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

File No. SR - 2007 - 41
Amendment No

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).

Proposes to clarify and supplement the manner in which the expiration date for options on CBOE Volatility Indexes and CBOE Increased-Value Volatility Indexes are determined.

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: Jennifer 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: 04/30/2007
By: Jennifer 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 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 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 Proposed Rule Change

(a) The Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to clarify and supplement the manner in which the expiration date for options on CBOE Volatility Indexes and CBOE Increased-Value Volatility Indexes are determined. Set forth below are proposed changes to the rule text, with additions represented by underscoring and deletions represented by [bracketing].

(b) Inapplicable

(c) Inapplicable

* * * * *

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 24.9—Terms of Index Option Contracts

RULE 24.9. (a)(1) – (4) No change.

(5) *[Other] Method[s] of Determining Exercise Settlement Value* [.] *for* [Exercise settlement values for the following index options are determined as specified in this paragraph:

(i)] *CBOE Volatility Indexes and CBOE Increased-Value Volatility Indexes.* The current volatility index value at expiration shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the [last day of trading in the underlying securities prior to expiration] Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the volatility index option expires. If the third Friday of the month subsequent to the expiration of the volatility index option is an Exchange holiday, the current volatility index value at expiration shall be determined on the business day that is thirty days prior to the Exchange business day immediately preceding that Friday. The current volatility index value for such purposes shall be calculated by the [Chicago Board Options] Exchange as a Special Opening Quotation (SOQ) of each respective CBOE Volatility or CBOE Increased-Value Volatility Index using the sequence of opening prices of the options that comprise each volatility [I]index. The opening price for any series in which there is no trade shall be the average of that volatility index option's bid price and ask price as determined at the opening of trading.

(b) – (c) No change.

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Item 2. Procedures of the Self-Regulatory Organization

(a) CBOE's Office of the Chairman, pursuant to delegated authority, approved the proposed rule change on April 30, 2007. 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 Jennifer 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 this rule filing is to amend Rule 24.9, Terms of Index Options, to clarify and supplement the methodology used for determining the expiration dates for options on CBOE Volatility Indexes and CBOE Increased-Value Volatility Indexes (collectively, "Volatility Index Options"). Each volatility index, generally, uses the quotes of certain index option series (e.g., S&P 500 Index ("SPX") options) to derive a measure of volatility of the U.S. equity market. Under CBOE's current methodology, all Volatility Index Options expire on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the expiring month of the Volatility Index Options.[1]

This methodology was chosen because it provides consistency by ensuring that Volatility Index Options expire exactly thirty days before the expiration date of the

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1 The options used to calculate the volatility indexes are traded on CBOE and generally expire on the third Friday of any given calendar month.

options that are used to calculate the volatility indexes.[2] Additionally, the Exchange believes that the settlement process works best if underlying option series with a single expiration month are used to calculate the underlying volatility index. If underlying options series in two expiration months are used, the number of options series used in the settlement process is markedly increased and the settlement process becomes more complex and cumbersome. The above methodology and the proposed revision to that methodology described below with respect to Exchange holidays ensures that underlying option series in a single expiration month will always be used to calculate the volatility index at settlement.

The Exchange also represents that this methodology is consistent with the way in which expiration dates for futures contracts on volatility indexes are calculated. The Exchange is proposing to amend the existing text of Rule 24.9, relating to the current methodology, so that the text is clearer and more specific.

In order to maintain the desired consistency described above, the Exchange also proposes to supplement the current methodology by providing a framework for determining the expiration date for Volatility Index Options when the Exchange is closed on the third Friday of any given calendar month. Specifically, the Exchange proposes to amend Rule 24.9 to provide that if the third Friday of the month subsequent to the expiration of the Volatility Index Option is an Exchange holiday, the current volatility

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2 See Securities Exchange Act Release No. 53342 (February 21, 2006), 71 FR 10086 (February 28, 2006) (approving SR-CBOE-2006-008, which changed prior settlement methodology under which options would not expire exactly thirty days prior to the expiration of the options on the index on which the volatility index is based in four of the months in any rolling twelve-month period).

index value at expiration shall be determined on the business day that is thirty days prior to the Exchange business day immediately preceding that Friday.[3]

To illustrate how this revised methodology will work, a February 2008 CBOE Volatility Index ("VIX") option would generally expire on the Wednesday (February 20, 2008) that is thirty days prior to the third Friday in the succeeding month (March 21, 2008). (This would be the expiration date of the SPX options used to calculate the VIX). However, the Exchange will be closed on Friday, March 21, 2008 in observance of Good Friday; therefore, the SPX options will expire on the immediately preceding business day, which is Thursday, March 20, 2008. Accordingly, to ensure that a thirty-day volatility measurement period is used for the February 2008 VIX option, the expiration date would be Tuesday, February 19, 2008.

Because February 2008 Volatility Index options are currently traded, the Exchange proposes that this rule change apply to those contracts, as well as to any Volatility Index Options that are subsequently traded by the Exchange. The Exchange represents that it will provide public disclosure and notifications to its members and the investing public of this change.

