

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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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

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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 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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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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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.

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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

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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) The Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) is proposing to amend CBOE Stock Exchange’s (“CBSX”, the CBOE’s stock trading facility) clearly erroneous policy . The text of the proposed rule change is provided below (additions are underlined and deletions are [bracketed]).

* * * * *
Chicago Board Options Exchange, Incorporated
Rules
* * * * *

Rule 52.4 Clearly Erroneous Policy

The provisions of paragraphs (c), (e)(2), (f), and (g) of this Rule, as amended on [insert date of approval order], shall be in effect during a pilot period set to end on December 10, 2010. If the pilot is not either extended or approved permanent by December 10, 2010, the prior versions of paragraphs (c), (e)(2), (f), and (g) shall be in effect.

(a) – (b) No changes.

(c) *Thresholds*. Determinations of whether an [a clearly erroneous] execution is clearly erroneous will be made as follows [based on all relevant factors on a case by case basis including, but not limited to, the following]:

(1) *Numerical Guidelines*. Subject to the provisions of paragraph (c)(3) below, a[A] transaction executed on CBSX shall [may] be found to be clearly erroneous [only] if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The execution time of the transaction under review determines whether the [guideline] threshold is CBSX Regular Trading Hours or CBSX Extended Trading Hours. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (i) Multi-Stock Events involving twenty or more securities, [in Unusual Circumstances] as described in (c)(2) below; (ii) transactions not involving a Multi-Stock Event as described in paragraph (c)(2) that trigger a pause and subsequent transactions, as described in paragraph (c)(4) below, in which case the Reference Price shall be determined in accordance with that paragraph (c)(4); and (iii) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

Reference Price, [Consolidated Last Sale] Circumstance or Product	CBSX Regular Trading Hours Numerical Guidelines (Subject transaction's % difference from the [Consolidated Last Sale] Reference Price)	CBSX Extended Trading Hours Numerical Guidelines (Subject transaction's % difference from the [Consolidated Last Sale] Reference Price)
Greater than \$0.00 and up to and including \$25.00	10%	20%
Greater than \$25.00 and up to and including \$50.00	5%	10%
Greater than \$50.00	3%	6%
Multi-Stock Event-Filings involving five or more, but less than <u>twenty, securities whose executions occurred within a period of five minutes or less</u> [by the same CBSX Trader will be aggregated into a single filing]	10%	10%
<u>Multi-Stock Event-Filings involving twenty or more securities whose executions occurred within a period of five minutes or less</u>	30%, subject to the terms of <u>paragraph (c)(2) below</u>	30%, subject to the terms of <u>paragraph (c)(2) below</u>
Leveraged ETF/ETN securities	CBSX Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (ie 2x)	CBSX Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (ie 2x)

(2) [*Unusual Circumstances and Joint Market Rulings*. In Unusual Circumstances, which may include periods of extreme market volatility, sustained illiquidity, or widespread system issues, CBSX may, in its discretion and with a view toward maintaining a fair and

orderly market and the protection of investors and the public interest, use a Reference Price other than the consolidated last sale. Other Reference Prices may include the consolidated inside price, the consolidated opening price, the consolidated prior close, or the consolidated last sale prior to a series of executions. It may also be necessary to use a higher Numerical Guideline if, after market participants have been alerted to the existence of erroneous activity, the price of the security returns toward its prior trading range but continues to trade beyond the price at which trades would normally be broken. CBSX also may use a different Reference Price and/or higher Numerical Guideline in events that involve other markets in an effort to coordinate a Reference Price and/or Numerical Guideline that is consistent across markets. In order to achieve consistent results across markets, when a ruling is made in conjunction with another market center it may be determined that] Multi-Stock Events Involving Twenty or More Securities. During Multi-Stock Events involving twenty or more securities the number of affected transactions [is] may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, the Exchange may use a Reference Price other than the consolidated last sale. With the exception of those securities under review that are subject to an individual stock trading pause as described in paragraph (c)(4) below, and to ensure consistent application across market centers when this paragraph is invoked, CBSX will promptly coordinate with the other market centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. CBSX will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by CBSX and other markets consistent with this paragraph.

(3) *Additional Factors*. Except in the context of a Multi-Stock Event involving five or more securities, and individual stock trading pauses as described in paragraph (c)(4) below, a[A]n Official may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an IPO, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, Extended Trading Hours executions, validity of the consolidated tape's trades and quotes, consideration of primary market indications, and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

[(4) *Numerical Guidelines Applicable to Volatile Market Opens*. CBSX may expand the Numerical Guidelines applicable to transactions occurring between 8:30 a.m. CT and 9:00 a.m. CT based on the disseminated value of the S & P 500 Futures at 8:15 a.m. CT.

