

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80037; File No. SR-CBOE-2017-014)

February 14, 2017

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Related to Rule 24.9(e)

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 13, 2017, 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, II, and III 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 24.9(e). 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 24.9. Terms of Index Option Contracts

(a) – (d) No change.

(e) Nonstandard Expirations Pilot Program

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(1) Weekly Expirations. The Exchange may open for trading Weekly Expirations on any broad-based index eligible for standard options trading to expire on any Monday, Wednesday, or Friday (other than the third Friday-of-the-month or days that coincide with an EOM expiration). Weekly Expirations shall be subject to all provisions of this Rule and treated the same as options on the same underlying index that expire on the third Friday of the expiration month; provided, however, that Weekly Expirations shall be P.M.-settled and new series in Weekly Expirations may be added up to and including on the expiration date for an expiring Weekly Expiration.

The maximum number of expirations that may be listed for each Weekly Expiration (i.e., a Monday expiration, Wednesday expiration, or Friday expiration, as applicable) in a given class is the same as the maximum number of expirations permitted in Rule 24.9 (a)(2) for standard options on the same broad-based index. [Other than expirations that are third Friday-of-the-month or that coincide with an EOM expiration,] Weekly Expirations [shall] need not be for consecutive Monday, Wednesday, or Friday expirations as applicable; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. Weekly Expirations that are first listed in a given class may expire up to four weeks from the actual listing date. If the last trading day of a month is a Monday, Wednesday, or Friday and the Exchange lists EOMs and Weekly Expirations as applicable in a given class, the Exchange will list an EOM instead of a Weekly Expiration in the given class. Other expirations in the same class are not counted as part of the maximum number of Weekly Expirations for a broad-based index class. 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. If the Exchange is not open for business on a respective Wednesday or Friday, the normally Wednesday or Friday expiring Weekly Expirations will expire on the previous business day.

(2) End of Month ("EOM") Expirations. The Exchange may open for trading EOMs on any broad-based index eligible for standard options trading to expire on last trading day of the month. EOMs shall be subject to all provisions of this Rule and treated the same as options on the same underlying index that expire on the third Friday of the expiration month; provided, however, that EOMs shall be P.M.-settled and new series in EOMs may be added up to and including on the expiration date for an expiring EOM.

The maximum number of expirations that may be listed for EOMs in a given class is the same as the maximum number of expirations permitted in Rule 24.9 (a)(2) for standard options on the same broad-based index. EOM expirations [shall] need not be for consecutive end of month expirations; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. EOMs that are first listed in a given class may expire up to four weeks from the actual listing date. Other expirations in the same class are not counted as part of the maximum numbers of EOM expirations for a broad-based index class.

(3) Duration of Nonstandard Expirations Pilot Program. The Nonstandard Expirations Pilot Program shall be through May 3, 2017.

(4) Weekly Expirations and EOM Trading Hours on the Last Trading Day. On the last trading day, transactions in expiring Weekly Expirations and EOMs may be effected on the Exchange between the hours of 8:30 a.m. (Chicago time) and 3:00 pm (Chicago time).

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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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

On September 14, 2010, the Commission approved a CBOE proposal to establish a pilot program under which the Exchange is permitted to list P.M.-settled options on broad-based indexes to expire on (a) any Friday of the month, other than the third Friday-of-the-month ("EOWs"), and (b) the last trading day of the month ("EOM").³ On January 14, 2016, the Commission approved a CBOE proposal to expand the pilot program to list P.M.-settled options on broad-based indexes that expire on any Wednesday of the month ("WEDs") and to rename the End of Week/End of Month Expirations Pilot Program to the Nonstandard Expirations Pilot Program.⁴ On August 10, 2016, the Commission approved a CBOE proposal to expand the pilot

³ See Securities Exchange Act Release No. 62911 (September 14, 2010), 75 FR 57539 (September 21, 2010) (order approving SR-CBOE-2009-075).

⁴ See Securities Exchange Act Release No. 76909 (January 14, 2016), 81 FR 3512

program to list P.M.-settled options on broad-based indexes that expire on any Monday of the month (“MONs”).⁵

Currently, other than expirations that are third Friday-of-the-month or that coincide with an EOM expiration, Weekly Expirations (i.e., MONs, WEDs, and EOWs) must be for consecutive Monday, Wednesday, or Friday expirations as applicable.⁶ Similarly, EOM expirations must be for consecutive end of months.⁷ The purpose of this filing is to eliminate the consecutive expiration restriction for the listing of Weekly Expirations and EOMs.

