

OMB APPROVAL

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

File No. SR - 2007 - 118

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 checked="" 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

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

Proposal to amend CBOE's Marketing Fee Program

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 Patrick Last Name Sexton
Title Associate General Counsel
E-mail sexton@cboe.com
Telephone (312) 786-7467 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 10/01/2007

By Patrick Sexton

(Name)

Associate General Counsel

(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.

Patrick Sexton, sexton@cboe.com

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For complete Form 19b-4 instructions please refer to the EFFF 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

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

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

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 1 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 the Proposed Rule Change

The Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") proposes to amend its marketing fee program. Set forth below are proposed changes to the rule text, with additions represented by underscoring. (Only those fees that are affected are shown.)

* * * * *

**CHICAGO BOARD OPTIONS EXCHANGE, INC.
FEES SCHEDULE**

[SEPTEMBER 28]OCTOBER 1, 2007

* * * * *

1. No Change.
2. MARKETING FEE (6).....\$.65
 - Penny Pilot Classes (except QQQQ, XLE, XLF and IWM).....\$.10
3. – 4. No Change.

FOOTNOTES:

(1) – (5) No Change.

- (6) The marketing fee will be assessed only on transactions of Market-Makers, RMMs, e-DPMs, and DPMs, resulting from (i) orders for less than 1,000 contracts from payment accepting firms, or (ii) customer orders for less than 1,000 contracts that have designated a "Preferred Market-Maker" under CBOE Rule 8.13 at the rate of \$.65 per contract on all classes of equity options, options on HOLDRs, options on SPDRs, options on DIA, options on NDX, and options on RUT. With respect to the option classes participating in the Penny Pilot Program in which the marketing fee is applicable, the marketing fee will be assessed as provided above at the rate of \$.10 per contract. The fee will not apply to: Market-Maker-to-Market-Maker transactions including transactions resulting from orders from non-member market-makers; transactions resulting from inbound P/A orders or a transaction resulting from the execution of an order against the DPM's account if an order directly related to that order is represented and executed through the Linkage Plan using the DPM's account; transactions resulting from accommodation liquidations (cabinet trades); and transactions resulting from dividend strategies, merger strategies, and short stock interest strategies as defined in footnote 13 of this Fees Schedule. This fee shall not apply to index options, options on ETFs (other than options on SPDRs, options on DIA, options on NDX, and options on RUT) and credit default options. A Preferred Market-Maker will only be given access to the marketing fee funds generated from a Preferred order if the Preferred Market-Maker has an appointment in the class in which the Preferred order is received and executed.

Rebate/Carryover Process. If less than 80% of the marketing fee funds collected in a given month is paid out by the DPM or Preferred Market-Maker in a given month, then the Exchange would refund such surplus at the end of the month on a pro rata

basis based upon contributions made by the Market-Makers, RMMs, e-DPMs, and DPMs in that month. However, if 80% or more of the funds collected in a given month is paid out by the DPM or Preferred Market-Maker, there will not be a rebate for that month unless the DPM or Preferred Market-Maker elects to have funds rebated. In the absence of such election, any excess funds will be included in an Excess Pool of funds to be used by the DPM or Preferred Market-Maker in subsequent months. The total balance of the Excess Pool of funds for a DPM or a Preferred Market-Maker cannot exceed \$100,000. If in any month the Excess Pool balance were to exceed \$100,000, the funds in excess of \$100,000 would be refunded on a pro rata basis based upon contributions made by the Market-Makers, RMMs, DPMs, and e-DPMs in that month. In addition, in any month, a DPM or a Preferred Market-Maker can elect to have any funds in its Excess Pool refunded on a pro rata basis based upon contributions made by the Market-Makers, RMMs, DPMs, and e-DPMs in that month.

Each month, the Exchange assesses an administrative fee of .45% on the total amount of funds collected each month; provided, however, that beginning on October 1, 2007, no Market-Maker, RMM, e-DPM or DPM would contribute more than 15% of the total amount of funds raised by the .45% administrative fee.

Remainder of Fees Schedule – No change.

* * * * *

Item 2. Procedures of the Self-Regulatory Organization

The CBOE's Office of the Chairman approved the proposed rule change on September 10, 2007 pursuant to delegated authority. No further action is required.

