

OMB APPROVAL

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

File No. SR - 2007 - 105

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 type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>			<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 checked="" type="checkbox"/> 19b-4(f)(6)		

Description

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

Proposal to amend rules pertaining to the applicable contract multiplier for Credit Default Options.

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 Jennifer Last Name Lamie
Title Assistant General Counsel
E-mail lamie@cboe.com
Telephone (312) 786-7576 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 09/07/2007

By Jennifer L. Klebes

(Name)

Senior Attorney / 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.

Jenny-Klebes, klebes@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

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

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

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

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

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

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

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

The Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend its rules pertaining to the applicable contract multiplier for Credit Default Options. The text of the proposed rule change is provided below (additions are underlined; deletions are [bracketed]).

Chicago Board Options Exchange, Incorporated

Rules

* * * * *

Rule 29.1- Definitions

RULE 29.1. The following terms as used in this Chapter, shall unless the context otherwise indicates, have the meanings herein specified.

Cash Settlement Amount

(a) The term "cash settlement amount" means the amount of cash that a holder will receive upon exercise of the contract.

(i) For Credit Default Options, the cash settlement amount per contract is generally \$100,000 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier specified by the Exchange (which shall be at least 1 and no more than [of] 1,000) and is payable upon automatic exercise if the Exchange confirms a Credit Event in accordance with Rule 29.9. If a Credit Event is not confirmed, the cash settlement value will be \$0. If applicable, the cash settlement amount will be adjusted in accordance with Rule 29.4.

(ii) No change.

(b) – (j) No change.

* * * * *

Rule 29.5 – Position Limits

RULE 29.5. (a) In determining compliance with Rule 4.11, [cash-settled] Credit Default Option contracts with a cash settlement value of \$100,000 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 1,000) shall have a position limit equal to 5,000 contracts on the same side of the market. In calculating the applicable position limits, reduced-value contracts (i.e., Credit Default Options with a cash settlement value of less than \$100,000 per contract) will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 Credit Default Option contract with a cash settlement value of \$10,000 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 100) equal one full-value contract). [and c]Cash-settled Credit Default Basket Options shall have a position limit equal to 50,000 contracts on the same side of the market.

(b) – (d) No change.

* * * * *

Rule 29.6 – Reports Related to Position Limits and Liquidation of Positions

RULE 29.6. For purposes of Rules 4.13 and 4.14, references to Rule 4.11 in connection with position limits shall be deemed, in the case of Credit Options, to be to Rule 29.5. In computing reportable Credit Options under Rule 4.13, Credit Options shall not be aggregated with non-Credit Option contracts. In addition, Credit Options of a given class shall not be aggregated with any other class of Credit Options. The applicable hedge reporting requirement described in Rule 4.13(b) shall apply to a position in excess of 1,000 Credit Option contracts on the same side of the market. In calculating the applicable position for Credit Default Option contracts, reduced-value contracts (i.e., Credit Default Options with a cash settlement value of less than \$100,000 per contract) will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 Credit Default Option contract with a cash settlement value of \$10,000 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 100) equal one full-value contract).

Rule 29.6 supplements Rules 4.13 and 4.14.

* * * * *

Rule 29.9 – Determination of Credit Event, Automatic Exercise and Settlement

RULE 29.9. (a) – (d) No change.

(e) For Credit Default Options, if the Exchange determines that a Credit Event in the underlying Reference Entity has occurred prior to 10:59 p.m. (CT) on the last trading day, the Credit Default Option will automatically pay the applicable cash settlement amount [will be \$100,000 per contract] (or the applicable adjusted amount) per contract. Otherwise the cash settlement amount will be \$0. If a Credit Event has been confirmed by the Exchange prior to the last trading day, the Credit Default Option will cease trading upon confirmation of the Credit Event.

(f) – (g) No change.

Rule 29.9 replaces, for purposes of Chapter XXIX, Rule 11.1. Rule 11.2 is not applicable.

* * * * *

Item 2. Procedures of the Self-Regulatory Organization

(a) The CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on August 29, 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 Jennifer Lamie, (312) 786-7576.

