OMB APPROVAL	
OMB Number:	3235-0045
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Estimated average burden hours per response	38

Page 1 of 18

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

File No. SR - 2007 - 130
Amendment No:

Proposed Rule Change by Chicago Board Options Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial	Amendment	Withdrawal	Section 19(b)(2)	Section 19(b)(3)(A)	Section 19(b)(3)(B)
☑	☐	☐	☑	☐	☐

Pilot	Extension of Time Period for Commission Action	Date Expires:
☐	☐	

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

☐ ☐

Description

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

Proposal to amend CBOE Rule 4.20, regarding the Anti-Money Laundering Compliance 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	Andrew	Last Name	Spiwak
Title	Director, Legal Division and Chief Enforcement Attorney		
E-mail	spiwak@cboe.com		
Telephone	(312) 786-7483	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 11/02/2007

By Andrew Spiwak
(Name)

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.

Digitally Sign and Lock Form

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 the Proposed Rule Change

(a) The Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend CBOE Rule 4.20, codifying the Anti-Money Laundering Compliance Program (the "AML Program"), to establish: (1) independent testing for compliance be conducted at least annually by members with a public business, or every two years if no public business is conducted; and (2) clarify the persons designated to implement and monitor the Anti-Money Laundering Compliance Rule. The text of the proposed rule change is provided below.

(b) Not applicable.

(c) Not applicable.

* * * * *

(Additions are underlined and deletions are in [brackets])

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 4.20. Anti-Money Laundering Compliance Program

Each member organization and each member not associated with a member organization shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the [Section 352(a)] requirements of [the USA PATRIOT Act (Public Law 107-56), amending Section 5318 of] the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each member organization's anti-money laundering program must be approved, in writing, by a member of senior management.

The anti-money laundering programs required by this Rule shall, at a minimum:

(1) Establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;

(2) Establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with [Section 5318(h) of] the Bank Secrecy Act and the implementing regulations thereunder;

(3) Provide for annual (on a calendar–year basis) independent testing for compliance to be conducted by member or member organization personnel or by a qualified outside party, unless the member or member organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis);

(4) Designate, and identify to the Exchange (by name, title, mailing address, e-mail address, telephone number, and facsimile number) a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program (such individual or individuals must be an associated person of the member) and provide prompt notification to the Exchange regarding any change in such designation(s); and

(5) Provide ongoing training for appropriate persons.

...Interpretations and Policies:

.01 Independent Testing Requirements

(a) All members should undertake more frequent testing than required by this rule if circumstances warrant.
(b) Independent testing pursuant to this rule must be conducted by a designated person with a working knowledge of applicable requirements under the Bank Secrecy Act and its implementing regulations.
(c) Independent testing may not be conducted by:
    (1) a person who performs the functions being tested, or
    (2) the designated anti-money laundering compliance person.

* * * * *

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Exchange's Office of the Chairman pursuant to delegated authority on October 29, 2007.

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

(a) *Purpose*

Financial institutions, including broker-dealers, must develop and implement AML Programs pursuant to the Bank Secrecy Act,[1] as amended by Section 352 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) Act of 2001 ("PATRIOT Act").[2] Consistent with Treasury regulation 31 C.F.R. 103.120 under the Bank Secrecy Act, CBOE Rule 4.20 requires that each member organization and each member not associated with a member organization develop and implement a written AML program and specifies the minimum requirements for these programs.

The AML program must include the development of internal policies, procedures and controls; the designation of a person to implement and monitor the day-to-day operations and internal controls of the program (commonly referred to as an "AML Officer"); ongoing training for appropriate persons; and an independent testing function for overall compliance.

In order to provide interpretive clarity to the requirements under CBOE Rule 4.20 with respect to independent testing and AML Officers, as well as to clarify references to the Bank Secrecy Act, CBOE proposes the following amendments to CBOE Rule 4.20.

References to Bank Secrecy Act

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1 31 U.S.C. §5311 et seq.

2 Pub. L. No. 107-56, 115 Stat. 272 (2001).

The proposed rule change would delete references to certain sections of the Bank Secrecy Act and a reference to USA PATRIOT Act to more clearly reflect the requirements under CBOE Rule 4.20.