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

(a) Purpose

Recently, CBOE amended its marketing fee program to, among other things, collect an administrative fee to offset its costs in administering the marketing fee program and also to provide funds to the association of members for its costs and expenses in supporting CBOE's marketing fee program and in seeking to bring order flow to CBOE. As amended, CBOE collects an administrative fee of .45% on the total amount of funds collected each month prior to making the remaining funds available to DPMs and Preferred Market-Makers to attract orders to CBOE.¹

CBOE now proposes to limit the total amount that any Market-Maker, RMM, e-DPM or DPM would contribute to the administrative fee. Specifically, CBOE proposes to amend its marketing fee program such that no Market-Maker, RMM, e-DPM or DPM would contribute more than 15% of the total amount collected by the .45% administrative fee. As amended, if the assessment of CBOE's marketing fee resulted in any Market-Maker, RMM, e-DPM or DPM contributing more than 15% of the funds collected for the administrative fee, the amount of money in excess of the 15% would not be

¹ See SEC Release No. 34-56289 (August 20, 2007); 72 FR 49030 (August 27, 2007), granting immediate effectiveness to SR-CBOE-2007-95.

allocated to the administrative fee and instead would be allocated to the DPMs or Preferred Market-Makers to attract orders to CBOE.

The following is an example of how this 15% limit would be applied, where there is one DPM and three Market-Makers on CBOE, and collectively they generated \$100,000 in marketing fee funds in August. The administration fee of .45% would be collected from the total amount of funds collected, *i.e.* \$100,000, resulting in \$450. Assume that based on their trading in August, the DPM accounted for 70%, or \$70,000, of the marketing fee funds collected in August, and each of the Market-Makers accounted for 10%, or \$10,000 each. CBOE would then determine whether the DPM or any of the Market-Makers contributed more than 15% of the total funds collected and allocated to the .45% admin fee (15% of \$450 is \$67.50). In this case, because the DPM accounted for 70% of the marketing fee funds available in August, the DPM also logically would have accounted for 70% of the \$450 administration fee (or \$315), since the administration fee is a percentage taken from the total amount of marketing fee funds collected in August.²

Because the DPM would have contributed more than 15% of the total amount of funds raised by the .45% administrative fee, it is capped at 67.50, and the balance of \$247.50 (\$315 - \$67.50) would be provided to DPMs and Preferred Market-Makers to pay for order flow. Further, in August the administration fee amount would be \$202.50 instead of \$450. Each Market-Maker would have contributed \$45 of the administration fee amount.

CBOE intends to calculate the 15% limit on a firm-wide basis. If a member organization and its nominees operate on the Exchange in various approved statuses, such as a Market-Maker, RMM, DPM or e-DPM, CBOE intends to aggregate it and its nominees' activity to determine if the member firm exceeded the 15% limit. CBOE believes that limiting the total amount that any Market-Maker, RMM, DPM or e-DPM would contribute to the administrative fee is fair and reasonable and an equitable allocation of fees.

CBOE proposes to implement these changes to the marketing fee program beginning on October 1, 2007. CBOE is not amending its marketing fee program in any other respects.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act"),³ in general, and furthers the objectives of Section 6(b)(4)⁴ of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members.

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

² A Market-Maker's, RMM's, e-DPM's or DPM's percentage contribution to the total amount of marketing fee funds collected in a month is directly proportional to its percentage contribution to the funds collected as part of the administration fee.

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(4).

The Exchange neither solicited nor received comments on the proposal.

Item 6. Extension of Time Period for Commission Action

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

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.⁵

(b) The proposed rule change is designated by the Exchange as establishing or changing a due, fee, or other charge, thereby qualifying for effectiveness on filing pursuant to Section 19(b)(3)(A)(ii)⁶ of the Act and subparagraph (f)(2) of Rule 19b-4⁷ thereunder.

(c) Not applicable.

(d) Not applicable.

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

Not applicable

Item 9. Exhibits

Exhibit 1. Notice of proposed rule change for publication in the Federal Register.

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

⁷ 17 C.F.R. 240.19b-4(f)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-CBOE-2007-118)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Chicago Board Options Exchange, Incorporated Relating to its Marketing Fee Program.