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

(a) Purpose

The Exchange recently received approval to list and trade CDOs,¹ which are binary call options based on Credit Events² in one or more debt securities of an issuer or guarantor. If the Exchange confirms a Credit Event, a CDO would be subject to automatic exercise and a fixed cash settlement amount payment of \$100,000 per contract. The \$100,000 is equal to a fixed exercise settlement value of \$100 multiplied by a fixed contract multiplier of 1,000.

The purpose of this rule change is to modify the rule provisions pertaining to CDO contract multipliers to permit the Exchange to vary the particular contract multiplier term on a class-by-class basis within a range of 1 to 1,000.³ The exercise settlement value would remain fixed at \$100. Thus, a given CDO class could have a cash settlement amount ranging from \$100 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 1) to \$100,000 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 1,000). Based on feedback from members and potential investors, the Exchange believes it is essential to have the ability to introduce CDOs where

¹ See Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007)(SR-CBOE-2006-84).

² A "Credit Event" occurs when an issuer or guarantor has a Failure-to-Pay Default on, any other Event of Default on, and/or a Restructuring of the Relevant Obligation(s). Failure-to-Pay Defaults, Events of Default and Restructuring are defined in accordance with the terms of the Relevant Obligation(s) and are subject to certain minimum threshold amounts provided in Rule 29.1(c). The "Relevant Obligations" are the debt security obligation(s) of the issuer or guarantor that underlie a CDO. See Rules 29.1(c).

³ See proposed change to Rule 29.1(a) and corresponding change to Rule 29.9(e).

the contract payout is less than \$100,000 in order to attract liquidity and to better service customer demands and needs.

In calculating the applicable position limits and reporting requirements, the Exchange is proposing that any “reduced-value” CDOs (i.e., CDOs that have a cash settlement amount that is less than \$100,000 per contract) would be aggregated with any equivalent full-value CDOs and counted by the amount by which they equal a full-value CDO contract.⁴ For example, the Exchange might determine to list reduced-value CDOs based on a Failure-to-Pay Default of the Relevant Obligations of Issuer ABC using a contract multiplier of 100, in which case the reduced-value CDO would be subject to a \$10,000 per contract payout upon confirmation of a Failure-to-Pay Default (\$100 multiplied by 100, which is 1/10th the value of a full-value CDO). The applicable position limits and reporting requirements would be equivalent to the reduced-value contract factor multiplied by the applicable position limits for a full-value option on the same broad-based index. Using the example above, the position limits for the reduced-value CDOs (1/10th full-value) would be 50,000 contracts, which is equal to the applicable reduced-value factor (10) multiplied by the applicable position limit for a full-value CDO class (5,000 contracts).⁵ Likewise, the hedge reporting requirements would be 10,000 contracts, which is equal to the applicable factor (10) multiplied by the applicable reporting level for a full-value CDO class (1,000 contracts).

⁴ See proposed changes to Rules 29.5(a) and 29.6.

⁵ As indicated above, positions in reduced-value CDOs would be aggregated with positions in equivalent full-value CDOs for purposes of calculating position limit and reporting requirements. For example, if a CDO is reduced by one-tenth, ten (10) reduced-value CDO contracts shall equal one full-value contract. If a CDO is reduced by one-fifth, five (5) reduced-value CDO contracts shall equal one full-value CDO contract.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act⁶ and the rules and regulations under the Act applicable to national securities exchanges and, in particular, the requirements of Section 6(b) of the Act.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, 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 Act⁹ for Commission consideration of the proposed rule change.

⁶ 15 U.S.C. 78s(b)(1).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78s(b)(2).

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

(a) The proposed rule change has taken effect upon filing pursuant to Section 19(b)(3)(A) of the Act.¹⁰

(b) The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) will not become operative for 30 days after the date of this filing. The Exchange notes that it provided a copy of this rule filing to the Commission five business days prior to filing.¹¹ For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act.¹²

(c) Not applicable.

(d) Not applicable.

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

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.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ On August 30, 2007, the Exchange submitted the pre-filing via electronic mail.

