

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Elizabeth M. Murphy,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63762; File No. SR-CBOE-2010-109]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Notice of Proposed Rule Change Regarding Rule 4.20—Anti-Money Laundering Compliance Program

January 25, 2011.

#### I. Introduction

On December 2, 2010, the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend CBOE Rule 4.20 to require all Trading Permit Holders or TPH organizations to conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization. The proposed rule change was published for comment in the **Federal Register** on December 22, 2010.<sup>3</sup> The Commission did not receive any comments on the proposal. This order approves the proposed change.

#### II. Background

CBOE proposed to amend CBOE Rule 4.20, *Anti-Money Laundering Compliance Program*, to require all Trading Permit Holders or TPH organizations to conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization. CBOE Rule 4.20 generally requires annual (on a calendar-year basis) independent testing for compliance. However, if the Trading Permit Holder or TPH organization does not execute transactions for customers or otherwise hold customer accounts, or does not act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other

broker-dealers), such “independent testing” is required every two years (on a calendar-year basis). The Exchange believes that it is prudent to amend this rule to require that all Trading Permit Holders or TPH organizations conduct testing during the first calendar year of the Trading Permit Holder’s or TPH organization’s existence to ensure anti-money laundering compliance is in place and established at the outset of the Trading Permit Holder’s or TPH organization’s existence, even if they would thereafter conduct such testing every two years.

CBOE Interpretations and Policies .01 continues to provide that all Trading Permit Holders should undertake more frequent testing than required by Rule 4.20 if circumstances warrant (e.g., should the business mix of the Trading Permit Holder or TPH organization materially change, in the event of a merger or acquisition, in light of a systemic weakness uncovered via testing of the anti-money laundering program, or in response to any other “red flags”).<sup>4</sup>

As explained in the Notice, the Exchange believes that the proposed rule change is consistent with Section 6(b)<sup>5</sup> of the Act and the rules and regulations thereunder, in general, and furthers the objectives of Section 6(b)(5),<sup>6</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest.

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

#### III. Discussion of Comment Letters

The Commission did not receive any comment letters regarding the proposed rule change.

#### IV. Commission Findings

The Commission has carefully reviewed the proposed rule change and finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national

securities association.<sup>7</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5), of the Act,<sup>8</sup> which, among other things, requires that CBOE rules 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.

#### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> that the proposed rule change (SR-CBOE-2010-109), be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Elizabeth M. Murphy,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63763; File No. SR-CBOE-2011-005]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Short Sell Order Handling

January 25, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 14, 2011, the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Exchange has designated the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to

<sup>7</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 15 U.S.C. 78s(b)(2).

<sup>10</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>15</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities and Exchange Act Release No. 63559 (December 16, 2010), 75 FR 80560 (December 22, 2010) (“Notice”).

<sup>4</sup> See Securities Exchange Act Release No. 57044 (December 27, 2007), 73 FR 2 (January 3, 2008) (SR-CBOE-2007-130).

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).