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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2011 - * 029
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 expand the $2.50 Strike Price Program.

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 03/30/2011

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. <u>Text of the Proposed Rule Change</u>

(a) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend Rule 5.5 to expand the Exchange's $2.50 Strike Price Program (the "Program") to permit the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $100, provided the $2.50 strike price intervals are no more than $10 from the closing price of the underlying stock in the primary market. The text of the proposed rule change is provided below with additions <u>underlined</u> and deletions [bracketed].

(b) Not applicable.

(c) Not applicable.

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 5.5—Series of Option Contracts Open for Trading

* * * * *

. . . Interpretations and Policies:

.01 - .04 No change.

* * * * *

.05 (a) $2.50 Strike Price Program. Pursuant to a program initially approved by the SEC in 1995, the Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50. In addition to those options selected by the Exchange, the strike price interval may be $2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program.

(b) In addition, on any option class that has been selected as part of the $2.50 Strike Price Program pursuant to paragraph (a) above, the Exchange may list $2.50 strike prices between $50 and [$75] <u>$100</u>, provided the $2.50 strike prices between $50 and [$75] <u>$100</u> are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an option class has been selected as part of $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50 strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $57.50 strike price, and the $62.50 strike price on the next business day.

(c) An option class shall remain in the $2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.

.06 - .18 No change.

* * * * *

Item 2. Procedures of the Self-Regulatory Organization

(a) The CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on March 16, 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 this proposed rule change is to amend Rule 5.5 to expand the Program to permit the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $100, provided the $2.50 strike price intervals are no more than $10 from the closing price of the underlying stock in the primary market.

The $2.50 Strike Price Program was initially adopted in 1995 as a joint pilot program of the options exchanges, whereby the options exchanges were permitted to list

$2.50 strike prices up to $50 on a total of up to 100 option classes.[1] The Program was later permanently approved and expanded in 1998 to allow the options exchanges to select up to 200 classes on which to list $2.50 strike prices up to $50.[2] Of these 200 option classes eligible for the Program, 60 classes have been allocated to CBOE pursuant to a formula approved by the SEC.[3] Each options exchange, however, is permitted to list $2.50 strike prices on any option class that another exchange selects as part of the Program. In 2005, the Program was amended once again to allow the listing of $2.50 strike prices between $50 and $75.[4] The Exchange now proposes to allow the listing of $2.50 strike prices between $50 and $100. Below, CBOE provides two examples in support of its request to expand the strike setting parameters of the Program.

For example, consider a hypothetical stock XYZ, Inc., trading at $81. With approximately one month remaining until expiration, and with a front month at-the-money put option (the 80 strike) trading at approximately $1.30, the investor would be able to purchase a $77.50 strike put at an estimated $.60 per contract. Today, the next available strike would be the 75 strike. While the 75 strike put would certainly trade at a lesser price than the 80 strike put[5], the protection offered would only take effect with a 7.40% decline in the market as opposed to a 4.30% decline in the market. The additional choice would provide the investor an additional opportunity to hedge exposure (the opportunity to hedge with a reduced outlay) and thereby minimize risk if there were a decline in the stock price of XYZ.

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1 See Securities Exchange Act Release No. 34-35993 (July 19, 1995), 60 FR 38073 (July 25, 1995) (SR-CBOE-95-19).

2 See Securities Exchange Act Release No. 34-40662 (November 12, 1998), 63 FR 64297 (November 19, 1998) (SR-CBOE-98-29).

3 Id.

4 See Securities Exchange Act Release No. 34-52892 (December 5, 2005), 70 FR 73492 (December 12, 2005). (SR-CBOE-2005-39).

