

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2010 - * 117

Amendment No. (req. for Amendments *)

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 <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)		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>			
Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>			

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

CBOE proposes to extend an existing program, under which it currently makes subsidy payments to CBOE Trading Permit Holders that provide certain order routing functionalities to other Trading Permit Holders and/or use such functionalities themselves, to broker-dealers that are not CBOE Trading Permit Holders.

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 * Andrew Last Name * Spiwak
 Title * Assistant Corporate Secretary
 E-mail * spiwak@cboe.com
 Telephone * (312) 786-7483 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 12/21/2010
 By Andrew Spiwak Assistant Corporate 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.

Andrew Spiwak spiwak@cboe.com

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)

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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 (required)

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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 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

Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") proposes to extend an existing program, under which it currently makes subsidy payments to CBOE Trading Permit Holders that provide certain order routing functionalities to other Trading Permit Holders and/or use such functionalities themselves, to broker-dealers that are not CBOE Trading Permit Holders. The rule change does not provide for any modifications to the text of CBOE's rules.

Item 2. Procedures of the Self-Regulatory Organization

(a) The CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on December 17, 2010. No further action is required.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, General Counsel, CBOE, 400 South LaSalle, Chicago, IL 60605, (312) 786-7462 or Andrew Spiwak (312) 786-7483.

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

(a) Purpose

The purpose of this filing is to permit CBOE to extend its program under which it enters into subsidy arrangements with persons that provide certain order routing functionalities to other persons and/or use such functionalities themselves. Under the program as currently in effect, CBOE establishes such arrangements only with Trading Permit Holders (each, a "Participating TPH"), and makes payments to subsidize their

costs associated with providing order routing functionalities only to other CBOE TPHs, as well as with using such functionalities themselves.¹

CBOE proposes to extend the program in two related respects. First, CBOE proposes to extend the program to enable CBOE to establish such subsidy arrangements with broker-dealers that are not CBOE TPHs (each, a “Participating Non-CBOE TPH”). (The term “Participant” as used in this filing refers to either a Participating Non-CBOE TPH or a Participating CBOE TPH.) Second, CBOE proposes to extend the program to permit a Participant to receive subsidy payments for providing an order routing functionality to broker-dealers that are not CBOE TPHs.

SR-CBOE-2007-34 includes a description of the features that an order routing functionality of a Participating CBOE TPH must have, and the performance requirements that the order routing functionality must satisfy, in order to qualify for the program.² The order routing functionality of a Participating Non-CBOE TPH would be required to have the same features and satisfy the same requirements.

CBOE’s subsidy program provides that a Participating CBOE TPH may elect to have CBOE perform certain marketing services and/or billing services on behalf of the Participating CBOE TPH.³ These elections would also be available to a Participating Non-CBOE TPH. As with a Participating CBOE TPH, if a Participating Non-CBOE TPH elects to have CBOE perform marketing services on its behalf, the amount that CBOE would pay the Participant for orders routed through the Participant’s system and

¹ The current CBOE order router subsidy program is described in SR-CBOE-2007-34. See Securities Exchange Act Release No. 55629 (April 13, 2007), 72 FR 19992 (April 20, 2007) (SR-CBOE-2007-34). Additionally, the description of the current program was clarified in SR-CBOE-2008-27. See Securities Exchange Act Release No. 57498 (March 14, 2008), 73 FR 55 (March 20, 2008) (SR-CBOE-2008-27).

² SR-CBOE-2007-34, pp. 3-4. Two of the features that an order routing functionality must have in order to qualify for the program and that are relevant to the best execution obligations of users of the functionality are described below in footnote 6.

executed on CBOE would be reduced from \$0.04 per contract to \$0.03 per contract.⁴ Also as with a Participating CBOE TPH, if a Participating Non-CBOE TPH elects to have CBOE perform the service of billing CBOE TPHs with respect to the use of the Participant's router, the Participant would pay CBOE a service fee of one percent of the fees collected by CBOE for that TPH.

