Required fields are shown with yellow backgrounds and asterisks.

OMB APPROVAL	
OMB Number:	3235-0045
Expires:	August 31, 2011
Estimated average burden hours per response	38

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2011 - * 039
Amendment No. (req. for Amendments *)

Proposed Rule Change by Chicago Board Options Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☑	☐	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Proposal to list and trade single stock dividend options.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Jenny
Last Name * Klebes
Title * Senior Attorney
E-mail * klebes@cboe.com
Telephone * (312) 786-7466
Fax (312) 786-7919

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 05/31/2011

By Jenny L. Klebes
(Name *)

Senior Attorney / Assistant Secretary
(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Jenny Klebes, klebes@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information (required) Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change (required) Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend certain of its rules to provide for the listing and trading of options that overlie the ordinary cash dividends paid by an issuer over an annual, semi-annual, or quarterly "accrual period." The options will be cash-settled, have European-style exercise and be P.M.-settled. Set forth below are proposed changes to the rule text, with additions represented by underscoring and deletions represented by [bracketing].

(b) Not applicable.

(c) Not applicable.

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 5.9— Single Stock Dividend Options

RULE 5.9

(a) The Exchange may list single stock dividend options (SSDO) series that overlie the ordinary cash dividends paid by an issuer underlying a stock which is eligible for options trading on the Exchange. An SSDO will reflect ten (10) times the ordinary cash dividends paid by an issuer accumulated over a one-year period (accrual period). The accrual period runs from the business day after the third Friday of December through the third Friday of the following December. The Exchange may list an SSDO with an accrual period of less than a year (e.g., six months or one quarter), but in no event will an SSDO have an accrual period of less than a quarter of a year. For an SSDO with an accrual period of less than a year, the accrual period runs from the business day after the third Friday of the month beginning the accrual period through the third Friday of the month ending the accrual period.

(b) *Exercise Style.* SSDO options will have European-style exercise and be P.M.-settled. Writers of SSDOs are subject to assignment only at expiration. The last trading day of an SSDO will be the business day prior to Expiration of the specific SSDO series.

(c) *Strike Price Intervals*. The interval between strike prices may be 1 point or greater where the strike price is $200 or less and 2.5 points or greater where the strike price is greater than $200.

(d) *Initial and Additional Series.* In-the-money, at-the-money, and out-of-the-money strike prices will be listed initially for an SSDO for a specific accrual period. The Exchange may add new strike prices as the expected value of the accrued dividends for the underlying issuer moves or upon request by an Exchange Trading Permit Holder.

(e) *Premium Quotation.* SSDOs will be quoted and traded in decimals. Each point of a SSDO price equals $100. The minimum price variation for bids and offers shall be established on a class-by-class basis by the Exchange and shall not be less then $0.01 ($1.00).

(f) *Expiration Months.* The Exchange may list up to five annual contract months that expire in December in different years for any single stock underlying an SSDO and up to ten contract months for accrual periods of less than a year. Near-term SSDO options reflect dividends accumulating in the then-current accrual period. All other SSDO options (i.e., contracts listed for trading that are not in the then-current accrual period) reflect dividends expected in comparable accrual periods beyond the current accrual period.

(g) *Position and Exercise Limits*. Position and exercise limits for SSDOs shall be the same as those for standard options overlying the same underlying stock. Near-term positions in SSDOs will be aggregated with longer-dated positions in SSDOs with the same underlying stock for position and exercise limit purposes. Exemptions may be available for certain qualified hedging strategies. Positions in SSDOs will not be aggregated with positions in the ordinary options overlying the stock of the issuer underlying the SSDOs. FLEX options positions on an SSDO will be aggregated with the non-FLEX positions for that SSDO.

(h) *Settlement*. The exercise-settlement value of an SSDO is ten (10) times the ordinary cash dividends paid by the issuer accumulated over the accrual period ending on the last business day before the Expiration Date. The exercise-settlement amount is equal to the difference between the exercise settlement value and the exercise price of the option, multiplied by $100. Exercise will result in delivery of cash on the business day following expiration.

(i) *FLEX Eligibility.* The Exchange designates SSDOs as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).

* * * * *

Rule 12.3—Margin Requirements

RULE 12.3

(a) – (b) No change.

(c) *Customer Margin Account—Exception*. The foregoing requirements are subject to the following exceptions. Nothing in this paragraph (c) shall prevent a broker-dealer from requiring margin from any account in excess of the amounts specified in these provisions.