Timeframes for Independent Testing

The proposed rule change would require that independent testing of AML programs be conducted, at a minimum, on an annual (calendar-year) basis by members or member organizations, unless the member or member organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading, or conducts business only with other broker-dealers), in which case such independent testing is required every two years (on a calendar-year basis). CBOE believes these timeframes are reasonable in that they require more frequent testing of AML programs designed to monitor a business with customers from the general public, which may be more susceptible to money laundering schemes than a strictly proprietary business involving transactions with other broker-dealers. Further, the one-year time frame for testing is consistent with standard industry practice in that it is similar to generally accepted guidelines for conducting tests in the context of, for instance, general audits and branch office visits. However, the proposed rule change establishes only a minimum requirement, and makes clear that members should undertake more frequent testing when circumstances warrant (e.g. should the business mix of the member or member organization materially change; in the event of a merger or acquisition; in light of systemic weaknesses uncovered via testing of the AML Program; or in response to any other "red flags").

Qualification and Independence Standards for Testing

The proposed rule change would further require that testing be conducted by a designated person with a working knowledge of applicable requirements under the Bank Secrecy Act and its implementing regulations. Such person need not be an employee of the member or member organization since the responsibility being delegated is essentially an auditing function and, as such, it would not be unusual or ineffective for it to be performed by an independent outside party.

The proposed rule change does not preclude an employee of the member or member organization from conducting the required independent testing of the AML Program; however the proposed "independence" standard would prohibit testing from being conducted by a person who performs the functions being tested, or by the designated AML Officer.

The proposed rule change would be generally consistent with the approach taken by the NYSE and NASD regarding independent testing of AML Programs, with variations where necessary to account for the differences in CBOE membership—in particular, differences in firm size, types of businesses conducted, and overall business models. It should be noted that CBOE's membership is comprised with an over-whelming majority of members who are broker-dealers that are not members of either the NYSE or the NASD and who conduct business only with other broker-dealers. It should be further noted that CBOE conducts routine examinations of all capital computing members to test the adequacy of AML compliance programs with the objective of determining whether member firms' AML compliance programs are reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act and

applicable Treasury, SEC, and CBOE rules. Additionally, for all non-capital computing CBOE members, CBOE requires that each broker-dealer member file an annual attestation that: 1) identifies the designated AML Compliance Officer; 2) the broker-dealer annual training, including a list of attendees and date conducted; 3) independent review, including date and identification of reviewer, as well as broker-dealer members maintaining written documentation of the independent review conducted.

AML Officer

The proposed rule change would also clarify that the AML Officer(s) must be an associated person of the member. This would not prohibit a member that is part of a diversified financial institution from designating an AML Officer that is employed by the member's parent company, sister company, or other affiliate. However, if such a person is designated as a member's AML Officer, CBOE would consider that person to be an associated person of the member with respect those activities performed on behalf of the member.

(b) *Basis*

CBOE believes that the proposed rule change is consistent with Section 6 of the Act[3] in general and furthers the objectives of Section 6(b)(5)[4] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. CBOE believes that the proposed rule change is designed to

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3 15 U.S.C. 78f(b).

4 15 U.S.C. 78f(b)(5).

accomplish these ends by requiring members to conduct periodic tests of their AML compliance programs, preserve the independence of their testing personnel, and ensure the accuracy of their AML compliance person information.

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

The proposed rule change will impose no burden on competition that is not necessary or appropriate in furtherance of the purposes of the 1934 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 consideration of the proposed rule change specified in Section 19(b)(2) of the 1934 Act.[5]

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

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) The Exchange requests expedited review and accelerated effectiveness of the proposed rule change is substantially similar to the approved anti-money

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5 15 U.S.C. 78f(b)(2).

laundering compliance rules of NYSE Rule 445[6] and NASD Rule 3011 and adoption of new related interpretative material,[7] and therefore presents no new or novel issues. The Exchange also believes that acceleration of the operative date is consistent with the protection of investors and the public interest.

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

As indicated above, the proposed rule change is substantially similar to the approved anti-money laundering compliance rules of NYSE Rule 445 and NASD Rule 3011 and adoption of new related interpretative material.

