

Proposed Rule Change by Chicago Board Options Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

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 Last Name
 Title
 E-mail
 Telephone Fax

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
 By Senior Attorney / Assistant Secretary
 (Name) (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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

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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

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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

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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

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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

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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

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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

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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) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to trade options on the S&P 500 Annual Dividend Index with an applied scaling factor of 1. The Exchange is not proposing any rule text changes.

(b) Not applicable.

(c) Not applicable.

* * * * *

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 16, 2010. 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 Securities and Exchange Commission previously approved CBOE's proposed rule change, as modified Amendment No. 1, to list and trade cash-settled options that overlie the S&P 500 Dividend Index.¹ In the filing, the Exchange stated that the S&P

¹ See Securities Exchange Act Release No. 61136 (December 10, 2009), 74 FR 66711 (December 16, 2009) (SR-CBOE-2009-022).

The S&P 500 Dividend Index represents the accumulated ex-dividend amounts of all S&P 500 Index component securities over a specified accrual period. Each day Standard & Poor's calculates the aggregate daily dividend totals for the S&P 500 Index component securities, which are summed over any given calendar quarter and are the basis of the S&P 500 Dividend index. On any given day, the index dividend is calculated as the total dividend value for all constituents of the S&P 500 Index divided by the S&P 500 Index divisor. The total dividend value is calculated as the sum of dividends per share multiplied by the shares outstanding for all constituents of the S&P 500 Index that are trading "ex-dividend" on that day.

500 Dividend Index is reported in absolute numbers (*e.g.*, 3, 5, 7) and that the Exchange would apply a scaling factor of 10 to the underlying index. The Exchange proposed the use of the scaling factor in the original filing because it was premised on the S&P 500 Dividend Index representing the accumulated ex-dividend amounts of all S&P 500 Index components over a specified quarterly accrual period. The use of a scaling factor was intended to increase the size of the underlying index value because it was expected to be a relatively low value.

In Amendment No. 1, the Exchange proposed to permit varying terms for the accrual period (*e.g.*, quarterly, semi-annually, annually). To date, the Exchange has only designated a quarterly accrual period for S&P 500 Dividend Index options. Beginning May 25, 2010, the Exchange plans to list options on the S&P 500 Annual Dividend Index, an index with a designated annual accrual period.² The Exchange plans to list options with a single expiration for each year (*e.g.*, Dec 2010, Dec 2011).³ In the recent past, the final index value (at expiration) has ranged from the low 20s up to the upper 20s. The final value on December 18, 2009 was 22.81. Because the duration of an annual accrual period results in the underlying index value being higher than for lesser duration accrual periods, the Exchange proposes to apply a scaling factor of 1 to the underlying annual index. During each business day, CBOE will disseminate the underlying S&P 500 Annual Dividend Index value with the applied scaling factor of 1 through the Options Price Reporting Authority ("OPRA") and/or one or more major market data vendors.

² The Exchange will assign separate trading symbols to options overlying an index with a designated annual accrual period to distinguish them from options overlying an index with a designated quarterly accrual period.

³ Standard & Poor's has created and now calculates the S&P 500 Annual Dividend Index.

The use of a scaling factor of 10 was described in the purpose section of the filing and in the contract specifications that were submitted as Exhibit 3; therefore, the Exchange is not proposing any new or revised rule text to affect this change. Exhibit 3 presents revised contract specifications for S&P 500 Annual Dividend Index options.

b. Statutory Basis

The Exchange believes this 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.⁴ Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act⁵ 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. In particular, the proposed rule change seeks to permit the Exchange to apply a scaling factor of 1 to options on the S&P 500 Annual Dividend Index, an index with a designated annual accrual period, since the duration of an annual accrual period results in the underlying index value being higher than for lesser duration accrual periods.

