SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67600; File No. SR-CBOE-2012-071)

August 6, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule Change to Increase the Maximum Term for LEAPS to Fifteen Years

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 July 24, 2012, 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 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

CBOE proposes to amend Rules 5.8, 23.5(b) and 24.9(b) to increase the maximum term for Long-Term Equity Options Series ("LEAPS") to fifteen years. The text of the proposed rule change is available on the Exchange's Web site (http://www.cboe.org/legal), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

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

1. Purpose

Long-term equity and index option series (LEAPS) are similar to standard options but have maturities that may expire from 3 to 5 years, respectively, post initial listing. The purpose of the proposed rule change is to increase the maximum term for all LEAPS. Currently, the maximum term for equity and interest rate LEAPS is 36 months and the maximum term for index LEAPS is 60 months.

Specifically, CBOE is proposing to increase the maximum term for all LEAPS to 180 months (fifteen years). CBOE has received numerous requests from market participants that currently enter into over-the-counter ("OTC") positions that have longer dated expirations than are currently available on CBOE. CBOE would like to accommodate requests to list LEAPS with longer dated expirations, but is currently unable to do so because of the existing term limitations set forth in CBOE's rules. Similar fifteen year maximum terms exist for FLEX Options.[3]

CBOE believes that expanding the eligible term for all LEAPS to 180 months is important and necessary to CBOE's efforts to offer products in an exchange-traded environment that compete with OTC products. CBOE believes that LEAPS provide market participants and investors with a competitive comparable alternative to the OTC market in long-term options, which can take on contract characteristics similar to LEAPS but are not subject to the same maximum term restriction. By expanding the eligible term for LEAPS, market participants will now have greater flexibility in determining whether to execute their long-term options in an

[3] See Securities Exchange Act Release No. 58890 (October 30, 2008), 73 FR 66085 (November 6, 2008) (SR-CBOE-2008-98) (notice of filing and immediate effectiveness of proposed rule change to increase the maximum term of flex options) and CBOE Rules 24A.4(a)(4)(i) [sic] 24B.4(a)(5)(i).

exchange environment or in the OTC market. CBOE believes that market participants can benefit from being able to trade these long-term options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of The Options Clearing Corporation ("OCC") as issuer and guarantor of LEAPS.

The Exchange has confirmed with the OCC that OCC can configure its systems to support LEAPS that have a maximum term of fifteen years (180 months).

Finally, the Exchange is making technical, non-substantive changes to Rules 5.8 and 24.9 to delete "®" symbols.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act[4] and the rules and regulations under the Act applicable to national securities exchanges and, in particular, the requirements of Section 6(b) of the Act.[5] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[6] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to promote just and equitable principles of trade in that the availability of LEAPS with longer dated expirations will

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4 15 U.S.C. 78s(b)(1)

5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

give market participants an alternative to trading similar products in the OTC market. By trading a product in an exchange traded environment (that is currently being used in the OTC market) will also enable the Exchange to compete more effectively with the OTC market.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it will hopefully lead to the migration of options currently trading in the OTC market to trading to the Exchange. Also, any migration to the Exchange from the OTC market will result in increased market transparency.

Additionally, the Exchange believes that the proposed rule change is designed to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest in that it should create greater trading and hedging opportunities and flexibility. The proposed rule change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of LEAPS. Further, the proposal will result in increased competition by permitting the Exchange to offer products that are currently used in the OTC market.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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.

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

No written comments were solicited or received with respect to the proposed rule change.

III. <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2012-071 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2012-071. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2012-071 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.[7]

Kevin M. O'Neill
Deputy Secretary

[7] 17 CFR 200.30-3(a)(12).