

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82733; File No. SR-CBOE-2018-018)

February 16, 2018

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Expand the Short Term Options Series Program to Allow Monday Expirations for SPDR S&P 500 ETF Trust Options

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 February 15, 2018, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) 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 Act³ 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

The Exchange proposes to expand the Short Term Options Series Program to allow Monday expirations for SPDR S&P 500 ETF Trust (“SPY”) options.

(additions are underlined; deletions are [bracketed])

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Cboe Exchange, Inc.
Rules

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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).

Rule 5.5. Series of Options Contracts Open for Trading

(a) – (c) (No change).

(d) Short Term Option Series Program. 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 at the close of business on each of the next five Fridays that are business days and are not Fridays on which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange may have no more than a total of five Short Term Option Expiration Dates. Monday and Wednesday SPY Expirations (described in the paragraph below) are not included as part of this count. If the Exchange is not open for business on the respective Thursday or Friday, the 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 a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.

Monday and Wednesday SPY Expirations. The Exchange may open for trading on any Friday or Monday that is a business day (“Monday SPY Expiration Opening Date”) series of options on the SPDR S&P 500 ETF Trust (“SPY”) that expire at the close of business each of the next five Mondays that are business days and are no Mondays on which Quarterly Options Series expire (“Monday SPY Expirations”), provided that any Monday SPY Expiration Opening Date that is a Friday is one business week and one business day prior to expiration. The Exchange may also open for trading on any Tuesday or Wednesday that is a business day (“Wednesday SPY Expiration Opening Date”) series of SPY options [on the SPDR S&P 500 ETF Trust (“SPY”)] that expire at the close of business on each of the next five Wednesdays that are business days and are not Wednesdays on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange may have no more than a total of five Monday SPY Expirations and no more than a total of five Wednesday SPY Expirations. Non-Monday and non-Wednesday SPY Expirations (described in the paragraph above) are not included as part of this count. If the Exchange is not open for business on the respective Friday or Monday, the Monday SPY Expiration Opening Date will be the first business day immediately prior to that respective Friday or Monday. If the Exchange is not open for business on a Monday, the expiration date for a Monday SPY Expiration will be the first business day immediately following that Monday. If the Exchange is not open for business on the respective Tuesday or Wednesday, the Wednesday SPY Expiration Opening Date will be the first business day immediately prior to that respective Tuesday or Wednesday. Similarly, if the Exchange is not open for business on a Wednesday, the expiration date for a Wednesday SPY Expiration will be the first business day immediately prior to that Wednesday.

References to “Short Term Option Series” below shall be read to include “Monday and Wednesday SPY Expirations,” except where indicated otherwise.

Regarding Short Term Option Series:

(1) (No change).

(2) No Short Term Option Series (excluding Monday and Wednesday SPY Expirations) may expire in the same week in which monthly option series on the same class

expire and, in the case of Quarterly Options Series, no Short Term Option Series may expire on an expiration that coincides with an expiration of Quarterly Option Series on the same class.

(3) – (6) (No change).

Related non-Short Term Option series shall be opened during the month prior to expiration in the same manner as permitted in Rule 5.5(d) and in the same strike price intervals that are permitted in this Rule 5.5(d)(5).

(e) No change.

. . . Interpretations and Policies:

.01 – .23 (No change).

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The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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 Exchange 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 these 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 aspects of such statements.

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

1. Purpose

The Exchange proposes to expand the Short Term Options Series Program described in Rule 5.5(d) to allow the listing and trading of SPY options with Monday expirations. This is a

competitive filing based on a filing submitted by Nasdaq PHLX LLC (“Phlx”), which the Securities and Exchange Commission (“Commission”) recently approved.⁵

Currently, under the Short Term Option Series Program, the Exchange may open for trading on Thursday or Friday that is a business day series of options on that class that expire on each of the next five Fridays, provided that such Friday is not a Friday on which monthly options series or Quarterly Options Series expire (“Short Term Option Series”). Additionally, the Exchange may open for trading on any Tuesday or Wednesday that is a business day (“Wednesday SPY Expiration Opening Date”) series of options on the SPDR S&P 500 ETF Trust (“SPY”) that expire at the close of business on each of the next five Wednesdays that are business days and are not Wednesdays on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange now proposes to amend Rule 5.5(d) to permit the listing of SPY options expiring on Mondays. Specifically, Cboe Options is proposing that it may open for trading on any Friday or Monday that is a business day (“Monday SPY Expiration Opening Date”), provided that any Monday SPY Expiration Opening Date that is a Friday is one business week and one business day prior to expiration (i.e., two Fridays prior to expiration), series of SPY options that expire on any Monday that is a business day and is not a Monday on which Quarterly Options Series expire (“Monday SPY Expirations”).

