

OMB APPROVAL

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

File No. SR - 2010 - 042
 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 type="checkbox"/>	Section 19(b)(3)(A) <input checked="" 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(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input checked="" type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Filed on Paper Document
 Filed on Electronic Document

Description

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

This filing relates to suspension of the CBOE seat market.

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 Assistant Secretary
 (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.

Kerry Ann Adler, adler@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item 1 and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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

Item 1. Text of Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend its rules governing the sale and transfer of Exchange memberships by adding new Interpretation and Policy .02 to Rule 3.14. The text of proposed Interpretation and Policy 3.14.02 is as follows (new text is underlined):

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 3.14 – Sale and Transfer of Membership

* * * * *

. . . Interpretations and Policies:

* * * * *

.02 In connection with the proposed demutualization of the Exchange in which Exchange memberships will be converted into shares of common stock of CBOE Holdings, Inc. ("CBOE Holdings Common Stock") and the concurrent initial public offering of shares of CBOE Holdings Common Stock, membership purchase and sale transactions shall be suspended beginning at 7:00 a.m. Chicago time on the day shares of CBOE Holdings Common Stock are to begin trading on a when-issued basis, and continuing until the effectiveness of the demutualization transaction at which time Exchange memberships shall cease to exist and purchase and sale transactions in Exchange memberships shall no longer be possible. During the effectiveness of the suspension, bids and offers previously submitted shall be deemed to be withdrawn and no new bids or offers may be submitted. If the demutualization transaction is terminated prior to its becoming effective, which shall result in the termination of the public offering of shares of CBOE Holdings Common Stock and cessation of when-issued trading of such shares, the purchase and sale of Exchange memberships shall resume on the business day immediately following the day the demutualization transaction is terminated, subject to the authority of the Board of Directors pursuant to Interpretation and Policy .01 under Rule 3.14 to declare a further suspension limited in duration to no longer than one business day if the Board of Directors deems such further suspension to be necessary in the interest of maintaining a fair and orderly market in Exchange memberships. The suspension of the CBOE membership market provided for in this Interpretation and Policy .02 will remain in effect for three business days, from the opening of business on the day CBOE Holdings Common Stock begins to trade on a when-issued basis until the

opening of business on the third business day thereafter when the demutualization becomes effective and CBOE memberships cease to exist.

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by CBOE's Office of the Chairman pursuant to delegated authority on April 29, 2010. No further action is required.

(b) Questions and comments on the proposed rule change may be referred to Joanne Moffic-Silver, Executive Vice President, General Counsel and Corporate Secretary, (312) 786-7462, or Arthur Reinstein, Deputy General Counsel, (312) 786-7570, Chicago Board Options Exchange, Incorporated, 400 South LaSalle Street, Chicago, Illinois 60605; Fax: (312) 786-7919.

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

(a) Purpose

The purpose of the proposed rule change is to provide for a fair and orderly market in shares of common stock of CBOE Holdings, Inc. ("CBOE Holdings Common Stock") in the unique circumstances presented during the brief period, anticipated to be three business days, between the commencement of the initial public offering of such shares and the effectiveness of the demutualization of the Exchange. The timetable for the demutualization of the Exchange and the public offering of CBOE Holdings Common Stock is such that, although the demutualization transaction will have been approved in a vote of the Exchange membership prior to the commencement of the public offering, the demutualization will not

become effective until just prior to the closing of the public offering, which is expected to occur three business days after the commencement of the offering. This timetable avoids having to address difficult administrative issues that would otherwise arise on account of the need to issue special "Class A" and "Class B" shares of CBOE Holdings Common Stock to Exchange membership owners and to participants in the settlement of the "Exercise Right" litigation, respectively, upon the effectiveness of the demutualization. Upon the closing of the public offering, both of these special share Classes will be converted into the same classes of shares of CBOE Holding Common Stock. By essentially eliminating the time interval between the effectiveness of the demutualization and the closing of the public offering, the Exchange is able to avoid difficult issues that would otherwise have to be addressed as a result of having both Class A and Class B shares of CBOE Holdings Common Stock outstanding prior to just before the closing of the public offering.

