

## OMB APPROVAL

OMB Number: 3235-0045

Expires: June 30, 2007

Estimated average burden  
hours per response.....38

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4File No. SR - 2007 - 114  
Amendment No. 1Proposed 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"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action <input type="checkbox"/>	Text Limitation <input type="checkbox"/>
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<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

## Description

Chicago Board Options Exchange (CBOE) is proposing to amend its rules to

## 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 Klebes  
 Title Senior Attorney  
 E-mail klebes@cboe.com  
 Telephone (312) 786-7466 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 10/26/2007

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 EFFS website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

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

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to add new Interpretation .01(c) to Rule 5.3, Criteria for Underlying Securities, for the purpose of permitting the Exchange to list and trade individual equity options that are otherwise ineligible for listing and trading if such option is listed and traded on another national securities exchange. Set forth below are proposed changes to the rule text, with additions represented by underscoring and deletions represented by [bracketing].

(b) Not applicable.

(c) Not applicable.

Chicago Board Options Exchange, Incorporated  
Rules

\* \* \* \* \*

Rule 5.3 – Criteria for Underlying Securities

RULE 5.3. (a) – (b) No change.

... *Interpretations and Policies:*

.01 The Board of Directors has established guidelines to be considered by the Exchange in evaluating potential underlying securities for Exchange option transactions. Absent exceptional circumstances with respect to Paragraphs (a)(1) or (2), or (b)(1) or (2) listed below, at the time the Exchange selects an underlying security for Exchange option transactions, the following guidelines with respect to the issuer shall be met.

(a) – (b) No change.

(c) Notwithstanding the requirements set forth in Paragraphs (a)(1), (a)(2), (b)(1), and (b)(2) listed above, the Exchange may list and trade an options contract if (1) the underlying security meets the guidelines for continued listing in Rule 5.4, and (2) options on such underlying security are listed and traded on at least one other registered national securities exchange.

.02 - .12 No change.

\* \* \* \* \*

2. Procedures of the Self-Regulatory Organization

(a) CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on September 18, 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 Klebes, (312) 786-7466.

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

(a) Purpose

Amendment 1 replaces the original filing in its entirety. The purpose of Amendment 1 is to make revisions to the proposed text of Rule 5.3.01(c) to replace the phrase "set forth in Paragraphs (a) and (b) above" with the phrase "set forth in Paragraphs (a)(1), (a)(2), (b)(1), and (b)(2) listed above." The Exchange has also made corresponding changes to the "Purpose" section of this filing to reflect the rule text replacement changes. Additionally, this Amendment 1 contains a representation that the procedures currently employed to determine whether a particular underlying security meets the initial listing criteria will similarly be applied to the continued listing criteria. Further, the Exchange has updated the citations and references to other exchanges' filings to reflect approval orders recently issued by the Commission. Lastly, the Exchange has made technical changes to the original filing.

The purpose of this proposed rule change is to revise the Exchange's options listing standards so that as long as the continued listing criteria set forth in Rule 5.4, Withdrawal of Approval of Underlying Securities, are met and the option is listed and traded on another national securities exchange, the Exchange would be able to list and

trade the option. Rule 5.3 sets forth the requirements that an underlying equity security must before the Exchange may initially list options on that security. The Exchange notes that these requirements are relatively uniform among the options exchanges.

Interpretation .01 to Rule 5.3 relates to the minimum market price that an underlying security must trade at for an option to be listed on it and applies to the listing of individual equity options on both "covered" and "uncovered" underlying securities.<sup>1</sup> In the case of an underlying security that is a "covered security" as defined under section 18(b)(1)(A) of the Securities Act, the closing market price of the underlying security must be at least \$3.00 for the previous five consecutive business days preceding the date on which the Exchange submits a certification to The Options Clearing Corporation ("OCC") for listing and trading.<sup>2</sup> In connection with an underlying security deemed to be "uncovered," Exchange rules require that the market price per share of the underlying security be at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

Rule 5.4 sets forth the Exchange's continued listing criteria, which the Exchange notes are less stringent than the initial listing criteria contained in Rule 5.3. This is due largely because, in total, the Exchange's listing criteria assure that options will be listed

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<sup>1</sup> Section 18(b)(1)(A) of the Securities Act of 1933 ("Securities Act") provides, "[a] security is a covered security if such security is -- A. listed, or authorized for listing, on the New York Stock Exchange or the American Stock Exchange, or listed, or authorized for listing, on the National Market System of the Nasdaq Stock Market (or any successor to such entities)..." See 15 U.S.C. 77r(b)(1)(A).