(1) – (4) No change.

(5) *Initial and Maintenance Margin Requirements on Short Options, Stock Index Warrants, Currency Index Warrants and Currency Warrants*.

(A) *Listed. General Rule*. The initial and maintenance margin required on any listed put, call, stock index warrant, currency index warrant or currency warrant carried "short" in a customer's account shall be 100% of the current market value of the option or warrant plus the percentage of the current "underlying component value" (as described in column IV of the table below) specified in column II of the table below reduced by any "out-of-the-money" amount as defined in this subparagraph (c)(5)(A) below.

Notwithstanding the margin required above, the minimum margin for each such call option or call warrant shall not be less than 100% of the current market value of the option or warrant plus the percentage of the current market value of the underlying component specified in column III of the table below, and for each such put option or put warrant, shall not be less than 100% of the current market value of the option or warrant plus the percentage of the option or warrant's aggregate exercise price amount specified in column III of the table below.

I. Type of Option	***II. Initial and/or Maintenance Margin Required***	***III. Minimum Margin Required***	***IV. Underlying Component Value***
1. – 15. No change.			
<u>16. Single Stock Dividend Options</u>	<u>20%</u>	<u>10%</u>	<u>The product of the forward expected dividend amount for the accrual period (as adjusted for any contract scaling factor) and the applicable multiplier.</u>

Remainder of Rule 12.3 – No change.

…Interpretations and Policies:

.01 - .19 No change.

* * * * *

Item 2. <u>Procedures of the Self-Regulatory Organization</u>

(a) CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on April 7, 2011. No further action is required.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, General Counsel, CBOE, 400 South LaSalle, Chicago, IL 60605, (312) 786-7462 or to Jenny L. Klebes, (312) 786-7466.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade options that overlie the ordinary cash dividends paid by an issuer over an annual accrual period. The Exchange may also list series of SSDOs with an accrual period of less than a year, but in no event less than one quarter of a year. SSDOs will be cash-settled, have European-style exercise and be P.M.-settled.

Product Design

Each SSDO represents the accumulated ordinary dividend amounts paid by a specific issuer over a specified accrual period. For purposes of SSDOs, dividends are deemed to be "paid" on the ex-dividend date. Each annual accrual period will run from the business day after the third Friday of December through the third Friday of the following December. For an SSDO with an accrual period of less than a year, the accrual period runs from the business day after the third Friday of the month beginning the accrual period through the third Friday of the month ending the accrual period.[1] An example of a quarterly accrual period is one that will run from Monday, March 21, 2011 through Friday, June 17, 2011.

The underlying value for SSDOs will be equal to ten (10) times the ex-dividend amounts of an issuer accumulated over the specified accrual period. Each day, CBOE will calculate the aggregate daily dividend totals for the specific issuer, which are summed up over any given accrual period (e.g., quarterly, semi-annually, annually). During each business day, CBOE will disseminate the underlying SSDO value, multiplied by ten (10), through the Options Price Reporting Authority ("OPRA"), the Consolidated Tape Association ("CTA") tape and/or the Market Data Index ("MDI") feed.

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[1] The Exchange will assign separate trading symbols to SSDOs overlying the accumulated ex-dividends of the same issuer that have different accrual periods.

Options Trading

Each SSDO will be quoted in decimals and one point will be equal to $100. The minimum price variation shall be established on a class-by-class basis by the Exchange and shall not be less than $0.01. Exhibit 3 presents proposed contract specifications for SSDOs.

The Exchange expects that the underlying index values for SSDOs will be relatively low. As a result, the proposal permits the Exchange to designate $0.01 as the minimum price variation for quotes and believes that granular pricing will result in more pricing points. The availability of more pricing points creates tighter spreads between quotes, which in turn benefits investors.

