

OMB APPROVAL

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

File No. SR - 2007 - 134

Amendment No.

Proposed Rule Change by Chicago Board Options Exchange

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

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input 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(b)(1) <input type="checkbox"/> 19b-4(b)(4) <input type="checkbox"/> 19b-4(b)(2) <input type="checkbox"/> 19b-4(b)(3) <input type="checkbox"/> 19b-4(b)(3) <input type="checkbox"/> 19b-4(b)(5)		

☐ I am filing this amendment as a "pre-effective" amendment.
☐ I am filing this amendment as a "post-effective" amendment.

Description

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

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 Last Name
Title
E-mail
Telephone Fax

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 By
(Name)

(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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF 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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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

☐

Exhibit 3 - Form, Report, or Questionnaire

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

Exhibit Sent As Paper Document

☐

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

Item 1. Text of Proposed Rule Change

The Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) proposes to amend CBOE Rule 8.85 pertaining to the continuous quoting obligations of DPMs. The text of the proposed rule change is provided below:

* * * * *

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

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 8.85 – DPM Obligations

Rule 8.85. (a) Dealer Transactions. Each DPM shall fulfill all of the obligations of a Market-Maker under the Rules, and shall satisfy each of the following requirements in respect of each of the securities allocated to the DPM. To the extent that there is any inconsistency between the specific obligations of a DPM set forth in subparagraphs (a)(i) through (a)(xii) of this Rule and the general obligations of a Market Maker under the Rules, subparagraphs (a)(i) through (a)(xii) of this Rule shall govern. Each DPM shall:

(i) provide continuous electronic quotes (as defined in Rule 1.1 (ccc)) [for each class and series]in at least 90% of the series of each multiply-listed option class allocated to it and in 100% of the series of each singly-listed option class allocated to it, and assure that its disseminated market quotations are accurate;

(ii) – (xii) No change.

(b) – (e) No change.

Interpretations and Policies:

.01 – 03. No change.

* * * * *

Item 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 November 7, 2007.

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

Purpose

CBOE proposes to modify the continuous electronic quoting obligation of DPMs in multiply-listed option classes, and make them consistent with the continuous quoting obligation of e-DPMs (Rule

8.93) and LMMs in Hybrid option classes (Rule 8.15A). CBOE is not proposing to change the continuous electronic quoting obligation of DPMs in classes listed solely on CBOE.

Currently, DPMs are required to provide continuous electronic quotations in 100% of the series of each option class allocated to the DPM. E-DPMs and LMMs, on the other hand, are required to provide continuous electronic quotes in 90% of the series of each appointed option class. CBOE believes that it would be appropriate and reasonable to reduce the continuous electronic quoting obligation of DPMs in multiply-listed option classes from 100% of the series to 90% of the series. The participation entitlement for DPMs has been reduced over the past several years, and presently the participation entitlement is allocated between DPMs and e-DPMs under Rule 8.87. Specifically, if the DPM and one or more e-DPMs are quoting at the best bid/offer on CBOE, one-half of the entitlement is allocated to the DPM, and the other half is divided equally among the e-DPMs quoting at the best bid/offer on CBOE. Additionally, in 2005 CBOE implemented a Preferred Market-Maker Program which provides that in instances where a Preferred Market-Maker receives a participation entitlement, then the DPM and e-DPM participation entitlement shall not apply to any order. (See CBOE Rule 8.13.)

CBOE believes that reducing the continuous electronic quoting obligations of DPMs in multiply listed option classes may also mitigate quotations. In the event that an order is received in a series of a multiply listed option class in which CBOE is not disseminating a quotation, CBOE would process the order in accordance with the provisions of Rule 6.14 – the Hybrid Agency Liaison (HAL). As a result, CBOE does not believe there would be any negative effect on the handling of orders.

Statutory Basis

Since the proposed changes set forth herein clearly establish the meaning of current Exchange rules that are already fairly implied by the language therein, the Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act") in general and furthers the objectives of Section 6(b)(5) in particular in that it should promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission consideration of the proposed rule change.

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

None.

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

None.

Item 9. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2007-134)

Dated: _____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to the Continuous Quoting Obligations of DPMs

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

CBOE proposes to amend CBOE rules relating to the continuous quoting obligations of DPMs. The text of the proposed rule change is available on the Exchange’s Web site (<http://www.cboe.com>), at the Office of the Secretary, CBOE 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, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

CBOE proposes to modify the continuous electronic quoting obligation of DPMs in multiply-listed option classes, and make them consistent with the continuous quoting obligation of e-DPMs (Rule 8.93) and LMMs in Hybrid option classes (Rule 8.15A). CBOE is not proposing to change the continuous electronic quoting obligation of DPMs in classes listed solely on CBOE.

Currently, DPMs are required to provide continuous electronic quotations in 100% of the series of each option class allocated to the DPM. E-DPMs and LMMs, on the other hand, are required to provide continuous electronic quotes in 90% of the series of each appointed option class. CBOE believes that it would appropriate and reasonable to reduce the continuous electronic quoting obligation of DPMs in multiply-listed option classes from 100% of the series to 90% of the series. The participation entitlement for DPMs has been reduced over the past several years, and presently the participation entitlement is allocated between DPMs and e-DPMs under Rule 8.87. Specifically, if the DPM and one or more e-DPMs are quoting at the best bid/offer on CBOE, one-half of the entitlement is allocated to the DPM, and the other half is divided equally among the e-DPMs quoting at the best bid/offer on CBOE. Additionally, in 2005 CBOE implemented a Preferred Market-Maker Program which provides that in instances where a Preferred

Market-Maker receives a participation entitlement, then the DPM and e-DPM participation entitlement shall not apply to any order. (See CBOE Rule 8.13.)

CBOE believes that reducing the continuous electronic quoting obligations of DPMs in multiply listed option classes may also mitigate quotations. In the event that an order is received in a series of a multiply listed option class in which CBOE is not disseminating a quotation, CBOE would process the order in accordance with the provisions of Rule 6.14 – the Hybrid Agency Liaison (HAL). As a result, CBOE does not believe there would be any negative effect on the handling of orders.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act³ in general and furthers the objectives of Section 6(b)(5) of the Act⁴ in particular in that it is designed to promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

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

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

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

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

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-2007-134 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-2007-134. 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-2007-134 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.⁵

Dated: _____

Nancy M. Morris
Secretary

⁵ 17 CFR 200.30-3(a)(12).