

OMB APPROVAL

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 Expires: August 31, 2011  
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 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 12

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

File No.\* SR - 2010 - \* 109

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 \*  Amendment \*  Withdrawal  Section 19(b)(2) \*  Section 19(b)(3)(A) \*  Section 19(b)(3)(B) \*

Rule

Pilot  Extension of Time Period  
 for Commission Action \*  Date Expires \*

19b-4(f)(1)  19b-4(f)(4)  
 19b-4(f)(2)  19b-4(f)(3)  
 19b-4(f)(3)  19b-4(f)(5)

Section 2 Section Paper Document

Section 2 Paper Document

**Description**

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

CBOE proposes to amend Rule 4.20 to require all Trading Permit Holders or TPH organizations to conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization.

**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 12/02/2010

By Andrew Spiwak  
 (Name \*)

Assistant Corporate Secretary

(Title \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

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

(a) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend Rule 4.20 to require all Trading Permit Holders or TPH organizations to conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization. The text of the proposed rule change is provided below with additions underlined and deletions [bracketed].

(b) Not applicable.

(c) Not applicable.

Chicago Board Options Exchange, Incorporated  
Rules

\* \* \* \* \*

**Rule 4.20. Anti-Money Laundering Compliance Program**

**Rule 4.20**

Each TPH organization and each Trading Permit Holder not associated with a TPH organization shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each TPH organization's anti-money laundering program must be approved, in writing, by a member of senior management.

The anti-money laundering programs required by this Rule shall, at a minimum:

- (1) Establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;
- (2) Establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;
- (3) Provide for annual (on a calendar-year basis) independent testing for compliance to be conducted by Trading Permit Holder or TPH organization personnel or by a qualified outside party, unless the Trading Permit Holder or TPH organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts ( e.g., engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis); provided however, all Trading Permit Holder or TPH organizations must

conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization;

(4) Designate, and identify to the Exchange (by name, title, mailing address, e-mail address, telephone number, and facsimile number) a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program (such individual or individuals must be an associated person of the Trading Permit Holder) and provide prompt notification to the Exchange regarding any change in such designation(s); and

(5) Provide ongoing training for appropriate persons.

Approved September 17, 2002 (02-45); amended December 27, 2007 (07-130); June 18, 2010 (10-058).

*... Interpretations and Policies:*

.01 – No Change.

\* \* \* \* \*

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 2, 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 to 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 the proposed rule change is to amend Rule 4.20 - Anti-Money Laundering Compliance Program to require all Trading Permit Holders or TPH organizations to conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization. CBOE Rule 4.20 currently provides that the

anti-money laundering programs required by this Rule shall, at a minimum for the annual (on a calendar-year basis) independent testing for compliance to be conducted by Trading Permit Holder or TPH organization personnel or by a qualified outside party, unless the Trading Permit Holder or TPH organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts ( *e.g.*, engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis). The Exchange believes that it is prudent to amend this provision to require that the Trading Permit Holder or TPH organization conduct testing during the first calendar year of the Trading Permit Holder or TPH organization's existence to ensure AML compliance is in place and established at the outset of the Trading Permit Holder's or TPH organization's existence. The Exchange continues to recognize that if the Trading Permit Holder or TPH organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (*e.g.*, engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis). This amendment will apply to the initial year of existence. Additionally, Interpretations and Policies .01 provides that all Trading Permit Holders should undertake more frequent testing than required by Rule 4.20 if circumstances warrant (*e.g.*, should the business mix of the Trading Permit Holder or TPH organization materially change; in the event of a merger or acquisition; in light of a systemic weakness uncovered via testing of the AML Program; or in response to any other "red flags")<sup>1</sup>.

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<sup>1</sup> See Securities Exchange Act Release No. 57044 (December 27, 2007), 73 FR 2 (January 3, 2008)

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)<sup>2</sup> of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations under the Act, in general, and furthers the objectives of Section 6(b)(5),<sup>3</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

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

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

No written comments were solicited or received with respect to the proposed rule change.

Item 6. Extension of Time Period for Commission Action

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)

Not applicable.

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(SR-CBOE-2007-130).

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

<sup>3</sup> 15 U.S.C. 78f(b)(5).

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

Not applicable.

Item 9. Exhibits

Exhibit 1. Form of Notice of Proposed Rule Change for Publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-CBOE-2010-109)

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

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule Change Regarding Anti-Money Laundering Compliance 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 \_\_\_\_\_, 2010, 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 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 Rule 4.20 to require all Trading Permit Holders or TPH organizations to conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization. The text of the rule proposal 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, 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

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

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



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 amend Rule 4.20 - Anti-Money Laundering Compliance Program to require all Trading Permit Holders or TPH organizations to conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization. CBOE Rule 4.20 currently provides that the anti-money laundering programs required by this Rule shall, at a minimum for the annual (on a calendar-year basis) independent testing for compliance to be conducted by Trading Permit Holder or TPH organization personnel or by a qualified outside party, unless the Trading Permit Holder or TPH organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts ( *e.g.*, engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis). The Exchange believes that it is prudent to amend this provision to require that the Trading Permit Holder or TPH organization conduct testing during the first calendar year of the Trading Permit Holder or TPH organization's existence to ensure AML compliance is in place and established at the outset of the Trading Permit Holder's or TPH organization's existence. The Exchange continues to recognize that if the Trading Permit Holder or TPH organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (*e.g.*, engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis).

This amendment will apply to the initial year of existence. Additionally, Interpretations and Policies .01 provides that all Trading Permit Holders should undertake more frequent testing than required by Rule 4.20 if circumstances warrant (*e.g.*, should the business mix of the Trading Permit Holder or TPH organization materially change; in the event of a merger or acquisition; in light of a systemic weakness uncovered via testing of the AML Program; or in response to any other “red flags”)<sup>3</sup>.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)<sup>4</sup> of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations under the Act, in general, and furthers the objectives of Section 6(b)(5),<sup>5</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

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

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

The Exchange neither solicited nor received comments on the proposal.

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<sup>3</sup> See Securities Exchange Act Release No. 57044 (December 27, 2007), 73 FR 2 (January 3, 2008) (SR-CBOE-2007-130).

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

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

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2010-109 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 20549-1090.

All submissions should refer to File Number SR-CBOE-2010-109. 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 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-2010-109 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>

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

Florence E. Harmon  
Deputy Secretary

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