

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 25 SECURITIES AND EXCHANGE COMMISSION File No.* SR - 2013 - * 016
 WASHINGTON, D.C. 20549
 Form 19b-4 Amendment No. (req. for Amendments *)

Filing 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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input 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)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1)	Section 806(e)(2)
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2)
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

Description

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

Proposed rule change to permit the minimum price variation for mini-options to be the same as permitted for standard options on the same security.

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 action.

First Name * Jenny Last Name * Golding

Title * Senior Attorney

E-mail * golding@cboe.com

Telephone * (312) 786-7466 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.

(Title *)

Date 01/31/2013 Senior Attorney / Assistant Secretary

By Jenny Golding [Signature Box]

(Name *)

Persona Not Validated - 1357598039627,

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 *

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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 *

Add Remove View

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies

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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, security-based swap submission, or advance notice 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

Add Remove View

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 permit the minimum price variation for mini-option contracts that deliver 10 shares to be the same as permitted for standard options that deliver 100 shares on the same security. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President approved the proposed rule change pursuant to delegated authority on January 9, 2013.

(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 Jenny Golding, (312) 786-7466.

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

(a) Purpose

CBOE recently amended its rules to allow for the listing of mini-options that deliver 10 physical shares on SPDR S&P 500 (“SPY”), Apple, Inc. (“AAPL”), SPDR Gold Trust (“GLD”), Google Inc. (“GOOG”) and Amazon.com Inc. (“AMZN”).¹ Mini-options trading is expected to commence in March 2013. Prior to the commencement of trading mini-options, the Exchange proposes to establish and permit the minimum price variation for mini-option contracts to be the same as permitted for standard options on the

¹ See Securities Exchange Act Release No. 68656 (January 15, 2013), 78 FR 4526 (January 22, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to List and Trade Option Contracts Overlying 10 Shares of Certain Securities) (SR-CBOE-2013-001).

same security. In addition to giving market participants clarity as to the minimum pricing increments for mini-options, the filing would harmonize penny pricing between mini-options and standard options on the same security.

Of the five securities on which mini-options are permitted, four of them (SPY, AAPL, GLD and AMZN) participate in the Penny Pilot Program. Under the Penny Pilot Program:

- the minimum price variation for AAPL, GLD and AMZN options is \$0.01 for all quotations in series that are quoted at less than \$3 per contract and \$0.05 for all quotations in series that are quoted at \$3 per contract or greater;² and
- the minimum price variation for SPY options is \$0.01 for all quotations in all series.³

In the lead up to the launch of mini-options trading, the Exchange has polled firms with customer bases of potential product users and they have indicated a preference that premium pricing for mini-options match what is currently permitted for standard options that deliver 100 physical shares on the same securities. Specifically, firms' systems are configured using the "root symbol" of an underlying security and cannot differentiate, for purposes of minimum variation pricing, between contracts on the same security. Mini-options will be loaded into firms' systems using the same "root symbol" that is used for standard options on the same security. As a result, it is believed that existing systems will not be able to assign different minimum pricing variations to

² See CBOE Rule 6.42(3).

³ See CBOE Rule 6.42(3) and Securities Exchange Act Release No. 61478 (February 3, 2010), 75 FR 6762 (February 10, 2010) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Relating to the Penny Pilot Program) (SR-CBOE-2010-09).

different contracts on the same security. As a result, firms have indicated their preference that there be matched pricing between mini-options and standard options on the same security because their systems, which are programmed using “root symbols,” would not be able to assign different minimum pricing variations to mini-options and standard options on the same security.