<sup>2</sup> See Interpretation .01(b)(2)(A) of Rule 5.3. For purposes of this Interpretation, the market price of an underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

and traded on securities of companies that are financially sound and subject to adequate minimum standards. The Exchange believes that the continued listing criteria are uniform among the options exchanges.

To address the circumstance in which an options class is currently ineligible for listing on the Exchange, while at the same time such option is listed and trading on another options exchange(s), the Exchange proposes to amend Rule 5.3. Specifically, the Exchange proposes to add new paragraph (c) to Interpretation .01 to Rule 5.3 to provide that notwithstanding that a particular underlying security may not meet the requirements of that Interpretation set forth in paragraphs (a)(1), (a)(2), (b)(1) and (b)(2), the Exchange nonetheless could list and trade an option on such underlying security if (1) the underlying security meets the criteria for continued listing in Rule 5.4, and (2) options on such underlying security are listed and traded on at least one other registered national securities exchange. In connection with the proposed changes, the Exchange represents that the procedures currently employed to determine whether a particular underlying security meets the initial listing criteria will similarly be applied to the continued listing criteria.

The Exchange believes that this proposal is narrowly tailored to address the circumstances where an options class is currently ineligible for listing on the Exchange while at the same time, such option is trading on another options exchange(s). The Exchange notes that when an underlying security meets the Exchange's continued listing criteria and at least one other exchange trades options on the underlying security, the option is already available to the investing public. Therefore, the Exchange notes that the current proposal will not introduce any inappropriate additional listed options classes.

Further, the adoption of the proposal is for competitive purposes and to promote a free and open market for the benefit of investors.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934<sup>3</sup> (the "Act") in general and furthers the objectives of Section 6(b)(5)<sup>4</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, protect investors and the public interest.

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

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

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

No written comments were solicited or received with respect to the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.<sup>5</sup>

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

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> 15 U.S.C. 78s(b)(2).

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

The Exchange requests accelerated effectiveness of the proposed rule change pursuant to Rule 19(b)(2) of the Act. The Commission recently approved a similar filing proposed by the American Stock Exchange ("Amex") and a similar filing proposed by the International Securities Exchange, LLC ("ISE").<sup>6</sup> The Exchange believes that this proposed rule change does not raise any new, unique or substantive issues from those raised in the filings submitted by the Amex and the ISE. As such, the Exchange requests that the Commission grant accelerated approval of this proposed rule change.

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

This proposed rule change is similar to the proposals of the AMEX and of the ISE that the Commission recently approved.<sup>7</sup>

9. Exhibits

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

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<sup>6</sup> See Securities Exchange Act Release No. 56598 (October 2, 2007), 72 FR 57615 (October 10, 2007) (order approving SR-Amex-2007-48). See also Securities Exchange Act Release No. 56647 (October 11, 2007), 72 FR 58702 (October 16, 2007) (order granting accelerated approval of SR-ISE-2007-80).

<sup>7</sup> See id.



EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-CBOE-2007-114)

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

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Accelerated Approval of Proposed Rule Change and Amendment 1 Thereto Relating to Options Listing Criteria for Underlying Securities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

(the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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 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 add new Interpretation .01(c) to Rule 5.3, Criteria for Underlying Securities, for the purpose of permitting the Exchange to list and trade individual equity options that are otherwise ineligible for listing and trading if such option is listed and traded on another national securities exchange. The text of the proposed rule change is available on the Exchange's website ([www.cboe.org/Legal](http://www.cboe.org/Legal)), at the Exchange's Office of the Secretary and at the Commission.

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

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

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

Amendment 1 replaces the original filing in its entirety. The purpose of Amendment 1 is to make revisions to the proposed text of Rule 5.3.01(c) to replace the phrase "set forth in Paragraphs (a) and (b) above" with the phrase "set forth in Paragraphs (a)(1), (a)(2), (b)(1), and (b)(2) listed above." The Exchange has also made corresponding changes to the "Purpose" section of this filing to reflect the rule text replacement changes. Additionally, this Amendment 1 contains a representation that the procedures currently employed to determine whether a particular underlying security meets the initial listing criteria will similarly be applied to the continued listing criteria. Further, the Exchange has updated the citations and references to other exchanges' filings to reflect approval orders recently issued by the Commission. Lastly, the Exchange has made technical changes to the original filing.

The purpose of this proposed rule change is to revise the Exchange's options listing standards so that as long as the continued listing criteria set forth in Rule 5.4, Withdrawal of Approval of Underlying Securities, are met and the option is listed and traded on another national securities exchange, the Exchange would be able to list and trade the option. Rule

5.3 sets forth the requirements that an underlying equity security must before the Exchange may initially list options on that security. The Exchange notes that these requirements are relatively uniform among the options exchanges.

