

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55012; File No. SR-CBOE-2006-109)

December 27, 2006

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Regarding Complex Trades

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 21, 2006, the Chicago Board Options Exchange, Incorporated ("CBOE" or "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 substantially 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

The CBOE proposes to amend CBOE Rule 6.80 to revise the definition of "Complex Trade," a term that applies to trades through the Intermarket Linkage ("Linkage"). The text of the proposed rule change appears below, with additions italicized and deletions in [brackets]:

Rule 6.80. Definitions

(1) – (3) No change.

(4) "Complex Trade" means the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different options series in the same underlying security occurring at or near the same time [for the equivalent number of contracts and for the purpose of executing a particular investment strategy] for the purpose of executing a particular investment strategy and for an equivalent number of contracts, provided that the number of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

contracts of the legs of a spread, straddle, or combination order may differ by a permissible ratio.

The permissible ratio for this purpose is any ratio that is equal to or greater than one-to-three

(.333) and less than or equal to three-to-one (3.00).

(5) – (21) No change.

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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 Exchange 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. The Exchange has substantially 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, the Proposed Rule Change

1. Purpose

The CBOE proposes to amend the definition of “Complex Trade,” which is a term that the CBOE uses for Linkage purposes. A Complex Trade is an execution of an order in an options series in conjunction with one or more other orders in different series with the same underlying security “for the equivalent number of contracts.”³ A Complex Trade is exempt from the trade-through rule.⁴

In contrast to the Linkage term, Complex Trade, CBOE Rule 6.53C(a) defines the term “Complex Order” for purposes other than Linkage. According to that definition, one type of

³ See CBOE Rule 6.80(4).

⁴ See CBOE Rule 6.83(b)(7).

Complex Order is a “Ratio Order,” which need not have an equivalent number of contracts.⁵ Specifically, a Ratio Order may have a ratio ranging from one-to-three (.333) to three-to-one (3.00). The Exchange applies modified priority rules to Complex Orders.⁶

This proposal will make the Linkage term, Complex Trade, consistent with the general term, Complex Order. According to the CBOE, the other five options exchanges are adopting a similar definition of Complex Trade, which will result in uniform application of the term across all options exchanges. The CBOE believes that such uniformity will facilitate the rapid execution of complex trades in all markets.

2. Statutory Basis

The CBOE believes the proposed rule change is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, with the requirements of Section 6(b) of the Act.⁷ Specifically, 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 and to protect investors and the public interest.

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

The 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.

⁵ See CBOE Rule 6.53C(a)(5).

⁶ See CBOE Rule 6.45.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

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

The CBOE neither solicited nor received comments on the proposal.

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. Please include File No. SR-CBOE-2006-109 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2006-109. 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. 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-2006-109 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Jill M. Peterson
Assistant Secretary

⁹ 17 CFR 200.30-3(a)(12).