OMB APPROVAL

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hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 15

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

File No.* SR - 2012 - * 071
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)(2)	19b-4(f)(3)	19b-4(f)(4)	19b-4(f)(5)	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 increase the maximum term for LEAPS to fifteen years.

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-Golding

Title * Senior Attorney

E-mail * golding@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 07/24/2012

By Jenny Klebes-Golding
(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

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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) The Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to amend Rules 5.8, 23.5(b) and 24.9(b) to increase the maximum term for Long-Term Equity Options Series (“LEAPS”) to fifteen years. Set forth below are proposed changes to the rule text, with additions represented by underscoring and deletions represented by [brackets].

(b) Not applicable.

(c) Not applicable

Chicago Board Options Exchange, Incorporated

Rules

* * * * *

Rule 5.8. Long-Term Equity Options Series (LEAPS[®])

(a) Notwithstanding conflicting language in Exchange Rule 5.6, the Exchange may list long-term equity options series (LEAPS[®]) that expire 12 to [39] 180 months from the time they are listed. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity rules shall not apply to such option series until the time to expiration is less than nine months.

(b) – (d) No change.

* * * * *

Rule 23.5. Terms of Interest Rate Option Contracts

(a) No change.

(b) Expiration Months. (1) *Short-Term Options.* Interest rate option contracts may expire at three-month intervals or in consecutive months. The Exchange may list up to six expiration months per short-term option at any one time, but may not list short-term options that expire more than twelve months out.

(2) Long-Term Options (“LEAPS”)

(A) The Exchange may list long-term interest rate options (LEAPS) in series that expire 12 to [36] 180 months from the date of listing. The Exchange may list up to six expiration months for each LEAPS option, with no more than a six month interval between each expiration month. Whenever a new expiration month is listed, series may be established near or bracketing the current interest rate measure. Additional series may thereafter be added when the value of the interest rate measure increases or decreases by at least ten percent (10%).

(B) No change.

(c) – (e) No change.

…Interpretations and Policies: No change.

* * * * *

Rule 24.9. Terms of Index Option Contracts

(a) No change.

(b) *Long-Term Index Option Series (LEAPS[®]).*

(1) Notwithstanding the provision of Paragraph (a)(2) above, the Exchange may list long-term index options series that expire from 12 to [60] <u>180</u> months from the date of issuance.

(A) Index LEAPS may be based on either the full or reduced value of the underlying index. There may be up to ten expiration months, none further out than [sixty (60)] <u>one-hundred eighty (180)</u> months. Strike price interval, bid/ask differential and continuity rules shall not apply to such option series until the time to expiration is less than twelve (12) months.

(B) No change.

(2) (A) – (B) No change.

(c) – (e) No change.

…Interpretations and Policies: No change.

* * * * *

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

(a) The Exchange's President approved the proposed rule change pursuant to delegated authority on May 21, 2012.

(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 Jenny Klebes-Golding, (312) 786-7466.

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

(a) Purpose

Long-term equity and index option series (LEAPS) are similar to standard options but have maturities that may expire from 3 to 5 years, respectively, post initial listing. The purpose of the proposed rule change is to increase the maximum term for all LEAPS. Currently, the maximum term for equity and interest rate LEAPS is 36 months and the maximum term for index LEAPS is 60 months.

Specifically, CBOE is proposing to increase the maximum term for all LEAPS to 180 months (fifteen years). CBOE has received numerous requests from market participants that currently enter into over-the-counter ("OTC") positions that have longer dated expirations than are currently available on CBOE. CBOE would like to accommodate requests to list LEAPS with longer dated expirations, but is currently unable to do so because of the existing term limitations set forth in CBOE's rules. Similar fifteen year maximum terms exist for FLEX Options.[1]

CBOE believes that expanding the eligible term for all LEAPS to 180 months is important and necessary to CBOE's efforts to offer products in an exchange-traded environment that compete with OTC products. CBOE believes that LEAPS provide market participants and investors with a competitive comparable alternative to the OTC

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[1] See Securities Exchange Act Release No. 58890 (October 30, 2008), 73 FR 66085 (November 6, 2008) (SR-CBOE-2008-98) (notice of filing and immediate effectiveness of proposed rule change to increase the maximum term of flex options) and CBOE Rules 24A.4(a)(4)(i) 24B.4(a)(5)(i).

market in long-term options, which can take on contract characteristics similar to LEAPS but are not subject to the same maximum term restriction. By expanding the eligible term for LEAPS, market participants will now have greater flexibility in determining whether to execute their long-term options in an exchange environment or in the OTC market. CBOE believes that market participants can benefit from being able to trade these long-term options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of The Options Clearing Corporation ("OCC") as issuer and guarantor of LEAPS.

The Exchange has confirmed with the OCC that OCC can configure its systems to support LEAPS that have a maximum term of fifteen years (180 months).