(i) When the S & P 500 Futures are up or down from 3% to up to but not including 5% at 8:15 a.m. the Numerical Guidelines (calculated pursuant to paragraph (c)(1) above) are doubled for executions occurring between 8:30 a.m. and 9:00 a.m.

(ii) When the S & P 500 Futures are up or down 5% or greater at 8:15 a.m. the Numerical Guidelines (calculated pursuant to paragraph (c)(1) above) are tripled for executions occurring between 8:30 a.m. and 9:00 am.]

(4) Individual Stock Trading Pauses. For purposes of this paragraph, the phrase “Trading Pause Trigger Price” shall mean the price that triggered a trading pause in any Circuit Breaker Stocks as defined in Interpretation and Policy .03 of Rule 6.3C. The Trading Pause Trigger Price reflects a price calculated by the primary listing market over a rolling five-minute period and may differ from the execution price of a transaction that triggered a trading pause. In the event a primary listing market issues an individual stock trading pause in any Circuit Breaker Stocks, and regardless of whether the security at issue is part of a Multi-Stock Event involving five or more securities as described in paragraphs (c)(1) and (c)(2) above, CBSX shall utilize the Trading Pause Trigger Price as the Reference Price for any transactions that trigger a trading pause and subsequent transactions occurring before the trading pause is in effect on CBSX. CBSX will rely on the primary listing market that issued an individual stock trading pause to determine and communicate the Trading Pause Trigger Price for such stock. Notwithstanding the discretion otherwise provided by the first sentence of paragraph (g) below, CBSX shall review, on its own motion pursuant to paragraph (g), transactions that trigger a trading pause and subsequent transactions occurring before the trading pause is in effect on CBSX. In connection with the review of transactions pursuant to this paragraph, CBSX will apply the Numerical Guidelines set forth in paragraph (c)(1) above other than the Numerical Guidelines applicable to Multi-Stock Events. In conducting this review, and notwithstanding anything to the contrary contained in paragraph (c)(1), where a trading pause was triggered by a price decline (rise), CBSX will limit its review to transactions that executed at a price lower (higher) than the Trading Pause Trigger Price.

(d) No changes.

(e) *Review Procedures.*

* * * * *

(2) *Appeals.* If a CBSX Trader affected by a determination made under this Rule so requests within the time permitted below, a Clearly Erroneous Execution Panel (“CEE Panel”) will review decisions made by the Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct determination was made; provided however that the CEE Panel will not review decisions made by an official under paragraph (f) of this Rule if such Official also determines under paragraph (f) of this Rule that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest, and further provided that with respect to rulings made by CBSX in conjunction with one or more additional market centers, the number of affected transactions is similarly such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest and, hence, are also non-appealable.

* * * * *

(f) *System Disruption [and]or Malfunctions.* In the event of any disruption or a malfunction in the [use or] operation of any electronic communications and trading facilities of CBSX[, or extraordinary market conditions or other circumstances] in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, the Official, on his or her own motion, may review such transactions and declare such transactions arising out of the [use or]

operation of such facilities during such period null and void. In such events, the Official will rely on the provisions of paragraph (c)(1)-(3) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public interest. Absent extraordinary circumstances, any such action of the Official pursuant to this paragraph (f) shall be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Official must be taken by no later than the start of trading on the day following the date of execution(s) under review. Each CBSX Trader involved in the transaction shall be notified as soon as practicable, and the CBSX Trader aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2)-(4).

(g) *Official Acting On Own Motion.* An Official, acting on his or her own motion, may review potentially erroneous executions and declare trades null and void or shall decline to take any action in connection with the completed trade(s). In such events, the Official will rely on the provisions of paragraph (c)(1)-(4)[(3)] of this Rule[, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public interest]. Absent extraordinary circumstances, any such action of the Official shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Official must be taken by no later than the start of trading on trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction shall be notified as soon as practicable by CBSX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2)-(4) above.

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on June 17, 2010. No further action is required.

(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 Jennifer Lamie, (312) 786-7576.

