OMB APPROVAL	
OMB Number:	3235-0045
Expires:	June 30, 2010
Estimated average burden hours per response	38

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

File No. SR - 2007 - 153

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

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

This filing changes CBOE Rule 6.14 relating to the HAL system.

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: Angelo
Last Name: Evangelou
Title: Assistant General Counsel
E-mail: evangelou@cboe.com
Telephone: (312) 786-7464
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: 12/28/2007

By: Angelo Evangelou (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.

Angelo Evangelou, evangelo@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 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 ☐	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.

Item 1. Text of the Proposed Rule Change

(a) The Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") proposes to amend CBOE Rule 6.14 to modify the eligibility and order handling process for limit orders that would improve the Exchange's disseminated quote when the Exchange's Hybrid Agency Liaison ("HAL") system is activated. Set forth below are the proposed changes to the rule text with additions underlined and deletions [bracketed].

(b) Not applicable.

Chicago Board Options Exchange, Incorporated
Rules

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Rule 6.14 Hybrid Agency Liaison (HAL)
This Rule governs the operation of the Hybrid Agency Liaison ("HAL") system. HAL is a feature within the Hybrid System that provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed by the Hybrid System.

(a) *HAL Eligibility.* The Exchange, with input from the appropriate Floor Procedure Committee, shall designate the classes in which HAL shall be activated. For such classes, HAL shall automatically process upon receipt, as set forth in subparagraph (b) below, market and limit orders under the following circumstances:

(i) market orders or limit orders that are marketable against the Exchange's disseminated quotation while that quotation is not the NBBO;

(ii) limit orders that would improve the Exchange's disseminated quotation and that are marketable against quotations disseminated by other exchanges that are participants in the Intermarket Options Linkage; and

(iii) for Hybrid 3.0 classes, limit orders that would improve the Exchange's disseminated quotation except when the disseminated quotation is represented by a manual quote in which case the limit order will automatically route to the electronic book instead of being processed by HAL and the manual quote will be canceled.

(b) – (d) No change.

*. . . **Interpretations and Policies:***

.01 - .02 No change.

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Item 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Exchange's Office of the Chairman pursuant to delegated authority on December 19, 2007. No further action is required.

(b) Questions and comments on the proposed rule change may be referred to Joanne Moffic-Silver, General Counsel, CBOE, 400 South LaSalle Street, Chicago, Illinois 60605; Telephone: (312) 786-7462; Fax: (312) 786-7919 or Greg Hoogasian, Senior Attorney, at (312) 786-7031.

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

(a) Purpose

CBOE Rule 6.14 governs the operation of the Exchange's Hybrid Agency Liaison ("HAL") system. HAL provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed. The purpose of this filing is to modify the HAL eligibility and order handling process for non-marketable limit orders that improve the Exchange's disseminated quote.

Description of HAL

Current CBOE Rule 6.14 provides that the Exchange, with input from the appropriate Floor Procedure Committee, shall designate the classes in which HAL shall be activated.[1] For these designated classes, HAL currently will (i) process market and limit orders that are marketable against the Exchange's disseminated quotation while that quotation is not the

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[1] See CBOE Rule 6.14(a).

NBBO, (ii) process limit orders that are marketable against the NBBO when CBOE is not the NBBO and (iii) process limit orders that improve CBOE's disseminated quotation.[2]

The HAL order handling process operates as follows.[3] HAL will flash an eligible order to gauge if there is any interest from any Market-Maker or member acting as agent for orders at the top of the Exchange's book ("Qualifying Member") to trade the order at the flash price. For orders that are marketable against the Exchange's disseminated quote or the NBBO, the flash price is the NBBO price. For limit orders that "middle" the Exchange's disseminated quote and that are not marketable against the NBBO, the flash price is the limit price of the order(s). This flash/exposure period is configurable but cannot exceed 1.5 seconds. If during the exposure period, a Market-Maker or Qualifying Member commits to trade with any portion of the order, then the exposure period shall end and an allocation period shall begin. The allocation period, when combined with the flash period, cannot exceed 3 seconds.

Exposed orders are filled at the conclusion of the allocation period in accordance with the allocation algorithm in effect for the option class pursuant to Rule 6.45A or 6.45B. There is no participation entitlement applicable to exposed orders and the response sizes are limited to the size of the exposed order for allocation purposes. If no responses are received during the exposure period, then a linkage order is routed to the NBBO market on behalf of the exposed order (in cases where the exposed order is marketable against the NBBO), or if there remains an unexecuted portion of a limit order that is not marketable at the conclusion of the allocation period, then the limit order or remaining balance is entered into the electronic book.

