

OMB APPROVAL

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

File No. SR - 2007 - 119

Change in reporting requirements

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 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"/>	Date: <input type="text"/>
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<input type="checkbox"/> Section 19(b)(2)	<input type="checkbox"/> Section 19(b)(3)(A)
<input type="checkbox"/> Section 19(b)(3)(B)	<input type="checkbox"/> Section 19(b)(3)(C)
<input type="checkbox"/> Section 19(b)(3)(D)	<input type="checkbox"/> Section 19(b)(3)(E)

Description

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

Proposed rule change relating to the criteria for securities that underlie options traded on the 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	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 10/03/2007

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

☐

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

☐

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 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

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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 permit the initial and continued listing and trading on the Exchange of options on Index Multiple Exchange Traded Fund Shares ("Index Multiple Units") and Index Inverse Exchange Traded Fund Shares ("Index Inverse Units"). 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.

...Interpretation and Policies

.01 - .05 No change.

.06 Securities deemed appropriate for options trading shall include shares or other securities ("Units") that are traded on a national securities exchange [or through the facilities of a national securities association] and are defined as an "NMS stock" under Rule 600 of Regulation NMS, and that

(i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse purchase agreements (the "Financial Instruments"), and money market instruments, including, but no limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") comprising or otherwise based on or representing investments in indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments); or

(ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the

specified non-U.S. currency and [pays the beneficial owner to receive the specified non-U.S. currency and] pays the beneficial owner interest and other distributions on deposited non-U.S. currency, if any, declared and paid by the trust; or

(iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool Units"), provided that all of the following conditions are met:

(A) any non-U.S. component securities of an index or portfolio of securities on which the Units are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;

(B) component securities of an index or portfolio of securities on which the Units are based for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index;

(C) component securities of an index or portfolio of securities on which the Units are based for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index;

(D) for Units that hold a specified non-U.S. currency deposited with the trust, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are utilized by the national securities exchange where the underlying Units are listed and traded; and

(E) either (x) the Units meet the criteria and guidelines set forth in Rule 5.3 and Interpretation and Policy .01 thereunder, or (y) the Units are available for creation or redemption each business day from or through the issuing trust, investment company, commodity pools or other issuer in cash or in kind at a price related to net asset value, and the issuing trust, investment company, commodity pools or other issuer is obligated to issue Units in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the, the issuing trust, investment company, commodity pools or other issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver the investment assets and/or cash as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of Units which underlie the option as described in the Units' prospectus.

(F) for Commodity Pool Units, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool Units are listed and traded.

.07 - .12 No change.

Rule 5.4 – Withdrawal of Approval of Underlying Securities

RULE 5.4 No change.

...Interpretations and Policies

.01 - .07 No change.

.08 Securities consisting of shares or other securities ("Units") that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that were initially approved for options trading pursuant to Interpretation and Policy .06 under Rule 5.3 shall be deemed not to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Units, if the Units cease to be an "NMS stock" as provided in paragraph (f) of Interpretation and Policy .01 of this Rule 5.4 or the Units are halted from trading in their primary market. In addition, two floor officials, in consultation with a designated senior executive officer of the Exchange, shall consider the suspension of opening transactions in any series of options of the class covering Units in any of the following circumstances:

(a) In the case of options covering Units approved pursuant to clause (E)(x) under Interpretation and Policy .06 of Rule 5.3, in accordance with the terms of paragraphs (a), (b), (c) and (d) of Interpretation and Policy .01 of this Rule 5.4; or

(b) In the case of options covering Units approved pursuant to clause (E)(y) under Interpretation and Policy .06 of Rule 5.3, following the initial twelve-month period beginning upon the commencement of trading in the Units on a national securities exchange [or through the facilities of a national securities association] and are defined as an "NMS stock" under Rule 600 of Regulation NMS, there are fewer than 50 record and/or beneficial holders of such Units for 30 or more consecutive trading days; or