9. Exhibits

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

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6 See Securities Exchange Act Release Nos. 53176 (January 25, 2006), 71 FR 5392 (February 1, 2006) (approval order for SR-NYSE-2006-36)

7 See Securities Exchange Act Release Nos. 53030 (December 28, 2005), 71 FR 632 (January 5, 2006) (approval order for SR-NASD-2005-066)

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2007-130)

Dated:_____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change to Amend its Rule 4.20 Regarding Anti-Money Laundering

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 (the "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 CBOE proposes to amend CBOE Rule 4.20, codifying the Anti-Money Laundering Compliance Program (the "AML Program"), to establish: (1) independent testing for compliance be conducted at least annually by members with a public business, or every two years if no public business is conducted; and (2) clarify the persons designated to implement and monitor the Anti-Money Laundering Compliance Rule. The text of the proposed rule change is provided below. The text of the proposed rule change is available on the Exchange's website (http://www.cboe.org/Legal), at the Office of the Secretary, CBOE and at the Commission.

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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

Financial institutions, including broker-dealers, must develop and implement AML Programs pursuant to the Bank Secrecy Act,[3] as amended by Section 352 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) Act of 2001 ("PATRIOT Act").[4] Consistent with Treasury regulation 31 C.F.R. 103.120 under the Bank Secrecy Act, CBOE Rule 4.20 requires that each member organization and each member not associated with a member organization develop and implement a written AML program and specifies the minimum requirements for these programs.

The AML program must include the development of internal policies, procedures and controls; the designation of a person to implement and monitor the day-to-day operations and internal controls of the program (commonly referred to as an "AML Officer"); ongoing training for appropriate persons; and an independent testing function for overall compliance.

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3 31 U.S.C. §5311 et seq.

4 Pub. L. No. 107-56, 115 Stat. 272 (2001).

In order to provide interpretive clarity to the requirements under CBOE Rule 4.20 with respect to independent testing and AML Officers, as well as to clarify references to the Bank Secrecy Act, CBOE proposes the following amendments to CBOE Rule 4.20.

References to Bank Secrecy Act

The proposed rule change would delete references to certain sections of the Bank Secrecy Act and a reference to USA PATRIOT Act to more clearly reflect the requirements under CBOE Rule 4.20.

Timeframes for Independent Testing

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more frequent testing when circumstances warrant (e.g. should the business mix of the member or member organization materially change; in the event of a merger or acquisition; in light of systemic weaknesses uncovered via testing of the AML Program; or in response to any other "red flags").

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The proposed rule change does not preclude an employee of the member or member organization from conducting the required independent testing of the AML Program; however the proposed "independence" standard would prohibit testing from being conducted by a person who performs the functions being tested, or by the designated AML Officer.

The proposed rule change would be generally consistent with the approach taken by the NYSE and NASD regarding independent testing of AML Programs, with variations where necessary to account for the differences in CBOE membership—in particular, differences in firm size, types of businesses conducted, and overall business models. It should be noted that CBOE's membership is comprised with an over-whelming majority of members who are broker-dealers that are not members of either the NYSE or the NASD and who conduct business only with other broker-dealers. It should be further noted that CBOE

conducts routine examinations of all capital computing members to test the adequacy of AML compliance programs with the objective of determining whether member firms' AML compliance programs are reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act and applicable Treasury, SEC, and CBOE rules. Additionally, for all non-capital computing CBOE members, CBOE requires that each broker-dealer member file an annual attestation that: 1) identifies the designated AML Compliance Officer; 2) the broker-dealer annual training, including a list of attendees and date conducted; 3) independent review, including date and identification of reviewer, as well as broker-dealer members maintaining written documentation of the independent review conducted.

AML Officer

The proposed rule change would also clarify that the AML Officer(s) must be an associated person of the member. This would not prohibit a member that is part of a diversified financial institution from designating an AML Officer that is employed by the member's parent company, sister company, or other affiliate. However, if such a person is designated as a member's AML Officer, CBOE would consider that person to be an associated person of the member with respect those activities performed on behalf of the member.

(b) *Basis*

CBOE believes that the proposed rule change is consistent with Section 6 of the Act[5] in general and furthers the objectives of Section 6(b)(5)[6] in particular, in that it is designed to

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5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. CBOE believes that the proposed rule change is designed to accomplish these ends by requiring members to conduct periodic tests of their AML compliance programs, preserve the independence of their testing personnel, and ensure the accuracy of their AML compliance person information.

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

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

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2007-130 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-2007-130. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-

1090. 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-2007-130 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]

Dated: _____

Nancy M. Morris
Secretary

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[7] 17 CFR 200.30-3(a)(12).