(b) Statutory Basis

Because this rule proposal will further clarify and improve the settlement procedures for Volatility Index Options, the Exchange believes the rule proposal is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations under the Act applicable to a national securities exchange and, in particular,

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3 The Exchange represents that it also proposing a similar change relating to expiration dates for futures contracts on volatility indexes.

the requirements of Section 6(b) of the Act.[4] Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act[5] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.

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

This rule proposal does not impose any burden on competition that is 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

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

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2)[6] of the Act for Commission consideration of the rule proposal.

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

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

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4 15 U.S.C. 78f(b).

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

6 15 U.S.C. 78s(b)(2).

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

This rule proposal is not based on the rules of another self-regulatory organization or of the Commission.

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-2007-41)

Dated:____________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change to Clarify and Supplement Manner for Determining Expiration Date for Options on CBOE Volatility Indexes and CBOE Increased-Value Volatility Indexes

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 ______________, 2007, 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

The Exchange proposes to clarify and supplement the manner in which the expiration date for options on CBOE Volatility Indexes and CBOE Increased-Value Volatility Indexes are determined. 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 concerning the purpose of and basis for the proposed rule change and discussed any comments

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

2 17 CFR 240.19b-4.

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 this rule filing is to amend Rule 24.9, Terms of Index Options, to clarify and supplement the methodology used for determining the expiration dates for options on CBOE Volatility Indexes and CBOE Increased-Value Volatility Indexes (collectively, "Volatility Index Options"). Each volatility index, generally, uses the quotes of certain index option series (e.g., S&P 500 Index ("SPX") options) to derive a measure of volatility of the U.S. equity market. Under CBOE's current methodology, all Volatility Index Options expire on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the expiring month of the Volatility Index Options.[3]

This methodology was chosen because it provides consistency by ensuring that Volatility Index Options expire exactly thirty days before the expiration date of the options that are used to calculate the volatility indexes.[4] Additionally, the Exchange believes that the settlement process works best if underlying option series with a single expiration month are used to calculate the underlying volatility index. If underlying options series in two

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3 The options used to calculate the volatility indexes are traded on CBOE and generally expire on the third Friday of any given calendar month.

4 See Securities Exchange Act Release No. 53342 (February 21, 2006), 71 FR 10086 (February 28, 2006) (approving SR-CBOE-2006-008, which changed prior settlement methodology under which options would not expire exactly thirty days prior to the expiration of the options on the index on which the volatility index is based in four of the months in any rolling twelve-month period).

expiration months are used, the number of options series used in the settlement process is markedly increased and the settlement process becomes more complex and cumbersome. The above methodology and the proposed revision to that methodology described below with respect to Exchange holidays ensures that underlying option series in a single expiration month will always be used to calculate the volatility index at settlement.

The Exchange also represents that this methodology is consistent with the way in which expiration dates for futures contracts on volatility indexes are calculated. The Exchange is proposing to amend the existing text of Rule 24.9, relating to the current methodology, so that the text is clearer and more specific.

In order to maintain the desired consistency described above, the Exchange also proposes to supplement the current methodology by providing a framework for determining the expiration date for Volatility Index Options when the Exchange is closed on the third Friday of any given calendar month. Specifically, the Exchange proposes to amend Rule 24.9 to provide that if the third Friday of the month subsequent to the expiration of the Volatility Index Option is an Exchange holiday, the current volatility index value at expiration shall be determined on the business day that is thirty days prior to the Exchange business day immediately preceding that Friday.[5]

To illustrate how this revised methodology will work, a February 2008 CBOE Volatility Index ("VIX") option would generally expire on the Wednesday (February 20, 2008) that is thirty days prior to the third Friday in the succeeding month (March 21, 2008). (This would be the expiration date of the SPX options used to calculate the VIX). However,

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5 The Exchange represents that it also proposing a similar change relating to expiration dates for futures contracts on volatility indexes.

the Exchange will be closed on Friday, March 21, 2008 in observance of Good Friday; therefore, the SPX options will expire on the immediately preceding business day, which is Thursday, March 20, 2008. Accordingly, to ensure that a thirty-day volatility measurement period is used for the February 2008 VIX option, the expiration date would be Tuesday, February 19, 2008.

Because February 2008 Volatility Index options are currently traded, the Exchange proposes that this rule change apply to those contracts, as well as to any Volatility Index Options that are subsequently traded by the Exchange. The Exchange represents that it will provide public disclosure and notifications to its members and the investing public of this change.

2. Statutory Basis

Because this rule proposal will further clarify and improve the settlement procedures for Volatility Index Options, the Exchange believes the rule proposal is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.[6] Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act[7] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.

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6 15 U.S.C. 78f(b).

7 15 U.S.C. 78f(b)(5).

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

The Exchange neither solicited nor received comments on the proposal.

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

Within 35 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-

2007-41 on the subject line.

Paper comments:

Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2007-41. 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 Section, 100 F Street, NE, Washington, DC 20549-9303. 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-2007-41 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Secretary

Dated: ______________________

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[8] 17 CFR 200.30-3(a)(12).