SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68074; File No. SR-CBOE-2012-092)

October 19, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Weekly Program

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 October 10, 2012, the 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 and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] 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 modify its Short Term Option Series Program ("Weekly options") to allow CBOE to initiate strike prices in more granular intervals for Weekly options in the same manner as two other option exchanges.[5] CBOE also proposes to permit, during the expiration

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

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(iii).

4 17 CFR 240.19b-4(f)(6).

5 Weekly options are series in an options class that are approved for listing and trading on the Exchange in which the series are opened for trading on any Thursday or Friday that is a business day and that expire on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively. See CBOE Rules 5.5(d) and 24.9(a)(2)(A).

week of a non-Weekly option, a non-Weekly option on a class that is selected to participate in the Weekly Program to have the same strike price interval setting parameters as Weekly options. 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.

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.

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

1. Purpose

The purpose of this proposed rule change is amend CBOE's Rules 5.5 and 24.9 to amend the strike price interval setting parameters for Short Term Option Series ("Weekly options") and to permit, during the expiration week of a non-Weekly option, a non-Weekly option on a class that is selected to participate in the Weekly Program to have the same strike price interval setting parameters as Weekly options.

This is a competitive filing that is based on two recently approved filings submitted by the International Securities Exchange, LLC ("ISE") and NASDAQ OMX PHLX, LLC ("Phlx").[6] The ISE and Phlx filings both made changes to the strike price interval setting parameter rules

6 See Securities Exchange Act Release Nos. 67754 (August 29, 2012), 77 FR 54629 (September 5, 20120) (order approving SR-ISE-2012-33) ("ISE filing") and 67753 (August 29, 2012) 77 FR 54635 (September 5, 2012) (order approving SR-Phlx-2012-78) ("Phlx filing").

for their respective Weekly Programs. Weekly options are not listed to expire during the same week as non-Weekly options. As a result, both ISE and Phlx amended their rules to permit non-Weekly options on classes that participate in the Weeklys Program to have the same strike price interval setting parameters as Weekly options during the week that non-Weekly options expire.

ISE and Phlx also both amended the strike price interval setting parameters for their Weekly Programs, but the revisions to their respective rules differ. Specifically, ISE permits $0.50 strike price intervals for Weekly options for option classes that trade in one dollar increments and are in the Weekly Program.[7] Phlx permits $0.50 strike price intervals when the strike price is below $75, and $1 strike price intervals when the strike price is between $75 and $150. Phlx also provides that related non-Weekly option series may be opened during the week prior to expiration week pursuant to the same strike price interval parameters that exist for Weekly options. Thus a related non-Weekly option may be opened in Weekly option strike price intervals on a Thursday or a Friday that is a business day before the non-Weekly option expiration week.[8] If the Exchange is not open for business on the respective Thursday or Friday, however, the non-Weekly option may be opened in Weekly option intervals on the first business day immediately prior to that respective Thursday or Friday.[9]

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7 The permissible $0.50 strike price intervals may only be opened on the Weekly option Opening Date that expire on the Weekly option Expiration date and no additional series, including additional series of the related non-Weekly option, may be opened during expiration week in classes that are listed pursuant to the newly amended ISE rules.

8 This opening timing is consistent with the principle that CBOE may add new series of options until five business days prior to expiration. See CBOE Rules 5.5.04 and 24.9.01(c).

9 The Weekly option opening process is set forth in CBOE Rules 5.5(d) and 24.9(a)(2)(A): After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on the Friday of the following business week that is a business day ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the

CBOE highlighted the differences between the two filings during the notice and comment period and submitted a comment letter on that subject.[10] CBOE is proposing to adopt both of the strike price interval setting parameters that are currently in effect for both ISE and Phlx in order to remain competitive. CBOE notes that while it believes that there is substantial overlap between the two strike price interval setting parameters, the Exchange believes there are gaps that would enable Phlx to initiate a series that ISE would not be able to initiate and vice versa.[11] Since uniformity is not required for the Weekly Programs that have been adopted by the various options exchanges, CBOE proposes to revise its strike price intervals setting parameters so that it has the ability to initiate strike prices in the same manner (i.e., intervals) as both ISE and Phlx. Accordingly, CBOE proposes to adopt both the ISE rule text language and the Phlx rule text language that the SEC recently approved.

Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.

