CBOE

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Via Electronic Mail
Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090
comments@sec.gov

Re: Comment Letter on File No. SR-ISE-2012-33

Dear Ms. Murphy:

Chicago Board Options Exchange, Incorporated ("CBOE") hereby submits comments on File No. SR-ISE-2012-33 submitted by International Securities Exchange, LLC ("ISE").[1] In the filing, ISE proposes to amend rules governing its Short Term Options Program ("Weekly options") by: (1) permitting strike price intervals to be added for standard options (i.e., monthly expirations that expire on the Saturday following the third Friday) during the week they expire that match existing strike price intervals for Weekly options on the same class; and (2) permitting $0.50 strike price intervals for Weekly options on classes in which $1 price intervals are permitted for standard options.

Overall, CBOE supports the objective of the filing, which responds to investor demand for harmonized listing between Weekly and standard options and the availability of more granular strike price intervals. CBOE has an interest in the ISE filing because CBOE has adopted and administers its own Weekly options program and would expect to make similar changes to its Weekly options program if SR-ISE-2012-33 is approved. However, as is described in more detail below, CBOE believes that clarification of how the proposed amendment will be implemented in connection with other strike price setting parameters is needed.

CBOE and ISE have identical rules that govern the timing of when new series may be added for standard options on equities and indexes, which ISE does not propose to amend and which follow below.

- New series of options on an individual stock may be added until the beginning of the month in which the option contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add new series of options on an individual stock until five business days prior to expiration.[2]
- New series of index options may be added up to the fifth business day prior to expiration.[3]

[1] See Securities Exchange Act Release No. 67083 May 31, 2012), 77 FR 33543 (June 6, 2012) (noticing SR-ISE-2012-33).

[2] See CBOE Rule 5.5.04 and ISE Rule 504(f).

[3] See CBOE 24.9.01(c) and ISE Rule 2009(c)(2).

As explained in the ISE filing, Weekly option series may be opened for trading on Thursdays or Fridays to expire the following Friday. In describing how the cloning of strike price intervals for standard options would be accomplished, ISE states:

> The Exchange notes that in conformance with ISE Rules, the Exchange shall not list $0.50 strike price intervals on [standard] options within five (5) days of expiration. For example, if a [standard option] in an options class is set to expire on Friday, March 16, the Exchange could begin to trade the $0.50 strike price intervals surrounding that [standard option] on Monday, March 12, but no later.[4]

CBOE questions the example provided in the ISE filing since the technical expiration date for standard options is the Saturday following the third Friday of the month; however, ISE describes the expiration date for standard options as Friday. In addition, the current practice among the exchanges for adding series around expiration for standard options is as follows: (1) the last day for "next-day series adds" is the penultimate Thursday prior to monthly expiration; and (2) the last day for "same-day series adds" is the penultimate Friday prior to monthly expiration. Since CBOE and several of the exchanges have similar Weekly option programs and need to know how this rule provision will be implemented, CBOE believes that the proposed rule text should clarify which, if any, day(s) during the week of expiration for standard options "cloned series" may be added.

In addition, CBOE generally supports the increased granularity to strike price setting the ISE filing proposes to make to the Weeklys program. CBOE believes, however, that the increased granularity may lead to an increased demand in the number of series per Weekly class that will exceed the current maximum of 30 series per class. While most exchanges that have adopted a Weekly options program also have provisions that provide for reciprocal listing of series, CBOE believes that most exchanges may exhaust their initial and additional series limits quickly, which could prevent the ability to respond to significant market swings (i.e., listing new series). CBOE raises this issue for the Commission's consideration since a rule filing to increase the number of series per Weeklys class is a foreseeable result if this provision of the ISE filing is approved.

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

Sincerely,

Jenny L. Klebes

Jenny L. Klebes

cc: Heather Seidel (SEC)
Richard Holley (SEC)

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[4] See 77 FR at 33545.