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 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 proposed rule change.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

Item 6. Extension of Time Period for Commission Action

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

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A)⁶ of the Act and Rule 19b-4(f)(6) thereunder.⁷

(b) The Exchange asserts that the proposed rule change does not (i) significantly affect the protection of investors or the public interest, (ii) impose any significant burden on competition, and (iii) become operative for 30 days after the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change prior to the date of the filing of the proposed rule change. For the foregoing reasons, the proposed rule change qualifies as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act.⁸

The Exchange requests that the Commission waive the 30-day operative delay period. Waiver of the operative date is consistent with the protection of investors and the public interest in that it will allow the Exchange to begin listing options overlying the S&P 500 Annual Dividend Index beginning on Tuesday, May 25, 2010. As a result, the Exchange believes that the proposed rule change does not present any new, unique or substantive issues that make the 30-day operative delay specified in Rule 19b-4(f)(6)

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6).

⁸ 17 CFR 240.19b-4(f)(6).

necessary.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change 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 3. Revised Contract Specifications for S&P 500 Dividend Index options.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2010-039

Dated: _____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Trade Options on S&P 500 Annual Dividend Index With an Applied Scaling Factor of 1

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 _____, 2010, 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 Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 trade options on the S&P 500 Annual Dividend Index with an applied scaling factor of 1. The Exchange is not proposing any rule text changes. 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

¹ 15 U.S.C. 78s(b)(1).
² 17 CFR 240.19b-4.
³ 15 U.S.C. 78s(b)(3)(A)(iii).
⁴ 17 CFR 240.19b-4(f)(6).

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 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 Securities and Exchange Commission previously approved CBOE's proposed rule change, as modified Amendment No. 1, to list and trade cash-settled options that overlie the S&P 500 Dividend Index.⁵ In the filing, the Exchange stated that the S&P 500 Dividend Index is reported in absolute numbers (*e.g.*, 3, 5, 7) and that the Exchange would apply a scaling factor of 10 to the underlying index. The Exchange proposed the use of the scaling factor in the original filing because it was premised on the S&P 500 Dividend Index representing the accumulated ex-dividend amounts of all S&P 500 Index components over a specified quarterly accrual period. The use of a scaling factor was intended to increase the size of the underlying index value because it was expected to be a relatively low value.

⁵ See Securities Exchange Act Release No. 61136 (December 10, 2009), 74 FR 66711 (December 16, 2009) (SR-CBOE-2009-022).

The S&P 500 Dividend Index represents the accumulated ex-dividend amounts of all S&P 500 Index component securities over a specified accrual period. Each day Standard & Poor's calculates the aggregate daily dividend totals for the S&P 500 Index component securities, which are summed over any given calendar quarter and are the basis of the S&P 500 Dividend index. On any given day, the index dividend is calculated as the total dividend value for all constituents of the S&P 500 Index divided by the S&P 500 Index divisor. The total dividend value is calculated as the sum of dividends per share multiplied by the shares outstanding for all constituents of the S&P 500 Index that are trading "ex-dividend" on that day.

In Amendment No. 1, the Exchange proposed to permit varying terms for the accrual period (*e.g.*, quarterly, semi-annually, annually). To date, the Exchange has only designated a quarterly accrual period for S&P 500 Dividend Index options. Beginning May 25, 2010, the Exchange plans to list options on the S&P 500 Annual Dividend Index, an index with a designated annual accrual period.⁶ The Exchange plans to list options with a single expiration for each year (*e.g.*, Dec 2010, Dec 2011).⁷ In the recent past, the final index value (at expiration) has ranged from the low 20s up to the upper 20s. The final value on December 18, 2009 was 22.81. Because the duration of an annual accrual period results in the underlying index value being higher than for lesser duration accrual periods, the Exchange proposes to apply a scaling factor of 1 to the underlying annual index. During each business day, CBOE will disseminate the underlying S&P 500 Annual Dividend Index value with the applied scaling factor of 1 through the Options Price Reporting Authority ("OPRA") and/or one or more major market data vendors.

