SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-62847; File No. SR-CBOE-2010-077)

September 3, 2010

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule Change, as Modified by Amendment No. 1, to List Series with Up to 12 Expiration Months for Broad-Based Security Index Options Upon Which the Exchange Calculates a Volatility Index

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 August 24, 2010, the Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") 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. On September 2, 2010, the Exchange filed Amendment No. 1, which replaced the original filing in its entirety. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE proposes to amend Rule 24.9(a)(2), Terms of Index Option Contracts, to allow the Exchange to list up to twelve expiration months for options that overlie broad-based security indexes for which options are used by the Exchange to calculate a volatility index. The text of the rule proposal is available on the Exchange's website (http://www.cboe.org/legal), at the Exchange's principal office, 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

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

In its filing with the Commission, the self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

Amendment 1 replaces the original filing in its entirety. The purpose of Amendment 1 is to provide additional reasoning for the proposed rule text change and to make a technical change to Rule 24.9(a)(2) by deleting an unnecessary word from the text of the rule.

The purpose of this rule filing is to amend Rule 24.9(a)(2), Terms of Index Options, to allow the Exchange to list up to twelve expiration months for broad-based security index options upon which the Exchange calculates a volatility index. Currently, Rule 24.9(a)(2) permits the Exchange to list only seven expiration months in any index options upon which the Exchange calculates a constant three-month volatility index.

Since 2009, volatility trading has experienced significant growth in terms of both trading volume and in the variety of products offered. For example, through the first six months in 2010, CBOE Volatility Index (“VIX”) options averaged close to 250,000 contracts traded per day, a 150% increase compared to the same period in 2009. VIX futures volume increased 440%, averaging 13,500 contracts per day compared to 2,500 contracts per day during the same period in 2009.

Similarly, since 2009, three exchange-traded notes ("ETNs") linked to the performance of VIX futures have been issued, two of which overlie listed options.[3] In addition, Jefferies & Co. recently announced plans to issue an exchange-traded fund ("ETF")[4] that holds VIX futures or an economically equivalent position and Bank of America Merrill Lynch recently announced plans to issue an ETN based on forward implied volatility of S&P 500 Index options. Additionally, the Exchange is aware of other issuers that are engaged in similar volatility product initiatives.

The Exchange was previously granted approval to list a seventh expiration in broad-based index classes on which the Exchange calculates a 3-month volatility index.[5] In order to satisfy growing demand for a wider variety of volatility investment strategies, the Exchange is seeking to increase, from seven to twelve, the number of expiration months for broad-based security index options upon which the Exchange calculates a volatility index.

Rule 24.9(a)(2) currently permits the Exchange to list up to seven expiration months at any one time for any broad-based security index option contracts, including reduced-value and jumbo option contracts, (e.g., DJX, NDX, RUT and SPX) upon which the Exchange calculates a constant three-month volatility index. When the Exchange proposed the allowance of a seventh expiration month for broad-based security index option contracts on which CBOE calculates a constant three-month volatility index, the Commission noted that

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3 ETNs are referred to "Index-Linked Securities" in CBOE's Rules. See Interpretation and Policy .13 to Rule 5.3. The ETNs linked to the performance of VIX futures are the (1) iPath S&P 500 VIX Short-Term Futures ETN ("VXX"), (2) iPath S&P 500 VIX Mid-Term Futures ETN ("VXZ"), and (3) Barclays ETN+ Inverse S&P 500 VIX Short-Term Futures ETN ("XXV").

4 ETFs are referred to as "Units" in CBOE's Rules. See Interpretation and Policy .06 to Rule 5.3.

5 See Securities Exchange Act Release No. 56821 (November 20, 2007), 72 FR 66210 (November 27, 2007) (SR-CBOE-2007-082).

the change "will result in a more consistent and predictable calculation in which the option series that bracket three months to expiration will always expire one month apart…"[6] In this current proposal, the Exchange is seeking to create flexibility that would enable it to create volatility indexes of varying lengths in response to demand for a wider variety of volatility investment strategies. As a result, the Exchange is not proposing to tie the number of expiration months permitted to a specific volatility calculation period and is proposing to delete the phrase "constant three-month" from the existing text of Rule 24.9(a)(2).

The Exchange believes that the additional expirations, which will be listed in monthly intervals over a one-year time frame, will provide the Exchange with the flexibility to create indexes that represent unique volatility exposures, and enable the Exchange to respond quickly to investor demand for new volatility-based products.

Capacity

CBOE has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the ability to list up to twelve expiration months for broad-based security index options upon which the Exchange calculates a volatility index.

2. Statutory Basis

Because the increase in the number of expiration months is limited to options overlying broad based security indexes upon which the Exchange calculates a volatility index and because the series could be added without presenting capacity problems, the Exchange believes the rule proposal is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of

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[6] See id.

Section 6(b) of the Act.[7] Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act[8] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.

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

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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 proposal.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be 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:

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[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78f(b)(5).

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-2010-077 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2010-077. 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, DC 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2010-077 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.[9]

Florence E. Harmon
Deputy Secretary

[9] 17 CFR 200.30-3(a)(12).