

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78686; File No. SR- CBOE-2016-062)

August 25, 2016

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand the Short Term Option Series Program to Allow Wednesday Expirations for SPY Options

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 August 24, 2016, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“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

CBOE proposes to expand the Short Term Option Series Program to allow Wednesday expirations for SPDR S&P 500 ETF Trust (“SPY”) options. The text of the proposed rule change is 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.

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 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 Option Series Program outlined in Rule 5.5(d) to allow the listing and trading of SPY options with Wednesday expirations. This is a competitive filing based on a filing submitted by the BOX Options Exchange, LLC ("BOX"), which the Commission recently approved.⁵

Currently, under the Short Term Option Series Program, which was made permanent in 2009,⁶ the Exchange may open for trading on any 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 in which monthly options series or Quarterly Options Series expire ("Short Term Option Series"). The Exchange is now proposing to amend Rule 5.5(d) to permit the listing of SPY options expiring on Wednesdays. Specifically, CBOE is proposing that it may open for trading on any Tuesday or Wednesday that is a business day, series of SPY options that expire on any Wednesday

⁵ See Securities Exchange Act Release No. 78668 (August 24, 2016) (order approving SR-BOX-2016-028).

⁶ See Securities Exchange Act Release No. 59824 (April 27, 2009), 74 FR 20518 (May 4, 2009) (SR-CBOE-2009-018).

of the month that is a business day and is not a Wednesday on which Quarterly Options Series expire (“Wednesday SPY Expirations”).⁷ The proposed Wednesday SPY Expiration series would be similar to the current Short Term Option Series, with certain exceptions, as explained in greater detail below. The Exchange notes that Wednesday expirations are not a novel proposal. Specifically, the U.S. Securities and Exchange Commission (“Commission”) approved a CBOE proposal to list Wednesday expirations for broad-based indexes.⁸ Additionally, BOX recently received approval to list Wednesday SPY Expirations.⁹

In regards to Wednesday SPY Expirations, the Exchange is proposing to remove the current restriction preventing CBOE from listing Short Term Option Series that expire in the same week in which monthly option series in the same class expire. Specifically, the Exchange would be allowed to list Wednesday SPY Expirations in the same week in which monthly option series in SPY expire. The current restriction to prohibit the expiration of monthly and Short Term Option Series from expiring on the same trading day is reasonable to avoid investor confusion. This confusion would not apply with Wednesday SPY Expirations and standard monthly options because they would not expire on the same trading day, as standard monthly options do not expire on Wednesdays. Additionally, it would lead to investor confusion if Wednesday SPY Expirations were not listed for one week every month because there was a monthly SPY expiration on the Friday of that week. The existing restriction that a Short Term Option Series may not expire on the same day that a Quarterly Option Series expires would apply to Wednesday SPY Expirations.

⁷ See proposed amendment to Rule 5.5(d).

⁸ See Securities Exchange Act Release No. 76909 (January 14, 2016), 81 FR 3512 (January 21, 2016) (Order approving SR-CBOE-2015-106).

⁹ See supra note 5.

Under the proposal, CBOE may open for trading on any Tuesday or Wednesday that is a business day, series of SPY options 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. The Exchange may have no more than a total of five Wednesday SPY Expirations listed. This is similar to the listing procedures for Short Term Option Series that expire on Fridays. 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. This is also similar to the procedures for Short Term Option Series that expire on Fridays.

The Exchange is also proposing to clarify that the five expirations limit in the current Short Term Option Series Program Rule would not include any Wednesday SPY Expirations and vice versa.¹⁰ This means, under the proposal, the Exchange would be allowed to list five Short Term Option Series expirations for SPY expiring on Friday under the current rule and five Wednesday SPY Expirations. The interval between strike prices for the proposed Wednesday SPY Expirations would be the same as those for the current Short Term Option Series. Specifically, the Wednesday SPY Expirations would have \$0.50 strike intervals.¹¹

¹⁰ Specifically, the Exchange proposes to add the following new text to Rule 5.5(d) in relevant places, “Wednesday SPY Expirations (described in the paragraph below) are not included as part of this count []” and “Non-Wednesday SPY Expirations (described in the paragraph above) are not included as part of this count.”

¹¹ This is because SPY options have \$1 strike price intervals for non-Short Term Option series. See Rule 5.5.08(b). Pursuant to 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. The Exchange is taking this opportunity to

Currently, for each Short Term Option Expiration Date,¹² the Exchange is limited to opening thirty (30) series for each expiration date for the specific class. The thirty (30) series restriction does not include series that are opened by other securities exchanges under their respective short term option rules; CBOE may list these additional series that are listed by other exchanges.¹³ The thirty (30) series restriction would apply to Wednesday SPY Expiration series as well. In addition, the Exchange would 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 Wednesdays.