The use of a scaling factor of 10 was described in the purpose section of the filing and in the contract specifications that were submitted as Exhibit 3; therefore, the Exchange is not proposing any new or revised rule text to affect this change. Exhibit 3 presents revised contract specifications for S&P 500 Annual Dividend Index options.

2. Statutory Basis

The Exchange believes this rule proposal is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the

⁶ The Exchange will assign separate trading symbols to options overlying an index with a designated annual accrual period to distinguish them from options overlying an index with a designated quarterly accrual period.

⁷ Standard & Poor's has created and now calculates the S&P 500 Annual Dividend Index.

requirements of Section 6(b) of the Act.⁸ Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act⁹ 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. In particular, the proposed rule change seeks to permit the Exchange to apply a scaling factor of 1 to options on the S&P 500 Annual Dividend Index, an index with a designated annual accrual period, since the duration of an annual accrual period results in the underlying index value being higher than for lesser duration accrual periods.

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

Because the foregoing proposed rule does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹ At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2010-039 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-2010-039. 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,

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

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-2010-039 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.¹²

Dated: _____

Florence E. Harmon
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).

EXHIBIT 3

Contract Specifications for S&P 500 Dividend Index Options

Symbols:

To be determined

Description:

S&P 500 Dividend Index options overlie the S&P 500 Dividend Index ("Dividend Index"), which is calculated by Standard & Poor's. The Dividend Index represents the accumulated "ex-dividend" amounts of all S&P 500 Index components over a specified "accrual period" (e.g., quarterly, semiannually, annually) that is set at listing by CBOE. For example, a quarterly accrual period runs from the business day after the third Friday of a quarterly expiration month (i.e., March, June, September or December) through the third Friday of the next quarterly expiration month. The Dividend Index is expressed in S&P 500 Index points and is reset to zero at the end of the specified accrual period.

Underlying:

The S&P 500 Dividend Index with an applied scaling factor of 10; however, for contracts overlying an annual accrual period, the Exchange will apply a scaling factor of 1.

Multiplier:

\$100

Strike price Intervals:

Minimum strike price intervals of not less than 1 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 calculated (expected) forward value of the underlying index at expiration. New strikes may be added as the calculated forward value of the S&P 500 Dividend Index moves from the initial exercise prices of options, and upon request.

Premium Quotation:

Stated in decimals and one point equals \$100. Minimum tick for options trading at or below 3.00 is 0.05 (\$5.00) and for all other series, 0.10 (\$10.00).

Expiration Date:

Saturday following the third Friday of the expiration month.

Expiration Months:

Up to four (4) contract months from the March quarterly cycle (March, June, September and December). LEAPS will also be listed.

Exercise Style:

European – S&P 500 Dividend Index 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.

Settlement of Option Exercise:

The exercise-settlement value, (*Symbols to be determined*), is a special quotation of the S&P 500 Dividend Index as calculated by Standard & Poor's with an applied scaling factor of 10 for contracts with a designated quarterly accrual period or with an applied scaling factor of 1 for contracts with a designated annual accrual period 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, (*Symbols to be determined*), and the exercise price of the option, multiplied by the contract multiplier (\$100). Exercise will result in delivery of cash on the business day following expiration.

Position and Exercise Limits:

No position and exercise limits are in effect. Each member (other than a market-maker) or member organization that maintains an end of day position in excess of 100,000 contracts in S&P 500 Dividend Index options for its proprietary account or for the account of a customer, shall report certain information to the Department of Market Regulation. The member must report information as to whether such position is hedged and, if so, a description of the hedge employed. A report must be filed when an account initially meets the aforementioned applicable threshold. Thereafter, a report must be filed for each incremental increase of 25,000 contracts. Reductions in an options position do not need to be reported. However, any significant change to the hedge must be reported.

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 15% of the aggregate contract value (related S&P 500 Dividend Index futures price x the set scaling factor x the contract multiplier (\$100) 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. - 3:15 p.m. Central Time (Chicago time).