

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 34	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 126	Amendment No. (req. for Amendments *)
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Filing by Chicago Board Options Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal relating to supervision.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Jaime Last Name * Galvan
 Title * Senior Attorney
 E-mail * galvanj@cboe.com
 Telephone * (312) 786-7058 Fax (312) 786-7919

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 12/17/2013 Senior Attorney
 By Jaime Galvan

(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Persona Not Validated - 1363368423335,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

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 *

Add Remove View

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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, security-based swap submission, or advance notice 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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Exhibit Sent As Paper Document

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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Exhibit Sent As Paper Document

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.

Exhibit 4 - Marked Copies

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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

Add Remove View

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) Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to adopt a rule requiring each Trading Permit Holder to establish and maintain a system of supervision and written supervisory procedures. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s Chief Regulatory Officer pursuant to delegated authority approved the proposed rule change on December 17, 2013.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Jaime Galvan, (312) 786-7058, Chicago Board Options Exchange, Incorporated, 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

Effective and comprehensive compliance policies and procedures are critical to ensuring investor protection and market integrity; therefore, the Exchange proposes to adopt Rule 4.24 that would require its Trading Permit Holders to establish and maintain a system to supervise each of their business activities and the activities of their associated persons.¹ As more fully described below, the proposed rule would also require Trading

¹ Article 1, Section 1.1(f) of the Exchange’s Bylaws defines “Trading Permit Holder” to mean “any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit. The proposed rule would also apply to CBOE Stock Exchange (“CBSX”) Trading Permit Holders. CBSX is CBOE’s stock trading facility.

Permit Holders to: (1) establish, maintain, and enforce written supervisory procedures; (2) inspect every office or location of the Trading Permit Holder at least once every three calendar years; and (3) conduct an annual review and submit to the Exchange on an annual basis a written report on the Trading Permit Holder's supervision and compliance efforts during the preceding year.

The Exchange does not currently have a comprehensive rule that directly addresses the obligation of every Trading Permit Holder to properly supervise its business and employees. The proposed rule would impose a more definitive supervision requirement on Trading Permit Holders than is currently contained in the Exchange's rules, and it would cover all business activities of a Trading Permit Holder.²

Currently, the only supervision obligations that are expressly codified in CBOE Rules are found in Rule 4.2 - Adherence to Law and Rule 9.8 - Supervision of Accounts.

Rule 4.2 reads as follows:

No Trading Permit Holder shall engage in conduct in violation of the Securities Exchange Act of 1934, as amended, rules or regulations thereunder, the Bylaws or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Trading Permit Holder shall so supervise persons associated with the Trading Permit Holder as to assure compliance therewith.

While it requires Trading Permit Holders to supervise persons associated with the Trading Permit Holder, Rule 4.2 does not expressly require a system of supervision to be established and maintained, or the establishment and maintenance of written procedures covering each line of business. Yet, Rule 4.2 is the only rule that can be cited by the Exchange in the course of a disciplinary proceeding that alleges a failure to supervise.

² The proposed rule is modeled after similar rules of other self-regulatory organizations ("SROs"), i.e., PHLX Rule 748, NASD Rule 3010, FINRA Rule 3130, NYSE Amex Rule 320, NYSE Rule 342, and NYSE Arca Rule 11.18.

The proposed rule would clearly place responsibility on Trading Permit Holders to establish and maintain a formal plan of supervision that covers each of its business activities and associated persons.

CBOE Rule 9.8, a component of Chapter 9 – Doing Business with the Public, is applicable only to Trading Permit Holders conducting non-Trading Permit Holder customer business in options. The proposed rule mirrors many of the requirements in Rule 9.8, in that Rule 9.8 also requires Trading Permit Holders to: (1) establish, maintain, and enforce written supervisory procedures; (2) conduct office inspections; and (3) conduct an annual review and submit to the Exchange an annual written report on the Trading Permit Holder's supervision and compliance efforts during the preceding year. However, the proposed rule does not contain language limiting its applicability to supervision of activities related only to Trading Permit Holders conducting non-Trading Permit Holder customer business in options. Therefore, the proposed rule would provide greater utility for enforcing Trading Permit Holder obligations in other business areas such as proprietary trading.

