

Commission may designate, it has become effective pursuant to section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.¹² However, Rule 19b-4(f)(6)(iii)¹³ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange provided the Commission with written notice of its intent to file this proposed rule change at least five business days prior to the date of filing the proposed rule change. In addition, the Exchange has requested that the Commission waive the 30-day pre-operative delay. The Commission believes that waiving the 30-day pre-operative delay is consistent with the protection of investors and in the public interest because it will allow the Pilot Program to continue uninterrupted.¹⁴

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the Act.

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-BSE-2006-07 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549-1090. All submissions should refer to File No. SR-BSE-2006-07. 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. Copies of such filing will also be available for inspection and copying at the principal office of the BSE. 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 No. SR-BSE-2006-07 and should be submitted on or before March 22, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Nancy M. Morris,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53348; File No. SR-CBOE-2006-11]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Extension of a Pilot Program That Increases the Standard Position and Exercise Limits for Certain Options Traded on the Exchange

February 22, 2006.

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 31, 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 and II below, which Items have been prepared by the CBOE. The Exchange has filed the proposal as a "non-controversial" rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which renders it effective upon filing with the Commission. 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 extend an existing pilot program that increases the standard position and exercise limits for certain options traded on the Exchange ("Pilot Program"). The text of the proposed rule change is available on the CBOE's Web site (<http://www.cboe.com>), at the CBOE's principal office, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the 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 these 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 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 Pilot Program, as previously approved by the Commission, provides for an increase to the standard position and exercise limits for equity option contracts and for options on QQQs for a six-month period.⁵ Specifically, the

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ The proposed extension is actually for six months and ten days. The Pilot Program, which the Commission approved for February 23, 2005, and extended for an additional six months, is set to expire on February 23, 2006. See Securities Exchange Act Release No. 51244 (February 23, 2005) 70 FR 10010 (March 1, 2005) (order approving SR-CBOE-2003-30, as amended) ("Pilot Program Order"). See also Securities Exchange Act Release No. 52262 (August 15, 2005), 70 FR 48995 (August 22, 2005) (order approving SR-CBOE-2005-61).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ *Id.*

¹⁴ For the purposes only of waiving the pre-operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Pilot Program increased the applicable position and exercise limits for equity options on the QQQQ in accordance with the following levels:

Current equity option contract limit ⁶	Pilot program equity option contract limit
13,500	25,000
22,500	50,000
31,500	75,000
60,000	200,000
75,000	250,000
Current QQQQ option contract limit	Pilot program QQQQ option contract limit
300,000	900,000

The purpose of the proposed rule change is to extend the Pilot Program for an additional period of slightly over six months, through September 1, 2006. The Exchange believes that extending the Pilot Program for six months is warranted due to the positive feedback from members and for the reasons cited in the original rule filing that proposed the adoption of the Pilot Program.⁷ Also, the Exchange has not encountered any problems or difficulties relating to the Pilot Program since its inception. For these reasons, the Exchange requests that the Commission extend the Pilot Program for the aforementioned additional period.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements provided under Section 6(b)(5) of the Act 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.

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.

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

Because the foregoing rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant

burden on competition; and (3) become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6) thereunder.⁹

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.¹⁰ However, Rule 19b-4(f)(6)(iii)¹¹ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day pre-operative delay. The Commission believes that waiving the 30-day pre-operative delay is consistent with the protection of investors and in the public interest because it will allow the Pilot Program to continue uninterrupted.¹²

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the Act.

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:

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ 17 CFR 240.19b-4(f)(6)(iii).

¹¹ *Id.*

¹² For the purposes only of waiving the pre-operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f). The Commission is also exercising its authority to waive the five-day pre-filing requirement.

Electronic Comments

- Use the Commission's Internet comment from (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CBOE-2006-11 on the subject line.

Paper Comments

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

All submissions should refer to File No. SR-CBOE-2006-11. 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. Copies of such filing will also 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 No. SR-CBOE-2006-11 and should be submitted on or before March 22, 2006.

⁶ Except when the Pilot Program is in effect.

⁷ See Pilot Program Order, *supra* note 5.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Nancy M. Morris,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53343; File No. SR-CBOE-2006-13]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto To Amend CBOE Rule 8.3 Relating to Market-Maker Appointments

February 22, 2006.