CBOE currently assigns an identification code to each Participating CBOE TPH for use on orders that are subject to the subsidy program. CBOE would assign such a code to each Participating Non-CBOE TPH. A Participating Non-CBOE TPH, or a party using a Participant's order routing functionality that is not a CBOE TPH, would need to route its orders to CBOE through a CBOE TPH – that is, would need to “give up the name” of a CBOE TPH. The use of these identification codes would provide CBOE with the information that it would need to account for the subsidy payments due to Participating Non-CBOE TPHs as it does for the payments due to Participating CBOE TPHs.

CBOE stated in SR-CBOE-2007-34, and affirmed in SR-CBOE-2008-27, that nothing about the subsidy program would relieve any CBOE TPH that is using an order routing functionality whose provider is participating in the program from complying with its best execution obligations.⁵ This would continue to be true with respect to all users both CBOE TPH broker-dealers and non-CBOE TPH broker-dealers of order routing functionalities whose providers participate in the program. Specifically, just as with any customer order and any other routing functionality, any user whether or not a CBOE

³ SR-CBOE-2007-34, p. 5.

⁴ See Securities Exchange Act Release No. 62432 (July 1, 2010), 75 FR 131 (July 9, 2010) (SR-CBOE-2010-66).

⁵ SR-CBOE-2007-34, pp. 5-6; SR-CBOE-2008-27, p 4.

TPH of an order routing functionality whose provider is participating in the program would have an obligation to consider the opportunities for price improvement at various markets and whether routing a customer order through an order router having the features specified by CBOE would allow for access to such opportunities if readily available.⁶ Moreover, any user whether or not a CBOE TPH of an order router functionality whose provider is participating in the program would need to conduct best execution evaluations on a regular basis, at a minimum quarterly, that include its use of any router whose provider is participating in the program.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act")⁷, in general, and furthers the objectives of Section 6(b)(4)⁸ 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 members and other persons using its facilities.

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.

⁶ CBOE's functional requirements state that, in order to be eligible for the subsidy program, an order router must (1) cause the default destination for an order to be the U.S. options exchange with the best bid or offer, except CBOE must be the default destination exchange for the individually executed marketable orders if CBOE is at the national best bid or offer, but (2) give the user the ability to override the default destination for any order on a manual, order-by order, basis. CBOE believe that these requirements enable any user of a participating order router to comply with its best execution obligations.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act⁹ for Commission consideration of the proposed rule change.

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

The Exchange designates the proposed rule change for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act¹⁰ as establishing a due, fee, or other charge imposed by the Exchange on any person in that the subsidy arrangement relates to fees charged by certain order routing system providers for use of their routing systems.

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

Not applicable.

Item 9. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-CBOE-2010-117)

**Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated:
Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to
Order Router Subsidy.**

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 extend an existing program, under which it currently makes subsidy payments to CBOE Trading Permit Holders that provide certain order routing functionalities to other Trading Permit Holders and/or use such functionalities themselves, to broker-dealers that are not CBOE Trading Permit Holders. 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

The purpose of this filing is to permit CBOE to extend its program under which it enters into subsidy arrangements with persons that provide certain order routing functionalities to other persons and/or use such functionalities themselves. Under the program as currently in effect, CBOE establishes such arrangements only with Trading Permit Holders (each, a "Participating TPH"), and makes payments to subsidize their costs associated with providing order routing functionalities only to other CBOE TPHs, as well as with using such functionalities themselves.¹

CBOE proposes to extend the program in two related respects. First, CBOE proposes to extend the program to enable CBOE to establish such subsidy arrangements with broker-dealers that are not CBOE TPHs (each, a "Participating Non-CBOE TPH"). (The term "Participant" as used in this filing refers to either a Participating Non-CBOE TPH or a Participating CBOE TPH.) Second, CBOE proposes to extend the program to permit a Participant to receive subsidy payments for providing an order routing functionality to broker-dealers that are not CBOE TPHs.

¹ The current CBOE order router subsidy program is described in SR-CBOE-2007-34. See Securities Exchange Act Release No. 55629 (April 13, 2007), 72 FR 19992 (April 20, 2007) (SR-CBOE-2007-34). Additionally, the description of the current program was clarified in SR-CBOE-2008-27. See Securities Exchange Act Release No. 57498 (March 14, 2008), 73 FR 55 (March 20, 2008) (SR-CBOE-2008-27).