(c) The value of the index or portfolio of securities, non-U.S. currency, or portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments and Money Market Instruments on which the Units are based is no longer calculated or available [.]; or

(d) Such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

.09 - .15 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 October 3, 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

The purpose of the proposed rule change is to revise Rules 5.3, Criteria for Underlying Securities, and 5.4, Withdrawal of Approval of Underlying Securities, to enable the listing and trading on the Exchange of options on Index Multiple Units and Index Inverse Units. Index Multiple Units seek to provide investment results, before fees and expenses, that correspond to a specified multiple of the percentage performance on a given day of a particular foreign or domestic stock index. Index Inverse Units seek to provide investment results, before fees and expenses, that correspond to the inverse (opposite) of the percentage performance on a given day of a particular foreign or domestic stock index by a specified multiple. Index Multiple Units and Index Inverse Units differ from traditional exchange-traded fund shares or "Units" in that they do not merely correspond to the performance of a given index, but rather attempt to match a multiple or inverse of such underlying index performance. The ProShares Ultra Funds, which currently trades on the American Stock Exchange ("Amex") is an example of an Index Multiple Unit. Amex also currently lists for trading Index Inverse Units, namely the Short Funds and the UltraShort Funds.¹

¹ See Securities Exchange Act Release Nos. 52553 (October 3, 2005), 70 FR 59100 (October 11, 2005) (approving the listing and trading of Ultra Funds and Short Funds) and 54040 (June 23, 2006), 71 FR 37629 (June 30, 2006) (approving the listing and trading of the UltraShort Funds). The Ultra Funds are expected to gain,

In order to achieve investment results that provide either a positive multiple or inverse of the benchmark index, Index Multiple Units or Index Inverse Units may hold a combination of financial instruments, including, among other things: stock index futures contracts; options on futures; options on securities and indexes; equity caps, collars and floors; swap agreements; forward contracts; repurchase agreements; and reverse repurchase agreements (the "Financial Instruments"). The underlying portfolios of Index Multiple Units generally will hold at least 85% of their assets in the component securities of the underlying relevant benchmark index. The remainder of any assets is devoted to Financial Instruments that are intended to create the additional needed exposure to such underlying index necessary to pursue its investment objective. Normally, 100% of the value of the underlying portfolios of Index Inverse Units will be devoted to Financial Instruments and money market instruments, including U.S. government securities and repurchase agreements (the "Money Market Instruments").

Currently, Interpretation and Policy .06 to Rule 5.3 provides securities deemed appropriate for options trading shall include shares or other securities ("Units") that are traded on a national securities exchange or through the facilities of a national securities association and are defined as an NMS stock under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as an open-end management investment companies, unit investment trusts or

on a percentage basis, approximately twice (200%) as much as the underlying benchmark index and should lose approximately twice (200%) as much as the underlying benchmark index when such prices decline. The Short Funds are expected to achieve investment results, before fees and expenses, that correspond to the inverse or opposite of the daily performance (-100%) or an underlying benchmark index. Lastly, the UltraShort Funds are expected to achieve investment result, before fees and expenses, that correspond to twice the inverse or opposite of the daily performance (-200%) of the underlying benchmark index.

similar entities that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolio of securities (of that hold securities in one of more other registered investment companies that themselves hold such portfolios of securities); or (ii) represent interests in a trust or other similar entity that holds a specified non-U.S. currency deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency and pays the beneficial owner interest and other distributions on deposited non-U.S. currency, if any, declared and paid by the trust; or (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool Units").

The Exchange proposes to amend Interpretation and Policy .06 to Rule 5.3 to expand the type of options to include the listing and trading of options based on Index Multiple Units and Index Inverse Units that may hold or invest in any combination of securities, Financial Instruments and/or Money Market Instruments. Index Multiple Units and Index Inverse Units will continue to otherwise satisfy the listing standards in Rule 5.4. The Exchange also proposes to make non-substantive, technical changes to Interpretation and Policy .06 to and to delete duplicative rule text from Interpretation and Policy .06(ii) to Rule 5.3. In addition, the Exchange proposes to remove the reference to a "national securities association" in Interpretation and Policy .06 to Rule 5.3.