The Exchange believes the proposed rule clarifies: (1) the responsibility of the Trading Permit Holder for the acts of its associated persons; and (2) the requirement of each Trading Permit Holder to supervise those associated persons for which it is responsible. Proposed Rule 4.24(a) would generally establish each Trading Permit Holder's responsibility for the supervision and control of the Trading Permit Holder. The proposed rule would require that each associated person, in addition to each office, location, department, business activity, trading system, and internal surveillance system

of a Trading Permit Holder be under the supervision and control of an appropriately qualified supervisor as described in proposed Rule 4.24(c).³

The designation of a general partner or principal executive officer to assume overall authority and responsibility for the supervisory system of the Trading Permit Holder would be provided for in proposed Rule 4.24(b). This designated supervisor would then be responsible for (i) delegating to qualified principals responsibility and authority for supervision and control of each office, location, department, business activity, trading system, and internal surveillance system as well as providing for appropriate written procedures of supervision and control; and (ii) establishing a separate system of follow-up and review to determine that the delegated responsibility and authority is properly exercised.⁴

Proposed Rules 4.24(c) and (d) would provide for the qualifications of supervisors and the standards of supervision, respectively. Under proposed paragraph (c), Trading Permit Holders must make reasonable efforts to determine that those persons with supervisory responsibility are qualified by virtue of experience or training to carry out their assigned responsibilities. This paragraph would also require supervisors to meet the Exchange's qualification requirements for supervisors, including completion of the appropriate examinations.⁵ For example, CBOE Rule 3.6A - Qualification and Registration of Trading Permit Holders and Associated Persons sets forth required examinations for associated persons engaged in the securities business of a Trading Permit Holder.

³ Proposed Rule 4.24(a) is modeled after PHLX Rule 748(a), NYSE MKT Rule 320(b), NYSE Rule 342(a), NYSE Arca Rule 11.18(b) and NASD Rule 3010(a).

⁴ Proposed Rule 4.24(b) is modeled after PHLX Rule 748(b), NYSE MKT Rule 320(c), NYSE Rule 342(b) and NASD Rule 3010(a).

⁵ Proposed Rule 4.24(c) is modeled after NASD Rule 3010(a)(6) and PHLX Rule 748(c).

Proposed paragraph (d) would require that any person with supervisory control as described in proposed Rules 4.24(a) and (b) reasonably discharge his or her duties and obligations in connection with such supervision and control in order to prevent and detect violations of applicable securities laws and regulations and applicable Exchange rules.⁶

Proposed Rule 4.24(e) would require each Trading Permit Holder to establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise each of its business activities and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations as well as applicable Exchange rules. The proposed rule would also require that the written supervisory procedures be amended as changes occur to a Trading Permit Holder's personnel or supervisory procedures and within a reasonable time after changes occur in applicable securities laws and regulations and the rules of the Exchange. Additionally, the proposed rule would require Trading Permit Holders to maintain a record of the name, title, registration status and location of all supervisory personnel required by the proposed rule, the dates for which supervisory designations were or are effective, and the responsibilities of the supervisory personnel as these relate to the types of business the Trading Permit Holder engages in, and applicable securities laws and regulations, including applicable Exchange rules. Trading Permit Holders would be required to preserve such record for a period of not less than three years, the first two in an easily accessible place. Lastly, the proposed rule would require a copy of the written

⁶ Proposed Rule 4.24(d) is modeled after PHLX Rule 748(d), NYSE MKT Rule 320(b) and NYSE Rule 342(a).

supervisory procedures to be kept and maintained at each location where supervisory activities are conducted on behalf of the Trading Permit Holder.⁷

Proposed Rule 4.24(f) would require that each Trading Permit Holder perform inspections of every office or location of the Trading Permit Holder that must occur at least once every three calendar years. An inspection could not be conducted by any person within that office or location who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such person(s). This provision is intended to ensure that all activity of an office or location is monitored for compliance with applicable regulatory requirements by persons who do not have a personal interest in such activity. The proposed rule would require the examination schedule and an explanation of the factors considered in determining the frequency of the examinations in the cycle to be set forth in the Trading Permit Holder's written supervisory procedures. When establishing the inspection cycle, the Trading Permit Holder would be required to consider the nature and complexity of the securities activities for which the office or location is responsible, the volume of business done, and the number of associated persons at each office or location. For each inspection, the Trading Permit Holder would be required to retain a written record of the dates upon which each inspection is conducted, the participants involved, and the results thereof.⁸

Thorough compliance and supervisory systems are key to effective securities regulation and investor protection. Therefore, it is essential that Trading Permit Holders put adequate emphasis on the importance of compliance throughout the firm. To promote regular discussion and review of its supervisory system, proposed Rule 4.24(g) would

⁷ Proposed Rule 4.24(e) is modeled after PHLX Rule 748(h) and NASD Rule 3010(b)(1), (3) and (4).

⁸ Proposed Rule 4.24(f) is modeled after PHLX Rule 748(g) and NASD Rules 3010(c)(1)(B) and (c)(3).

require each Trading Permit Holder to conduct an annual review and submit to the Exchange on an annual basis a written report on the Trading Permit Holder's supervisory system.