5 The 75 strike put would trade at $.30 in this example.

Another example would be if an investor desired to sell call options to hedge the exposure of an underlying stock position and enhance yield. Consider a hypothetical where XYZ was trading at $81 and a 2-month call option with a strike price of 85 was trading at approximately $2.35. If the investor were to sell the 85 call against an existing stock position, the investor could collect a premium equal to 2.90% of the XYZ share price, which would provide a cushion against a share price decline to $78.65. It would also provide enhanced returns relative to holding the stock alone, provided that the price of XYZ was below $87.35 at expiration. By providing an additional $2.50 strike interval above $75, the investor would have the opportunity to sell the 82.50 strike instead of the 85 strike. If the 85 strike call were trading at $2.35, the 82.50 strike call would trade at approximately 3.30. By selling the 82.50 strike call at 3.30 against an existing stock position, the investor could collect a premium equal to 4.07% of the XYZ share price, which would provide a cushion against a share price decline to $77.70. It would also provide enhanced returns relative to holding the stock alone, provided that the price of XYZ was below $85.80 at expiration. Therefore, an additional choice of a $2.50 strike interval could afford varying yields to the investor.

The Exchange believes that the Program has to date created additional trading opportunities for investors, thereby benefiting the marketplace. The existence of $2.50 strike prices with strike intervals above $75 affords investors the ability to more closely tailor investment strategies to the precise movement of the underlying security and meet their investment, trading and risk management requirements.

Finally, the Exchange represents that it and the Options Price Reporting Authority have the necessary systems capacity to support the anticipated modest increase in new options series that will result from the proposed changes to the $2.50 Strike Program.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)[6] of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations under the Act, in general, and furthers the objectives of Section 6(b)(5),[7] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that the effect of the proposed expansion on the marketplace would not result in a material proliferation of quote volume or concerns with fragmentation.

Rather, the Exchange believes the $2.50 Strike Price Program proposal would provide the investing public and other market participants increased opportunities to better manage their risk exposure. Accordingly, the Exchange believes that the proposal to expand the Program to allow the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $100 should further benefit investors and the market by providing greater trading opportunities for those underlying stocks that have low volatility and thus trade in a narrow range.

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

This proposed rule change 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 proposed rule

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[6] 15 U.S.C. 78f(b).
[7] 15 U.S.C. 78f(b)(5).

change.

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)

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A)[8] of the Act and Rule 19b-4(f)(6) thereunder.[9]

(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. The proposed rule change is substantially similar in all material respects to a recently submitted proposal of the NASDAQ OMX PHLX LLC ("Phlx") to expand the $2.50 Strike Price Program to permit the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $100.[10]

The Exchange provided the Commission with written notice of its intent to file the proposal, along with a brief description and text of the proposal, prior to the date of the filing of the proposed rule change as required by Rule 19b-4(f)(6). The Exchange requests that the Commission waive the 5-day pre-filing period and the 30-day operative delay period. Waiver of the pre-filing period and operative delay is consistent with the

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8 15 U.S.C. 78s(b)(3)(A).

9 17 CFR 240.19b-4(f)(6).

10 See Securities Exchange Act Release No. 34-63914 (February 15, 2011), 76 FR 9846 (February 22, 2010) (SR-Phlx-2011-15).

protection of investors and the public interest in that doing so will encourage fair competition among the exchanges, by allowing the CBOE to compete effectively by expanding its Weeklys Program at the same time the Phlx filing is approved.

For the foregoing reasons, the Exchange believes the rule filing qualifies for expedited effectiveness as a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 of the Act.

(c) Not applicable.

(d) Not applicable.

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

As discussed above, this proposed rule change is based on a proposal of Phlx, SR-Phlx-2011-15.

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-2011-029

Dated:_____________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand the $2.50 Strike Price Program

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 Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] 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 amend Rule 5.5 to expand the Exchange's $2.50 Strike Price Program (the "Program") to permit the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $100, provided the $2.50 strike price intervals are no more than $10 from the closing price of the underlying stock in the primary market. The

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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).

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 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 proposed rule change is to amend Rule 5.5 to expand the Program to permit the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $100, provided the $2.50 strike price intervals are no more than $10 from the closing price of the underlying stock in the primary market.

The $2.50 Strike Price Program was initially adopted in 1995 as a joint pilot program of the options exchanges, whereby the options exchanges were permitted to list $2.50 strike prices up to $50 on a total of up to 100 option classes.[5] The Program was later permanently approved and expanded in 1998 to allow the options exchanges to select up to 200 classes on which to list $2.50 strike prices up to $50.[6] Of these 200 option classes eligible for the Program,

[5] See Securities Exchange Act Release No. 34-35993 (July 19, 1995), 60 FR 38073 (July 25, 1995) (SR-CBOE-95-19).