Similarly, the Exchange is proposing to list series at 1 point ($1.00) or greater strike price intervals if the strike price is equal to or less than $200 and 2.5 points ($2.50) or greater strike price intervals if the strike price exceeds $200. Because the underlying value of an SSDO will fluctuate around a limited expected dividend value range, the Exchange believes that a granular strike price increment will provide investors with greater flexibility by allowing them to establish positions that are better tailored to meet their investment objectives. Below are examples of values underlying SSDOs using past ordinary dividend payouts over varying accrual periods:

Example: Annual Accrual Period			
December 21, 2009 through December 17, 2010			
Exxon Mobil Corporation (XOM)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
2/8/2010	$0.42	$0.42	4.20
5/11/2010	$0.42	$0.84	8.40
8/11/2010	$0.42	$1.26	12.60
11/9/2010	$0.44	$1.70	17.00

Example: Annual Accrual Period			
December 21, 2009 through December 17, 2010			
General Electric Company (GE)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
12/23/2009	$0.10	$0.10	1.00
2/25/2010	$0.10	$0.20	2.00
6/17/2010	$0.10	$0.30	3.00
9/16/2010	$0.12	$0.42	4.20
12/22/2010	$0.14	Not Included	

Example: Semi-Annual Accrual Period			
June 21, 2010 through December 17, 2010			
ONEOK Partners, L.P. (OKS)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
1/27/2010	$1.11	Not Included	
4/28/2010	$1.12	Not Included	
7/28/2010	$1.13	$1.13	11.30
10/27/2010	$1.14	$2.27	22.70

Caterpillar Inc. (CAT)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
1/15/2010	$0.42	Not Included	
4/22/2010	$0.42	Not Included	
7/16/2010	$0.44	$0.44	4.40
10/21/2010	$0.44	$0.88	8.80

Example: Quarterly Accrual Period			
December 21, 2010 through March 19, 2010			
International Business Machines Corporation (IBM)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
2/8/2010	$0.55	$0.55	5.50
5/16/2010	$0.65	Not Included	
8/6/2010	$0.65	Not Included	
11/8/2010	$0.65	Not Included	

Example: Quarterly Accrual Period			
Altria Group, Inc. (MO)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
3/11/2010	$0.35	$0.35	3.50
6/11/2010	$0.35	Not Included	
9/13/2010	$0.38	Not Included	
12/23/2010	$0.38	Not Included	

Initially, the Exchange will list in-, at- and out-of-the-money strike prices and may open for trading up to five annual contract months expiring in December for any single stock underlying an SSDO and up to ten contract months for accrual periods of less than a year. The Exchange is proposing to use the expected dividend (i.e., the aggregate value of dividends that are expected to be paid by the issuer over a given accrual period) amount for setting the initial strikes. Near-term SSDOs will reflect dividends accumulating in the then-current accrual period. All other SSDO options (i.e., contracts listed for trading that are not in the then-current accrual period) will reflect dividends expected in comparable accrual periods beyond the current accrual period.

The Exchange may open for trading additional series, either in response to customer demand or as the price of the expected dividends for an issuer changes.

The Exchange is proposing to permit the listing of up to five annual contract months that expire in December in different years for any single stock underlying an SSDO. For example, the Exchange would be permitted to list the following annual XOM contracts: December 2011, December 2012, December 2013, December 2014 and December 2015. As shown in the following table, each annual XOM SSDO contract features a one-year accrual period that begins on the first business day following the third Friday in December and ends on the respective XOM SSDO expiration date. As of May 17, 2011, near-term XOM SSDO prices would reflect a combination of actual dividend payouts of $0.91 ($0.44 on the ex-dividend date of February 8, 2011 and $0.47 on the ex-dividend date of May 11, 2011), plus any ordinary cash dividends expected to be paid (estimated to be $0.94 – $0.47 on two expected ex-dividend dates) through December 16, 2011. Since the accrual periods for longer-dated SSDOs expiring in December 2012, December 2013, December 2014 and December 2015 have not yet begun, longer-dated SSDO prices would reflect dividends that are expected to be paid during their respective one-year accrual periods. The expected dividends for longer-dated SSDOs listed in the table reflect an assumption of 5% dividend growth annually through December 2015. In-, at- and out-of-the-money SSDO strike prices would be listed relative to the Expected SSDO Index level equal to ten times the dividends expected during the relevant accrual period.