10 A copy of CBOE's comment letter may be accessed at: http://sec.gov/comments/sr-phlx-2012-78/phlx201278-1.pdf. For example, in the comment letter CBOE noted its belief that the Phlx strike price interval setting parameters were broader since they applied to all classes that participate in the Weekly Program where the ISE proposal provided increased granularity only to those classes in which $1 strike price intervals are currently permitted.

11 The Exchange is making a distinction between initiating series and cloning series. The Exchange and the majority, if not all, of the other options exchanges that have adopted a Weekly Program have a similar rule that permits the listing of series that are opened by other exchanges. See Rule 5.5(d)(1) and 24.9(A)(2)(A)(i). This filing is concerned with the ability to initiate series.

For example, if a class is selected to participate in the Weekly Program and non-Weekly options on that class do not trade in dollar increments, CBOE believes that Phlx would be permitted to initiate $0.50 strikes on that class and ISE would not. Similarly, the strike price interval for exchange-traded fund ("ETF") options is generally $1 or greater where the strike price is $200 or less. If, an ETF class is selected to participate in the Weekly Program, CBOE believes that ISE would be permitted to initiate $0.50 strike price intervals where the strike price is between $151 and $200, but Phlx would not be.

In support of this proposal, CBOE states that the principal reason for the proposed expansion is in response to market and customer demand to list actively traded products in more granular strike price intervals and to provide CBOE Trading Permit Holders ("TPHs") and their customers increased trading opportunities in the Weekly Program. There are substantial benefits to market participants in the ability to trade eligible option classes at more granular strike price intervals. Furthermore, CBOE supports the objective of responding to customer demand for harmonized listing between Weekly and non-Weekly options and the availability of more granular strike price intervals.

The Exchange notes that the Weekly Program has been well-received by market participants, in particular by retail investors. The Exchange believes that the current proposed revisions to the Weekly Program will permit the Exchange to meet increased customer demand for more granular strike prices and the harmonization between of strike prices between Weekly and non-Weekly options on the same classes.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the Weekly Program. The Exchange believes that its TPHs will not a capacity issue as a result of this proposal. CBOE represents that it will monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange's automated systems.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder, including the requirements of Section 6(b) of the Act.[12] In particular, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[13] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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 giving the Exchange the ability to initiate strike prices in $0.50 and $1 intervals (as provided for in the proposed rule text) for Weekly options is reasonable because it will benefit investors by providing them with the flexibility to more closely tailor their investment and hedging decisions. The Exchange also believes that it is reasonable to harmonize strike prices between Weekly options and non-Weekly options during expiration week for non-Weekly options because doing so will ensure conformity between Weekly and non-Weekly options that are on the same class. While the proposed rule change may generate additional quote traffic, the Exchange does not believe that any increased traffic will become unmanageable since the proposal remains limited to a fixed number of classes. The Exchange also believes that the proposed rule change will ensure competition because CBOE will be put in a position to initiate series in the same strike intervals as ISE and Phlx are currently able to do.

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to recently

[12] 15 U.S.C. 78f(b).

[13] 15 U.S.C. 78f(b)(5).

approved ISE and Phlx filings. CBOE believes this proposed rule change is necessary to permit fair competition among the options exchanges.

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

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

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[14] and Rule 19b-4(f)(6) thereunder.[15]

The Exchange asked the Commission to waive the 30-day operative delay period for non-controversial proposed rule changes to allow the proposed rule change to be operative upon filing.[16]

The Commission believes it is consistent with the public interest to waive the 30-day operative delay. Waiver of the operative delay will allow CBOE to initiate strikes prices in more granular intervals for Weekly options in the same manner as ISE and Phlx, and permit, during

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14 15 U.S.C. 78s(b)(3)(A).

15 17 CFR 240.19b-4(f)(6).

16 As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

the expiration week of a non-Weekly option, a non-Weekly option on a class that is selected to participate in the Weekly Program to have the strike price interval setting parameters as Weekly options. In sum, the proposed rule change presents no novel issues, and waiver will allow the Exchange to remain competitive with other exchanges. Therefore, the Commission grants such waiver and designates the proposal operative upon filing.[17]

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2012-092 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.

17 For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-CBOE-2012-092. 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 such filing also will be available for inspection and copying at the principal office of CBOE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2012-092 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.[18]

Kevin M. O'Neill
Deputy Secretary

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[18] 17 C.F.R. 200.30-3(a)(12).