Paragraph (g)(1) of proposed Rule 4.24 would require that each Trading Permit Holder conduct annual meetings or interviews with all associated persons to discuss compliance matters relevant to the activities of associated persons. A written record of the dates the meetings or interviews were held, who was present at each meeting or interview, and the results thereof would be required to be maintained by the Trading Permit Holder.⁹

Proposed Rule 4.24(g)(2) would require Trading Permit Holders to prepare a written report on the firm's supervision and compliance efforts during the preceding year and on the adequacy of the firm's ongoing compliance processes and procedures. Trading Permit Holders would be required to submit such report to the Exchange by April 1 of each year. The proposed Rule would require that the report include four elements: (1) a tabulation of customer complaints (including arbitrations and civil actions) and internal investigations, if any; (2) identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the proceeding year's efforts of this nature; (3) discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in the areas of antifraud and trading practices, books and records, finance and operations, supervision, internal controls, and anti-money laundering; and (4) a certification signed by the Trading Permit Holder's Chief Executive Officer ("CEO") or equivalent officer.¹⁰

⁹ Proposed Rule 4.24(g)(1) is modeled after PHLX Rule 748(e)(1).

¹⁰ Proposed Rule 4.24(g)(2) is modeled after CBOE Rule 9.8(g)(1) – (5).

The certification signed by the Trading Permit Holder's CEO (or equivalent officer) would be required to include four components. The first component relates to requirements found in paragraph (e) of the proposed rule.¹¹ The CEO (or equivalent officer) would be required to certify that the Trading Permit Holder has in place processes to: (1) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange rules and federal securities laws and regulations; (2) modify such policies and procedures as business, regulatory and legislative changes and events dictate; and (3) test the effectiveness of such policies and procedures on a periodic basis.¹²

It is the intention of the following three components of the certification to foster regular and significant interaction between senior management and the Chief Compliance Officer ("CCO") regarding the Trading Permit Holder's comprehensive compliance program. The second component would require the CEO (or equivalent officer) to certify that he or she conducted one or more meetings with the firm's CCO during the preceding 12 months in which they discussed and reviewed the matters described in the certification, including the Trading Permit Holder's prior compliance efforts.¹³ The CEO (or equivalent officer) and CCO would also be required to identify and address any significant compliance problems or plans for emerging business areas.¹⁴

The third component of the certification would require the CEO (or equivalent officer) to certify that he or she reviewed a report evidencing the processes covered in the

¹¹ See Proposed Rule 4.24(g)(2)(D)(i)

¹² Proposed Rule 4.24(g)(2)(D)(i) is modeled after FINRA Rule 3130(c)(1) and CBOE Rule 9.8(g)(5)(i).

¹³ See Proposed Rule 4.24(g)(2)(D)(ii)

¹⁴ Proposed Rule 4.24(g)(2)(D)(ii) is modeled after FINRA Rule 3130(c)(2) and CBOE Rule 9.8(g)(5)(ii).

first component of the certification.¹⁵ This report would also be reviewed by the CCO and such other officers as the Trading Permit Holder deems necessary in order for the CEO to make the required certification. Further, the CEO would be required to certify that the report was submitted to the Trading Permit Holder's board of directors or audit committee (or equivalent bodies) by April 1st of each year. This requirement to provide the report to the board of directors or audit committee (or equivalent bodies) would not apply to Trading Permit Holders that do not utilize these types of governing bodies in the conduct of their business. Trading Permit Holders would be required to have the report reviewed by any governing body or committee that serves a similar function in lieu of a board of directors or audit committee.¹⁶

The fourth and final component of the certification¹⁷ would require the CEO (or equivalent officer) to certify that he or she consulted with the CCO and other officers referenced in proposed Rule 4.24(g)(2)(D)(iii) and other such employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in the certification.¹⁸

Finally, proposed paragraph (g)(3) would deem any Trading Permit Holder to have met the requirements of proposed Rules 4.24(g)(1) and (2) if the Trading Permit Holder specifically includes its options compliance program within an annual compliance review and written report that complies with substantially similar requirements of the Financial Industry Regulatory Authority or any other self-regulatory organization.¹⁹ In

¹⁵ See Proposed Rule 4.24(g)(2)(D)(iii)

¹⁶ Proposed Rule 4.24(g)(2)(D)(iii) is modeled after FINRA Rule 3130(c)(3) and CBOE Rule 9.8(g)(5)(iii).

¹⁷ See Proposed Rule 4.24(g)(2)(D)(iv)

¹⁸ Proposed Rule 4.24(g)(2)(D)(iv) is modeled after FINRA Rule 3130(c)(4) and CBOE Rule 9.8(g)(5)(iv).

¹⁹ Proposed Rule 4.24(g)(3) is modeled after CBOE Rule 9.8(g)(5).

that case, the Trading Permit Holder would still be required to submit a copy of such written report to the Exchange by April 1 of each year.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²¹ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

Compliance with applicable Exchange rules and federal securities laws is the bedrock of ensuring investor protection and market integrity. Therefore it is critical that Trading Permit Holders employ comprehensive and effective compliance policies and procedures. The Exchange believes the proposed rule change would help promote just and equitable principles of trade and protect investors and the public interest by upgrading and strengthening the Exchange's rules pertaining to supervisory obligations of its Trading Permit Holders.

