

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-71005; File No. SR-CBOE-2013-096)

December 6, 2013

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, Relating to the Short Term Option Series Program

I. Introduction

On October 2, 2013, Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Exchange Rules 5.5(d) and 24.9(a)(2)(A) to make certain modifications to the Exchange’s Short Term Option Series Program (“Weeklys Program”). The proposed rule change was published for comment in the Federal Register on October 22, 2013.<sup>3</sup> The Commission received no comment letters on the proposal. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposal

The Exchange proposed to amend Exchange Rules 5.5(d) and 24.9(a)(2)(A) to: (i) allow for the Exchange to list options in the Weeklys Program (“Weekly options”) on each of the next five Fridays that are business days and are not Fridays in which monthly options series or quarterly options series expire (“Short Term Option Expiration Dates”) at one time; and (ii) state

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 70685 (October 15, 2013), 78 FR 62858 (“Notice”). The Commission notes that on October 15, 2013, the Exchange submitted Amendment No. 1 to the proposed rule change to make certain amendments that removed the phrase “for each series” from the proposed rule language relating to Short Term Option Expiration Dates.

that additional series of Weekly options may be listed up to, and including on, the day of expiration.

The proposed rule change would give the Exchange the ability to list a total of five Weekly options expirations at one time, not including monthly or quarterly option expirations. Currently, the Exchange's rules provide that the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") options expiring "on each of the next five consecutive Fridays that are business days."<sup>4</sup> Because a Friday expiration may coincide with an existing expiration of a monthly or quarterly series of an option in the same class as the Weekly options series, the current requirement that the Fridays be consecutive may mean that the Exchange cannot open five Short Term Option Expiration Dates because of existing monthly or quarterly expirations. The proposed rule change would allow the Exchange to open the five Weekly options expirations closest to the Short Term Option Opening Date, not including monthly or quarterly option expirations.

The proposed rule change also adds language to Rules 5.5(d) and 24.9(a)(2)(A) to state that additional series of Weekly options may be added up to, and including on, the expiration date of the series.<sup>5</sup> Currently, Exchange rules state that the Exchange "may open up to 20 initial series for each option class that participates in the Short Term Option Series Program" and "up to 10 additional series for each option class that participates in the Short Term Option Series

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<sup>4</sup> See Exchange Rules 5.5(d) and 24.9(a)(2)(A).

<sup>5</sup> The Exchange also proposed to add language stating that the proposed provisions in Rules 5.5(d)(4) and 24.9(a)(2)(A)(iv) will not contradict current provisions in CBOE Rules. More specifically, the proposed provisions would not contradict 5.5.04 and 24.9.01(c) respectively. The Exchange stated that it believes this addition will eliminate any confusion about when additional series may be added in the Weeklys Program in comparison to other Exchange listing programs.

Program.”<sup>6</sup> However, the Exchange’s rules are silent on when series may be added. Therefore, the Exchange is proposing to add language stating that additional Weekly options series may be added up to and on the day of expiration.

The Exchange asserts that the proposed revisions to the Weeklys Program will permit the Exchange to meet increased customer demand and provide market participants with the ability to hedge in a greater number of option classes and series.<sup>7</sup> In addition, the Exchange stated that it believes that, given the short lifespan of Weekly options, the ability to list new series of options intraday is appropriate.<sup>8</sup>

### III. Discussion and Commission Findings

After careful review of the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>9</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>10</sup> which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission believes that the proposed change may provide the investing public and other market participants with greater flexibility to closely

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<sup>6</sup> See Exchange Rules 5.5(d)(3), 5.5.(d)(4), 24.9(a)(2)(A)(iii), and 24.9(a)(2)(A)(iv).

<sup>7</sup> See Notice, supra note 3 at 62859.

<sup>8</sup> See id.

<sup>9</sup> In approving this proposed rule change, the Commission considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

tailor their investment and hedging decisions in a greater number of option series, thus allowing investors to better manage their risk exposure.

In approving this proposal, the Commission notes that the Exchange has represented that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the potential additional traffic associated with the Exchange’s proposed amendments to the Weeklys Program.<sup>11</sup> That Commission also notes that the Exchange represented that the Options Clearing Corporation (“OCC”) has the ability to accommodate series in the Weeklys Program added intraday.<sup>12</sup> The Commission expects the Exchange to monitor the frequency of additional series listed as a result of this proposal and record the reasons therefor, and monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect of these additional series on market fragmentation and on the capacity of the Exchange’s, OPRA’s, OCC’s, and vendors’ automated systems.

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<sup>11</sup> See Notice, supra note 3 at 62860.

<sup>12</sup> See id. at 62859, n. 10.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>13</sup> that the proposed rule change, as modified by Amendment No. 1 (SR-CBOE-2013-096), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>13</sup> 15 U.S.C. 78s(b)(2).

<sup>14</sup> 17 CFR 200.30-3(a)(12).