Because mini-options are a separate class from standard options on the same security, mini-options would have to qualify separately for entry into the Penny Pilot Program. This, however, is not possible by product launch (or possibly ever) for a number of reasons. First, there is a six calendar month trading volume criteria for entry into the Penny Pilot Program, which mini-options cannot satisfy prior to launch. Second, even if mini-options met the trading volume criteria, replacement classes are only added to the Penny Pilot Program on the second trading day following January 1 and July 1 in a given year. Finally, there is a price test for entry into the Penny Pilot Program which excludes “high premium” classes, which are defined as classes priced at \$200 per share or higher at the time of selection. As of the date of this filing, three of the five securities (AAPL, AMZN and GOOG) eligible for mini-options would be excluded as “high premium” classes, even though two of those securities (AAPL and AMZN) are in the Penny Pilot Program for standard options. The Exchange notes that GOOG is not in the Penny Pilot Program.⁴

The Exchange, therefore, is proposing to establish a pricing regime for mini-options separate from the Penny Pilot Program that permits the minimum price variation for mini-option contracts to be the same as permitted for standard options on the same

security, which would encompass penny pricing for mini-option contracts on securities that participate in the Penny Pilot Program.⁵

As to the Penny Pilot Program, the Exchange believes that there are several good reasons to allow penny pricing for mini-options on securities that currently participate in the Penny Pilot Program, without requiring mini-options to separately qualify for the Penny Pilot Program. First, the Penny Pilot Program applies to the most actively-traded, multiply-listed option classes. Likewise, the five securities which may underlie mini-options were chosen because of the significant liquidity in standard options on the same security. The Exchange also believes that the marketplace and investors will be expecting the minimum price variation for contracts on the same security to be the same. Second, one of the primary goals of the Penny Pilot Program is to narrow the bid-ask spreads of exchange-traded options to reduce the cost of entering and exiting positions. This same goal can similarly be accomplished by permitting penny pricing for mini-option contracts on securities that already participate in the Penny Pilot Program. Finally, the Exchange believes that penny pricing for mini-options is desirable for a product that is geared toward retail investors. Mini-options are on high priced securities and are meant to be an investment tool with more affordable and realistic prices for the retail average investor. Penny pricing for mini-options on securities that are currently in the Penny Pilot Program would benefit the anticipated users of mini-options by providing more price points. The Exchange notes that it is not requesting penny pricing for all of

⁴ The minimum price variation for standard options on GOOG is \$0.05 for all quotations in series that are quoted at less than \$3 per contract and \$0.10 for all quotations in series that are quoted at \$3 per contract or greater. See CBOE Rule 6.42(1) and (2).

⁵ As noted in the Exchange's original mini-option filing, mini-options are limited to five securities and any expansion of the program would require that a subsequent proposed rule change be submitted to the Commission. The current proposal is limited to the five securities originally

the five securities eligible for mini-options trading; but rather is seeking to permit matched penny pricing for mini-options on those securities for which standard options already trade in pennies.

In addition to an expressed market preference for matched minimum increment pricing (including penny pricing) between mini-options and standard options on the same securities, the Exchange believes that its rules establish precedent for the current proposal. Specifically, CBOE Rule 6.42.03 provides, among other things, that matched penny pricing between SPY and Mini-S&P 500 Index (“XSP”) options is permitted. As to SPY and XSP options, the rationale for matched pricing was that the underlying SPY ETF is designed to track the performance of the S&P 500 Index and XSP options are options based on the S&P 500 Index.⁶ In support of this earlier filing, the Exchange believed that having the same minimum price variation for SPY and XSP options was necessary for consistency and for competitive reasons.

To effect the current proposed rule changes, CBOE proposes to amend CBOE Rules 6.42 and 5.5. As to CBOE Rule 6.42 (Minimum Increments for Bids and Offers), CBOE proposes adding new Interpretation and Policy .04 that would be an internal cross reference to new proposed Interpretation and Policy .22(d) to CBOE Rule 5.5 as the provision that sets forth the minimum price variation for bids and offers for mini-options. Proposed Interpretation and Policy .22(d) to CBOE Rule 5.5 would provide as follows:

The minimum price variation for bids and offers for mini-options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, mini-

approved to underlie mini-options. The Exchange anticipates that a similar minimum pricing variation regime would be included in any rule change to expand the mini-option program.