Proposed Changes

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[2] See CBOE Rule 6.14(a).
[3] See CBOE Rule 6.14(b).

This filing makes two HAL changes: (1) for all **non**-Hybrid 3.0 classes, limit orders that better the Exchange's quote but that are not-marketable (orders that fall under 6.14(a)(iii)) will no longer be flashed through HAL. Instead these orders will route directly and automatically to the electronic book; (2) non-marketable limit orders that would improve the Exchange's disseminated quote in Hybrid 3.0 Classes will be flashed and handled under normal HAL processing except when the eligible order is entered on the same side of the market as a manual quote in which case the eligible limit order will automatically route into the electronic book instead of being processed by HAL and the manual quote will automatically cancel so that the Exchange's disseminated quote will be represented by the limit order's bid/offer. This is consistent with how the limit order would be currently processed in Hybrid 3.0 Classes when a manual quote is present.

The Exchange proposes the first change in connection with a recent fee change submitted by CBOE (SR-CBOE-2007-152) that would provide a rebate, under certain circumstances, to Market-Makers that "step-up" to trade orders flashed in HAL. The rebate program is meant to reduce the number of orders that route to away exchanges. Thus, the rebate is geared more toward encouraging matching better priced quotes on other markets than it is toward trading middle market limit orders, therefore the Exchange proposes to directly book those middle market limit orders and not submit them for HAL processing. This way, rebates are not provided for stepping-up to trade orders that will otherwise book. Additionally, direct booking will allow a wider range of users to trade against the order sooner.

The second change allows the Exchange to introduce the HAL process in Hybrid 3.0 Classes. By initiating HAL in Hybrid 3.0 Classes, the Exchange will be able to provide further automation to the order handling process by allowing Market-Makers appointed to the relevant option class to electronically participate on such orders.

In all other respects, HAL shall operate as it currently operates today.

(b) Statutory Basis

The Exchange believes the proposed rule change to amend CBOE Rule 6.14 to modify the eligibility and order handling process for limit orders that improve the Exchange's disseminated quote when HAL is activated is consistent with the Securities Exchange Act of 1934 (the "Act")[4] 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.[5] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[6] 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 perfect the mechanism for a free and open market and a national market system, and, in general, to 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

Not applicable.

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[4] 15 U.S.C. 78s(b)(1).
[5] 15 U.S.C. 78f(b).
[6] 15 U.S.C. 78f(b)(5).

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.[7]

(b) The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) will not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a description and text of the proposed rule change.[8] For the foregoing reasons, this rule filing qualifies for expedited effectiveness as a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 of the Act.

The Exchange respectfully requests that the Commission waive the 5 day pre-filing period and the 30 day operative period so that the filing may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A)[9] of the Act and subparagraph (f)(6) of Rule 19b-4 thereunder. Permitting the Exchange to immediately implement these changes will allow the Exchange to (i) implement direct-booking of non-marketable non-Hybrid 3.0 classes concurrent with related fee changes; and (ii) immediately utilize HAL in Hybrid 3.0 Classes and will allow Market-Makers appointed to the relevant Hybrid 3.0 option class to electronically participate on qualifying flashed orders. For these reasons, the Exchange believes that waiver of the 5 day and 30 day periods is reasonable and appropriate and consistent with the protection of investors and the public interest.

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7 15 U.S.C. 78s(b)(3)(A).

8 17 C.F.R. 240.19b-4(f)(6).

9 15 U.S.C. 78s(b)(3)(A).

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

Not applicable.

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-2007-153)

Dated:____________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rule 6.14

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 December 28, 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 Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] 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 modify the application of its Hybrid Agency Liaison System. The text of the proposed rule change is available on the Exchange's website (http://www.cboe.com), at the Exchange's Office of the Secretary and at the Commission.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(iii).

4 17 CFR 240.19b-4(f)(6).

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

Purpose

CBOE Rule 6.14 governs the operation of the Exchange's Hybrid Agency Liaison ("HAL") system. HAL provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed. The purpose of this filing is to modify the HAL eligibility and order handling process for non-marketable limit orders that improve the Exchange's disseminated quote.

Description of HAL

Current CBOE Rule 6.14 provides that the Exchange, with input from the appropriate Floor Procedure Committee, shall designate the classes in which HAL shall be activated.[5] For these designated classes, HAL currently will (i) process market and limit orders that are marketable against the Exchange's disseminated quotation while that quotation is not the

[5] See CBOE Rule 6.14(a).