Accrual Period Start Date	Accrual Period End Date (SSDO Expiration Date)	Actual Dividends	Expected Dividends	Actual + Expected Dividends	Expected SSDO Index Level	SSDO Strikes
December 20, 2010	December 16, 2011	$ 0.91	$ 0.94	$ 1.85	$ 18.50	16, 17, 18, 19, 20
December 19, 2011	December 21, 2012	$ -	$ 1.94	$ 1.94	$ 19.40	17, 18, 19, 20, 21
December 24, 2012	December 20, 2013	$ -	$ 2.04	$ 2.04	$ 20.40	19, 20, 21,22, 23
December 23, 2013	December 19, 2014	$ -	$ 2.14	$ 2.14	$ 21.40	20, 21, 22, 23, 24
December 22, 2014	December 18, 2015	$ -	$ 2.25	$ 2.25	$ 22.50	21, 22, 23, 24, 25

In addition, the Exchange is proposing to permit the listing of up to ten contract months for accrual periods of less than a year. Near-term SSDOs with accrual periods of less than a year will reflect dividends accumulating in the then-current accrual period. All other SSDOs will reflect dividends expected in comparable accrual periods beyond the current accrual period.

Exercise and Settlement

The proposed options will expire on the Saturday following the third Friday of the expiring month. Trading in the expiring contract month will normally cease at 3:00 p.m. Chicago time on the last day of trading (ordinarily the Friday before expiration Saturday, unless there is an intervening holiday). When the last trading day is moved because of an Exchange holiday (such as when CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Thursday.

Exercise will result in delivery of cash on the business day following expiration. SSDOs will be P.M.-settled. The Exchange is proposing P.M.-settlement for SSDOs because options trading on individual stocks are P.M. settled. As a result, the Exchange is proposing to match the expiration style for SSDOs to individual stock option exercise. The exercise-settlement amount will be equal ten times the ordinary cash dividends paid by the issuer over the accrual period. The exercise settlement amount is equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by the contract multiplier ($100).

If the exercise settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the rules and bylaws of the OCC.

Surveillance

The Exchange will use the same surveillance procedures currently utilized for each of the Exchange's other single stock options to monitor trading in SSDOs. Such procedures include for example monitoring dividend announcements. CBOE is confident that it has adequate tools in place to surveil for market manipulation. The Exchange represents that these surveillance procedures shall be adequate to monitor trading in options on these option products. For surveillance purposes, the Exchange will have complete access to information regarding trading activity in the pertinent securities whose dividend payment is the basis for particular SSDOs. Specifically, as a member of the Intermarket Surveillance Group ("ISG"), the Exchange is able to obtain this information from the exchanges listing the securities whose dividend payment is the basis for particular SSDOs. CBOE’s access to information from the ISG and tools such as the Exchange's large options positions reports should prove more than sufficient for surveillance of market manipulation.

Position Limits

Position and exercise limits for SSDOs will be the same as those for standard options overlying the same security. While positions in SSDOs will be aggregated with longer-dated positions in SSDOs with the same underlying stock for position and exercise limits purposes, they will not be aggregated with positions in the ordinary options overlying the stock of the issuer paying the dividends underlying the SSDO. The reason for not aggregating positions with ordinary options is that SSDOs are based solely on expected dividends for an issuer and will reflect the forward value of that expectation. In contrast, the value of ordinary stock options reflect a variety of factors, of which expected dividends is only one. Hence the pricing of ordinary options versus SSDOs will differ dramatically and there is no need to aggregate positions to prevent manipulative practices involving the underlying.

Exchange Rules Applicable

A new Rule 5.9 is proposed to govern the listing and trading of SSDOs. In addition, SSDOs will be margined in the same manner as single stock options under Exchange Rule 12.3. Purchasers of puts or calls, however, must be paid in full, even if there remains longer than nine months until expiration for the position. For SSDOs, the aggregate contract value on which the margin amount will be calculated will be the product of the forward expected dividend amount for the accrual period (as adjusted for any contract scaling factor) and the applicable multiplier ($100).

The Exchange hereby designates SSDO options as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).

Capacity

CBOE has analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that will result from the introduction of SSDOs. This is particularly the case since the value of SSDOs are predicated on expected dividend payments, which are generally much less volatile than share prices. Hence, there is less need to list numerous strike prices for each expiration date of an SSDO or to have to add many new strikes over the life of an SSDO.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)[2] of the Securities Exchange Act of 1934 (the "Act"), in general, and furthers the objectives of Section 6(b)(5)[3] in particular in that it is 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market in a manner consistent with the protection of investors and the public interest. The Exchange believes that the introduction of SSDOs will provide investors with the ability to invest in options that settle to a value that represents the accumulated dividend amounts paid by a specific issuer over a specified accrual period. This will protect investors and the public interest by allowing market participants to hedge against potential declines in dividend income from long positions in the underlying stocks, which can be significant over long holding periods. In addition, the Exchange understands that dividend options trade in the other-the-counter marketplace and believes that the introduction of SSDOs will attract order flow to the

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2 15 U.S.C. 78f(b).