Interpretation .01 to Rule 5.3 relates to the minimum market price that an underlying security must trade at for an option to be listed on it and applies to the listing of individual equity options on both "covered" and "uncovered" underlying securities.<sup>3</sup> In the case of an underlying security that is a "covered security" as defined under section 18(b)(1)(A) of the Securities Act, the closing market price of the underlying security must be at least \$3.00 for the previous five consecutive business days preceding the date on which the Exchange submits a certification to The Options Clearing Corporation ("OCC") for listing and trading.<sup>4</sup> In connection with an underlying security deemed to be "uncovered," Exchange rules require that the market price per share of the underlying security be at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

Rule 5.4 sets forth the Exchange's continued listing criteria, which the Exchange notes are less stringent than the initial listing criteria contained in Rule 5.3. This is due largely because, in total, the Exchange's listing criteria assure that options will be listed and

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<sup>3</sup> Section 18(b)(1)(A) of the Securities Act of 1933 ("Securities Act") provides, "[a] security is a covered security if such security is -- A. listed, or authorized for listing, on the New York Stock Exchange or the American Stock Exchange, or listed, or authorized for listing, on the National Market System of the Nasdaq Stock Market (or any successor to such entities)..." See 15 U.S.C. 77r(b)(1)(A).

<sup>4</sup> See Interpretation .01(b)(2)(A) of Rule 5.3. For purposes of this Interpretation, the market price of an underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

traded on securities of companies that are financially sound and subject to adequate minimum standards. The Exchange believes that the continued listing criteria are uniform among the options exchanges.

To address the circumstance in which an options class is currently ineligible for listing on the Exchange, while at the same time such option is listed and trading on another options exchange(s), the Exchange proposes to amend Rule 5.3. Specifically, the Exchange proposes to add new paragraph (c) to Interpretation .01 to Rule 5.3 to provide that notwithstanding that a particular underlying security may not meet the requirements of that Interpretation set forth in paragraphs (a)(1), (a)(2), (b)(1) and (b)(2), the Exchange nonetheless could list and trade an option on such underlying security if (1) the underlying security meets the criteria for continued listing in Rule 5.4, and (2) options on such underlying security are listed and traded on at least one other registered national securities exchange. In connection with the proposed changes, the Exchange represents that the procedures currently employed to determine whether a particular underlying security meets the initial listing criteria will similarly be applied to the continued listing criteria.

The Exchange believes that this proposal is narrowly tailored to address the circumstances where an options class is currently ineligible for listing on the Exchange while at the same time, such option is trading on another options exchange(s). The Exchange notes that when an underlying security meets the Exchange's continued listing criteria and at least one other exchange trades options on the underlying security, the option is already available to the investing public. Therefore, the Exchange notes that the current proposal will not introduce any inappropriate additional listed options classes. Further, the adoption of the

proposal is for competitive purposes and to promote a free and open market for the benefit of investors.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act<sup>5</sup> 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.<sup>6</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>7</sup> 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.

### 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

The Exchange has requested that this proposed rule change be given accelerated effectiveness pursuant to Rule 19(b)(2) of the Act. In that regard, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and

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

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

regulations thereunder applicable to a national securities exchange, and, in particular the requirements of Section 6(b)(5) thereunder. Specifically, this proposed rule filing does not raise any new, unique or substantive issues from those raised in a similar filing proposed by the American Stock Exchange ("Amex") and a similar filing proposed by the International Securities Exchange, LLC ("ISE").<sup>8</sup>

As such, the Commission finds good cause for approving this proposed rule change prior to the thirtieth day after the date of publication thereof in the Federal Register. Specifically, the Commission believes that accelerating the effectiveness of this proposed rule change is necessary and appropriate in order to promote a fair, orderly and competitive options market. Therefore, the Commission believes it is consistent with Sections 6(b)(5) and 19b(2) of the Act to approve CBOE's proposal on an accelerated basis.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2007-114 on the subject line.

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<sup>8</sup> See Securities Exchange Act Release No. 56598 (October 2, 2007), 72 FR 57615 (October 10, 2007) (order approving SR-Amex-2007-48). See also Securities Exchange Act Release No. 56647 (October 11, 2007), 72 FR 58702 (October 16, 2007) (order granting accelerated approval of SR-ISE-2007-80).

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-2007-114. 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-2007-114 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.<sup>9</sup>

Nancy M. Morris  
Secretary

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

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<sup>9</sup> 17 CFR 200.30-3(a)(12).