The maximum number of expirations that may be listed for each Weekly Expiration (i.e., a Monday expiration, Wednesday expiration, or Friday expiration, as applicable) and EOM in a given class is the same as the maximum number of expirations permitted in Rule 24.9(a)(2) for standard options on the same broad-based index.⁸ Thus, for Weekly Expirations and EOM expirations in the SPX options class (which trade under the symbol SPXW), the MONs, WEDs, EOWs, and EOMs each may have 12 expirations (i.e. a total of 48 expirations in all four programs).⁹ However, the Exchange does not currently exercise its discretion to list all 12 expirations in each Weekly Expiration and EOM program—opting instead to introduce additional expirations as customer

(January 21, 2016) (order approving SR-CBOE-2015-106).

⁵ See Securities Exchange Act Release No. 78531 (August 10, 2016), 81 FR 54643 (August 16, 2016) (order approving SR-CBOE-2016-046).

⁶ See Rule 24.9(e)(1).

⁷ See Rule 24.9(e)(2).

⁸ See Rules 24.9(e)(1) and (2).

⁹ See Rule 24.9(a)(2) (specifying that the Exchange may list up to 12 standard monthly expirations at any one time for any class that the Exchange (as the Reporting Authority) uses to calculate a volatility index). The Exchange uses the SPX class to calculate a volatility index; thus, pursuant to Rules 24.9(e)(1) and (2), the MONs, WEDs, EOWs, and EOMs each may have 12 expirations.

demand dictates. Typically, the Exchange lists four MONs, six WEDs, and seven EOWs in SPXW options.¹⁰

The Exchange has received repeated customer interest to list Weekly Expirations and EOMs that expire in the mid-term (as opposed to long-term expirations contemplated by Long-Term Index Option Series (“LEAPS”))¹¹ and short-term expirations that are encompassed by the Exchange’s current listing schedule to include four MONs, six WEDs, and seven EOWs in SPXW) in order to utilize SPXW options to provide a financial hedge for impactful economic events, such as domestic and international elections. In order to meet customer demand and continue to effectively manage the listing process, the Exchange is seeking the ability to list Weekly Expirations and EOMs non-consecutively.

Currently, the Exchange is able to add additional expirations (up to 12 expirations as noted above) in one or more of the Weekly Expirations; however, customer demand for SPXW listings exceeds the Exchange’s current listing practices of maintaining four MONs, six WEDs, and seven EOWs in SPXW and often beyond 12 expirations. More importantly, the customer demand is for expirations near a certain future economically impactful event (e.g., a national election)—not every expiration between the current date and that particular event. Thus, instead of listing all 12 EOWs, for example, to reach a certain event, the Exchange believes the marketplace would be better served by allowing the Exchange to list EOWs (or the other Weekly Expirations or EOMs) non-

¹⁰ See CBOE Regulatory Circulars RG16-053 (extending SPXW WEDs to four expirations and reducing SPXW EOWs to seven expirations) and RG16-157 (expanding SPXW WEDs to six expirations and SPXW MONs to four expirations). Although RG16-157 indicates that there are five SPXW Monday Expirations, the October 31, 2016 expiration with a listing date of May 2, 2016 is technically an EOM expiration listed pursuant to the EOM program and should not have been identified as being listed pursuant to the Weekly Expirations program. See Rule 24.9(e)(1) and (2).

¹¹ See Rule 24.9(e). LEAPS expire from 12 to 180 months from the date of issuance.

consecutively because listing expirations non-consecutively allows the Exchange to list fewer expirations (particularly those with less customer demand), limiting potential burdens on liquidity providers to quote in the relevant option classes. Listing expirations non-consecutively also allows the Exchange to use its considerable experience to list expirations that will offer all market participants the ability to use SPXW options, for example, to hedge a future economic event. Simply put, as with the expansion of the Pilot to MONs and WEDs, non-consecutive expirations will expand hedging tools available to market participants and allow market participants to tailor their investment or hedging needs more effectively.

Although this proposal gives the Exchange the ability to list expirations non-consecutively, the proposal is narrowly tailored as it only applies to the Nonstandard Expirations Pilot Program (i.e., Weekly Expirations and EOMs), which may only include broad-based index options eligible for standard options trading. In fact, the Exchange currently only lists Nonstandard Expirations in three classes: S&P 500 Index options under symbol SPXW, CBOE Mini S&P 500 Index options under symbol XSP, and Russell 2000 Index options under symbol RUTW. Furthermore, the Exchange only lists MONs and WEDs in SPXW; EOWs in SPXW, RUTW, and XSP; and EOMs in SPXW and RUTW. Thus, nearly every options class will remain unaffected by this proposal. Even within the Nonstandard Expirations program, the Exchange believes the vast majority of expirations will continue to be listed consecutively because the majority of trading interest is in the nearer term weeks. More importantly, however, as an expiration that was originally listed non-consecutively gets closer to expiration, the particular expiration falls in line with the exchange's regular listing schedule. For example, if the Exchange regularly has seven EOWs listed consecutively, with each passing week one of the listings expires and another expiration is added. In this way, as the weeks pass, any expiration that is added non-

consecutively (in this case the eighth expiration) will eventually become the seventh expiration and thus become a consecutive expiration.