As set forth in proposed amended Interpretation and Policy .06 to Rule 5.3, Index Multiple Units and Index Inverse Units must be traded on a national securities exchange

and must be an "NMS stock" as defined under Rule 600 of Regulation NMS. In addition, Index Multiple Units and Index Inverse Units must meet either: (i) the criteria and guidelines under Interpretation and Policy .01 to Rule 5.3; or (ii) be available for creation or redemption each business day in cash or in kind from the investment company at a price related to net asset value. In addition, the investment company shall provide that shares may be created even though some or all of the securities and/or cash (in lieu of the Financial Instruments) needed to be deposited have not been received by the investment company, provided the authorized creation participant has undertaken to deliver the shares and/or cash as soon as possible and such undertaking has been secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the Unit which underlies the option as described in the prospectus.

The Exchange's current continuing listing standards for options on Units will continue to apply.

The Exchange proposes to amend Interpretation and Policy .08 to Rule 5.4 to indicate that the index or portfolio may consist of securities, Financial Instruments and/or Money Market Instruments. The Exchange also seeks to delete reference to "national securities association" set forth in Interpretation and Policy .08(b) to Rule 5.4.

Under the applicable continued listing criteria in Interpretation and Policy .08 to Rule 5.4, options on Units may be subject to the suspension of opening transactions as follows: (1) following the initial twelve-month period beginning upon the commencement of trading of the Units, there are fewer than 50 record and/or beneficial holders of the Units for 30 or more consecutive trading days; (2) the value of the index or portfolio of securities, non-U.S. currency, or portfolio of commodities including

commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments and Money Market Instruments on which Units are based is no longer calculated or available; or (3) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing on the Exchange inadvisable. Additionally, the Units shall not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Index Multiple Units or Index Inverse Units, if the Units cease to be an "NMS stock" as provided for in paragraph (f) of Interpretation and Policy .01 of Rule 5.4 or the Units are halted from trading on their primary market.

The expansion of the types of investments that may be held by Index Multiple Units or Index Inverse Units under Interpretation and Policy .06 to Rule 5.3 will not have any effect on the rules pertaining to position and exercise limits² or margin.³

This proposal is necessary to enable the Exchange to list and trade options on the shares of the Ultra Fund, Short Fund and UltraShort Fund of the ProShares Trust.⁴ The Exchange believes the ability to trade options on Index Multiple Units and Index Inverse Units will provide investors with greater risk management tools. The proposed amendment to the Exchange's listing criteria for options on Units is necessary to ensure that the Exchange will be able to list options on the Units of the ProShares Trust as well as other Index Multiple Units or Index Inverse Units that may be introduced in the future.

² See Rules 4.11, Position Limits, and 4.12, Exercise Limits.

³ See Rule 12.3, Margin Requirements.

⁴ See supra at Note 1.

The Exchange represents that its existing surveillance procedures applicable to trading in options are adequate to properly monitor the trading in Index Multiple Unit options and Index Inverse Unit options.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934⁵ (the "Act") in general and furthers the objectives of Section 6(b)(5)⁶ 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.⁷

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

⁷ 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 published for comment a similar filing proposed by the Amex.⁸ The Exchange believes that this proposed rule change, which is essential for competitive purposes and to promote a free and open market for the benefit of investors, does not raise any new, unique or substantive issues from those raised in the filing submitted by the Amex. As such, the Exchange requests that the Commission grant accelerated approval of this propose rule change concurrent with approval of the Amex filing.

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

This proposed rule change is similar to a proposal of the Amex.⁹

9. Exhibits

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

⁸ See Securities Exchange Act Release No. 56366 (August 29, 2007), 72 FR 51281 (September 6, 2007) (noticing SR-Amex-2007-35). See also SR-ISE-2007-87 (pending rule filing proposing similar amendment to options listing criteria).