Trading Permit Holders are on the front line of defense against fraudulent and manipulative acts and practices. Trading Permit Holders are in the unique position to identify potential rule violations or other inappropriate activity and correct it before intervention by the exchanges or the Commission. The Exchange believes a

²⁰ 15 U.S.C. 78f(b).

²¹ 15 U.S.C. 78f(b)(5).

comprehensive supervision rule such as proposed Rule 4.24 should help to prevent fraudulent and manipulative acts and practices consistent with Section 6(b)(5) of the Act.

The Exchange believes that the proposed rule change should strengthen the Exchange's ability to examine Trading Permit Holders for compliance with supervisory requirements by compelling that written supervisory procedures be maintained. Written supervisory procedures should provide Trading Permit Holders and their supervisory personnel with a clear understanding of their supervisory responsibilities thus helping to ensure that those responsibilities are carried out effectively and efficiently. The Exchange believes the proposal to require inspections of offices or other locations of Trading Permit Holders would help strengthen the ability of Trading Permit Holders to carry out their compliance and surveillance functions. By requiring written supervisory procedures and inspections that are reasonably designed to prevent and detect violations of applicable securities laws and regulations, as well as Exchange rules, the proposed rule would help to ensure that Trading Permit Holders have the necessary processes in place to identify potential rule violations or inappropriate activity.

Furthermore, the Exchange believes the proposed requirements for an annual certification and written report would enhance focus on a Trading Permit Holder's compliance and supervision systems by promoting a dialogue throughout the Trading Permit Holder of its compliance efforts and procedures, thereby decreasing the likelihood of fraudulent and manipulative acts and practices and increasing investor protection.

Lastly, the Exchange believes the proposed rule change furthers the objectives of Section 6(b)(1)²² of the Act in that requiring comprehensive supervision by Trading

²² 15 U.S.C. 78(f)(b)(1).

Permit Holders and their associated persons of their activities should promote the Exchange's ability to enforce compliance by Trading Permit Holders and their associated persons with the Act and the regulations thereunder.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change would upgrade and strengthen the Exchange's rules pertaining to supervisory obligations of its Trading Permit Holders. As noted below, the proposed rule change is based on similar rules of other SROs.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

Item 6. Extension of Time Period for Commission Action

CBOE does not consent to an extension of the time period for Commission action on the proposed rule change specified in Section 19(b)(2) of the Act.²³

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

²³ 15 U.S.C. 78s(b)(2).

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule is modeled after similar rules of other SROs, e.g., PHLX Rule 748, NASD Rule 3010, FINRA Rule 3130, NYSE MKT Rule 320, NYSE Rule 342, and NYSE Arca Rule 11.18.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Proposed rule text if not included under Item 1(a).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2013-126

[Insert date]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Supervision.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], 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

Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to adopt a rule requiring each Trading Permit Holder to establish and maintain a system of supervision and written supervisory procedures. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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

Effective and comprehensive compliance policies and procedures are critical to ensuring investor protection and market integrity; therefore, the Exchange proposes to adopt Rule 4.24 that would require its Trading Permit Holders to establish and maintain a system to supervise each of their business activities and the activities of their associated persons.³ As more fully described below, the proposed rule would also require Trading Permit Holders to: (1) establish, maintain, and enforce written supervisory procedures; (2) inspect every office or location of the Trading Permit Holder at least once every three calendar years; and (3) conduct an annual review and submit to the Exchange on an annual basis a written report on the Trading Permit Holder's supervision and compliance efforts during the preceding year.

The Exchange does not currently have a comprehensive rule that directly addresses the obligation of every Trading Permit Holder to properly supervise its business and employees. The proposed rule would impose a more definitive supervision

³ Article 1, Section 1.1(f) of the Exchange's Bylaws defines "Trading Permit Holder" to mean "any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit. The proposed rule would also apply to CBOE Stock Exchange ("CBSX") Trading Permit Holders. CBSX is CBOE's stock trading facility.

requirement on Trading Permit Holders than is currently contained in the Exchange's rules, and it would cover all business activities of a Trading Permit Holder.⁴

Currently, the only supervision obligations that are expressly codified in CBOE Rules are found in Rule 4.2 - Adherence to Law and Rule 9.8 - Supervision of Accounts. Rule 4.2 reads as follows:

No Trading Permit Holder shall engage in conduct in violation of the Securities Exchange Act of 1934, as amended, rules or regulations thereunder, the Bylaws or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Trading Permit Holder shall so supervise persons associated with the Trading Permit Holder as to assure compliance therewith.