3 15 U.S.C. 78f(b)(5).

Exchange, increase the variety of listed options to investors, and provide a valuable hedging tool to investors. Similarly, the proposed rule change will permit market participants to trade SSDOs in an environment subject to exchange-based rules that provides price transparency and eliminates contra-party risk through the role of the OCC as issuer, thus removing impediments to a free and open market consistent with the Act. Finally, SSDOs will be subject to CBOE's rules, regulations and oversight, which provide enhanced investor protection and market surveillance.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange 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 Exchange Act.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Exhibits

Exhibit 1. Notice of the proposed rule change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-CBOE-2011-039)

Dated:_____________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule to Trade Single Stock Dividend Options

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 ________________, 2011, the Chicago Board Options Exchange, Incorporated ("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

Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend certain of its rules to provide for the listing and trading of options that overlie the ordinary cash dividends paid by an issuer over an annual, semi-annual, or quarterly "accrual period." The options will be cash-settled, have European-style exercise and be P.M.-settled. The text of the rule proposal is available on the Exchange's website (http://www.cboe.org/legal), at the Exchange's Office of the Secretary and at the Commission.

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 self-regulatory organization included statements

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 those 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 parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade options that overlie the ordinary cash dividends paid by an issuer over an annual accrual period. The Exchange may also list series of SSDOs with an accrual period of less than a year, but in no event less than one quarter of a year. SSDOs will be cash-settled, have European-style exercise and be P.M.-settled.

Product Design

Each SSDO represents the accumulated ordinary dividend amounts paid by a specific issuer over a specified accrual period. For purposes of SSDOs, dividends are deemed to be "paid" on the ex-dividend date. Each annual accrual period will run from the business day after the third Friday of December through the third Friday of the following December. For an SSDO with an accrual period of less than a year, the accrual period runs from the business day after the third Friday of the month beginning the accrual period through the third Friday of the month ending the accrual period.[3] An example of a quarterly accrual period is one that will run from Monday, March 21, 2011 through Friday, June 17, 2011.

The underlying value for SSDOs will be equal to ten (10) times the ex-dividend amounts of an issuer accumulated over the specified accrual period. Each day, CBOE will

[3] The Exchange will assign separate trading symbols to SSDOs overlying the accumulated ex-dividends of the same issuer that have different accrual periods.

calculate the aggregate daily dividend totals for the specific issuer, which are summed up over any given accrual period (e.g., quarterly, semi-annually, annually). During each business day, CBOE will disseminate the underlying SSDO value, multiplied by ten (10), through the Options Price Reporting Authority ("OPRA"), the Consolidated Tape Association ("CTA") tape and/or the Market Data Index ("MDI") feed.

Options Trading

Each SSDO will be quoted in decimals and one point will be equal to $100. The minimum price variation shall be established on a class-by-class basis by the Exchange and shall not be less than $0.01. Exhibit 3 presents proposed contract specifications for SSDOs.

The Exchange expects that the underlying index values for SSDOs will be relatively low. As a result, the proposal permits the Exchange to designate $0.01 as the minimum price variation for quotes and believes that granular pricing will result in more pricing points. The availability of more pricing points creates tighter spreads between quotes, which in turn benefits investors.

Similarly, the Exchange is proposing to list series at 1 point ($1.00) or greater strike price intervals if the strike price is equal to or less than $200 and 2.5 points ($2.50) or greater strike price intervals if the strike price exceeds $200. Because the underlying value of an SSDO will fluctuate around a limited expected dividend value range, the Exchange believes that a granular strike price increment will provide investors with greater flexibility by allowing them to establish positions that are better tailored to meet their investment objectives. Below are examples of values underlying SSDOs using past ordinary dividend payouts over varying accrual periods:

Example: Annual Accrual Period			
December 21, 2009 through December 17, 2010			
Exxon Mobil Corporation (XOM)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
2/8/2010	$0.42	$0.42	4.20
5/11/2010	$0.42	$0.84	8.40
8/11/2010	$0.42	$1.26	12.60
11/9/2010	$0.44	$1.70	17.00