⁹ See id.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2007-119)

Dated: _____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Accelerated Approval of Proposed Rule Change Relating to the Criteria for Securities that Underlie Options Traded on the Exchange

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 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 permit the initial and continued listing and trading on the Exchange of options on Index Multiple Exchange Traded Fund Shares ("Index Multiple Units") and Index Inverse Exchange Traded Fund Shares ("Index Inverse Units"). 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.

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 purpose of the proposed rule change is to revise Rules 5.3, Criteria for Underlying Securities, and 5.4, Withdrawal of Approval of Underlying Securities, to enable the listing and trading on the Exchange of options on Index Multiple Units and Index Inverse Units. Index Multiple Units seek to provide investment results, before fees and expenses, that correspond to a specified multiple of the percentage performance on a given day of a particular foreign or domestic stock index. Index Inverse Units seek to provide investment results, before fees and expenses, that correspond to the inverse (opposite) of the percentage performance on a given day of a particular foreign or domestic stock index by a specified multiple. Index Multiple Units and Index Inverse Units differ from traditional exchange-traded fund shares or "Units" in that they do not merely correspond to the performance of a given index, but rather attempt to match a multiple or inverse of such underlying index performance. The ProShares Ultra Funds, which currently trades on the American Stock

Exchange ("Amex") is an example of an Index Multiple Unit. Amex also currently lists for trading Index Inverse Units, namely the Short Funds and the UltraShort Funds.³

In order to achieve investment results that provide either a positive multiple or inverse of the benchmark index, Index Multiple Units or Index Inverse Units may hold a combination of financial instruments, including, among other things: stock index futures contracts; options on futures; options on securities and indexes; equity caps, collars and floors; swap agreements; forward contracts; repurchase agreements; and reverse repurchase agreements (the "Financial Instruments"). The underlying portfolios of Index Multiple Units generally will hold at least 85% of their assets in the component securities of the underlying relevant benchmark index. The remainder of any assets is devoted to Financial Instruments that are intended to create the additional needed exposure to such underlying index necessary to pursue its investment objective. Normally, 100% of the value of the underlying portfolios of Index Inverse Units will be devoted to Financial Instruments and money market instruments, including U.S. government securities and repurchase agreements (the "Money Market Instruments").

Currently, Interpretation and Policy .06 to Rule 5.3 provides securities deemed appropriate for options trading shall include shares or other securities ("Units") that are

³ See Securities Exchange Act Release Nos. 52553 (October 3, 2005), 70 FR 59100 (October 11, 2005) (approving the listing and trading of Ultra Funds and Short Funds) and 54040 (June 23, 2006), 71 FR 37629 (June 30, 2006) (approving the listing and trading of the UltraShort Funds). The Ultra Funds are expected to gain, on a percentage basis, approximately twice (200%) as much as the underlying benchmark index and should lose approximately twice (200%) as much as the underlying benchmark index when such prices decline. The Short Funds are expected to achieve investment results, before fees and expenses, that correspond to the inverse or opposite of the daily performance (-100%) or an underlying benchmark index. Lastly, the UltraShort Funds are expected to achieve investment result, before fees and expenses, that correspond to twice the inverse or opposite of the daily performance (-200%) of the underlying benchmark index.

traded on a national securities exchange or through the facilities of a national securities association and are defined as an NMS stock under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as an open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolio of securities (of that hold securities in one of more other registered investment companies that themselves hold such portfolios of securities); or (ii) represent interests in a trust or other similar entity that holds a specified non-U.S. currency deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency and pays the beneficial owner interest and other distributions on deposited non-U.S. currency, if any, declared and paid by the trust; or (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool Units").

The Exchange proposes to amend Interpretation and Policy .06 to Rule 5.3 to expand the type of options to include the listing and trading of options based on Index Multiple Units and Index Inverse Units that may hold or invest in any combination of securities, Financial Instruments and/or Money Market Instruments. Index Multiple Units and Index Inverse Units will continue to otherwise satisfy the listing standards in Rule 5.4. The Exchange also proposes to make non-substantive, technical changes to Interpretation and Policy .06 to and to delete duplicative rule text from Interpretation and Policy .06(ii) to Rule 5.3. In addition,

the Exchange proposes to remove the reference to a "national securities association" in Interpretation and Policy .06 to Rule 5.3.