NBBO, (ii) process limit orders that are marketable against the NBBO when CBOE is not the NBBO and (iii) process limit orders that improve CBOE's disseminated quotation.[6]

The HAL order handling process operates as follows.[7] HAL will flash an eligible order to gauge if there is any interest from any Market-Maker or member acting as agent for orders at the top of the Exchange's book ("Qualifying Member") to trade the order at the flash price. For orders that are marketable against the Exchange's disseminated quote or the NBBO, the flash price is the NBBO price. For limit orders that "middle" the Exchange's disseminated quote and that are not marketable against the NBBO, the flash price is the limit price of the order(s). This flash/exposure period is configurable but cannot exceed 1.5 seconds. If during the exposure period, a Market-Maker or Qualifying Member commits to trade with any portion of the order, then the exposure period shall end and an allocation period shall begin. The allocation period, when combined with the flash period, cannot exceed 3 seconds.

Exposed orders are filled at the conclusion of the allocation period in accordance with the allocation algorithm in effect for the option class pursuant to Rule 6.45A or 6.45B. There is no participation entitlement applicable to exposed orders and the response sizes are limited to the size of the exposed order for allocation purposes. If no responses are received during the exposure period, then a linkage order is routed to the NBBO market on behalf of the exposed order (in cases where the exposed order is marketable against the NBBO), or if there remains an unexecuted portion of a limit order that is not marketable at the conclusion of the allocation period, then the limit order or remaining balance is entered into the electronic book.

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[6] See CBOE Rule 6.14(a).

[7] See CBOE Rule 6.14(b).

Proposed Changes

This filing makes two HAL changes: (1) for all **non**-Hybrid 3.0 classes, limit orders that better the Exchange's quote but that are not-marketable (orders that fall under 6.14(a)(iii)) will no longer be flashed through HAL. Instead these orders will route directly and automatically to the electronic book; (2) non-marketable limit orders that would improve the Exchange's disseminated quote in Hybrid 3.0 Classes will be flashed and handled under normal HAL processing except when the eligible order is entered on the same side of the market as a manual quote in which case the eligible limit order will automatically route into the electronic book instead of being processed by HAL and the manual quote will automatically cancel so that the Exchange's disseminated quote will be represented by the limit order's bid/offer. This is consistent with how the limit order would be currently processed in Hybrid 3.0 Classes when a manual quote is present.

The Exchange proposes the first change in connection with a recent fee change submitted by CBOE (SR-CBOE-2007-152) that would provide a rebate, under certain circumstances, to Market-Makers that "step-up" to trade orders flashed in HAL. The rebate program is meant to reduce the number of orders that route to away exchanges. Thus, the rebate is geared more toward encouraging matching better priced quotes on other markets than it is toward trading middle market limit orders, therefore the Exchange proposes to directly book those middle market limit orders and not submit them for HAL processing. This way, rebates are not provided for stepping-up to trade orders that will otherwise book. Additionally, direct booking will allow a wider range of users to trade against the order sooner.

The second change allows the Exchange to introduce the HAL process in Hybrid 3.0 Classes. By initiating HAL in Hybrid 3.0 Classes, the Exchange will be able to provide further automation to the order handling process by allowing Market-Makers appointed to the relevant option class to electronically participate on such orders.

In all other respects, HAL shall operate as it currently operates today.

Statutory Basis

The Exchange believes the proposed rule change to amend CBOE Rule 6.14 to modify the eligibility and order handling process for limit orders that improve the Exchange's disseminated quote when HAL is activated is consistent with the Securities Exchange Act of 1934 (the "Act")[8] 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.[9] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[10] 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 perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

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

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

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[8] 15 U.S.C. 78s(b)(1).
[9] 15 U.S.C. 78f(b).
[10] 15 U.S.C. 78f(b)(5).

The Exchange neither solicited nor received comments on the proposal.

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

Because the foregoing proposed rule does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[11] and Rule 19b-4(f)(6) thereunder.[12] At any time within 60 days of the filing of such 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:

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11 15 U.S.C. 78s(b)(3)(A).

12 17 CFR 240.19b-4(f)(6).

- 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-2007-153 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-CBOE-2007-153. 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 20549-9303. 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-2007-153 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.[13]

Margaret H. McFarland
Deputy Secretary

Dated: ____________________

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[13] 17 CFR 200.30-3(a)(12).