General Electric Company (GE)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
12/23/2009	$0.10	$0.10	1.00
2/25/2010	$0.10	$0.20	2.00
6/17/2010	$0.10	$0.30	3.00
9/16/2010	$0.12	$0.42	4.20
12/22/2010	$0.14	Not Included	

Example: Semi-Annual Accrual Period			
June 21, 2010 through December 17, 2010			
ONEOK Partners, L.P. (OKS)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
1/27/2010	$1.11	Not Included	
4/28/2010	$1.12	Not Included	
7/28/2010	$1.13	$1.13	11.30
10/27/2010	$1.14	$2.27	22.70

Caterpillar Inc. (CAT)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
1/15/2010	$0.42	Not Included	
4/22/2010	$0.42	Not Included	
7/16/2010	$0.44	$0.44	4.40
10/21/2010	$0.44	$0.88	8.80

Example: Quarterly Accrual Period			
December 21, 2010 through March 19, 2010			
International Business Machines Corporation (IBM)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
2/8/2010	$0.55	$0.55	5.50
5/16/2010	$0.65	Not Included	
8/6/2010	$0.65	Not Included	
11/8/2010	$0.65	Not Included	

Altria Group, Inc. (MO)			
Ex-Dividend Date	Ex-Dividend Amount	Cumulative Dividend	SSDO Index Value
3/11/2010	$0.35	$0.35	3.50
6/11/2010	$0.35	Not Included	
9/13/2010	$0.38	Not Included	
12/23/2010	$0.38	Not Included	

Initially, the Exchange will list in-, at- and out-of-the-money strike prices and may open for trading up to five annual contract months expiring in December for any single stock underlying an SSDO and up to ten contract months for accrual periods of less than a year. The Exchange is proposing to use the expected dividend (i.e., the aggregate value of dividends that are expected to be paid by the issuer over a given accrual period) amount for setting the initial strikes. Near-term SSDOs will reflect dividends accumulating in the then-current accrual period. All other SSDO options (i.e., contracts listed for trading that are not in the then-current accrual period) will reflect dividends expected in comparable accrual periods beyond the current accrual period.

The Exchange may open for trading additional series, either in response to customer demand or as the price of the expected dividends for an issuer changes.

The Exchange is proposing to permit the listing of up to five annual contract months that expire in December in different years for any single stock underlying an SSDO. For example, the Exchange would be permitted to list the following annual XOM contracts: December 2011, December 2012, December 2013, December 2014 and December 2015. As shown in the following table, each annual XOM SSDO contract features a one-year accrual period that begins on the first business day following the third Friday in December and ends on the respective XOM SSDO expiration date. As of May 17, 2011, near-term XOM SSDO prices would reflect a combination of actual dividend payouts of $0.91 ($0.44 on the ex-dividend date of February 8, 2011 and $0.47 on the ex-dividend date of May 11, 2011), plus any ordinary cash dividends expected to be paid (estimated to be $0.94 – $0.47 on two expected ex-dividend dates) through December 16, 2011. Since the accrual periods for longer-dated SSDOs expiring in December 2012, December 2013, December 2014 and December 2015 have not yet begun, longer-dated SSDO prices would reflect dividends that are expected to be paid during their respective one-year accrual periods. The expected dividends for longer-dated SSDOs listed in the table reflect an assumption of 5% dividend growth annually through December 2015. In-, at- and out-of-the-money SSDO strike prices would be listed relative to the Expected SSDO Index level equal to ten times the dividends expected during the relevant accrual period.

Accrual Period Start Date	Accrual Period End Date (SSDO Expiration Date)	Actual Dividends	Expected Dividends	Actual + Expected Dividends	Expected SSDO Index Level	SSDO Strikes
December 20, 2010	December 16, 2011	$ 0.91	$ 0.94	$ 1.85	$ 18.50	16, 17, 18, 19, 20
December 19, 2011	December 21, 2012	$ -	$ 1.94	$ 1.94	$ 19.40	17, 18, 19, 20, 21
December 24, 2012	December 20, 2013	$ -	$ 2.04	$ 2.04	$ 20.40	19, 20, 21,22, 23
December 23, 2013	December 19, 2014	$ -	$ 2.14	$ 2.14	$ 21.40	20, 21, 22, 23, 24
December 22, 2014	December 18, 2015	$ -	$ 2.25	$ 2.25	$ 22.50	21, 22, 23, 24, 25

In addition, the Exchange is proposing to permit the listing of up to ten contract months for accrual periods of less than a year. Near-term SSDOs with accrual periods of less than a year will reflect dividends accumulating in the then-current accrual period. All other SSDOs will reflect dividends expected in comparable accrual periods beyond the current accrual period.

