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-Phlx-2012-78

Dear Ms. Murphy:

Chicago Board Options Exchange, Incorporated ("CBOE") hereby submits comments on File No. SR-Phlx-2012-78 submitted by NASDAQ OMX PHLX, LLC ("Phlx").[1] In the filing, Phlx proposes to amend rules governing its Short Term Options ("Weekly options") Program.

Overall, CBOE supports the objective of the filing, which responds to investor demand for harmonized listing between Weekly and standard options (i.e., monthly expirations that expire on the Saturday following the third Friday) and the availability of more granular strike price intervals. CBOE has an interest in the Phlx 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-Phlx-2012-78 is approved. However, as is described in more detail below, CBOE believes that some clarification is needed regarding Phlx's proposed new strike price interval setting parameters for Weekly options.

CBOE and Phlx have identical rules that require the strike price intervals for Weekly options to "be the same as the strike prices for series in that same (index) option class that expires in accordance with the normal monthly expiration cycle.[2]" Phlx proposes to establish new strike price interval setting parameters for Weekly options that would permit:

- $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.

In addition, because Weekly options are not listed to expire during the same week as standard options, Phlx proposes to permit standard options (on classes that are in the Weeklys program) to have the

[1] See Securities Exchange Act Release No. 67446 (July 16, 2012), 77 FR 42780 (July 20, 2012) (noticing SR-Phlx-2012-78). As noted in the Phlx notice release, International Securities Exchange, LLC ("ISE") has proposed similar but not identical modifications to its Weekly options program (referred to as the "ISE filing).
[2] See CBOE Rules 5.5(d)(5) and 24.9(a)(2)(A)(v) and Phlx Rules 1012.11(e) and 1101A.(b)(vi)(E).

same strike price interval setting parameters as Weekly options.[3] Phlx explains that new series in standard options may be opened in Weekly option strike price intervals on Thursday or Friday of the week prior to standard option expiration.[4]

CBOE supports this proposed change, while noting 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). Also, Phlx does not address whether the 30 series limitation per class for Weekly options would apply to standard options when Weekly option strike price intervals are permitted to be added. If such limitation applies, an existing standard options class may already have 30 series and therefore no additional series could be added. Further, if such limitation applies and an existing standard options class has more than 30 series, would series need to be deleted to reduce the amount of series to 30? CBOE raises these issues for the Commission's consideration since CBOE believes some clarification is needed and because a rule filing to increase the number of series per Weeklys class is a foreseeable result if these provisions of the Phlx filing are approved.

In the similar ISE filing, ISE also proposes to amend the strike price interval setting parameters for Weekly options by permitting $0.50 strike price intervals for Weekly options on classes in which $1 strike price intervals are permitted for standard options.[5] In the Phlx notice release, the Commission solicits views from commenters on the implementation of both the Phlx and ISE strike setting provisions.[6] As the Commission is aware, several of the exchanges have adopted Weekly option programs and the provisions of those programs are (for the most part) uniform among the exchanges. CBOE believes that it would be beneficial for market participants to have uniform strike price interval setting parameters for multiply listed Weekly option series in order to avoid confusion. CBOE favors the new strike price interval setting parameters proposed by Phlx since they are broader whereas the ISE proposal provides increased granularity only to those classes in which $1 strike price intervals are currently permitted. As of July 25, 2012, 81 of the 158 classes that participate in the Weekly options program also participate in the $1 strike price interval program. Also, Weekly options on ETFs and ETNs have $1 strike price intervals (where the strike price is below $200). Since fewer classes are covered under the ISE proposal, CBOE supports the Phlx approach since it would apply to all classes in the Weekly options program.

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[3] The exercise price range limitations set forth on page 9 at paragraph (3)(g)(i) in the Options Listing Procedures Plan ("OLPP") applies to standard equity, exchange-traded fund ("ETF") and exchange-traded note ("ETN") options and the most current version of the OLPP may be accessed at: http://www.optionsclearing.com/clearing/industry-services/olpp.jsp.

[4] 77 FR at 42783.

[5] See Securities Exchange Act Release Nos. 67083 May 31, 2012), 77 FR 33543 (June 6, 2012) (noticing SR-ISE-2012-33) and No. 67447 (July 16, 2012), 77 FR 42789 (July 20, 2012) (notice of designation of longer period for Commission to take action on SR-ISE-2012-33). CBOE submitted a comment letter to SR-ISE-2012-33, a copy of which is available at: http://sec.gov/comments/sr-ise-2012-33/ise201233.shtml.

[6] 77 FR at 42784.

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

Sincerely,

Jenny Klebes-Golding

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cc: Heather Seidel (SEC)
Tina Barry (SEC)