As is the case with current Short Term Option Series, the Wednesday SPY Expiration series would be P.M.-settled. The Exchange does not believe that any market disruptions would be encountered with the introduction of P.M.-settled Wednesday SPY Expirations. The Exchange currently trades P.M.-settled Short Term Option Series that expire almost every Friday, which provide market participants a tool to hedge special events and to reduce the premium cost of buying protection. The Exchange seeks to introduce Wednesday 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 that Wednesday expirations, similar to Friday expirations, would allow market participants to purchase an option based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

The Exchange is also proposing to amend Rule 1.1(bbb), which sets forth the definition of Short Term Option Series. The definition set forth in Rule 1.1(bbb) is redundant to the terms for

harmonize Rule 5.5(d)(5)(ii) with Rule 5.5(d)(5)(i) and (iii) by adding the phrase “or greater.” This proposed change is non-substantive.

¹² CBOE may open for trading on any Thursday or Friday that is a business day 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 in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). See Rule 5.5(d).

¹³ See Rule 5.5(d)(1).

Short Term Option Series set forth in Rule 5.5. As a result, the Exchange believes that amending Rule 1.1(bbb) by including an internal cross reference to Rule 5.5(d) and by deleting redundant language would result in a less bulky definition and would make the Rulebook more user friendly.

The Exchange is taking this opportunity to amend Rule 5.5(d) with respect to Exchange closures on Fridays that would otherwise be eligible as Short Term Option Expiration Dates. Specifically, the Exchange is cleaning up outdated language that previously tied listings to Fridays in the following business week, i.e., “if the Exchange is not open for business on the Friday of the following business week...” Since Short Term Option Series may be listed out over five consecutive Fridays, the existing language is unnecessarily restrictive. Also, this proposed change harmonizes the Exchange’s rule text with existing BOX rule text, i.e., “if the [Exchange] is not open for business on a Friday...”

The Exchange proposes to add the new rule text language regarding Wednesday SPY Expirations at the beginning of Rule 5.5(d), before the provisions governing classes, expiration, initial series, additional series, strike interval and delisting. The Exchange believes that placement of Wednesday SPY Expirations at the start of Rule 5.5(d) would make it apparent that the rest of Rule 5.5(d) applies to Wednesday SPY Expirations. To make this point clear, the Exchange proposes to add the sentence, “References to ‘Short Term Option Series’ below shall be read to include ‘Wednesday SPY Expirations,’ except where indicated otherwise[]” before the Arabic numbered paragraphs set forth in Rule 5.5(d).

The Exchange believes that the introduction of Wednesday SPY Expirations would provide investors with a flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the industry.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁴ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁵ 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.

In particular, the Exchange believes the Short Term Option Series Program has been successful to date and that Wednesday 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 that the Short Term Option Series Program has expanded the landscape of hedging. Similarly, the Exchange believes Wednesday SPY Expirations should create greater trading and hedging opportunities and flexibility, and provide customers with the ability to more closely tailor their investment objectives. The Exchange believes that allowing Wednesday SPY Expirations and monthly SPY expirations in the same week would benefit investors and minimize investor confusion by providing Wednesday SPY Expirations in a continuous and uniform manner.

In addition to the substantive proposal to permit Wednesday SPY Expirations, the Exchange is proposing to make two technical changes to the text of Rule 5.5(d). One proposed

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

change is grammatical and the other is a cleanup change that would benefit investors because CBOE's Rulebook would have parallel structure and would be more user friendly.

The Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in Wednesday SPY Expirations in the same way it monitors trading in the current Short Term Option Series. Finally, the Exchange also represents that it has the necessary systems capacity to support the new options series.

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

CBOE does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that it currently trades Wednesday expirations for certain broad-based index options. As a result, having Wednesday expirations is not a novel proposal. Additionally, the current rule change is being proposed as a competitive response to a recently approved BOX filing. CBOE believes this proposed rule change is necessary to ensure fair competition among the options exchanges. Also, the Exchange does not believe the proposal would impose any burden on intramarket competition, as all market participants would be treated in the same manner as they are with respect to existing Short Term Option Series. Additionally, the Exchange does not believe the proposal would impose any burden on intermarket competition, as nothing prevents the other options exchanges from proposing similar rules to those that the Exchange is currently proposing.

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 Act¹⁶ and Rule 19b-4(f)(6) thereunder.¹⁷

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)¹⁸ 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 BOX's substantially similar proposal to list and trade Wednesday SPY Expirations.¹⁹ The Exchange has stated that waiver of the operative delay will allow the Exchange to list and trade Wednesday 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 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

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 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.

¹⁸ 17 CFR 240.19b-4(f)(6)(iii).

¹⁹ See supra note 5.

waives the 30-day operative delay and designates the proposal effective upon filing.²⁰ 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-2016-062 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-2016-062. 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

²⁰ 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).

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-2016-062 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.²¹

Robert W. Errett
Deputy Secretary

²¹ 17 CFR 200.30-3(a)(12).