⁶ See Securities Exchange Act Release No. 56565 (September 27, 2007), 72 FR 56403 (October 3, 2007) (Order Granting Approval to a Proposed Rule Change Regarding the Extension and Expansion of the Penny Pilot Program) (SR-CBOE-2007-98).

options on the same underlying security may be quoted in the same minimum increments, e.g., \$0.01 for all quotations in series that are quoted at less than \$3 per contract and \$0.05 for all quotations in series that are quoted at \$3 per contract or greater, \$0.01 for all SPY option series, and mini-options do not separately need to qualify for the Penny Pilot Program.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated with this proposal. The Exchange does not believe that this increased traffic will become unmanageable since mini-options are limited to a fixed number of underlying securities.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder, including the requirements of Section 6(b) of the Act.⁷ In particular, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

Specifically, the Exchange believes that investors and other market participants would benefit from the current rule proposal because it would clarify and establish the minimum price variation for mini-options prior to the commencement of trading. The

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

Exchange believes that the marketplace and investors will be expecting the minimum price variation for contracts on the same security to be the same. As a result, the Exchange believes that this change would lessen investor and marketplace confusion because mini-options and standard options on the same security would have the same minimum price variation.

While price protection between mini-options and standard options on the same security is not required, the Exchange believes that consistency between mini-options and standard options as to the minimum price variation is desirable and is designed to promote just and equitable principles of trade. Matching the minimum price variation between mini-options and standard options on the same security would help to eliminate any unnecessary arbitrage opportunities that could result from having contracts on the same underlying security traded in different minimum price increments. Similarly, matched minimum pricing would hopefully generate enhanced competition among liquidity providers. The Exchange believes that matched pricing for mini-options and standard options on the same security would attract additional liquidity providers who would make markets in mini-options and standard options on the same security. In addition to the possibility of more liquidity providers, the Exchange believes that the ability to quote mini-options and standard options on the same security in the same minimum increments would hopefully result in more efficient pricing via arbitrage and possible price improvement in both contracts on the same security. The Exchange also believes that allowing penny pricing for mini-options on securities that currently participate in the Penny Pilot Program (without mini-options having to qualify separately for entry into the Penny Pilot Program) will benefit the marketplace and investors

because penny pricing in mini-options may also accomplish one of the primary goals of the Penny Pilot Program, which is to narrow the bid-ask spreads of exchange-traded options to reduce the cost of entering and exiting positions. Finally, the proposed rule would be beneficial from a logistical perspective since firms' existing systems are configured using the "root symbol" of an underlying security and would not be able to assign different minimum pricing variations to mini-options and standard options on the same security.

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. Specifically, since mini-options are permitted on multiply-listed classes, other exchanges that have received approval to trade mini-options will have the opportunity to similarly establish the minimum price variation for mini-options prior to the anticipated launch in March 2013. CBOE also believes that the proposed rule change will enhance competition by allowing products on the same security to be priced in the same minimum price increments.

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 specified in Section 19(b)(2) of the Exchange Act.

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)

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) The proposed rule change is filed for accelerated effectiveness pursuant to Section 19(b)(2) of the Act.⁹ The Exchange requests that the Commission approve the proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act so that it may be operative as soon as practicable. The Exchange believes that there is good cause for the Commission to accelerate effectiveness. The Exchange believes that the changes proposed herein (i.e., establishment of minimum price variation for mini-options) should be effective prior to or on the anticipated launch date of March 18, 2013 in order to minimize confusion and to provide clarity. Accelerating effectiveness would allow for a consistent pricing regime for mini-options. Without accelerating effectiveness, mini-options would begin trading under a pricing regime that would be changed when the current proposal became effective. The Exchange believes that such an outcome could create confusion and should be avoided. As a result, the Exchange believes that good reason exists for the Commission to accelerate effectiveness so that the minimum price variation for mini-options is established prior to or on the anticipated launch date of March 18, 2013.

