



**Jennifer L. Yeadon**  
Senior Attorney &  
Assistant Secretary  
Phone: 312-786-7466  
Fax: 312-786-7919  
[yeaddon@cboe.com](mailto:yeaddon@cboe.com)

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Via Electronic Submission

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: CBOE Comment Letter re SR-ISE-2007-113, and SR-NYSEArca-2008-16

Dear Ms. Morris:

Chicago Board Options Exchange, Incorporated ("CBOE") is submitting this comment letter with respect to two filings, SR-ISE-2007-113 and SR-NYSEArca-2008-16.<sup>1</sup> These filings propose to amend the respective exchanges' rules to allow for the listing of up to seven expiration months for options on certain broad-based indexes.

CBOE does not object to the rule changes requested by the International Securities Exchange, LLC ("ISE") and NYSE Arca, Inc. ("NYSEArca") – namely, that those exchanges will be allowed to list the same number of multiply listed index options expiration months as CBOE is allowed to list. CBOE objects, however, to the reasoning advanced in support of those rule changes, because ISE and NYSEArca rely on a rationale that they copied from a CBOE rule filing even though that rationale is inapplicable to ISE and NYSEArca.

In particular, CBOE's proposed rule change justified CBOE's request to list up to seven expiration months for broad-based index options on the ground that such a change was necessary to enable CBOE to introduce the CBOE S&P 500 Three-Month Volatility Index ("VXV") and other indexes that reflect the implied volatility of an option with a constant three months to expiration.<sup>2</sup> In its proposed rule change, CBOE explained that it needed to use four consecutive

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<sup>1</sup> See Securities Exchange Act Release No. 57104 (January 4, 2008), 73 FR 2070 (January 11, 2008) (SR-ISE-2007-113); see also SR-NYSEArca-2008-16.

<sup>2</sup> See Securities Exchange Act Release No. 56821 (November 20, 2007), 72 FR 66210 (November 27, 2007) (SR-CBOE-2007-82).

expiration months in order to calculate such a constant three-month volatility index and further explained that the use of four consecutive expiration months required that CBOE list up to seven expiration months for options on the underlying index.

ISE and NYSEArca relied on that same rationale even though it is inapplicable to them. Neither exchange calculates volatility indexes using the broad-based index options for which they now seek to add additional series. Moreover, neither exchange needs to trade additional expiration months in order to facilitate the calculation of CBOE volatility indexes – even though that is the purported rationale offered by ISE and NYSEArca.<sup>3</sup> Instead, in calculating its volatility indexes on multiply listed options (i.e., NDX and RUT), CBOE uses CBOE's option prices to calculate the settlement values of those volatility indexes – not prices of options traded on ISE or NYSEArca. The addition of a seventh month for NDX and RUT by ISE and NYSEArca (if CBOE in the future calculates a three-month VXN and RVX) would be wholly irrelevant to the calculation of CBOE's volatility indexes.

CBOE reiterates that it does not oppose the rule changes that ISE and NYSEArca seek – namely, that they seek the right to trade the same number of expiration months on multiply traded options that CBOE trades. CBOE does object, however, to the reliance by ISE and NYSEArca on a rationale that, on its face, can apply only to CBOE and cannot apply to either of those other exchanges.

CBOE appreciates the opportunity to provide these comments. Should you require any further information, please do not hesitate to contact the undersigned.

Sincerely,



Jennifer L. Yeadon

cc: Joanne Moffic-Silver  
Jordan Newmark

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<sup>3</sup> CBOE calculates four different, 30-day volatility indexes: CBOE Volatility Index ("VIX"), CBOE Nasdaq-100 Volatility Index ("VXN"), CBOE Russell 2000 Volatility Index ("RVX"), and CBOE DJIA Volatility Index ("DJX"). However, CBOE currently calculates only one three-month volatility index, the VXV, based on SPX options. Therefore, only SPX options are eligible for the addition of a seventh contract month in order to maintain four consecutive near term contract months and three quarterly cycle contract months. Conversely, RUT and NDX options are currently ineligible for the addition of a seventh contract month.