

SECURITIES AND EXCHANGE COMMISSION
Release No. 34-78513; File No. SR-CBOE-2016-058

August 9, 2016

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Rule 24.6

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 8, 2016, 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. 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 seeks to amend Rule 24.6. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

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Chicago Board Options Exchange, Incorporated

Rules

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Rule 24.6. Days and Hours of Business

(a) – (b) No change

... *Interpretations and Policies:*

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

.01 – .05 No change.

.06 With respect to options on a foreign index that is comprised of component securities trading in a single country, the Exchange may determine not to open the options for trading when the component securities of the foreign index are not trading due to a holiday on the foreign exchange(s) at which the component securities trade. At least once a year in January, the Exchange will announce via Regulatory Circular the days on which options on a particular foreign index will be closed pursuant to this interpretation.

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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 seeks to add Interpretation and Policy .06 to Rule 24.6 in order to specify that the Exchange may determine not to open for trading options on a foreign index that is comprised of component securities trading in a single country when the component securities of the foreign index

are not open for trading due to a holiday on the foreign exchange or exchanges on which the component securities trade.

Rule 6.1.04 identifies the days on which the Exchange is not open due to a holiday.³ Exchanges in foreign countries also have their own holiday schedules.⁴ As CBOE lists and trades options that overlie various foreign indexes,⁵ the components of which trade on foreign exchanges, CBOE proposes to specify in its Rules that the Exchange may determine to not open options on foreign indexes when the component securities of the foreign index are not open for trading due to a holiday on the foreign exchange; however, the Exchange proposes to limit the application of this proposal to options on foreign indexes that are comprised of component securities trading in a single country.⁶

The Exchange may trade options on various foreign indexes after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen seconds, provided that futures on the applicable indexes are trading and prices for

³ Rule 6.1.04 provides that “[t]he Board of Directors has determined that the Exchange will not be open for business on New Year’s Day, Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day or Christmas Day. The Board has also determined that, when any holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday, and that when any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the following Monday, unless unusual business conditions exist at the time.”

⁴ See e.g., Stock Exchange of Hong Kong Holiday Schedule, available at: https://www.hkex.com.hk/eng/market/sec_tradinfo/tradcal/nont10.htm and London Stock Exchange Holiday Schedule, available at: <http://www.lseg.com/areas-expertise/our-markets/london-stock-exchange/equities-markets/trading-services/business-days>.

⁵ See e.g., Rules 24.2.01, 24.2.02, and 24.2.03.

⁶ The Exchange notes that when there are multiple exchanges in a single country trading the component securities of a foreign index the holiday schedule for exchanges within that country are likely to be the same or similar.

those contracts may be used as a proxy for the current index value.⁷ For example, the component securities of the FTSE China 50 Index open with the start of trading on the Stock Exchange of Hong Kong (“SEHK”) at approximately 8:30 p.m. (Chicago time) (prior day) and close with the end of trading on the SEHK at approximately 3:00 a.m. (Chicago time) (next day). Thus, between 8:30 a.m. and 3:15 p.m. (Chicago time) the FTSE China 50 Index level is a static value that market participants can access via data vendors. However, the Exchange continues to trade options on the FTSE China 50 Index (“China 50 options”) from 8:30 a.m. Chicago time to 3:15 a.m. Chicago time because prices of the E-Mini FTSE China 50 Index futures trading at the CME may be used as a proxy for the current index value.⁸ When SEHK is closed because of a holiday, E-Mini FTSE China 50 Index futures remain open and may still be used as a proxy for the current index value. However, the Exchange may determine to keep China 50 Options (as well as other options on other foreign indexes) closed because of a holiday on SEHK (or the applicable foreign exchange on which the index constituents trade).

For example, prior to the launch of China 50 options, SEHK was closed from the weekend of February 7-8 through the 2016 Lunar New Year from February 8-10. Although E-Mini FTSE China 50 Index futures can be used as a proxy, the Exchange may have determined that options participants would be better served by keeping China 50 options closed because the holiday caused the underlying index value to be unavailable for an extended period of time.

⁷ See Rules 24.2.01(a)(8), 24.2.02(a)(8), and 24.2.03(a)(8).

⁸ The trading hours for E-Mini FTSE China 50 Index Futures are from 5:00 p.m. (Chicago time) to 4:00 p.m. (Chicago time) the following day, Sunday through Friday. See E-Mini FTSE China 50 Index Future Contract specifications located at: <http://www.cmegroup.com/education/files/e-mini-ftse-china-50-index-futures.pdf>. The Exchange believes E-Mini FTSE China 50 Index Futures are an appropriate proxy for China 50 options.

With respect to options on foreign indexes specifically, the Exchange has the authority to set the days and hours of business.⁹ This proposal simply seeks to add Interpretation and Policy .06 to notify market participants that the Exchange may determine not to open options on foreign indexes because of a holiday on a foreign exchange. Furthermore, as proposed, Interpretation and Policy .06 will also require the Exchange to announce via Regulatory Circular in January of every year the particular days on which options on particular foreign indexes will not be open due to a holiday on a foreign exchange or exchanges. However, there may be holidays between the date this proposal becomes effective and the following January; thus, the first announcement will be made via Regulatory Circular within 30 days of this proposal becoming effective.

Although keeping options closed because of a foreign exchange's holidays will cause users of these particular options to not be able to trade when the U.S. market is otherwise open, the closures will only occur a few times a year. Furthermore, users will have sufficient notice of such closures via the Regulatory Circular that will be published every January. Finally, this proposal may potentially allow users to receive better executions because for certain holidays, such as during the Lunar New Year described above, the closing of the component securities may not allow Market-Makers to quote as tightly and aggressively as they would otherwise. In effect, limiting users' ability to trade particular index options to days on which there is not a holiday on a foreign exchange may better serve users because they will be trading on days in which Market-Makers may potentially provide tighter markets.

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

⁹ See Rule 24.6(a) (providing that with respect to options on foreign indexes, the Board's designee shall determine the days and hours of business.).

Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹¹ 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)¹² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposal helps 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 by: 1) limiting users' ability to trade particular index options to days on which there is not a holiday on a foreign exchange because doing so allows users of these index options to trade on days in which Market-Makers may potentially provide tighter markets and 2) providing a mechanism for notifying market participants of the days on which options on a particular foreign index will not be open due to a holiday on the foreign exchange(s) on which the index constituents trade.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² Id.

proposal will not impose a burden on intramarket competition because all participants will be subject to the same holiday schedule as set forth by the Exchange. Furthermore, all participants will have adequate notice of the holiday schedule by virtue of the Exchange publishing a Regulatory Circular in January of every year that announces such holidays. The proposal will not impose a burden on intermarket competition because the options effected by this proposal are options on foreign indexes that are exclusive to CBOE. Any perceived burden on users of these options is outweighed by the fact that users may potentially receive better executions by trading on days on which Market-Makers may potentially be able to provide tighter markets.

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, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

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

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 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 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 Exchange has satisfied this requirement.

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in 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-2016-058 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.

All submissions should refer to File Number SR-CBOE-2016-058. 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; 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-2016-058 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.¹⁵

Robert W. Errett
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).