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

The proposed rule change is not based on the rules of another self-regulatory

⁹ 15 U.S.C. 78s(b)(2).

organization or of the Commission.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

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

Exhibit 5. Proposed Rule Text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2013-016)

Dated: _____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule to Permit the Minimum Price Variation for Mini-Options to be the Same as Permitted for Standard Options on the Same Security

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, 2013, the Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II 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

CBOE proposes to permit the minimum price variation for mini-option contracts that deliver 10 shares to be the same as permitted for standard options that deliver 100 shares on the same security. The text of the proposed rule change is available on the Exchange’s _____ Web _____ site <http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

CBOE recently amended its rules to allow for the listing of mini-options that deliver 10 physical shares on SPDR S&P 500 ("SPY"), Apple, Inc. ("AAPL"), SPDR Gold Trust ("GLD"), Google Inc. ("GOOG") and Amazon.com Inc. ("AMZN").³ Mini-options trading is expected to commence in March 2013. Prior to the commencement of trading mini-options, the Exchange proposes to establish and permit the minimum price variation for mini-option contracts to be the same as permitted for standard options on the same security. In addition to giving market participants clarity as to the minimum pricing increments for mini-options, the filing would harmonize penny pricing between mini-options and standard options on the same security.

Of the five securities on which mini-options are permitted, four of them (SPY, AAPL, GLD and AMZN) participate in the Penny Pilot Program. Under the Penny Pilot Program:

³ See Securities Exchange Act Release No. 68656 (January 15, 2013), 78 FR 4526 (January 22, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to List and Trade Option Contracts Overlying 10 Shares of Certain Securities) (SR-CBOE-2013-001).

- the minimum price variation for AAPL, GLD and AMZN options is \$0.01 for all quotations in series that are quoted at less than \$3 per contract and \$0.05 for all quotations in series that are quoted at \$3 per contract or greater;⁴ and
- the minimum price variation for SPY options is \$0.01 for all quotations in all series.⁵

In the lead up to the launch of mini-options trading, the Exchange has polled firms with customer bases of potential product users and they have indicated a preference that premium pricing for mini-options match what is currently permitted for standard options that deliver 100 physical shares on the same securities. Specifically, firms' systems are configured using the "root symbol" of an underlying security and cannot differentiate, for purposes of minimum variation pricing, between contracts on the same security. Mini-options will be loaded into firms' systems using the same "root symbol" that is used for standard options on the same security. As a result, it is believed that existing systems will not be able to assign different minimum pricing variations to different contracts on the same security. As a result, firms have indicated their preference that there be matched pricing between mini-options and standard options on the same security because their systems, which are programmed using "root symbols," would not be able to assign different minimum pricing variations to mini-options and standard options on the same security.

⁴ See CBOE Rule 6.42(3).

⁵ See CBOE Rule 6.42(3) and Securities Exchange Act Release No. 61478 (February 3, 2010), 75 FR 6762 (February 10, 2010) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Relating to the Penny Pilot Program) (SR-CBOE-2010-09).

Because mini-options are a separate class from standard options on the same security, mini-options would have to qualify separately for entry into the Penny Pilot Program. This, however, is not possible by product launch (or possibly ever) for a number of reasons. First, there is a six calendar month trading volume criteria for entry into the Penny Pilot Program, which mini-options cannot satisfy prior to launch. Second, even if mini-options met the trading volume criteria, replacement classes are only added to the Penny Pilot Program on the second trading day following January 1 and July 1 in a given year. Finally, there is a price test for entry into the Penny Pilot Program which excludes “high premium” classes, which are defined as classes priced at \$200 per share or higher at the time of selection. As of the date of this filing, three of the five securities (AAPL, AMZN and GOOG) eligible for mini-options would be excluded as “high premium” classes, even though two of those securities (AAPL and AMZN) are in the Penny Pilot Program for standard options. The Exchange notes that GOOG is not in the Penny Pilot Program.⁶

The Exchange, therefore, is proposing to establish a pricing regime for mini-options separate from the Penny Pilot Program that permits the minimum price variation for mini-option contracts to be the same as permitted for standard options on the same security, which would encompass penny pricing for mini-option contracts on securities that participate in the Penny Pilot Program.⁷

⁶ The minimum price variation for standard options on GOOG is \$0.05 for all quotations in series that are quoted at less than \$3 per contract and \$0.10 for all quotations in series that are quoted at \$3 per contract or greater. See CBOE Rule 6.42(1) and (2).

