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SECURITIES AND EXCHANGE COMMISSION  
[Release No. 34-71080; File No. SR-CBOE-2013-125]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Relating to the Quarterly Option Series Program  
December 16, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on December 13, 2013, 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to modify the Quarterly Options Series (“QOS”) Program to eliminate the cap on the number of additional series that may be listed per expiration month for each QOS in exchange-traded fund (“ETF”) 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’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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

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

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

In an attempt to align Exchange Rules with other options exchanges,<sup>3</sup> the Exchange is proposing to amend Rule 5.5(e) related to the QOS Program to eliminate the cap on the number of additional series that may be listed per expiration month for each QOS in ETF options. As set out in Rule 5.5(e)(1), the Exchange may list QOS for up to five currently listed options classes that are either index options or options on ETFs. The Exchange may also list QOS on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. Currently, for each QOS in ETF options that has been initially listed on the Exchange, the Exchange may list up to 60 additional series per expiration month.

The Exchange is now proposing to amend Rule 5.5(e) to make the treatment of QOS in ETF options consistent with the treatment of QOS in stock index options<sup>4</sup> and other options exchanges.<sup>5</sup> For example, like the QOS Program in ETF options, the QOS Program in index options permits QOS in up to five currently listed options classes, requires the listing of series that expire at the end of the next (as of the listing date) consecutive four quarters, as well as the

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<sup>3</sup> See Securities and Exchange Act Release No. 70854 (November 13, 2013), 78 FR 69465 (November 19, 2013)(notice of filing and immediate effectiveness of SR-NYSEMKT-2013-90). See also Securities and Exchange Act Release No. 70855 (November 13, 2013), 78 FR 69493 (November 19, 2013)(notice of filing and immediate effectiveness of SR-NYSEArca-2013-120). (Collectively the "NYSE Filings").

<sup>4</sup> See Rule 24.9(a)(2)(B) which governs the QOS for index options.

<sup>5</sup> See note 3 supra.

fourth quarter of the next calendar year; requires the strike price of each QOS to be fixed at a price per share; and establishes parameters for the number of strike prices above and below the underlying index.<sup>6</sup> The QOS Program in index options, however, does not place a cap on the number of additional series that the Exchange may list per expiration month for each QOS in index options. Elimination of the cap set out in Rule 5.5(e), therefore, would result in similar regulatory treatment of similar options products.

The Exchange believes that the proposed revision to the QOS Program would provide market participants with the ability to better tailor their trading to meet their investment objective, including hedging securities positions, by permitting the Exchange to list additional QOS in ETF options that meet such objectives. In addition, elimination of the cap would further allow the Exchange to react to moving markets as it gives the Exchange the ability to add more strike prices closer to the underlying security. Finally, the proposed changes will align the Exchange's QOS with other options exchanges.<sup>7</sup>

The Exchange also notes that it is not subject to the same series limitations for other programs including options series with weekly or monthly expirations.<sup>8</sup> In addition, the Exchange believes the elimination of the cap would also help market participants meet their investment objective by providing expanded opportunities to roll ETF options into later quarters.

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<sup>6</sup> See note 4 *supra*.

<sup>7</sup> See note 3 *supra*.

<sup>8</sup> Rule 5.5(d), for example, governs the Exchange's Short Term Options Series Program ("Weeklys"). Rule 5.5(d)(4) sets a limitation to the number of strikes for each option class, but the Exchange is given authority to surpass this maximum number under certain circumstances. More specifically, Rule 5.5(d)(4) states that "in the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security and all existing series have open interest, the Exchange may list additional series, in excess of the thirty series per class limit set forth in Rule 5.5(d)(1)."

Because of the current cap, however, the Exchange may not be able to list the appropriate series to do so. Elimination of the cap, however, would allow the Exchange to meet the investment needs of market participants in such situation.

With regard to the impact of this proposal on system capacity, the Exchange has represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the QOS Program. The Exchange believes that its Trading Permit Holders will not have a capacity issue as a result of this proposal. The Exchange also represents that it does not believe this expansion will cause fragmentation to liquidity.

To help ensure that only active options series are listed, the Exchange has in place procedures to delist inactive series. Rule 5.5(e)(7)(A) requires the Exchange to review, on a monthly basis, the QOS Program that are outside of a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having a: (i) Strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.<sup>9</sup> The Exchange believes this provision helps to maintain capacity to handle quote traffic.

## 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>10</sup> Specifically, the

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<sup>9</sup> See Exchange Rule 5.5(e)(7)(A).

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

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>11</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>12</sup> 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 that the proposed rule change is designed to remove impediments to and perfect the mechanism of a free and open market because it will expand the investment options available to investors and will allow for more efficient risk management. The Exchange believes that removing the cap on the number of QOS in ETF options permitted to be listed on the Exchange will result in a continuing benefit to investors by giving them more flexibility to closely tailor their investment and hedging decisions to their needs, and, therefore, the proposal is designed to protect investors and the public interest. In addition, the elimination of the cap will make the treatment of QOS in ETF options consistent with the treatment of QOS in index options, thus resulting in similar regulatory treatment for similar option products.

As the Exchange as already stated, with regard to the impact of this proposal on system capacity, the Exchange has represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the QOS Program. The Exchange believes that its

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<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> Id.

Trading Permit Holders will not have a capacity issue as a result of this proposal. The Exchange also represents that it does not believe this expansion will cause fragmentation to liquidity.

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. In contrary, CBOE believes that the proposed rule change will relieve any burden on, or otherwise promote competition. The elimination of the cap on series in the QOS program will benefit investors by providing more flexibility to more closely tailor their investment and hedging decisions.

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. The Exchange notes that the original NYSE MKT filing also did not receive any comments.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the 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 Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup>

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of 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 asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that waiver of this requirement will allow the Exchange to compete with other options exchanges proposing similar changes without putting the Exchange at a competitive disadvantage. The Exchange also stated that the proposal would permit the Exchange to list additional QOS in ETF options that allow investors to meet their investment objectives, including hedging securities positions. For these reasons, the Commission believes that the proposed rule change presents no novel issues, and waiver will allow the Exchange to remain competitive with other exchanges. Therefore, the Commission designates the proposed rule change to be operative upon filing.<sup>15</sup>

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

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<sup>15</sup> 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).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2013-125 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-2013-125. 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-2013-125 and should be submitted on or before [INSERT DATE 21 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Kevin M. O'Neill,  
Deputy Secretary.

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<sup>16</sup> 17 CFR 200.30-3(a)(12).