As is customary in underwritten public offerings, immediately upon the commencement of the public offering of shares of CBOE Holdings common stock the shares will begin to be traded on a when-issued basis on the exchange where the shares are listed. However, because the effectiveness of the demutualization will not occur until just before the closing of the public offering for the reason explained above, Exchange memberships will continue to be outstanding concurrently with the when-issued trading of the same class of shares into which they will ultimately be converted. It is essential to the orderliness of the public offering of shares of CBOE Holdings Common Stock and consistent with the ability of the underwriters to engage in stabilization transactions in those shares under Rule 104 of Regulation M under the Securities Exchange Act of 1934,¹ that while there is when-issued

¹ 17 C.F.R. 242.104.

trading in shares of CBOE Holdings Common Stock in the listed market for these shares, there must not be an alternative market in the same class of shares or in interests that are equivalent to those shares. If there were to continue to be a market for Exchange memberships during this brief period, it would amount to an alternative market for the class of shares being offered, since upon the effectiveness of the demutualization all outstanding Exchange memberships will be converted into shares of CBOE Holdings Common Stock. The Exchange believes that such a seat market would be outside of the scope of Regulation M² and the underwriters' ability to stabilize the price of the shares being offered. Accordingly, the existence of such an alternative market would jeopardize the orderliness of the public offering. For this reason, the Exchange believes that it is necessary to suspend the operation of the Exchange's seat market during this brief period. A rule change is needed to accomplish this suspension, since it is for a longer period than the Board of Directors is authorized to declare under existing Interpretation and Policy .01 under Exchange Rule 3.14.

There should be no adverse consequences to Exchange members as a result of suspending the CBOE seat market for a brief, three-day period. Before the public offering commences, and as a condition of the offering, the demutualization of the Exchange will have been approved by a vote of the Exchange membership, although as explained above the demutualization will not become effective until after the public offering has been completed and just prior to its closing. During this period, the ownership interests in the Exchange will, for all practical purposes, be represented by the shares of CBOE Holdings common stock into which memberships will be converted in accordance with the terms and upon the effectiveness of the demutualization, which will have been approved by CBOE's

² 17 C.F.R. 242.104.

membership. Once this happens, Exchange memberships will cease to exist and the purchase and sale of Exchange memberships will no longer be possible. Thus the effect of the proposed rule change is simply to accelerate the termination of the seat market by three days prior to the time it would have ended in any event.

In the unlikely event that the demutualization, having been approved by the membership, does not become effective as anticipated, the public offering will not close and Exchange memberships will remain outstanding. In that event, the seat market will once again resume operation, subject only to the authority of the Board to delay its resumption for no more than one business day under existing Interpretation and Policy .01 of Rule 3.14, if the Board determines that under the circumstances such a delay is needed in the interest of a fair and orderly market in memberships.

(b) Statutory Basis

By providing for a fair and orderly public offering of shares of CBOE Holdings Common Stock and eliminating any possibility that the market in Exchange memberships could be used to manipulate the when-issued market in such shares, the proposed rule change is consistent with Section 6(b) of the Act³ in general, and furthers the objectives of Section 6(b)(5)⁴ in particular, in that it would prevent fraudulent and manipulative acts and practices, would promote just and equitable principles of trade and would 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

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

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.

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

As described above, because the proposed rule change relates to the administration of the transition of CBOE from its current structure with memberships to its post-demutualized structure without memberships, CBOE designates the proposed rule change as being concerned solely with the administration of the Exchange pursuant to Section 19(b)(3)(A)(iii) of the Exchange Act⁵ and Rule 19b-4(f)(3)⁶ thereunder. Accordingly, the proposal will take effect upon its filing with the Commission.

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.

⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

⁶ 17 CFR 240.19b-4(f)(3).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-CBOE-2010-042)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by Chicago Board Options Exchange, Incorporated Relating to Suspension of Seat Market.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, the Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. CBOE has filed the proposal pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(3) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE proposes to amend its rules governing the sale and transfer of Exchange memberships by adding new Interpretation and Policy .02 to Rule 3.14. The rule proposal is

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)(3).