¹² 17 CFR 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2007-105)

Dated: _____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Rules Related to Credit Default Options

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

The Exchange proposes to amend its rules pertaining to the applicable contract multiplier for Credit Default Options. The text of the proposed rule change is available on the Exchange’s website (www.cboe.org/Legal), at the Exchange’s Office of the Secretary and at the Commission.

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).

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. 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

The Exchange recently received approval to list and trade CDOs,⁵ which are binary call options based on Credit Events⁶ in one or more debt securities of an issuer or guarantor. If the Exchange confirms a Credit Event, a CDO would be subject to automatic exercise and a fixed cash settlement amount payment of \$100,000 per contract. The \$100,000 is equal to a fixed exercise settlement value of \$100 multiplied by a fixed contract multiplier of 1,000.

The purpose of this rule change is to modify the rule provisions pertaining to CDO contract multipliers to permit the Exchange to vary the particular contract multiplier term on

⁵ See Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007)(SR-CBOE-2006-84).

⁶ A "Credit Event" occurs when an issuer or guarantor has a Failure-to-Pay Default on, any other Event of Default on, and/or a Restructuring of the Relevant Obligation(s). Failure-to-Pay Defaults, Events of Default and Restructuring are defined in accordance with the terms of the Relevant Obligation(s) and are subject to certain minimum threshold amounts provided in Rule 29.1(c). The "Relevant Obligations" are the debt security obligation(s) of the issuer or guarantor that underlie a CDO. See Rules 29.1(c).

a class-by-class basis within a range of 1 to 1,000.⁷ The exercise settlement value would remain fixed at \$100. Thus, a given CDO class could have a cash settlement amount ranging from \$100 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 1) to \$100,000 per contract (equal to an exercise settlement value of \$100 multiplied by a contract multiplier of 1,000). Based on feedback from members and potential investors, the Exchange believes it is essential to have the ability to introduce CDOs where the contract payout is less than \$100,000 in order to attract liquidity and to better service customer demands and needs.

In calculating the applicable position limits and reporting requirements, the Exchange is proposing that any “reduced-value” CDOs (i.e., CDOs that have a cash settlement amount that is less than \$100,000 per contract) would be aggregated with any equivalent full-value CDOs and counted by the amount by which they equal a full-value CDO contract.⁸ For example, the Exchange might determine to list reduced-value CDOs based on a Failure-to-Pay Default of the Relevant Obligations of Issuer ABC using a contract multiplier of 100, in which case the reduced-value CDO would be subject to a \$10,000 per contract payout upon confirmation of a Failure-to-Pay Default (\$100 multiplied by 100, which is 1/10th the value of a full-value CDO). The applicable position limits and reporting requirements would be equivalent to the reduced-value contract factor multiplied by the applicable position limits for a full-value option on the same broad-based index. Using the example above, the position limits for the reduced-value CDOs (1/10th full-value) would be 50,000 contracts, which is equal to the applicable reduced-value factor (10) multiplied by the applicable position limit

⁷ See proposed change to Rule 29.1(a) and corresponding change to Rule 29.9(e).

⁸ See proposed changes to Rules 29.5(a) and 29.6.

for a full-value CDO class (5,000 contracts).⁹ Likewise, the hedge reporting requirements would be 10,000 contracts, which is equal to the applicable factor (10) multiplied by the applicable reporting level for a full-value CDO class (1,000 contracts).

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act¹⁰ and the rules and regulations under the Act applicable to national securities exchanges and, in particular, the requirements of Section 6(b) of the Act.¹¹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, 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 Act.

⁹ As indicated above, positions in reduced-value CDOs would be aggregated with positions in equivalent full-value CDOs for purposes of calculating position limit and reporting requirements. For example, if a CDO is reduced by one-tenth, ten (10) reduced-value CDO contracts shall equal one full-value contract. If a CDO is reduced by one-fifth, five (5) reduced-value CDO contracts shall equal one full-value CDO contract.

¹⁰ 15 U.S.C. 78s(b)(1).

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

C. 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.

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 given the Commission written notice of its intent to file the proposed rule change at least five business days 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 Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴ 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:

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

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-2007-105 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-2007-105. 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, 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-

2007-105 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.¹⁵

Nancy M. Morris
Secretary

Dated: _____

¹⁵ 17 CFR 200.30-3(a)(12).