The proposed rule change also addresses the expiration of SPY Monday Expirations when the expiration Monday is not a business day. In that case, the rule provides the expiration date for a Monday SPY Expiration will be the first business day immediately following that Monday. This procedure differs from the expiration date of Wednesday SPY Expirations that are scheduled to expire on a holiday. In that case, the Wednesday SPY Expiration will expire on the first business

⁵ See Securities Exchange Act Release No. 82611, February 1, 2018 (order approving SR-Phlx-2017-103).

day immediately prior to that Wednesday, e.g., Tuesday of that week.⁶ However, the Exchange believes it is preferable to require Monday SPY Expirations in this scenario to expire on the Tuesday of that week rather than the previous business day, e.g., the previous Friday, since the Tuesday is closer in time to the scheduled expiration date of the series than the previous Friday, and therefore may be more representative of anticipated market conditions. Monday expirations are not a novel proposal. Specifically, Cboe Options is currently able to list Monday expirations for broad-based index options.⁷ Additionally, Phlx recently received Commission approval to list Monday SPY Expirations.⁸

As with Wednesday SPY Expirations, the proposed rule change states the Exchange may list up to five consecutive Monday SPY Expirations at one time, and may have no more than a total of five Monday SPY Expirations (in addition to a maximum of five Short Term Options Series expirations for SPY options expiring on Friday and five Wednesday SPY Expirations).

The Exchange proposes to clarify that the five expirations limit in the current Short Term Option Series Program would not include any Monday SPY Expirations. The five expirations limit in the current Short Term Option Series Program currently excludes any Wednesday SPY Expirations. This means, under the proposed rule change, the Exchange may list five Short Term Option Series expirations for SPY expiring on Friday, five Wednesday SPY Expirations, and five Monday SPY Expirations. The proposed rule change also notes references to “Short Term Option

⁶ See Rule 5.5(d).

⁷ See Rule 24.9(e) (describing the Exchange’s nonstandard expirations pilot program). Pursuant to the nonstandard expirations pilot program, if the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day.

⁸ See supra note 5.

Series” in Rule 5.5(d) will, with Wednesday SPY Expirations, be read to include Monday SPY Expirations, except where indicated otherwise.

The proposed rule change also amends Rule 5.5(d)(2), which addresses the listing of Short Term Option Series that expire in the same week as monthly or quarterly options series. Currently, the rule states no Short Term Option Series may expire in the same week in which monthly option series on the same class expire (with the exception of Wednesday SPY Expirations) or, in the case of Quarterly Option Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same class. As with Wednesday SPY Expirations, the Exchange proposes to permit Monday SPY Expirations to expire in the same week as monthly option series on the same class. The Exchange believes it is reasonable to extend this exemption to Monday SPY Expirations because Monday SPY Expirations and standard monthly options will not expire on the same trading day, as standard monthly options expire on Fridays. Additionally, the Exchange believes that not listing Monday SPY Expirations for one week every month because there was a monthly SPY expiration on the Friday of that week would create investor confusion.

The interval between strike prices for the proposed Monday SPY Expirations will be the same as those for the current Short Term Option Series for Wednesday and Friday SPY Expirations, which is a \$0.50 strike interval minimum.⁹

Currently, for each option class eligible for participation in the Program, the Exchange is limited to opening 30 series for each expiration date for the specific class. The 30 series restriction does not include series that are opened by other securities exchanges under their respective short

⁹ See Cboe Options Rule 5.5(d)(5)(ii) (strike price intervals for Short Term Option Series may be \$0.50 or greater for classes that trade in \$1 strike price intervals for non-Short Term Option Series). Pursuant to Cboe Options Rule 5.5.08(b), SPY options have \$1 strike price intervals for non-Short Term Option Program series.

term option rules; the Exchange may list these additional series that are listed by other exchanges.¹⁰ This 30 series restriction will apply to Monday SPY Expirations as well. In addition, the Exchange will be able to list series that are listed by other exchanges, assuming they file similar rules with the Commission to list SPY options expiring on Mondays.

As is the case with other options series listed pursuant to the Short Term Option Series, the Monday SPY Expiration series will be p.m.-settled. The Exchange does not believe that any market disruptions will be encountered with the introduction of p.m.-settled Monday expirations. The Exchange has necessary capacity and surveillance programs in place to support and properly monitor trading in the proposed Monday expiration series, including Monday SPY Expirations. The Exchange currently trades p.m.-settled Short Term Option Series that expire almost every Wednesday and Friday, which provide market participants with a tool to hedge special events and to reduce the premium cost of buying protection. The Exchange notes it has been listing Wednesday expirations since 2016. With the exception of Monday expiration series that are scheduled to expire on a holiday, the Exchange does not believe there are any material differences between Monday SPY Expirations and Wednesday or Friday SPY Expirations.