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 February 2, 2006, the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) 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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ On February 17, 2006, the Exchange filed Amendment No. 1 to the proposed rule change.⁵ The Commission is publishing this notice, as amended, 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 8.3 relating to Market-Maker appointments. The text of the proposed rule change is available on the CBOE’s Web site (<http://www.cboe.com>), at the CBOE’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 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 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

The purpose of this rule change is to amend CBOE Rule 8.3 relating to Market-Maker appointments, other than appointments for Remote Market-Makers. Currently, CBOE Rule 8.3(c) provides that a Market-Maker can quote (i) electronically in all classes traded on the Hybrid Trading System that are located in one designated trading station (“appointed trading station”) provided, however, that with respect to Hybrid 2.0 Classes, a Market-Maker may submit electronic quotations in up to 40 classes for each Exchange membership it owns or up to 30 classes for each Exchange membership it leases; and (ii) in open outcry all classes traded on the Exchange.

CBOE proposes to allow a Market-Maker that is submitting electronic quotations in his or her appointed Hybrid and Hybrid 2.0 Classes to quote electronically in either two additional Hybrid 2.0 Classes in Tier A or Tier B that are not located in the Market-Maker’s appointed trading station, or five additional Hybrid 2.0 Classes in Tiers C, D, or E that are not located in the Market-Maker’s appointed trading station.⁶

CBOE Rule 8.3 also would provide that the Market-Maker cannot be affiliated with an e-DPM or RMM that holds an appointment in one of these additional Hybrid 2.0 Classes, which is consistent with the current restriction in CBOE Rule 8.3 on Market-Makers streaming electronic quotations from

outside of their appointed trading stations in classes in which an affiliated e-DPM or RMM submits electronic quotations.⁷ Moreover, pursuant to a Pilot Program that expires on September 14, 2006, a Market-Maker could be affiliated with another Market-Maker (“Affiliated Market-Maker”) who holds an appointment in one of these additional Hybrid 2.0 Classes, provided that the Market-Maker could not submit electronic quotations in these additional Hybrid 2.0 Classes if the Affiliated Market-Maker is submitting electronic quotations from outside its appointed trading station. Pursuant to a separate Pilot Program that expires on March 14, 2006 (see CBOE Rule 8.4(c)(ii)), if both Market-Makers operate as multiple aggregation units under the criteria set forth in CBOE Rule 8.4(c)(ii), the preceding restriction would not apply.

With respect to the additional Hybrid 2.0 Classes, the provisions of CBOE Rule 8.3A would continue to apply, and a Market-Maker would be able to quote electronically in the options classes provided the Class Quoting Limit (“CQL”) for the option class has not been met (unless the CQL has been otherwise increased under the provisions of CBOE Rule 8.3A).

CBOE believes it would be appropriate and beneficial to permit Market-Makers to quote electronically in an additional number of Hybrid 2.0 Classes which are not located in the Market-Maker’s appointed trading station. The Exchange believes that allowing Market-Makers the opportunity to quote electronically in up to either two additional Hybrid 2.0 Classes in Tier A or Tier B that are not located in the Market-Maker’s appointed trading station, or five additional Hybrid 2.0 Classes in Tiers C, D, or E that are not located in the Market-Maker’s appointed trading station would increase competition and liquidity in the classes, while providing Market-Makers with additional trading opportunities outside of their appointed trading stations.

CBOE also proposes to eliminate the 40/30 restriction on quoting Hybrid 2.0 Classes electronically depending on whether the Market-Maker owns or leases a membership. Instead, the CBOE proposes to allow a Market-Maker to submit electronic quotations in all Hybrid and Hybrid 2.0 Classes located in his/her appointed trading station. CBOE does not believe that the limitation on only quoting electronically

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ Amendment No. 1 is incorporated in this notice. Amendment No. 1 clarifies that for purposes of the proposed amendment to CBOE Rule 8.3, the Exchange is using the specific Tiers set forth in CBOE Rule 8.4(d) that have been structured for purposes of Remote Market-Maker appointments.

⁶ For purposes of Remote Market-Maker appointments, CBOE has assigned approximately 604 Hybrid 2.0 Classes to five separate tiers structured according to trading volume statistics and an “A+” Tier which consists of five option classes listed in CBOE Rule 8.4(d). Tiers A through E each consist of approximately 120 Hybrid 2.0 Classes.

⁷ CBOE Rule 8.3(c) states that: “Any Market-Maker affiliated with an e-DPM or RMM shall be ineligible to submit electronic quotations from outside of its appointed trading station pursuant to this rule in any class in which the affiliated e-DPM or RMM has an appointment.”