While it requires Trading Permit Holders to supervise persons associated with the Trading Permit Holder, Rule 4.2 does not expressly require a system of supervision to be established and maintained, or the establishment and maintenance of written procedures covering each line of business. Yet, Rule 4.2 is the only rule that can be cited by the Exchange in the course of a disciplinary proceeding that alleges a failure to supervise. The proposed rule would clearly place responsibility on Trading Permit Holders to establish and maintain a formal plan of supervision that covers each of its business activities and associated persons.

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conduct an annual review and submit to the Exchange an annual written report on the Trading Permit Holder's supervision and compliance efforts during the preceding year. However, the proposed rule does not contain language limiting its applicability to supervision of activities related only to Trading Permit Holders conducting non-Trading Permit Holder customer business in options. Therefore, the proposed rule would provide greater utility for enforcing Trading Permit Holder obligations in other business areas such as proprietary trading.

The Exchange believes the proposed rule clarifies: (1) the responsibility of the Trading Permit Holder for the acts of its associated persons; and (2) the requirement of each Trading Permit Holder to supervise those associated persons for which it is responsible. Proposed Rule 4.24(a) would generally establish each Trading Permit Holder's responsibility for the supervision and control of the Trading Permit Holder. The proposed rule would require that each associated person, in addition to each office, location, department, business activity, trading system, and internal surveillance system of a Trading Permit Holder be under the supervision and control of an appropriately qualified supervisor as described in proposed Rule 4.24(c).⁵

The designation of a general partner or principal executive officer to assume overall authority and responsibility for the supervisory system of the Trading Permit Holder would be provided for in proposed Rule 4.24(b). This designated supervisor would then be responsible for (i) delegating to qualified principals responsibility and authority for supervision and control of each office, location, department, business activity, trading system, and internal surveillance system as well as providing for

⁵ Proposed Rule 4.24(a) is modeled after PHLX Rule 748(a), NYSE MKT Rule 320(b), NYSE Rule 342(a), NYSE Arca Rule 11.18(b) and NASD Rule 3010(a).

appropriate written procedures of supervision and control; and (ii) establishing a separate system of follow-up and review to determine that the delegated responsibility and authority is properly exercised.⁶

Proposed Rules 4.24(c) and (d) would provide for the qualifications of supervisors and the standards of supervision, respectively. Under proposed paragraph (c), Trading Permit Holders must make reasonable efforts to determine that those persons with supervisory responsibility are qualified by virtue of experience or training to carry out their assigned responsibilities. This paragraph would also require supervisors to meet the Exchange's qualification requirements for supervisors, including completion of the appropriate examinations.⁷ For example, CBOE Rule 3.6A - Qualification and Registration of Trading Permit Holders and Associated Persons sets forth required examinations for associated persons engaged in the securities business of a Trading Permit Holder.

Proposed paragraph (d) would require that any person with supervisory control as described in proposed Rules 4.24(a) and (b) reasonably discharge his or her duties and obligations in connection with such supervision and control in order to prevent and detect violations of applicable securities laws and regulations and applicable Exchange rules.⁸

Proposed Rule 4.24(e) would require each Trading Permit Holder to establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise each of its business activities and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities

⁶ Proposed Rule 4.24(b) is modeled after PHLX Rule 748(b), NYSE MKT Rule 320(c), NYSE Rule 342(b) and NASD Rule 3010(a).

⁷ Proposed Rule 4.24(c) is modeled after NASD Rule 3010(a)(6) and PHLX Rule 748(c).

⁸ Proposed Rule 4.24(d) is modeled after PHLX Rule 748(d), NYSE MKT Rule 320(b) and NYSE Rule 342(a).

laws and regulations as well as applicable Exchange rules. The proposed rule would also require that the written supervisory procedures be amended as changes occur to a Trading Permit Holder's personnel or supervisory procedures and within a reasonable time after changes occur in applicable securities laws and regulations and the rules of the Exchange. Additionally, the proposed rule would require Trading Permit Holders to maintain a record of the name, title, registration status and location of all supervisory personnel required by the proposed rule, the dates for which supervisory designations were or are effective, and the responsibilities of the supervisory personnel as these relate to the types of business the Trading Permit Holder engages in, and applicable securities laws and regulations, including applicable Exchange rules. Trading Permit Holders would be required to preserve such record for a period of not less than three years, the first two in an easily accessible place. Lastly, the proposed rule would require a copy of the written supervisory procedures to be kept and maintained at each location where supervisory activities are conducted on behalf of the Trading Permit Holder.⁹

Proposed Rule 4.24(f) would require that each Trading Permit Holder perform inspections of every office or location of the Trading Permit Holder that must occur at least once every three calendar years. An inspection could not be conducted by any person within that office or location who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such person(s). This provision is intended to ensure that all activity of an office or location is monitored for compliance with applicable regulatory requirements by persons who do not have a personal interest in such activity. The proposed rule would require the examination schedule and an explanation of the factors considered in determining the frequency of the examinations in