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

(a) Purpose

The Exchange is proposing modifications to its Rule 52.4, entitled "Clearly Erroneous Executions." First, the Exchange proposes replacing existing paragraph (c)(2) of Rule 52.4, entitled "Unusual Circumstances and Joint Market Rulings" with a new paragraph, entitled "Multi-Stock Events Involving Twenty or More Securities." Second, the Exchange proposes replacing existing paragraph (c)(4) of Rule 52.4, entitled "Numerical Guidelines Applicable to Volatile Market Opens" with a new paragraph, entitled "Individual Stock Trading Pauses." Third, the Exchange is proposing changes to existing paragraphs (f) and (g) of Rule 52.4 to eliminate the ability of the Exchange to deviate from the Numerical Guidelines contained in paragraph (c)(1) (other than under limited circumstances set forth in paragraph (f)) when deciding which transactions will be reviewed by the Exchange as potentially clearly erroneous. Finally, the Exchange proposes modifications to paragraphs (c)(1), (c)(3) and (e) of Rule 52.4 consistent with the proposed changes to paragraphs (c)(2) and (c)(4). As proposed, the provisions of paragraphs (c), (e)(2), (f), and (g) of Rule 52.4, as amended pursuant to this filing, would be in effect during a pilot period set to end on December 10, 2010. If the pilot is not either extended or approved permanent by December 10, 2010, the prior versions of paragraphs (c), (e)(2), (f), and (g) of Rule 52.4 would be in effect.

The Exchange is proposing the rule changes described below in consultation with other markets and Securities and Exchange Commission ("Commission") staff to provide for uniform treatment: (i) of clearly erroneous execution reviews in Multi-Stock Events involving twenty or more securities; and (ii) in the event transactions occur that result in the

issuance of an individual stock trading pause by the primary market and subsequent transactions that occur before the trading pause is in effect on the Exchange. The Exchange has also proposed additional changes to Rule 52.4 that reduce the ability of the Exchange to deviate from the objective standards set forth in the Rule. The proposed changes are described in further detail below.

Revised Paragraph (c)(2) Related to Multi-Stock Events Involving Twenty or More Securities

The Exchange proposes to eliminate the majority of existing paragraph (c)(2), which provides flexibility to the Exchange to use different Numerical Guidelines or Reference Prices in various “Unusual Circumstances.” The Exchange proposes to replace this paragraph with new language that would apply to Multi-Stock Events involving twenty or more securities whose executions occurred within a period of five minutes or less. The revised paragraph would retain language making clear that during Multi-Stock Events involving twenty or more securities the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, in such circumstances, decisions made by the Exchange in consultation with other markets could not be appealed. Further, as proposed, in connection with reviews of Multi-Stock Events involving twenty or more securities, the Exchange may use a Reference Price other than the consolidated last sale in its review of potentially clearly erroneous executions. With the exception of those securities under review that are subject to an individual stock trading pause as described in proposed paragraph (c)(4), and to ensure consistent application across market centers when proposed paragraph (c)(2) is invoked, the Exchange will promptly coordinate with the other market centers to determine the appropriate review period, which may be greater than the period of five

minutes or less that triggered application of proposed paragraph (c)(2), as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. The Exchange will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by the Exchange and other markets consistent with the proposed paragraph (c)(2).

Because the Exchange and other market centers are adopting a different threshold and standards to handle large-scale market events, which would include events occurring during times of high volatility at the beginning of regular trading hours, the Exchange proposes deletion of paragraph (c)(4) (“Numerical Guidelines Applicable to Volatile Market Opens”) of the existing rule. The Exchange believes that this provision is no longer necessary, and if maintained, could result in extremely high Numerical Guidelines (up to 90%) in certain circumstances.

Revised Paragraph (c)(4) Related to Individual Stock Trading Pauses

The primary listing markets for U.S. stocks recently amended their rules so that they may, from time to time, issue a trading pause for an individual security if the price of such security moves 10% or more from a sale in a preceding five-minute period. In this regard, the Exchange recently amended its rules to halt/pause trading in an individual stock when the primary listing market for such stock issues a trading pause in any Circuit Breaker Stocks, as defined in Interpretation and Policy .03 of Rule 6.3C.¹ As described above, the Exchange is proposing to eliminate existing paragraph (c)(4) (“Numerical Guidelines Applicable to

¹ See Rule 6.3C; see also Securities Exchange Act Release No. 62252 (June 10, 2010)(SR-CBOE-2010-047).