The Exchange seeks to introduce Monday SPY Expirations to, among other things, expand hedging tools available to market participants and to continue the reduction of the premium cost of buying protection. The Exchange believes Monday SPY Expirations, similar to Wednesday and Friday SPY Expirations, will allow market participants to purchase a SPY option based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

¹⁰ See Cboe Options Rule 5.5(d)(1).

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹¹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹³ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the Short Term Option Series Program has been successful to date and that Monday SPY Expirations simply expand the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur throughout the month in the same way the Short Term Option Series Program has expanded the landscape of hedging. Similarly, the Exchange believes Monday SPY Expirations should create greater trading and hedging opportunities and flexibility, and will provide customers with the ability to tailor their investment objectives more effectively. With the exception of Monday expiration series that are scheduled to expire on a holiday, the Exchange

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ Id.

does not believe there are any material differences between Monday SPY Expirations and Wednesday or Friday SPY Expirations. The Exchange has been listing Wednesday SPY Expirations pursuant to Rule 5.5(d) since 2016. The Exchange believes it is consistent with the Act to treat Monday SPY Expirations that expire on a holiday differently than Wednesday and Friday SPY Expirations, since the proposed treatment for Monday SPY Expirations will result in an expiration date that is closer in time to the scheduled expiration date of the series, and therefore may be more representative of anticipated market conditions. The Exchange uses the same procedure for broad-based index options with Monday expirations listed pursuant the Nonstandard Expirations Pilot Program that are scheduled to expire on a holiday.¹⁴

Given the similarities between Monday SPY Expirations and Wednesday and Friday SPY Expirations, the Exchange believes applying the provisions in Rule 5.5(d)(2) that currently apply to Wednesday SPY Expirations to Monday SPY Expirations is justified. For example, the Exchange believes allowing Monday SPY Expirations and monthly SPY expirations in the same week will benefit investors and minimize investor confusion by providing Monday SPY Expirations in a continuous and uniform manner. Additionally, the Exchange believes it is appropriate to not permit Monday SPY Expirations to expire on the same day as an expiration of SPY Quarterly Option Series. This is consistent with treatment of Wednesday SPY Expirations, which may currently expire in the same week as a monthly SPY expiration but may not expire on the same day as an expiration of SPY Quarterly Option Series.

The Exchange represents it has an adequate surveillance program in place to detect manipulative trading in Monday SPY Expirations in the same way it monitors trading in the

¹⁴ See Rule 24.9(e) (describing the Exchange's nonstandard expirations pilot program). Pursuant to the nonstandard expirations pilot program, if the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day.

current Short Term Option Series. The Exchange also represents it has the necessary systems capacity to support the new options series.

The proposed rule change is consistent with current Rules, pursuant to which Cboe Options currently lists Monday expirations for weekly broad-based index options.¹⁵ Additionally, the proposed rule change is consistent with rules of another options exchange, as Phlx recently received Commission approval to list Monday SPY Expirations.¹⁶

B. Self-Regulatory Organization's Statement on Burden on Competition

Cboe Options does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Having Monday expirations is not a novel proposal, as Cboe Options currently lists weekly broad-based index options with Monday expirations pursuant to the nonstandard expirations pilot program. Cboe Options does not believe the proposed rule change will impose any burden on intramarket competition, as all market participants will be treated in the same manner as they are with respect to existing Short Term Option Series. Cboe Options does not believe the proposed rule change will impose any burden on intermarket competition, as Phlx recently received Commission approval to list Monday SPY Expirations.¹⁷ Cboe Options believes this proposed rule change is necessary to ensure fair competition among the options exchanges. Additionally, nothing prevents other options exchange from proposing similar rules to list and trade short-term option series in SPY with Monday expirations.

¹⁵ Id.

¹⁶ See supra note 5.

¹⁷ Id.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and Rule 19b-4(f)(6) thereunder.¹⁹

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days from the date of filing. However, Rule 19b-4(f)(6)(iii)²⁰ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission notes that it recently approved Phlx’s substantially similar proposal to list and trade Monday SPY Expirations.²¹ The Exchange has stated that waiver of the operative delay will allow the Exchange to list and trade Monday SPY Expirations as soon as possible, and therefore, promote competition among the option exchanges. For these reasons, the Commission believes that the proposed rule change presents no novel issues and that waiver of

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intention 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 Exchange has satisfied this requirement.

²⁰ 17 CFR 240.19b-4(f)(6)(iii).

²¹ See supra note 5.

the 30-day operative delay is consistent with the protection of investors and the public interest, and will allow the Exchange to remain competitive with other exchanges. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.²²

At any time within 60 days of the filing of the 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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-2018-018 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.

²² For purposes only of waiving the 30-day operative delay, the Commission has also 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-2018-018. 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, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-CBOE-2018-018 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.²³

Eduardo A. Aleman
Assistant Secretary

²³ 17 CFR 200.30-3(a)(12).