⁹ Proposed Rule 4.24(e) is modeled after PHLX Rule 748(h) and NASD Rule 3010(b)(1), (3) and (4).

the cycle to be set forth in the Trading Permit Holder's written supervisory procedures. When establishing the inspection cycle, the Trading Permit Holder would be required to consider the nature and complexity of the securities activities for which the office or location is responsible, the volume of business done, and the number of associated persons at each office or location. For each inspection, the Trading Permit Holder would be required to retain a written record of the dates upon which each inspection is conducted, the participants involved, and the results thereof.¹⁰

Thorough compliance and supervisory systems are key to effective securities regulation and investor protection. Therefore, it is essential that Trading Permit Holders put adequate emphasis on the importance of compliance throughout the firm. To promote regular discussion and review of its supervisory system, proposed Rule 4.24(g) would require each Trading Permit Holder to conduct an annual review and submit to the Exchange on an annual basis a written report on the Trading Permit Holder's supervisory system.

Paragraph (g)(1) of proposed Rule 4.24 would require that each Trading Permit Holder conduct annual meetings or interviews with all associated persons to discuss compliance matters relevant to the activities of associated persons. A written record of the dates the meetings or interviews were held, who was present at each meeting or interview, and the results thereof would be required to be maintained by the Trading Permit Holder.¹¹

Proposed Rule 4.24(g)(2) would require Trading Permit Holders to prepare a written report on the firm's supervision and compliance efforts during the preceding year

¹⁰ Proposed Rule 4.24(f) is modeled after PHLX Rule 748(g) and NASD Rules 3010(c)(1)(B) and (c)(3).

¹¹ Proposed Rule 4.24(g)(1) is modeled after PHLX Rule 748(e)(1).

and on the adequacy of the firm's ongoing compliance processes and procedures. Trading Permit Holders would be required to submit such report to the Exchange by April 1 of each year. The proposed Rule would require that the report include four elements: (1) a tabulation of customer complaints (including arbitrations and civil actions) and internal investigations, if any; (2) identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the proceeding year's efforts of this nature; (3) discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in the areas of antifraud and trading practices, books and records, finance and operations, supervision, internal controls, and anti-money laundering; and (4) a certification signed by the Trading Permit Holder's Chief Executive Officer ("CEO") or equivalent officer.¹²

The certification signed by the Trading Permit Holder's CEO (or equivalent officer) would be required to include four components. The first component relates to requirements found in paragraph (e) of the proposed rule.¹³ The CEO (or equivalent officer) would be required to certify that the Trading Permit Holder has in place processes to: (1) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange rules and federal securities laws and regulations; (2) modify such policies and procedures as business, regulatory and legislative changes and events dictate; and (3) test the effectiveness of such policies and procedures on a periodic basis.¹⁴

It is the intention of the following three components of the certification to foster regular and significant interaction between senior management and the Chief Compliance

¹² Proposed Rule 4.24(g)(2) is modeled after CBOE Rule 9.8(g)(1) – (5).

¹³ See Proposed Rule 4.24(g)(2)(D)(i)

¹⁴ Proposed Rule 4.24(g)(2)(D)(i) is modeled after FINRA Rule 3130(c)(1) and CBOE Rule 9.8(g)(5)(i).

Officer (“CCO”) regarding the Trading Permit Holder’s comprehensive compliance program. The second component would require the CEO (or equivalent officer) to certify that he or she conducted one or more meetings with the firm’s CCO during the preceding 12 months in which they discussed and reviewed the matters described in the certification, including the Trading Permit Holder’s prior compliance efforts.¹⁵ The CEO (or equivalent officer) and CCO would also be required to identify and address any significant compliance problems or plans for emerging business areas.¹⁶

The third component of the certification would require the CEO (or equivalent officer) to certify that he or she reviewed a report evidencing the processes covered in the first component of the certification.¹⁷ This report would also be reviewed by the CCO and such other officers as the Trading Permit Holder deems necessary in order for the CEO to make the required certification. Further, the CEO would be required to certify that the report was submitted to the Trading Permit Holder’s board of directors or audit committee (or equivalent bodies) by April 1st of each year. This requirement to provide the report to the board of directors or audit committee (or equivalent bodies) would not apply to Trading Permit Holders that do not utilize these types of governing bodies in the conduct of their business. Trading Permit Holders would be required to have the report reviewed by any governing body or committee that serves a similar function in lieu of a board of directors or audit committee.¹⁸

The fourth and final component of the certification¹⁹ would require the CEO (or equivalent officer) to certify that he or she consulted with the CCO and other officers

¹⁵ See Proposed Rule 4.24(g)(2)(D)(ii)

¹⁶ Proposed Rule 4.24(g)(2)(D)(ii) is modeled after FINRA Rule 3130(c)(2) and CBOE Rule 9.8(g)(5)(ii).