Volatile Market Opens”). The Exchange proposes adopting a rule, numbered as (c)(4) following such elimination, which will provide for uniform treatment of clearly erroneous execution reviews in the event transactions occur that result in the issuance of an individual stock trading pause by the primary listing market and subsequent transactions that occur before the trading pause is in effect on the Exchange. The proposed rule change is necessary to provide greater certainty of the clearly erroneous Reference Price for transactions that trigger a trading pause (the “Trigger Trade”) and subsequent transactions occurring between the time of the Trigger Trade and the time the trading pause message is received by the Exchange from the single plan processor responsible for consolidation and dissemination of information for the security and put into effect on the Exchange, especially under highly volatile and active market conditions.

The Exchange proposes to revise paragraph (c)(4) of Rule 52.4 to allow the Exchange to use the price that triggered a trading pause in an individual stock (the “Trading Pause Trigger Price”) as the Reference Price for clearly erroneous execution reviews of a Trigger Trade and transactions that occur immediately after a Trigger Trade but before a trading pause is in effect on the Exchange. As proposed, the phrase “Trading Pause Trigger Price” shall mean the price that triggered a trading pause in any Circuit Breaker Stocks as defined in Interpretation and Policy .03 of Rule 6.3C. The Trading Pause Trigger Price reflects a price calculated by the primary listing market over a rolling five-minute period and may differ from the execution price of a transaction that triggered a trading pause. The Exchange will rely on the primary listing market that issued an individual stock trading pause to determine and communicate the Trading Pause Trigger Price for such stock. The Exchange proposes to make clear in the text that the proposed standards in paragraph (c)(4) apply regardless of

whether the security at issue is part of a Multi-Stock Event involving five or more securities as described in proposed paragraphs (c)(1) and (c)(2).

As proposed, the Numerical Guidelines set forth in Rule 52.4(c)(1), other than those Numerical Guidelines applicable to Multi-Stock Events, would apply to reviews of Trigger Trades and subsequent transactions. The Exchange proposes to review, on its own motion pursuant to paragraph (g) of the Rule, all transactions that trigger a trading pause and subsequent transactions occurring before the trading pause is in effect on the Exchange. The Exchange has proposed to limit such reviews to reviews of transactions that executed at a price lower than the Trading Pause Trigger Price in the event of a price decline and higher than the Trading Pause Trigger Price in the event of a price rise. Because the proposed rules for trading pauses would only apply within Regular Trading Hours,² an execution would be reviewed and nullified as clearly erroneous if it exceeds the following thresholds:

Reference Price or Product	Numerical Guidelines (Subject transaction's % difference from the Trading Pause Trigger Price):
Greater than \$0.00 up to and including \$25.00	10%
Greater than \$25.00 up to and including \$50.00	5%
Greater than \$50.00	3%
Leveraged ETF/ETN securities	Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (<i>ie 2x</i>)

² Regular Trading Hours are defined in Rule 51.2 as the time between 8:30 a.m. and 3:00 p.m. Central Time. According to the rules of the primary listing markets, an individual stock trading pause can be issued based on a Trigger Trade that occurs at any time between 8:45 a.m. and 2:35 p.m. Central Time. See NASDAQ Rule 4120(a)(11), NYSE Rule 80C, and NYSE Arca Rule 7.11.

Revisions to Paragraphs (f) and (g)

Consistent with other proposals made in this filing, the Exchange proposes modifying paragraphs (f) and (g) to eliminate the ability of an Exchange official to deviate from the Numerical Guidelines contained in the Rule other than under very limited circumstances set forth in paragraph (f).

Current paragraph (f) provides that an Official³ of this Exchange has the ability, on his or her own motion, to review and rule on executions that result from “any disruption or a malfunction in the use or operation of any electronic communications and trading facilities of CBSX, or extraordinary market conditions or other circumstances in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist . . .” Without modification, the language “extraordinary market conditions or other circumstances...” would leave the Exchange with broad discretion to deviate from the Numerical Guidelines set forth in paragraph (c)(1). Thus, the Exchange proposes narrowing the scope of paragraph (f) so that it only permits the Exchange to nullify transactions consistent with that paragraph (including at a lower Numerical Guideline) if there is a disruption or malfunction in the operation of the Exchange’s system. For the same reason, the Exchange proposes eliminating the words “use or” from the language in paragraph (f) to make clear that the provision only applies to a disruption or malfunction of the Exchange’s system (and not of an Exchange user’s systems).

Paragraph (g) gives an Official of the Exchange the ability, on his or her own motion, to review transactions as potentially clearly erroneous. Consistent with the goal of achieving more objective and standard results, the Exchange proposes deleting language in existing

³ For purposes of Rule 52.4, an “Official” is defined as one or more senior level officials of CBSX designated by the President. See Rule 52.4(b).