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 _____, Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CBOE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend its marketing fee program. The text of the proposed rule change is available on the Exchange's website (<http://www.cboe.org/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, CBOE 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 these statements may be examined at

the places specified in Item IV below. The CBOE has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

Recently, CBOE amended its marketing fee program to, among other things, collect an administrative fee to offset its costs in administering the marketing fee program and also to provide funds to the association of members for its costs and expenses in supporting CBOE's marketing fee program and in seeking to bring order flow to CBOE. As amended, CBOE collects an administrative fee of .45% on the total amount of funds collected each month prior to making the remaining funds available to DPMs and Preferred Market-Makers to attract orders to CBOE.¹

CBOE now proposes to limit the total amount that any Market-Maker, RMM, e-DPM or DPM would contribute to the administrative fee. Specifically, CBOE proposes to amend its marketing fee program such that no Market-Maker, RMM, e-DPM or DPM would contribute more than 15% of the total amount collected by the .45% administrative fee. As amended, if the assessment of CBOE's marketing fee resulted in any Market-Maker, RMM, e-DPM or DPM contributing more than 15% of the funds collected for the administrative fee, the amount of money in excess of the 15% would not be allocated to the administrative fee and instead would be allocated to the DPMs or Preferred Market-Makers to attract orders to CBOE.

The following is an example of how this 15% limit would be applied, where there is one DPM and three Market-Makers on CBOE, and collectively they generated \$100,000 in marketing fee funds in August. The administration fee of .45% would be

collected from the total amount of funds collected, *i.e.* \$100,000, resulting in \$450. Assume that based on their trading in August, the DPM accounted for 70%, or \$70,000, of the marketing fee funds collected in August, and each of the Market-Makers accounted for 10%, or \$10,000 each. CBOE would then determine whether the DPM or any of the Market-Makers contributed more than 15% of the total funds collected and allocated to the .45% admin fee (15% of \$450 is \$67.50). In this case, because the DPM accounted for 70% of the marketing fee funds available in August, the DPM also logically would have accounted for 70% of the \$450 administration fee (or \$315), since the administration fee is a percentage taken from the total amount of marketing fee funds collected in August.²

Because the DPM would have contributed more than 15% of the total amount of funds raised by the .45% administrative fee, it is capped at 67.50, and the balance of \$247.50 (\$315 - \$67.50) would be provided to DPMs and Preferred Market-Makers to pay for order flow. Further, in August the administration fee amount would be \$202.50 instead of \$450. Each Market-Maker would have contributed \$45 of the administration fee amount.

CBOE intends to calculate the 15% limit on a firm-wide basis. If a member organization and its nominees operate on the Exchange in various approved statuses, such as a Market-Maker, RMM, DPM or e-DPM, CBOE intends to aggregate it and its nominees' activity to determine if the member firm exceeded the 15% limit. CBOE believes that limiting the total amount that any Market-Maker, RMM, DPM or e-DPM

¹ See SEC Release No. 34-56289 (August 20, 2007); 72 FR 49030 (August 27, 2007), granting immediate effectiveness to SR-CBOE-2007-95.

would contribute to the administrative fee is fair and reasonable and an equitable allocation of fees.

CBOE proposes to implement these changes to the marketing fee program beginning on October 1, 2007. CBOE is not amending its marketing fee program in any other respects.

Statutory Basis.

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act")³, in general, and furthers the objectives of Section 6(b)(4)⁴ of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members and other persons using its facilities.

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 that is not necessary or appropriate in furtherance of 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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A)

² A Market-Maker's, RMM's, e-DPM's or DPM's percentage contribution to the total amount of marketing fee funds collected in a month is directly proportional to its percentage contribution to the funds collected as part of the administration fee.

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(4).

of the Act⁵ and subparagraph (f)(2) of Rule 19b-4⁶ thereunder. At any time within 60 days of the filing of the 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:

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-2007-118 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.

All submissions should refer to File Number SR-CBOE-2007-118. 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

⁵ 15 U.S.C. 78s(b)(3)(A).

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 a.m. and 3:00 p.m.. Copies of such filing also will be available for inspection and copying at the principal office of 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-2007-118 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.⁷

Nancy M. Morris
Secretary

⁶ 17 C.F.R. 240.19b-4(f)(2).

⁷ 17 CFR 200.30-3(a)(12).