

**SECURITIES AND EXCHANGE COMMISSION**  
(Release No. 34-80510; File No. SR-CBOE-2017-034)

April 21, 2017

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Rule 5.7

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 12, 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 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 Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 proposes to amend Rule 5.7. 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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

### **Rule 5.7. Adjustments**

Options contracts are subject to adjustments in accordance with the Rules of the Options Clearing Corporation. [When adjustments have been made, announcement of that fact will be made by the Exchange, and the adjusted unit of trading and the adjusted exercise price will be posted at the post at which the series is traded and will be effective at the time specified in the announcement for all subsequent transactions in that series.]

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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 proposes to amend Rule 5.7. Currently, Rule 5.7 states options contracts are subject to adjustments in accordance with the Rules of the Options Clearing Corporation ("OCC"). When adjustments have been made, announcement of that fact will be made by the Exchange, and the adjusted unit of trading and the adjusted exercise price will be posted at the post at which the series is traded and will be effective at the time specified in the announcement for all subsequent transactions in that series.

OCC lists and clears all options that trade on national securities exchanges. As stated in Rule 5.7, OCC rules govern options contract adjustments. OCC has sole discretion for adjustment decisions to ensure those decisions are consistent, efficient and free from undue influence. Because OCC's rules govern and provide OCC with sole discretion regarding options contract adjustments, including how and when these adjustments are made,<sup>5</sup> CBOE does not believe it is necessary to have any role in the contract adjustment process.<sup>6</sup> When OCC adjusts an options contract, OCC issues an information circular and publishes other information regarding the adjustment on its website. As a result, all Trading Permit Holders have access to information regarding contract adjustments from OCC.<sup>7</sup> Therefore, CBOE does not believe its rules should impose any requirements on CBOE to announce contract adjustments made by OCC.<sup>8</sup> CBOE proposes to amend Rule 5.7 by deleting the requirement to announce contract adjustments, as it is duplicative of OCC's requirement to publish this information. The Exchange also proposes to delete the requirement to post the adjusted unit of trading and exercise price at the post at which the series is traded. The concept of posting information at a trading post on the trading floor is outdated, as the Exchange's current primary means of

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<sup>5</sup> See Securities Exchange Act Release No. 34-69977 (July 11, 2013), 78 FR 42815, 42816 – 42817 (July 17, 2013) (SR-OCC-2013-05) (order approving proposed rule change to provide that OCC, rather than adjustment panel of the securities committee, will determine adjustments to the terms of options contracts to account for certain events, such as certain dividend distributions or other corporate actions, that affect the underlying security or other underlying interest).

<sup>6</sup> CBOE does not comment on contract adjustments, and directs investors to contact OCC for information on contract adjustments. CBOE cannot provide guidance as to how OCC's by-laws or rules may be applied in any particular situation.

<sup>7</sup> See <http://www.theocc.com/webapps/infomemos>. OCC's website permits investors to subscribe (free of charge) to directly receive information memos regarding contract adjustments from OCC when issued.

<sup>8</sup> Currently, CBOE publishes information regarding contract adjustments on its website. See <http://www.cboe.com/trading-resources/contract-adjustments>.

communicating information to Trading Permit Holders is electronic means, such as via Regulatory Circular or website posting.

## 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.<sup>9</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</sup> 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)<sup>11</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change is consistent with the rules of OCC, the lister and clearer of all listed options, with respect to contract adjustments. OCC will continue to make contract adjustments in accordance with its rules (as set forth in Rule 5.7), and all investors will continue to have access to information regarding contract adjustments directly from OCC. The proposed rule change has no impact on the manner in which contract adjustments are made, as

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> Id.

OCC has sole discretion to make those determinations. The proposed rule change merely deletes CBOE's duplicative obligation to announce and post this information, which benefits investors.

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. OCC will continue to make contract adjustments in accordance with its rules, and all investors will continue to have access to information regarding contract adjustments directly from OCC. The proposed rule change has no impact on the manner in which contract adjustments are made, as OCC has sole discretion to make those determinations. The proposed rule change merely deletes CBOE's duplicative obligation to announce and post this information, and thus has no impact on competition.

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 Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder.

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 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

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 will institute proceedings to determine whether the proposed rule change 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2017-034 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-2017-034. 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

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requirement.

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-2017-034 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.<sup>14</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).