⁷ As noted in the Exchange’s original mini-option filing, mini-options are limited to five securities and any expansion of the program would require that a subsequent proposed rule change be submitted to the Commission. The current proposal is limited to the five securities originally approved to underlie mini-options. The Exchange anticipates that a similar minimum pricing variation regime would be included in any rule change to expand the mini-option program.

As to the Penny Pilot Program, the Exchange believes that there are several good reasons to allow penny pricing for mini-options on securities that currently participate in the Penny Pilot Program, without requiring mini-options to separately qualify for the Penny Pilot Program. First, the Penny Pilot Program applies to the most actively-traded, multiply-listed option classes. Likewise, the five securities which may underlie mini-options were chosen because of the significant liquidity in standard options on the same security. The Exchange also believes that the marketplace and investors will be expecting the minimum price variation for contracts on the same security to be the same. Second, one of the primary goals of the Penny Pilot Program is to narrow the bid-ask spreads of exchange-traded options to reduce the cost of entering and exiting positions. This same goal can similarly be accomplished by permitting penny pricing for mini-option contracts on securities that already participate in the Penny Pilot Program. Finally, the Exchange believes that penny pricing for mini-options is desirable for a product that is geared toward retail investors. Mini-options are on high priced securities and are meant to be an investment tool with more affordable and realistic prices for the retail average investor. Penny pricing for mini-options on securities that are currently in the Penny Pilot Program would benefit the anticipated users of mini-options by providing more price points. The Exchange notes that it is not requesting penny pricing for all of the five securities eligible for mini-options trading; but rather is seeking to permit matched penny pricing for mini-options on those securities for which standard options already trade in pennies.

In addition to an expressed market preference for matched minimum increment pricing (including penny pricing) between mini-options and standard options on the same

securities, the Exchange believes that its rules establish precedent for the current proposal. Specifically, CBOE Rule 6.42.03 provides, among other things, that matched penny pricing between SPY and Mini-S&P 500 Index (“XSP”) options is permitted. As to SPY and XSP options, the rationale for matched pricing was that the underlying SPY ETF is designed to track the performance of the S&P 500 Index and XSP options are options based on the S&P 500 Index.⁸ In support of this earlier filing, the Exchange believed that having the same minimum price variation for SPY and XSP options was necessary for consistency and for competitive reasons.

To effect the current proposed rule changes, CBOE proposes to amend CBOE Rules 6.42 and 5.5. As to CBOE Rule 6.42 (Minimum Increments for Bids and Offers), CBOE proposes adding new Interpretation and Policy .04 that would be an internal cross reference to new proposed Interpretation and Policy .22(d) to CBOE Rule 5.5 as the provision that sets forth the minimum price variation for bids and offers for mini-options. Proposed Interpretation and Policy .22(d) to CBOE Rule 5.5 would provide as follows:

The minimum price variation for bids and offers for mini-options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, mini-options on the same underlying security may be quoted in the same minimum increments, e.g., \$0.01 for all quotations in series that are quoted at less than \$3 per contract and \$0.05 for all quotations in series that are quoted at \$3 per contract or greater, \$0.01 for all SPY option series, and mini-options do not separately need to qualify for the Penny Pilot Program.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated

⁸ See Securities Exchange Act Release No. 56565 (September 27, 2007), 72 FR 56403 (October 3, 2007) (Order Granting Approval to a Proposed Rule Change Regarding the Extension and Expansion of the Penny Pilot Program) (SR-CBOE-2007-98).

with this proposal. The Exchange does not believe that this increased traffic will become unmanageable since mini-options are limited to a fixed number of underlying securities.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder, including the requirements of Section 6(b) of the Act.⁹ In particular, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁰ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

Specifically, the Exchange believes that investors and other market participants would benefit from the current rule proposal because it would clarify and establish the minimum price variation for mini-options prior to the commencement of trading. The Exchange believes that the marketplace and investors will be expecting the minimum price variation for contracts on the same security to be the same. As a result, the Exchange believes that this change would lessen investor and marketplace confusion because mini-options and standard options on the same security would have the same minimum price variation.