Additionally, the Exchange notes that the proposal will not affect the total expirations for MONs, WEDs, EOWs, or EOMs. The maximum number of expirations that may be listed for each Weekly Expiration (i.e., a Monday expiration, Wednesday expiration, or Friday expiration, as applicable) and EOMs in a given class will continue to be the same as the maximum number of expirations permitted in Rule 24.9(a)(2) for standard options on the same broad-based index.¹² As previously noted, in SPXW, the maximum number of expirations is 12.

The Exchange also notes that the proposal will not affect the maximum duration (i.e., the maximum time from listing to expiration) of Weekly Expirations or EOMs. For example, under the current rule, if the exchange were to list all 12 WEDs in SPXW, the 12th WED expiration would expire 11 weeks from the nearest term expiration (assuming, for example, there are no EOMs that coincide with the WEDs in SPXW).¹³ To further illustrate the current rule, assume that on Monday February 6, 2017, the nearest term WED expiration in SPXW expires on February 8, 2017. Also assume the Exchange lists all 12 WEDs in SPXW. In this example, the 12th expiration would expire on April 26, 2017. In order to ensure that this proposal does not affect the maximum duration of the expirations, the Exchange proposes to specify in Rule 24.9(e)(1) and (2) that the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. Under the proposed rule (as with the current rule), the April 26th expiration

¹² See e.g., Rules 24.9(e).

¹³ As stated in Rule 24.9(e)(1) if the last trading day of a month is a Monday, Wednesday, or Friday and the Exchange lists EOMs and Weekly Expirations as applicable in a given class, the Exchange will list an EOM instead of a Weekly Expiration in the given class.

in the above example is the farthest expiration that could be listed. The only difference between the current rule and this proposal is that under the current rule the exchange would have to list all 12 expirations in order to list the April 26th expiration in the above example, and under the proposed rule the Exchange would be able to list the April 26th expiration without the requirement to, for example, list the April 19th expiration.

The annual Pilot report provided to the Securities and Exchange Commission (“Commission”) will include any Weekly Expirations and EOMs, regardless of whether the expirations are listed consecutively or non-consecutively.

In sum, the proposal will allow market participants to better plan for future economic events; will allow market participants to tailor their investment or hedging needs more effectively; will allow the Exchange to list expirations in a way that limits potential burdens on liquidity providers quoting in the affected classes; does not increase the allowable number of total expirations for Nonstandard Expirations; and is narrowly tailored to apply only to the Nonstandard Expiration Pilot Program (in which only three classes currently participate).

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.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

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

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)¹⁶ 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 Nonstandard Expirations Pilot has been successful to date and that allowing non-consecutive expirations will simply expand the ability of investors to hedge risks against market movements stemming from future economic events, which in general, helps to protect investors and the public interest. Similarly, the Exchange believes non-consecutive expirations will create greater trading and hedging opportunities and flexibility, and provide customers with the ability to more closely tailor their investment objectives. The Exchange also believe that the proposal will allow the Exchange to list expirations in a way that limits potential burdens on liquidity providers quoting in the affected classes, which helps remove impediments to and perfect the mechanism of a free and open market and a national market system.

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. Specifically, the Exchange does not believe the proposal will impose any burden on intramarket competition as all market participants will be treated in the same manner. Any perceived burden on Market-Makers is unfounded as the proposal does not increase the total number of expirations

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Id.

that can be listed under the Nonstandard Expirations Pilot Program. In fact, the proposal may alleviate potential burdens on Market-Makers quoting in the affected classes as listing non-consecutively allows the Exchange to avoid listing expirations that are in less demand. Additionally, the Exchange does not believe the proposal will impose any burden on intermarket competition because the proposed rule change relates solely to the listing of series pursuant to a CBOE pilot program, and market participants on other exchanges are welcome to become Trading Permit Holders and trade at CBOE if they determine that this proposed rule change has made CBOE more attractive or favorable. Finally, although the majority of the Exchange's broad-based index options are exclusively-listed at CBOE, all options exchanges are free to compete by listing and trading their own broad-based index options with Weekly Expirations and EOM expirations.

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

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

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-2017-014 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-2017-014. 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-2017-014, 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.¹⁷

Eduardo A. Aleman
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).