

Required fields are shown with yellow backgrounds and asterisks.

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) <input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		
Date Expires * <input type="text"/>					

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked \*).

Proposes to amend the Hybrid Agency Liaison step-up rebate.

**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 \* Jaime    Last Name \* Galvan  
 Title \* Assistant Secretary  
 E-mail \* galvanj@cboe.com  
 Telephone \* (312) 786-7058    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 12/01/2010  
 By Jaime Galvan    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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information (required)**

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 (required)**

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**

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**

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**

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**

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**

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 the Hybrid Agency Liaison ("HAL") step-up rebate. The text of the proposed rule change is provided below:

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(Changes are indicated by underlining additions and [bracketing deletions]. Only those fees that are affected are shown.)

**CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED  
FEES SCHEDULE  
[OCTOBER 29] DECEMBER 1, 2010**

1. - .4 Unchanged.

**FOOTNOTES:**

(1) – (17) Unchanged.

5. – 18. Unchanged.

**19. HYBRID AGENCY LIAISON ("HAL") STEP-UP REBATE**

The Exchange shall rebate to a market-maker [~~\$.20~~ \$.15] per contract against transaction fees generated from a transaction on the HAL system in a penny pilot class, provided that at least 60% of the market-maker's quotes in that class (excluding quotes in LEAPS series) in the prior calendar month were on one side of the NBBO.

**Remainder of Fees Schedule – Unchanged.**

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(b) Not applicable.

(c) Not applicable.

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 December 1, 2010.

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

(a) Purpose

In order to incent market makers to execute orders at CBOE versus routing orders to other exchanges pursuant to the Options Order Protection and Locked/Crossed Plan, the Exchange

provides a rebate to market-makers that "step-up" and trade all or part of certain orders on the HAL system.<sup>1</sup> Specifically, the Exchange rebates to a market-maker \$.20 per contract against transaction fees generated from a transaction on the HAL system in a penny pilot class, provided that at least 60% of the market-maker's quotes in that class (excluding quotes in LEAPS series) in the prior calendar month were on one side of the national best bid or offer ("NBBO") price. Market-makers not meeting this 60% qualifying threshold are not eligible to receive a rebate. The Exchange proposes to reduce the amount of the rebate from \$.20 per contract to \$.15 per contract effective December 1, 2010. All other aspects of the rebate program would remain unchanged.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act")<sup>2</sup>, in general, and furthers the objectives of Section 6(b)(4)<sup>3</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 its trading permit holders. The Exchange believes the proposed rebate is reasonable because it provides an incentive for market-makers to compete better for order flow in the penny pilot classes. The Exchange believes the proposed rebate is equitable because it applies equally to all market makers that trade orders in penny pilot classes on the HAL system and that meet the qualifying quoting criteria.

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

This Exchange does not believe that the proposed rule change will 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

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<sup>1</sup> See CBOE Fees Schedule, Section 19. HAL is a system for automated handling of electronically received orders that are not automatically executed upon receipt by the Hybrid System. CBOE Rule 6.14A governs the operation of the HAL system under the Options Order Protection and Locked/Crossed Plan.

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

<sup>3</sup> 15 U.S.C. 78f(b)(4).

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)

(a) The proposed rule change is to take effect pursuant to paragraph (A) of Section 19(b)(3) of the Act<sup>4</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>5</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>6</sup> thereunder.

(c) Not applicable.

(d) Not applicable.

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 2. Not applicable.

Exhibit 3. Not applicable.

Exhibit 4. Not applicable.

Exhibit 5. Not applicable.

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

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>6</sup> 17 C.F.R. 240.19b-4(f)(2).

## EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-CBOE-2010-107)

**Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated:  
Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to  
Amendment of the Hybrid Agency Liaison Step-Up Rebate.**

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by CBOE. 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**

Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend the Hybrid Agency Liaison ("HAL") step-up rebate. 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**

In its filing with the Commission, CBOE 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 these statements may be examined at the places specified in Item IV below. CBOE has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

(a) Purpose

In order to incent market makers to execute orders at CBOE versus routing orders to other exchanges pursuant to the Options Order Protection and Locked/Crossed Plan, the Exchange provides a rebate to market-makers that "step-up" and trade all or part of certain orders on the HAL system.<sup>1</sup> Specifically, the Exchange rebates to a market-maker \$.20 per contract against transaction fees generated from a transaction on the HAL system in a penny pilot class, provided that at least 60% of the market-maker's quotes in that class (excluding quotes in LEAPS series) in the prior calendar month were on one side of the national best bid or offer ("NBBO") price. Market-makers not meeting this 60% qualifying threshold are not eligible to receive a rebate. The Exchange proposes to reduce the amount of the rebate from \$.20 per contract to \$.15 per contract effective December 1, 2010. All other aspects of the rebate program would remain unchanged.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act")<sup>2</sup>, in general, and furthers the objectives of Section 6(b)(4)<sup>3</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 its trading permit holders. The Exchange believes the proposed rebate is reasonable because it provides an incentive for market-makers to compete better for order flow in the penny pilot classes. The

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<sup>1</sup> See CBOE Fees Schedule, Section 19. HAL is a system for automated handling of electronically received orders that are not automatically executed upon receipt by the Hybrid System. CBOE Rule 6.14A governs the operation of the HAL system under the Options Order Protection and Locked/Crossed Plan.

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

<sup>3</sup> 15 U.S.C. 78f(b)(4).

Exchange believes the proposed rebate is equitable because it applies equally to all market makers that trade orders in penny pilot classes on the HAL system and that meet the qualifying quoting criteria.

**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.

**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) of the Act<sup>4</sup> and subparagraph (f)(2) of Rule 19b-4<sup>5</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>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</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-2010-107 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-CBOE-2010-107. 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 Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of 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-2010-107 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.<sup>6</sup>

Florence E. Harmon

Deputy Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).