As set forth in proposed amended Interpretation and Policy .06 to Rule 5.3, Index Multiple Units and Index Inverse Units must be traded on a national securities exchange and must be an "NMS stock" as defined under Rule 600 of Regulation NMS. In addition, Index Multiple Units and Index Inverse Units must meet either: (i) the criteria and guidelines under Interpretation and Policy .01 to Rule 5.3; or (ii) be available for creation or redemption each business day in cash or in kind from the investment company at a price related to net asset value. In addition, the investment company shall provide that shares may be created even though some or all of the securities and/or cash (in lieu of the Financial Instruments) needed to be deposited have not been received by the investment company, provided the authorized creation participant has undertaken to deliver the shares and/or cash as soon as possible and such undertaking has been secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the Unit which underlies the option as described in the prospectus.

The Exchange's current continuing listing standards for options on Units will continue to apply.

The Exchange proposes to amend Interpretation and Policy .08 to Rule 5.4 to indicate that the index or portfolio may consist of securities, Financial Instruments and/or Money Market Instruments. The Exchange also seeks to delete reference to "national securities association" set forth in Interpretation and Policy .08(b) to Rule 5.4.

Under the applicable continued listing criteria in Interpretation and Policy .08 to Rule 5.4, options on Units may be subject to the suspension of opening transactions as follows: (1)

following the initial twelve-month period beginning upon the commencement of trading of the Units, there are fewer than 50 record and/or beneficial holders of the Units for 30 or more consecutive trading days; (2) the value of the index or portfolio of securities, non-U.S. currency, or portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments and Money Market Instruments on which Units are based is no longer calculated or available; or (3) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing on the Exchange inadvisable. Additionally, the Units shall not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Index Multiple Units or Index Inverse Units, if the Units cease to be an "NMS stock" as provided for in paragraph (f) of Interpretation and Policy .01 of Rule 5.4 or the Units are halted from trading on their primary market.

The expansion of the types of investments that may be held by Index Multiple Units or Index Inverse Units under Interpretation and Policy .06 to Rule 5.3 will not have any effect on the rules pertaining to position and exercise limits⁴ or margin.⁵

This proposal is necessary to enable the Exchange to list and trade options on the shares of the Ultra Fund, Short Fund and UltraShort Fund of the ProShares Trust.⁶ The Exchange believes the ability to trade options on Index Multiple Units and Index Inverse Units will provide investors with greater risk management tools. The proposed amendment to

⁴ See Rules 4.11, Position Limits, and 4.12, Exercise Limits.

⁵ See Rule 12.3, Margin Requirements.

⁶ See supra at Note 3.

the Exchange's listing criteria for options on Units is necessary to ensure that the Exchange will be able to list options on the Units of the ProShares Trust as well as other Index Multiple Units or Index Inverse Units that may be introduced in the future.

The Exchange represents that its existing surveillance procedures applicable to trading in options are adequate to properly monitor the trading in Index Multiple Unit options and Index Inverse Unit options.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act⁷ 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.⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁹ 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.

⁷ 15 U.S.C. 78s(b)(1).

⁸ 15 U.S.C. 78f(b).

⁹ 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

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 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 previously submitted by the Amex that the Commission recently published for comment.¹⁰

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:

¹⁰ See Securities Exchange Act Release No. 56366 (August 29, 2007), 72 FR 51281 (September 6, 2007) (noticing SR-Amex-2007-35). See also SR-ISE-2007-87 (pending rule filing proposing similar amendment to options listing criteria).

- 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-2007-119 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-2007-119. 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-

2007-119 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.¹¹

Nancy M. Morris
Secretary

Dated: _____

¹¹ 17 CFR 200.30-3(a)(12).