04 ~~Special Provisions for~~ For Hybrid 3.0 Classes in which SAL is activated, SAL shall operate as follows:

(i) SAL eligibility and the auction process specified in paragraphs (a) and (b), respectively, shall apply.

(ii) Allocation of Agency Orders shall be conducted in one round only. The First Round Allocation criteria specified in paragraph (c)(i) shall not apply. Allocations will be conducted pursuant to paragraph (c)(ii), however, there may be a participation entitlement to the LMM or DPM. The appropriate Exchange Procedure Committee shall determine, on a class-by-class basis, which electronic matching algorithm from Rule 6.45B shall apply to SAL executions. Additionally, the appropriate Exchange Market Performance Committee shall determinemay establish, on a class -by -class basis, thea DPM/LMM participation entitlement that is applicable. only to SAL executions and the participation entitlement shall be in compliance with Rule 6.45B(a)(i)(2). The size of each response to the SAL auction shall be capped to the size of the Agency Order for allocation purposes.

(ii) When the system is enabled, the iii) The Exchange will not conduct a SAL auction when the Exchange's quote is represented by a manual quote (as defined in Rule 6.43). SAL shall not stop the Agency Order against a manual quote since automatic execution against a manual quote is not permissible pursuant to Rule 6.43. If no responses are received during the auction process, then the Agency Order will route on a class-by class basis to PAR, BART, or at the order entry firm's discretion to the order entry firm's booth printer.