¹⁷ See Proposed Rule 4.24(g)(2)(D)(iii)

¹⁸ Proposed Rule 4.24(g)(2)(D)(iii) is modeled after FINRA Rule 3130(c)(3) and CBOE Rule 9.8(g)(5)(iii).

¹⁹ See Proposed Rule 4.24(g)(2)(D)(iv)

referenced in proposed Rule 4.24(g)(2)(D)(iii) and other such employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in the certification.²⁰

Finally, proposed paragraph (g)(3) would deem any Trading Permit Holder to have met the requirements of proposed Rules 4.24(g)(1) and (2) if the Trading Permit Holder specifically includes its options compliance program within an annual compliance review and written report that complies with substantially similar requirements of the Financial Industry Regulatory Authority or any other self-regulatory organization.²¹ In that case, the Trading Permit Holder would still be required to submit a copy of such written report to the Exchange by April 1 of each year.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²³ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

Compliance with applicable Exchange rules and federal securities laws is the bedrock of ensuring investor protection and market integrity. Therefore it is critical that Trading Permit Holders employ comprehensive and effective compliance policies and

²⁰ Proposed Rule 4.24(g)(2)(D)(iv) is modeled after FINRA Rule 3130(c)(4) and CBOE Rule 9.8(g)(5)(iv).

²¹ Proposed Rule 4.24(g)(3) is modeled after CBOE Rule 9.8(g)(5).

²² 15 U.S.C. 78f(b).

²³ 15 U.S.C. 78f(b)(5).

procedures. The Exchange believes the proposed rule change would help promote just and equitable principles of trade and protect investors and the public interest by upgrading and strengthening the Exchange's rules pertaining to supervisory obligations of its Trading Permit Holders.

Trading Permit Holders are on the front line of defense against fraudulent and manipulative acts and practices. Trading Permit Holders are in the unique position to identify potential rule violations or other inappropriate activity and correct it before intervention by the exchanges or the Commission. The Exchange believes a comprehensive supervision rule such as proposed Rule 4.24 should help to prevent fraudulent and manipulative acts and practices consistent with Section 6(b)(5) of the Act.

The Exchange believes that the proposed rule change should strengthen the Exchange's ability to examine Trading Permit Holders for compliance with supervisory requirements by compelling that written supervisory procedures be maintained. Written supervisory procedures should provide Trading Permit Holders and their supervisory personnel with a clear understanding of their supervisory responsibilities thus helping to ensure that those responsibilities are carried out effectively and efficiently. The Exchange believes the proposal to require inspections of offices or other locations of Trading Permit Holders would help strengthen the ability of Trading Permit Holders to carry out their compliance and surveillance functions. By requiring written supervisory procedures and inspections that are reasonably designed to prevent and detect violations of applicable securities laws and regulations, as well as Exchange rules, the proposed rule would help to ensure that Trading Permit Holders have the necessary processes in place to identify potential rule violations or inappropriate activity.

Furthermore, the Exchange believes the proposed requirements for an annual certification and written report would enhance focus on a Trading Permit Holder's compliance and supervision systems by promoting a dialogue throughout the Trading Permit Holder of its compliance efforts and procedures, thereby decreasing the likelihood of fraudulent and manipulative acts and practices and increasing investor protection.

Lastly, the Exchange believes the proposed rule change furthers the objectives of Section 6(b)(1)²⁴ of the Act in that requiring comprehensive supervision by Trading Permit Holders and their associated persons of their activities should promote the Exchange's ability to enforce compliance by Trading Permit Holders and their associated persons with the Act and the regulations thereunder.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change would upgrade and strengthen the Exchange's rules pertaining to supervisory obligations of its Trading Permit Holders. As noted below, the proposed rule change is based on similar rules of other SROs.

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

The Exchange neither solicited nor received comments on the proposed rule change.

²⁴ 15 U.S.C. 78(f)(b)(1).

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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange 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-2013-126 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2013-126. 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, D.C. 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-2013-126 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Secretary

²⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5 TO SR-CBOE-2013-126

(The entire rule is new.)

**Chicago Board Options Exchange, Incorporated
Rules**

Chapter IV – Business Conduct

Rule 4.24 Supervision

(a) General

Each office, location, department, business activity, trading system, and internal surveillance system of a Trading Permit Holder shall be under the supervision and control of the Trading Permit Holder establishing it and of an appropriately qualified supervisor, as described in paragraph (c) below.

Each Trading Permit Holder and associated persons of a Trading Permit Holder shall be under the supervision and control of an appropriately qualified supervisor, as described in paragraph (c) below.