Finally, the Exchange is making technical, non-substantive changes to Rules 5.8 and 24.9 to delete "®" symbols.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act")[2] and the rules and regulations under the Act applicable to national securities exchanges and, in particular, the requirements of Section 6(b) of the Act.[3] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[4] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove

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2 15 U.S.C. 78s(b)(1)
3 15 U.S.C. 78f(b).
4 15 U.S.C. 78f(b)(5).

impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to promote just and equitable principles of trade in that the availability of LEAPS with longer dated expirations will give market participants an alternative to trading similar products in the OTC market. By trading a product in an exchange traded environment (that is currently being used in the OTC market) will also enable the Exchange to compete more effectively with the OTC market.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it will hopefully lead to the migration of options currently trading in the OTC market to trading to the Exchange. Also, any migration to the Exchange from the OTC market will result in increased market transparency.

Additionally, the Exchange believes that the proposed rule change is designed to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest in that it should create greater trading and hedging opportunities and flexibility. The proposed rule change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of LEAPS. Further, the proposal will result in increased competition by permitting the Exchange to offer products that are currently used in the OTC market.

Item 4. 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.

Item 5. 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 proposal.

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time-period for Commission action.

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 or By-Laws of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Exhibits

Exhibit 1. Form of Notice of Proposed Rule Change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2012-071

Dated: __________________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule Change to Increase the Maximum Term for LEAPS to Fifteen Years

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 __________, 2012, the 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 Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

CBOE proposes to amend Rules 5.8, 23.5(b) and 24.9(b) to increase the maximum term for Long-Term Equity Options Series ("LEAPS") to fifteen years. The text of the proposed rule change is available on the Exchange's Web site (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 concerning the purpose of and basis for the proposed rule change and discussed

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1 15 U.S.C. 78s(b)(1).
2 17 CFR 240.19b-4.

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

Long-term equity and index option series (LEAPS) are similar to standard options but have maturities that may expire from 3 to 5 years, respectively, post initial listing. The purpose of the proposed rule change is to increase the maximum term for all LEAPS. Currently, the maximum term for equity and interest rate LEAPS is 36 months and the maximum term for index LEAPS is 60 months.

Specifically, CBOE is proposing to increase the maximum term for all LEAPS to 180 months (fifteen years). CBOE has received numerous requests from market participants that currently enter into over-the-counter ("OTC") positions that have longer dated expirations than are currently available on CBOE. CBOE would like to accommodate requests to list LEAPS with longer dated expirations, but is currently unable to do so because of the existing term limitations set forth in CBOE's rules. Similar fifteen year maximum terms exist for FLEX Options.[3]

CBOE believes that expanding the eligible term for all LEAPS to 180 months is important and necessary to CBOE's efforts to offer products in an exchange-traded environment that compete with OTC products. CBOE believes that LEAPS provide

[3] See Securities Exchange Act Release No. 58890 (October 30, 2008), 73 FR 66085 (November 6, 2008) (SR-CBOE-2008-98) (notice of filing and immediate effectiveness of proposed rule change to increase the maximum term of flex options) and CBOE Rules 24A.4(a)(4)(i) 24B.4(a)(5)(i).

market participants and investors with a competitive comparable alternative to the OTC market in long-term options, which can take on contract characteristics similar to LEAPS but are not subject to the same maximum term restriction. By expanding the eligible term for LEAPS, market participants will now have greater flexibility in determining whether to execute their long-term options in an exchange environment or in the OTC market. CBOE believes that market participants can benefit from being able to trade these long-term options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of The Options Clearing Corporation ("OCC") as issuer and guarantor of LEAPS.

The Exchange has confirmed with the OCC that OCC can configure its systems to support LEAPS that have a maximum term of fifteen years (180 months).

Finally, the Exchange is making technical, non-substantive changes to Rules 5.8 and 24.9 to delete "®" symbols.

2. <u>Statutory Basis</u>

The Exchange believes the proposed rule change is consistent with the Act[4] and the rules and regulations under the Act applicable to national securities exchanges and, in particular, the requirements of Section 6(b) of the Act.[5] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[6] requirements that the rules of an exchange be designed to promote just and equitable principles of

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[4] 15 U.S.C. 78s(b)(1)

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

[6] 15 U.S.C. 78f(b)(5).

trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to promote just and equitable principles of trade in that the availability of LEAPS with longer dated expirations will give market participants an alternative to trading similar products in the OTC market. By trading a product in an exchange traded environment (that is currently being used in the OTC market) will also enable the Exchange to compete more effectively with the OTC market.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it will hopefully lead to the migration of options currently trading in the OTC market to trading to the Exchange. Also, any migration to the Exchange from the OTC market will result in increased market transparency.

Additionally, the Exchange believes that the proposed rule change is designed to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest in that it should create greater trading and hedging opportunities and flexibility. The proposed rule change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of LEAPS. Further, the proposal will result in increased competition by permitting the Exchange to offer products that are currently used in the OTC market.

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-2012-071 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-2012-071. 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-2012-071 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.[7]

Dated: ___________________ Secretary

[7] 17 CFR 200.30-3(a)(12).