

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66119; File No. SR-CBOE-2011-126)

January 9, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to the CBOE Stock Exchange Request for Quote Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹, and Rule 19b-4 thereunder², notice is hereby given that on December 27, 2011, 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, 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

The Exchange proposes to amend its rules relating to requests for quotes on the CBOE Stock Exchange (“CBSX”). 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.

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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

1. Purpose

CBSX is a stock-trading facility of CBOE. Prior to the establishment of CBSX, CBOE adopted trading rules in Chapters 50-54 for the purely electronic trading of non-option securities.³ Those rules, which were based, to an extent, on CBOE's screen-based trading rules in Chapters 40-46, contemplated the use of request-for-quote messages (RFQs). Chapters 50-54 were subsequently modified in connection with the introduction of CBSX.⁴ The provisions related to RFQs were not materially changed at that time. RFQ messages are generally intended to prompt market-makers in a given security to respond with a quote. RFQs are generally beneficial when seeking liquidity for a security in which a quote does not exist.

The purpose of this filing is to delete Rule 50.1 regarding the definition of RFQ, Rule 52.9 regarding RFQ processing, and references to RFQs in Rule 53.23 regarding CBSX Remote Market-Maker obligations. There are two reasons behind the Exchange's desire to eliminate RFQs on CBSX: (1) because CBSX Remote Market-Makers are required by rule to maintain two-sided quotations and because CBSX links orders to NBBO markets when CBSX is not quoting at the NBBO, CBSX participants have never inquired about utilizing RFQs; and (2) the functionality for users to transmit RFQs on CBSX is not fully supported by the system.

As more fully set forth in CBSX Rule 53.23 Interpretation and Policy .01, CBSX Remote Market-Makers are required to maintain two-sided quotations throughout the trading day using prices that are no further than a designated percentage from the national best bid and offer

³ See Securities Exchange Act Release No. 54422 (September 11, 2006), 71 FR 54537 (September 15, 2006) approving SR-CBOE-2004-21.

⁴ See Securities Exchange Act Release No. 55392 (March 2, 2007), 72 FR 10572 (March 8, 2007) approving SR-CBOE-2006-112.

("NBBO"). This requirement, the fact that the CBSX market is typically competitive in terms of displayed prices, and the fact that CBSX transmits orders to other market centers displaying the NBBO when CBSX is not posting the NBBO, obviates the need for an RFQ process.⁵

The Exchange also has realized that the ability of a CBSX participant to submit an RFQ is not currently functional. Accordingly, the Exchange believes it is appropriate to delete RFQ processes from the CBSX trading rules. This will ensure that CBSX participants or other interested parties are not confused by these rules and do not expect to be able to submit RFQs on CBSX. The Exchange notes that it is not aware of any CBSX participants, or any other party, having expressed an interest in utilizing RFQs.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act")⁶ and the rules and regulations thereunder and, in particular, 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 remove impediments to and to perfect the mechanism for a free and open market in that elimination of references to RFQs in the CBSX trading rules will remove any potential confusion caused by having rules that reference functionality that is not operational.

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 The Exchange notes that it is working with SEC Staff on enhancements to the CBSX Market-Maker obligations and that those revisions do not contemplate the use of RFQs.

⁶ 15 U.S.C. 78s(b)(1)[sic].

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

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 (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 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-2011-126 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-2011-126. 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 the filing also will be available for inspection and copying at the principal office of the Exchange. 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-2011-126 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).