(b) Designation of Supervisor by Trading Permit Holder

The general partners or directors of each Trading Permit Holder shall provide for appropriate supervisory control and shall designate a general partner or principal executive officer to assume overall authority and responsibility for internal supervision and control of the organization and compliance with applicable securities laws and regulations, and with applicable Exchange rules. The person designated shall:

- (1) Delegate to qualified principals responsibility and authority for supervision and control of each office, location, department, business activity, trading system, and internal surveillance system and provide for appropriate written procedures of supervision and control; and
- (2) Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

(c) Qualification of Supervisor

Each Trading Permit Holder must make reasonable efforts to determine that each person with supervisory control, as described in paragraphs (a) and (b) above, is qualified by virtue of experience or training to carry out his or her assigned responsibilities. Persons with supervisory control must meet the Exchange's qualification requirements for supervisors, including completion of the appropriate examination(s).

(d) Standards of Supervision

Each person with supervisory control as described in paragraphs (a) and (b) above, shall reasonably discharge his or her duties and obligations in connection with such supervision and control in order to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules.

(e) Written Supervisory Procedures

Each Trading Permit Holder shall establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business in which the Trading Permit Holder engages and to supervise the activities of all associated persons. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules.

The written supervisory procedures shall set forth the supervisory system established by the Trading Permit Holder pursuant to this rule. Each Trading Permit Holder shall keep a record of the name, title, registration status, and location of all supervisory personnel required by this rule, the dates for which supervisory designations were or are effective, and the responsibilities of the supervisory personnel as these relate to the types of business the Trading Permit Holder engages in, and applicable securities laws and regulations, including applicable Exchange rules. This record must be preserved for a period of not less than three years, the first two in an easily accessible place.

A copy of the written supervisory procedures shall be kept and maintained at each location where supervisory activities are conducted on behalf of the Trading Permit Holder. Each Trading Permit Holder shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations, Exchange rules, and as any changes occur in supervisory personnel or supervisory procedures. Each Trading Permit Holder shall be responsible for communicating such changes through its organization within a reasonable time.

(f) Office Inspections

Each Trading Permit Holder shall inspect every office or location of the Trading Permit Holder at least once every three calendar years. An inspection may not be conducted by any person within that office or location who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such person(s). In establishing the inspection cycle, the Trading Permit Holder shall give consideration to the nature and complexity of the securities activities for which the office or location is responsible, the volume of business done, and the number of associated persons at each office or location. The examination schedule and an explanation of the factors considered in determining the frequency of the examinations in the cycle shall be set forth in the Trading Permit Holder's written supervisory procedures.

Such inspection shall be reasonably designed to assist in preventing and detecting violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable Exchange rules.

Each Trading Permit Holder shall retain a written record of the dates upon which each inspection is conducted, the participants in the inspection, and the results thereof.

(g) Annual Review and Written Report

(1) At least annually, each Trading Permit Holder shall conduct an interview or meeting with all associated persons, at which compliance matters relevant to the activities of the associated person are discussed. Each Trading Permit Holder shall retain a written record of the dates upon which each interview or meeting occurred, the participants in the interview or meeting, and the results thereof; and

(2) By April 1 of each year, each Trading Permit Holder shall submit to the Exchange a written report on the Trading Permit Holder's supervision and compliance effort during the preceding year and on the adequacy of the Trading Permit Holder's ongoing compliance processes and procedures. The report shall include, but not be limited to, the following:

(A) A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations, if any.

(B) Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the proceeding year's efforts of this nature.

(C) Discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in each of the following areas: (1) antifraud and trading practices; (2) books and records; (3) finance and operations; (4) supervision; (5) internal controls; and (6) anti-money laundering. If any of these do not apply to the Trading Permit Holder, the report shall so state.

(D) A certification signed by the Trading Permit Holder's Chief Executive Officer (or equivalent officer) that:

(i) The Trading Permit Holder has in place processes to:

(1) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,

(2) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and

(3) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

(ii) The Chief Executive Officer (or equivalent officer) conducted one or more meetings with the Trading Permit Holder's Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the Trading Permit Holder's prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

(iii) The processes described in paragraph (g)(2)(D)(i) of this Rule are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the Trading Permit Holder may deem necessary to make this certification, and submitted to the Trading Permit Holder's board of directors or audit committee (or equivalent bodies) on or before April 1st of each year.

(iv) The Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(2)(D)(iii) of this Rule and other such employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

(3) A Trading Permit Holder that specifically includes its options compliance program within an annual compliance review and written report that complies with substantially similar requirements of the Financial Industry Regulatory Authority or any other self-regulatory organization will be deemed to have met the requirements of this Rule 4.24(g), however the Trading Permit Holder must submit a copy of such written report to the Exchange by April 1 of each year.

(additions are underlined; deletions are [bracketed])

Chicago Board Options Exchange, Incorporated

Rules

Chapters L-LIV

Appendix A - Applicability of Rules of the Exchange

**Existing
Rule**

Supplemented by

4.23	Unbundling of Orders to Maximize Rebates of Fees
<u>4.24</u>	<u>Supervision</u>
5.1	Designation of Securities