While price protection between mini-options and standard options on the same security is not required, the Exchange believes that consistency between mini-options and

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

standard options as to the minimum price variation is desirable and is designed to promote just and equitable principles of trade. Matching the minimum price variation between mini-options and standard options on the same security would help to eliminate any unnecessary arbitrage opportunities that could result from having contracts on the same underlying security traded in different minimum price increments. Similarly, matched minimum pricing would hopefully generate enhanced competition among liquidity providers. The Exchange believes that matched pricing for mini-options and standard options on the same security would attract additional liquidity providers who would make markets in mini-options and standard options on the same security. In addition to the possibility of more liquidity providers, the Exchange believes that the ability to quote mini-options and standard options on the same security in the same minimum increments would hopefully result in more efficient pricing via arbitrage and possible price improvement in both contracts on the same security. The Exchange also believes that allowing penny pricing for mini-options on securities that currently participate in the Penny Pilot Program (without mini-options having to qualify separately for entry into the Penny Pilot Program) will benefit the marketplace and investors because penny pricing in mini-options may also accomplish one of the primary goals of the Penny Pilot Program, which is to narrow the bid-ask spreads of exchange-traded options to reduce the cost of entering and exiting positions. Finally, the proposed rule would be beneficial from a logistical perspective since firms' existing systems are configured using the "root symbol" of an underlying security and would not be able to assign different minimum pricing variations to mini-options and standard options on the same security.

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. Specifically, since mini-options are permitted on multiply-listed classes, other exchanges that have received approval to trade mini-options will have the opportunity to similarly establish the minimum price variation for mini-options prior to the anticipated launch in March 2013. CBOE also believes that the proposed rule change will enhance competition by allowing products on the same security to be priced in the same minimum price increments.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove 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. Please include File Number SR-CBOE-2013-016 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2013-016. 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 website viewing and printing 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 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-2013-016 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

Dated: _____

Secretary

¹¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5(additions are underlined; deletions are [bracketed])

* * * * *

Chicago Board Options Exchange, Incorporated
Rules

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Rule 5.5. Series of Option Contracts Open for Trading

(a) - (e) No change.

...Interpretations and Policies:**.01 - .21** No change.***.22 Mini Option Contracts***

(a) After an option class on a stock, exchange-traded fund (ETF) share (referred to as “Unit” in Rule 5.3.06), Trust Issued Receipt (TIR), exchange-traded note (ETN), and other Index-Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, ETF share, TIR, ETN and other Index-Linked Security may be listed for all expirations opened for trading on the Exchange. Mini-option contracts may currently be listed on SPDR S&P 500 (SPY), Apple, Inc. (AAPL), SPDR Gold Trust (GLD), Google, Inc. (GOOG) and Amazon.com Inc. (AMZN).

(b) Strike prices for mini-options shall be set at the same level as for standard options. For example, a call series strike price to deliver 10 shares of stock at \$125 per share has a total deliverable value of \$1250, and the strike price will be set at 125.

(c) No additional series of mini-options may be added if the underlying security is trading at \$90 or less. The underlying security must trade above \$90 for five consecutive days prior to listing mini-option contracts in an additional expiration month.

(d) The minimum price variation for bids and offers for mini-options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, mini-options on the same underlying security may be quoted in the same minimum increments, e.g., \$0.01 for all quotations in series that are quoted at less than \$3 per contract and \$0.05 for all quotations in series that are quoted at \$3 per contract or greater, \$0.01 for all SPY option series, and mini-options do not separately need to qualify for the Penny Pilot Program.

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6.42. Minimum Increments for Bids and Offers

No change.

...Interpretations and Policies:

.01 - .03 No change.

.04 The minimum price variation for bids and offers for mini-options shall be determined in accordance with Interpretation and Policy .22(d) to Rule 5.5.

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