Exercise and Settlement

The proposed options will expire on the Saturday following the third Friday of the expiring month. Trading in the expiring contract month will normally cease at 3:00 p.m. Chicago time on the last day of trading (ordinarily the Friday before expiration Saturday, unless there is an intervening holiday). When the last trading day is moved because of an Exchange holiday (such as when CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Thursday.

Exercise will result in delivery of cash on the business day following expiration. SSDOs will be P.M.-settled. The Exchange is proposing P.M.-settlement for SSDOs because options trading on individual stocks are P.M. settled. As a result, the Exchange is proposing to match the expiration style for SSDOs to individual stock option exercise. The exercise-settlement amount will be equal ten times the ordinary cash dividends paid by the issuer over the accrual period. The exercise settlement amount is equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by the contract multiplier ($100).

If the exercise settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the rules and bylaws of the OCC.

Surveillance

The Exchange will use the same surveillance procedures currently utilized for each of the Exchange's other single stock options to monitor trading in SSDOs. Such procedures include for example monitoring dividend announcements. CBOE is confident that it has adequate tools in place to surveil for market manipulation. The Exchange represents that these surveillance procedures shall be adequate to monitor trading in options on these option products. For surveillance purposes, the Exchange will have complete access to information regarding trading activity in the pertinent securities whose dividend payment is the basis for particular SSDOs. Specifically, as a member of the Intermarket Surveillance Group ("ISG"), the Exchange is able to obtain this information from the exchanges listing the securities whose dividend payment is the basis for particular SSDOs. CBOE’s access to information from the ISG and tools such as the Exchange's large options positions reports should prove more than sufficient for surveillance of market manipulation.

Position Limits

Position and exercise limits for SSDOs will be the same as those for standard options overlying the same security. While positions in SSDOs will be aggregated with longer-dated positions in SSDOs with the same underlying stock for position and exercise limits purposes, they will not be aggregated with positions in the ordinary options overlying the stock of the issuer paying the dividends underlying the SSDO. The reason for not aggregating positions with ordinary options is that SSDOs are based solely on expected dividends for an issuer and will reflect the forward value of that expectation. In contrast, the value of ordinary stock options reflect a variety of factors, of which expected dividends is only one. Hence the pricing of ordinary options versus SSDOs will differ dramatically and there is no need to aggregate positions to prevent manipulative practices involving the underlying.

Exchange Rules Applicable

A new Rule 5.9 is proposed to govern the listing and trading of SSDOs. In addition, SSDOs will be margined in the same manner as single stock options under Exchange Rule 12.3. Purchasers of puts or calls, however, must be paid in full, even if there remains longer than nine months until expiration for the position. For SSDOs, the aggregate contract value on which the margin amount will be calculated will be the product of the forward expected dividend amount for the accrual period (as adjusted for any contract scaling factor) and the applicable multiplier ($100).

The Exchange hereby designates SSDO options as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).

Capacity

CBOE has analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that will result from the introduction of SSDOs. This is particularly the case since the value of SSDOs are predicated on expected dividend payments, which are generally much less volatile than share prices. Hence, there is less need to list numerous strike prices for each expiration date of an SSDO or to have to add many new strikes over the life of an SSDO.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)[4] of the Act, in general, and furthers the objectives of Section 6(b)(5)[5] in particular in that it is

[4] 15 U.S.C. 78f(b).
[5] 15 U.S.C. 78f(b)(5).

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 facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market in a manner consistent with the protection of investors and the public interest. The Exchange believes that the introduction of SSDOs will provide investors with the ability to invest in options that settle to a value that represents the accumulated dividend amounts paid by a specific issuer over a specified accrual period. This will protect investors and the public interest by allowing market participants to hedge against potential declines in dividend income from long positions in the underlying stocks, which can be significant over long holding periods. In addition, the Exchange understands that dividend options trade in the other-the-counter marketplace and believes that the introduction of SSDOs will attract order flow to the Exchange, increase the variety of listed options to investors, and provide a valuable hedging tool to investors. Similarly, the proposed rule change will permit market participants to trade SSDOs in an environment subject to exchange-based rules that provides price transparency and eliminates contra-party risk through the role of the OCC as issuer, thus removing impediments to a free and open market consistent with the Act. Finally, SSDOs will be subject to CBOE’s rules, regulations and oversight, which provide enhanced investor protection and market surveillance.