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The purpose of the proposed rule change is to provide for a fair and orderly market in shares of common stock of CBOE Holdings, Inc. ("CBOE Holdings Common Stock") in the unique circumstances presented during the brief period, anticipated to be three business days, between the commencement of the initial public offering of such shares and the effectiveness of the demutualization of the Exchange. The timetable for the demutualization of the Exchange and the public offering of CBOE Holdings Common Stock is such that, although the demutualization transaction will have been approved in a vote of the Exchange membership prior to the commencement of the public offering, the demutualization will not become effective until just prior to the closing of the public offering, which is expected to occur three business days after the commencement of the offering. This timetable avoids having to address difficult administrative issues that would otherwise arise on account of the need to issue special "Class A" and "Class B" shares of CBOE Holdings Common Stock to Exchange membership

owners and to participants in the settlement of the "Exercise Right" litigation, respectively, upon the effectiveness of the demutualization. Upon the closing of the public offering, both of these special share Classes will be converted into the same classes of shares of CBOE Holding Common Stock. By essentially eliminating the time interval between the effectiveness of the demutualization and the closing of the public offering, the Exchange is able to avoid difficult issues that would otherwise have to be addressed as a result of having both Class A and Class B shares of CBOE Holdings Common Stock outstanding prior to just before the closing of the public offering.

As is customary in underwritten public offerings, immediately upon the commencement of the public offering of shares of CBOE Holdings common stock the shares will begin to be traded on a when-issued basis on the exchange where the shares are listed. However, because the effectiveness of the demutualization will not occur until just before the closing of the public offering for the reason explained above, Exchange memberships will continue to be outstanding concurrently with the when-issued trading of the same class of shares into which they will ultimately be converted. It is essential to the orderliness of the public offering of shares of CBOE Holdings Common Stock and consistent with the ability of the underwriters to engage in stabilization transactions in those shares under Rule 104 of Regulation M under the Securities Exchange Act of 1934,⁵ that while there is when-issued trading in shares of CBOE Holdings Common Stock in the listed market for these shares, there must not be an alternative market in the same class of shares or in interests that are equivalent to those shares. If there were to continue to be a market for Exchange memberships during this brief period, it would amount to an alternative market for the class of shares being offered, since upon the

effectiveness of the demutualization all outstanding Exchange memberships will be converted into shares of CBOE Holdings Common Stock. The Exchange believes that such a seat market would be outside of the scope of Regulation M⁶ and the underwriters' ability to stabilize the price of the shares being offered. Accordingly, the existence of such an alternative market would jeopardize the orderliness of the public offering. For this reason, the Exchange believes that it is necessary to suspend the operation of the Exchange's seat market during this brief period. A rule change is needed to accomplish this suspension, since it is for a longer period than the Board of Directors is authorized to declare under existing Interpretation and Policy .01 under Exchange Rule 3.14.

There should be no adverse consequences to Exchange members as a result of suspending the CBOE seat market for a brief, three-day period. Before the public offering commences, and as a condition of the offering, the demutualization of the Exchange will have been approved by a vote of the Exchange membership, although as explained above the demutualization will not become effective until after the public offering has been completed and just prior to its closing. During this period, the ownership interests in the Exchange will, for all practical purposes, be represented by the shares of CBOE Holdings common stock into which memberships will be converted in accordance with the terms and upon the effectiveness of the demutualization, which will have been approved by CBOE's membership. Once this happens, Exchange memberships will cease to exist and the purchase and sale of Exchange memberships will no longer be possible. Thus the effect of the proposed rule change is simply

⁵ 17 C.F.R. 242.104.

⁶ 17 C.F.R. 242.104.

to accelerate the termination of the seat market by three days prior to the time it would have ended in any event.

In the unlikely event that the demutualization, having been approved by the membership, does not become effective as anticipated, the public offering will not close and Exchange memberships will remain outstanding. In that event, the seat market will once again resume operation, subject only to the authority of the Board to delay its resumption for no more than one business day under existing Interpretation and Policy .01 of Rule 3.14, if the Board determines that under the circumstances such a delay is needed in the interest of a fair and orderly market in memberships.

2. Statutory Basis

By providing for a fair and orderly public offering of shares of CBOE Holdings Common Stock and eliminating any possibility that the market in Exchange memberships could be used to manipulate the when-issued market in such shares, the proposed rule change is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Section 6(b)(5)⁸ in particular, in that it would prevent fraudulent and manipulative acts and practices, would promote just and equitable principles of trade and would 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 that is not necessary or appropriate in furtherance of purposes of the Act.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁹ and subparagraph (f)(3) of Rule 19b-4 thereunder.¹⁰ 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:

- 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-2010-042 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090.

⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁰ 17 CFR 240.19b-4(f)(3).

All submissions should refer to File Number SR-CBOE-2010-042. 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. 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-2010-042 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Secretary

¹¹ 17 C.F.R. 200.30-3(a)(12).