

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-61628; File No. SR-CBOE-2010-019)

March 2, 2010

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Multi-Class Broad Based Index Option Spread Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 18, 2010, the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III 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 which renders the proposal effective upon filing with the Commission. 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 is proposing to amend its rule related to multi-class broad-based index option spreads to include options on index-linked securities (also known as exchange-traded notes (“ETNs”)) within the definition of an eligible “broad-based index option.” The text of the proposed rule change is available on the Exchange’s website (www.cboe.org/Legal), at the Exchange’s Office of the Secretary and at the Commission.

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).

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 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Commission has approved CBOE’s and other option exchanges’ proposals to enable the listing and trading of options on ETNs.⁵ Options trading has not commenced to date and is contingent upon the Commission’s approval of The Options Clearing Corporation’s (“OCC”) proposed supplement to the Options Disclosure Document (“ODD”) that will provide disclosure regarding options on index-linked securities.⁶

Prior to the commencement of trading options on ETNs, the Exchange is proposing to amend CBOE Rule 24.19, Multi-Class Broad-Based Index Option Spread Orders, to include options on ETNs within the definition of an eligible “broad-based index option” that may be subject to the multi-class spread trading procedures outlined in Rule 24.19.⁷ Specifically, the

⁵ See e.g., Securities Exchange Act Release Nos. 58204 (July 22, 2008), 73 FR 43807 (July 28, 2008) (approving SR-CBOE-2008-64); 58203 (July 22, 2008), 73 FR 43812 (July 28, 2008) (approving SR-NYSEArca-2008-57); 58985 (November 10, 2008), 73 FR 72538 (November 28, 2008) (approving SR-ISE-2008-86).

⁶ OCC previously received Commission approval to clear options based on Index-Linked Securities. See Securities Exchange Act Release No. 60872 (October 23, 2009), 74 FR 55878 (October 29, 2009) (SR-OCC-2009-14).

⁷ Rule 24.19 sets for a procedure for trading multi-class spread orders for eligible broad-based index option classes. For purposes of Rule 24.19 only, the term “broad-based

definition of an eligible broad-based index option for purposes of Rule 24.19 will be amended to include an option on an ETN derived from a broad-based index that is determined by the Exchange to create an appropriate hedge with any other broad-based index option under Rule 24.19. This change to include ETNs is the same as an existing provision in the rule that provides that options on Units (also known as exchange-traded funds (“ETFs”)) that are derived from broad-based indices that are determined by the Exchange to create an appropriate hedge with any other broad-based index option may be subject to the multi-class spread trading procedures.⁸

Without discounting the differences between ETFs and ETNs, the Exchange seeks to extend the trading conventions applicable to options on ETFs to options on ETNs. CBOE contends that the inclusion of options on ETNs within the broad-based index option definition for purposes of the multi-class broad-based index option spread trading procedures is consistent with what is currently permitted for options on ETFs.⁹

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)¹⁰ that an exchange have rules that are designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism for a free and open market

index option” means “(i) options on the Mini-NDX Index (MNX), Nasdaq-100 Index (NDX), S&P 100 Index (OEX and XEO), iShares S&P 100 Index Fund (OEF), Nasdaq-100 Tracking Stock (QQQ), and S&P 500 Index (SPX); and (ii) any other broad-based index option or option on exchange-traded fund shares derived from a broad-based index that is determined by the Exchange to create an appropriate hedge with any other Broad-Based Index Option under this Rule 24.19.” See Rule 24.19(a)(1).

⁸ The Exchange is also proposing a non-substantive change to the text of Rule 24.19(a)(1) to include a cross-reference to Units (another term for ETFs), which is defined under Interpretation and Policy .06 to CBOE Rule 5.3.

⁹ Id.

¹⁰ 15 U.S.C. 78f(b)(5).

and a national market system, and, in general, to protect investors and the public interest. In particular, the proposed rule change seeks to extend the application of the multi-class broad-based index option spread trading procedures under CBOE Rule 24.19 to ETNs in a matter that is consistent with what is currently permitted for ETFs.

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

Because the foregoing rule 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 if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent 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 proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹² At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate 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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

furtherance of the purposes of the Act.

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-2010-019 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-2010-019. 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 Web site (<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 Web site 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 such 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-2010-019 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.¹³

Florence E. Harmon
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).