

## OMB APPROVAL

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

File No. SR - 2007 - 154

Amendment No. 

Proposed Rule Change by Chicago Board Options Exchange

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

|   |                                       |  |  |  |   |
|---|---------------------------------------|--|--|--|---|
| Initial<br><input checked="" type="checkbox"/>                                | Amendment<br><input type="checkbox"/> | Withdrawal<br><input type="checkbox"/> | Section 19(b)(2)<br><input type="checkbox"/>   | Section 19(b)(3)(A)<br><input checked="" type="checkbox"/> | Section 19(b)(3)(B)<br><input type="checkbox"/> |
| Pilot<br><input type="checkbox"/>   |                                       |  | Rule   |  |   |
| Extension of Time Period<br>for Commission Action<br><input type="checkbox"/> |                                       |  | <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4)<br><input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5)<br><input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6) |  |   |

Exhibit A Sent As Paper Document



Exhibit B Sent As Paper Document

**Description**

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

Amendment to Marketing Fee Program

**Contact Information**

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name  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 EDFS 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

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**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

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**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 the Proposed Rule Change

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

\* \* \* \* \*

**CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED  
FEES SCHEDULE**

**JANUARY 1, 2008**

\* \* \* \* \*

1. No Change.
2. MARKETING FEE (6).....\$.65
  - Penny Pilot Classes
    - Equity Options.....\$.[30]25
    - OIH, SMH, XLE, and XLF.....\$.[30]25
    - DIA and SPY.....\$.10
    - QQQQ and IWM.....\$[0].00

3. – 4. No Change.

## FOOTNOTES:

(1) – (5) No Change.

- (6) The marketing fee will be assessed only on transactions of Market-Makers, RMMs, e-DPMs, and DPMs, resulting from (i) orders for less than 1,000 contracts from payment accepting firms, or (ii) customer orders for less than 1,000 contracts that have designated a "Preferred Market-Maker" under CBOE Rule 8.13 at the per contract rate provided above on all classes of equity options, options on HOLDRs, options on ETFs, and index options; except that the marketing fee shall not apply to DJX, DXL, EEM, EWC, EWT, IWM, MNX, MVR, OEX, QQQQ, RSP, SPX, VIX, VPL, VWO, XBI, XEO, XSP, credit default options, and credit default basket options. The fee will not apply to: Market-Maker-to-Market-Maker transactions including transactions resulting from orders from non-member market-makers; transactions resulting from inbound P/A orders or a transaction resulting from the execution of an order against the DPM's account if an order directly related to that order is represented and executed through the Linkage Plan using the DPM's account; transactions resulting from accommodation liquidations (cabinet trades); [and] transactions resulting from dividend strategies, merger strategies, and short stock interest strategies as defined in footnote 13 of this Fees Schedule; and transactions in Penny Pilot classes resulting from orders executed through the Hybrid Agency Liaison under Rule 6.14. A Preferred Market-Maker will only be given access to the marketing fee funds generated from a Preferred order if the Preferred Market-Maker has an appointment in the class in which the Preferred order is received and executed.

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

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

Remainder of Fees Schedule – No change.

\* \* \* \* \*

Item 2. Procedures of the Self-Regulatory Organization

The CBOE's Office of the Chairman approved the proposed rule change on December 20, 2007 pursuant to delegated authority. No further action is required.

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

(a) Purpose

CBOE proposes to amend its marketing fee program as follows. First, CBOE proposes to decrease the fee from \$.30 to \$.25 in the following Penny Pilot classes: equity options, OIH, SMH, XLE, and XLF. CBOE will continue to collect the marketing fee at the rate of \$.10 per contract in DIA and SPY, and not collect the marketing fee in QQQQ and IWM. CBOE believes that this change will allow CBOE Market-Makers, RMMs, e-DPMs, or DPMs (collectively "market-makers") to compete better for order flow in these option classes.

Second, CBOE proposes to amend the fee such that the marketing fee will not apply to transactions in Penny Pilot classes resulting from orders executed through the Hybrid Agency Liaison under Rule 6.14 in which market-makers "step up" through the HAL system and trade with orders that are marketable against the NBBO when CBOE is not the NBBO. CBOE believes that this change will encourage market-makers to execute orders at CBOE at the NBBO.

CBOE proposes to implement these changes to the marketing fee program beginning on January 2, 2008. CBOE is not amending its marketing fee program in any other respects.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>2</sup> of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members.

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

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

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

The Exchange neither solicited nor received comments on the proposal.

Item 6. Extension of Time Period for Commission Action

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

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

(a) The proposed rule change has taken effect upon filing pursuant to Section 19(b)(3)(A) of the Act.<sup>3</sup>

(b) The proposed rule change is designated by the Exchange as establishing or changing a due, fee, or other charge, thereby qualifying for effectiveness on filing pursuant to Section 19(b)(3)(A)(ii)<sup>4</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>5</sup> thereunder.

(c) Not applicable.

(d) Not applicable.

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

Not applicable.

Item 9. Exhibits

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

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<sup>1</sup> 15 U.S.C. 78f(b).

<sup>2</sup> 15 U.S.C. 78f(b)(4).

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>5</sup> 17 C.F.R. 240.19b-4(f)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-CBOE-2007-154)

Dated: \_\_\_\_\_

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to the Marketing Fee Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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 Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by CBOE under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder.<sup>4</sup> 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 amend its marketing fee program. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.org/Legal>), at the Exchange’s Office of the Secretary and at the Commission.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

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

CBOE proposes to amend its marketing fee program as follows. First, CBOE proposes to decrease the fee from \$.30 to \$.25 in the following Penny Pilot classes: equity options, OIH, SMH, XLE, and XLF. CBOE will continue to collect the marketing fee at the rate of \$.10 per contract in DIA and SPY, and not collect the marketing fee in QQQQ and IWM. CBOE believes that this change will allow CBOE Market-Makers, RMMs, e-DPMs, or DPMs (collectively "market-makers") to compete better for order flow in these option classes.

Second, CBOE proposes to amend the fee such that the marketing fee will not apply to transactions in Penny Pilot classes resulting from orders executed through the Hybrid Agency Liaison under Rule 6.14 in which market-makers "step up" through the HAL system and trade with orders that are marketable against the NBBO when CBOE is not the NBBO. CBOE believes that this change will encourage market-makers to execute orders at CBOE at the NBBO.

CBOE proposes to implement these changes to the marketing fee program beginning on January 2, 2008. CBOE is not amending its marketing fee program in any other respects.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>6</sup> of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members.

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

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 change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and subparagraph (f)(2) of Rule 19b-4<sup>8</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic comments:

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<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(4).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 C.F.R. 240.19b-4(f)(2).



- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2007-154 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-2007-154. 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, 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-2007-154 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.<sup>9</sup>

Dated: \_\_\_\_\_

Nancy M. Morris  
Secretary

<sup>9</sup> 17 CFR 200.30-3(a)(12).