SR-CBOE-2007-34 includes a description of the features that an order routing functionality of a Participating CBOE TPH must have, and the performance requirements that the order routing functionality must satisfy, in order to qualify for the program.² The order routing functionality of a Participating Non-CBOE TPH would be required to have the same features and satisfy the same requirements.

CBOE's subsidy program provides that a Participating CBOE TPH may elect to have CBOE perform certain marketing services and/or billing services on behalf of the Participating CBOE TPH.³ These elections would also be available to a Participating Non-CBOE TPH. As with a Participating CBOE TPH, if a Participating Non-CBOE TPH elects to have CBOE perform marketing services on its behalf, the amount that CBOE would pay the Participant for orders routed through the Participant's system and executed on CBOE would be reduced from \$0.04 per contract to \$0.03 per contract.⁴ Also as with a Participating CBOE TPH, if a Participating Non-CBOE TPH elects to have CBOE perform the service of billing CBOE TPHs with respect to the use of the Participant's router, the Participant would pay CBOE a service fee of one percent of the fees collected by CBOE for that TPH.

CBOE currently assigns an identification code to each Participating CBOE TPH for use on orders that are subject to the subsidy program. CBOE would assign such a code to each Participating Non-CBOE TPH. A Participating Non-CBOE TPH, or a party using a Participant's order routing functionality that is not a CBOE TPH, would need to

² SR-CBOE-2007-34, pp. 3-4. Two of the features that an order routing functionality must have in order to qualify for the program and that are relevant to the best execution obligations of users of the functionality are described below in footnote 6.

³ SR-CBOE-2007-34, p. 5.

⁴ See Securities Exchange Act Release No. 62432 (July 1, 2010), 75 FR 131 (July 9, 2010) (SR-CBOE-2010-66).

route its orders to CBOE through a CBOE TPH – that is, would need to “give up the name” of a CBOE TPH. The use of these identification codes would provide CBOE with the information that it would need to account for the subsidy payments due to Participating Non-CBOE TPHs as it does for the payments due to Participating CBOE TPHs.

CBOE stated in SR-CBOE-2007-34, and affirmed in SR-CBOE-2008-27, that nothing about the subsidy program would relieve any CBOE TPH that is using an order routing functionality whose provider is participating in the program from complying with its best execution obligations.⁵ This would continue to be true with respect to all users both CBOE TPH broker-dealers and non-CBOE TPH broker-dealers of order routing functionalities whose providers participate in the program. Specifically, just as with any customer order and any other routing functionality, any user whether or not a CBOE TPH of an order routing functionality whose provider is participating in the program would have an obligation to consider the opportunities for price improvement at various markets and whether routing a customer order through an order router having the features specified by CBOE would allow for access to such opportunities if readily available.⁶ Moreover, any user whether or not a CBOE TPH of an order router functionality whose provider is participating in the program would need to conduct best execution evaluations on a regular

⁵ SR-CBOE-2007-34, pp. 5-6; SR-CBOE-2008-27, p 4.

⁶ CBOE's functional requirements state that, in order to be eligible for the subsidy program, an order router must (1) cause the default destination for an order to be the U.S. options exchange with the best bid or offer, except CBOE must be the default destination exchange for the individually executed marketable orders if CBOE is at the national best bid or offer, but (2) give the user the ability to override the default destination for any order on a manual, order-by order, basis. CBOE believe that these requirements enable any user of a participating order router to comply with its best execution obligations.

basis, at a minimum quarterly, that include its use of any router whose provider is participating in the program.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 ("Act")⁷, in general, and furthers the objectives of Section 6(b)(4)⁸ 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 members and other persons using its facilities.

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 Exchange designates the proposed rule change for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act⁹ as establishing a due, fee, or other charge imposed by the Exchange on any person in that the subsidy arrangement relates to fees charged by certain order routing system providers for use of their routing systems. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

⁹ 15 U.S.C. 78s(b)(3)(A).

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-2010-117 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-2010-117. 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-2010-117 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.¹⁰

Florence E. Harmon

Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).