

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66163; File No. SR-CBOE-2012-007)

January 17, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change to Decouple and Extend CBOE's Credit Option Margin Pilot Program to January 17, 2013

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 January 13, 2012, 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 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 and is approving the proposed rule change on an accelerated basis.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE is proposing to decouple and extend the duration of its Credit Option Margin Pilot Program through January 17, 2013. 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's Public Reference Room.

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 those statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item III 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

On February 2, 2011, the Commission approved the Exchange’s proposal to establish a Credit Option Margin Pilot Program (“Program”).³ The Program became effective on a pilot basis and has run on a parallel track with FINRA Rule 4240, which is similarly operated on a pilot basis.⁴ CBOE’s Program is currently scheduled to expire on January 17, 2012.

In this current proposal, CBOE proposes to decouple its Program from the FINRA Rule 4240 margin pilot program. CBOE’s decoupled Program will be substantially similar to the provisions of the FINRA Rule 4240 margin pilot program operated by FINRA.

CBOE understands that in connection with renewing its Rule 4240 margin pilot, FINRA will be revising its Rule 4240 by adding new Supplementary Material .02, which sets forth alternative tables to the existing tables that may be used by market participants to compute the required margin. CBOE similarly proposes to adopt alternative tables to the existing tables in its rules that may be used by Trading Permit Holders to compute the required margins. These new alternative tables are set forth Rules 12.3(1)(3)(ii), 12.3(1)(3)(iv) and 12.4(1)(4)(ii). Also, a few

³ See Securities Exchange Act Release No. 63819 (February 2, 2011), 76 FR 6838 (February 8, 2011) (order approving [SR-CBOE-2010-106]). To implement the Program, the Exchange amended Rule 12.3(1), Margin Requirements, to make CBOE’s margin requirements for Credit Options consistent with FINRA Rule 4240, Margin Requirements for Credit Default Swaps. CBOE’s Credit Options (i.e., Credit Default Options and Credit Default Basket Options) are analogous to credit default swaps.

⁴ See Securities Exchange Act Release No. 63819 (February 2, 2011), 76 FR 6838 (February 8, 2011) (order approving [SR-CBOE-2010-106]).

minor changes are being made to Rule 12.3(l) to renumber paragraphs and to make other non-substantive changes.

Finally, CBOE proposes to extend its decoupled Program for an additional year to January 17, 2013.

CBOE notes for the Commission that there are currently Credit Options listed for trading on the Exchange that have open interest. As a result, CBOE believes that is in the public interest for the Program to continue uninterrupted.

In the future, if the Exchange proposes an additional extension of the Credit Option Margin Pilot Program or proposes to make the Program permanent, then the Exchange will submit a filing proposing such amendments to the Program.

2. Statutory Basis

The Exchange believes this rule proposal is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.⁵ Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act⁶ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest, and because it enhances fair competition among exchange markets.

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.

⁵ 15 U.S.C. 78f(b).

⁶ 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

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

III. 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-2012-007 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-2012-007. 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 website

(<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-2012-007 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

In its filing, CBOE requested that the Commission approve the proposed rule change on accelerated basis so that the Program will continue uninterrupted. After careful consideration, the Commission finds the proposed rule change is consistent with the requirements of the Act and the rules and regulations under thereunder applicable to a national securities exchange.⁷ In particular, the Commission finds that the proposed rule change is consistent with the Section 6(b)(5) of the Act⁸ because the proposed rule change will further investor protection and the public interest by permitting the Program to continue uninterrupted since there are currently Credit Options listed for trading on the Exchange that have open interest. In addition, the Commission believes that the proposed alternative tables that may be used by market participants to compute the required margin will provide market participants with some flexibility in computing margin, while still permitting the continued

⁷ In approving the proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b)(5).

use of the existing margin tables. Finally, the Commission notes that the proposed rule change is substantively similar in all material respects to the margin pilot program administered by FINRA under FINRA Rule 4240.

The Commission also finds good cause, pursuant to Section 19(b)(2) of the Act,⁹ for approving the proposed rule change prior to the 30th day after the date of publication of notice in the Federal Register. This accelerated approval will allow the existing decoupled Program to continue without interruption and extend the benefits of a pilot program that the Commission has previously approved and extended. Moreover, the Commission notes that the proposed rule change is substantively similar in all material respects to the margin pilot program administered by FINRA under FINRA Rule 4240.

⁹ 15 U.S.C. 78s(b)(2).

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-CBOE-2012-007), be, and it hereby is, approved on an accelerated basis to January 17, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill
Deputy Secretary

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).