[6] See Securities Exchange Act Release No. 34-40662 (November 12, 1998), 63 FR 64297 (November 19, 1998) (SR-CBOE-98-29).

60 classes have been allocated to CBOE pursuant to a formula approved by the SEC.[7] Each options exchange, however, is permitted to list $2.50 strike prices on any option class that another exchange selects as part of the Program. In 2005, the Program was amended once again to allow the listing of $2.50 strike prices between $50 and $75.[8] The Exchange now proposes to allow the listing of $2.50 strike prices between $50 and $100. Below, CBOE provides two examples in support of its request to expand the strike setting parameters of the Program.

For example, consider a hypothetical stock XYZ, Inc., trading at $81. With approximately one month remaining until expiration, and with a front month at-the-money put option (the 80 strike) trading at approximately $1.30, the investor would be able to purchase a $77.50 strike put at an estimated $.60 per contract. Today, the next available strike would be the 75 strike. While the 75 strike put would certainly trade at a lesser price than the 80 strike put[9], the protection offered would only take effect with a 7.40% decline in the market as opposed to a 4.30% decline in the market. The additional choice would provide the investor an additional opportunity to hedge exposure (the opportunity to hedge with a reduced outlay) and thereby minimize risk if there were a decline in the stock price of XYZ.

Another example would be if an investor desired to sell call options to hedge the exposure of an underlying stock position and enhance yield. Consider a hypothetical where XYZ was trading at $81 and a 2-month call option with a strike price of 85 was trading at approximately $2.35. If the investor were to sell the 85 call against an existing stock

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7 Id.

8 See Securities Exchange Act Release No. 34-52892 (December 5, 2005), 70 FR 73492 (December 12, 2005). (SR-CBOE-2005-39).

9 The 75 strike put would trade at $.30 in this example.

position, the investor could collect a premium equal to 2.90% of the XYZ share price, which would provide a cushion against a share price decline to $78.65. It would also provide enhanced returns relative to holding the stock alone, provided that the price of XYZ was below $87.35 at expiration. By providing an additional $2.50 strike interval above $75, the investor would have the opportunity to sell the 82.50 strike instead of the 85 strike. If the 85 strike call were trading at $2.35, the 82.50 strike call would trade at approximately 3.30. By selling the 82.50 strike call at 3.30 against an existing stock position, the investor could collect a premium equal to 4.07% of the XYZ share price, which would provide a cushion against a share price decline to $77.70. It would also provide enhanced returns relative to holding the stock alone, provided that the price of XYZ was below $85.80 at expiration. Therefore, an additional choice of a $2.50 strike interval could afford varying yields to the investor.

The Exchange believes that the Program has to date created additional trading opportunities for investors, thereby benefiting the marketplace. The existence of $2.50 strike prices with strike intervals above $75 affords investors the ability to more closely tailor investment strategies to the precise movement of the underlying security and meet their investment, trading and risk management requirements.

Finally, the Exchange represents that it and the Options Price Reporting Authority have the necessary systems capacity to support the anticipated modest increase in new options series that will result from the proposed changes to the $2.50 Strike Program.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)[10] of the Act and the rules and regulations under the Act, in general, and furthers the objectives

[10] 15 U.S.C. 78f(b).

of Section 6(b)(5),[11] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that the effect of the proposed expansion on the marketplace would not result in a material proliferation of quote volume or concerns with fragmentation.

Rather, the Exchange believes the $2.50 Strike Price Program proposal would provide the investing public and other market participants increased opportunities to better manage their risk exposure. Accordingly, the Exchange believes that the proposal to expand the Program to allow the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $100 should further benefit investors and the market by providing greater trading opportunities for those underlying stocks that have low volatility and thus trade in a narrow range.

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

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11 15 U.S.C. 78f(b)(5).

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 rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[12] and Rule 19b-4(f)(6) thereunder.[13] 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-2011-029 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-2011-029. This file number

12 15 U.S.C. 78s(b)(3)(A).
13 17 CFR 240.19b-4(f)(6).

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-2011-029 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.[14]

Dated: ___________________ Secretary

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[14] 17 CFR 200.30-3(a)(12).