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 not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to 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 (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve 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-2011-039 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-2011-039. 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 Web site (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 inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. 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-2011-039 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.[6]

Dated: ___________________ Secretary

[6] 17 CFR 200.30-3(a)(12).

EXHIBIT 3

Contract Specifications for Single Stock Dividend Options

Symbols:
To be determined

Description:
Single Stock Dividend Options ("SSDO") reflect ten (10) times the ordinary cash dividends paid by the issuer accumulated over an annual "accrual period." SSDOs are cash-settled, have European-style exercise and are P.M.-settled. For purposes of SSDOs, dividends are deemed to be "paid" on the ex-dividend date. The 1-year accrual period runs from the business day after the third Friday of December through the third Friday of the following December. The Exchange may list an SSDO with an accrual period of less than a year (*e.g.*, six months or one quarter), but in no event will an SSDO have an accrual period of less than one quarter of a year. For an SSDO with an accrual period of less than a year, the accrual period runs from the business day after the third Friday of the month beginning the accrual period through the third Friday of the month ending the accrual period.

Underlying:
Ten (10) time the ex-dividend amounts of an issuer accumulated over the specific accrual period for any individual stock designated by CBOE. The selected stocks must be eligible for options trading.

Multiplier:
$100

Strike price Intervals:
Minimum strike price intervals of not less than one point ($1.00) are permissible if the strike price is equal to or less than 200. When the strike price exceeds 200, strike price intervals will be no less than 2.5 points

Strike (Exercise) Prices: In-, at- and out-of-the-money strike prices are initially listed, based on the expected forward value of the accrued dividends at expiration. New strikes may be added as the expected forward value of the accrued dividends moves and upon request.

Premium Quotation:
Stated in decimals and one point equals $100. The minimum tick for options trading shall be established on a class-by-class basis by the Exchange and shall not be less than $0.01 ($1.00).

Expiration Date:
The Saturday following the third Friday of expiring month of the applicable SSDO.

Expiration Months:
CBOE may list up five (5) annual contract months that expire in December in different years and up to ten (10) contract months for accrual periods of less than a year. Near-term options reflect dividends accumulating in the then-current annual accrual period. All other SSDO options (*i.e.*, contracts listed for trading that are not in the then-current accrual period) reflect dividends expected in comparable accrual periods beyond the current accrual period.

Exercise Style:
European – Single Stock Dividend Options may be exercised only on the Expiration Date. Writers are subject to assignment only at expiration.

Last Trading Day:
The day prior to the Expiration Date of each month (ordinarily the Friday before expiration Saturday, unless there is an intervening holiday).

Settlement of Option Exercise:
The exercise-settlement value is ten (10) times the ordinary cash dividends paid by the issuer accumulated over an annual "accrual period" ending on the last business day (usually a Friday) before the Expiration Date. The exercise-settlement amount is equal to the difference between the exercise settlement value and the exercise price of the option, multiplied by $100. Exercise will result in delivery of cash on the business day following expiration.

Position and Exercise Limits:
Position and exercise limits for Single Security Dividend Options shall be the same as those for standard options overlying the same underlying stock. Limits for standard options vary according to the number of outstanding shares and past six-month trading volume of the underlying stock. The largest in capitalization and most frequently traded stocks have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; smaller capitalization stocks have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market. The number of contracts on the same side of the market that may be exercised within any five consecutive business days is equal to the position limit. Equity option positions must be aggregated with longer-dated equity positions on the same underlying for position and exercise limit purposes. Exemptions may be available for certain qualified hedging strategies.

Margin:
Purchases of puts or calls with 9 months or less until expiration must be paid for in full. Writers of uncovered puts or calls must deposit / maintain 100% of the option proceeds* plus 20% of the aggregate contract value minus the amount by which the option is out-of-the-money, if any, subject to a minimum for calls of option proceeds* plus 10% of the aggregate contract value and a minimum for puts of option proceeds* plus 10% of the aggregate exercise price amount. (*For calculating maintenance margin, use option current market value instead of option proceeds.) Additional margin may be required pursuant to Exchange Rule 12.10.

Trading Hours:
8:30 a.m. - 3:00 p.m. Central Time (Chicago time).