Required fields are shown with yellow backgrounds and asterisks.

OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response............38

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

File No.* SR - 2012 - * 042
Amendment No. (req. for Amendments *)

Proposed Rule Change by Chicago Board Options Exchange

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

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

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

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

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

Proposal to list and trade CBOE S&P 500 AM/PM Basis Options

Contact Information

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

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

Signature

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

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

Date 05/22/2012
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 Proposed Rule Change</u>

(a) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend certain of its rules to provide for the listing and trading of cash-settled CBOE S&P 500 AM/PM Basis ("SPBAS") options that will be P.M.-settled and have European-style exercise. The text of the proposed rule change is provided below (additions are <u>underlined</u>; deletions are [bracketed]).

(b) Not applicable.

(c) Not applicable

Chicago Board Options Exchange, Incorporated

Rules

* * * * *

Rule 5.5—Series of Option Contracts Open for Trading

RULE 5.5 (a) – (e) No change.

…Interpretations and Policies

.01 - .20 No change.

<u>**.21** Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for CBOE S&P 500 AM/PM Basis option series shall be determined in accordance with Interpretation and Policy .01(e) to Rule 24.9.</u>

* * * * *

CHAPTER XXIV

Index Options

Rule 24.1—Definitions

RULE 24.1. No change.

…Interpretations and Policies:

.01 The reporting authorities designated by the Exchange in respect of each index underlying an index option contract traded on the Exchange are as follows:

Index	Reporting Authority
(Add the following to the current list:)	
CBOE S&P 500 AM/PM Basis…….……………………………..…………………	CBOE

* * * * *

Rule 24.4—Position Limits for Broad-Based Index Options

RULE 24.4.

(a) In determining compliance with Rule 4.11, there shall be no position limits for broad-based index option contracts (including reduced-value option contracts) on CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility and on the BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, S&P 500 Dividend Index and SPX classes. All other broad-based index option contracts shall be subject to a contract limitation fixed by the Exchange, which shall not be larger than the limits provided in the chart below.

*** * * * ***

(b) – (e) No change.

…Interpretations and Policies:

.01 - .02 No change.

.03 Reporting Requirement

Each Trading Permit Holder (other than CBOE Market-Makers) or TPH organization that maintains a broad-based index option position on the same side of the market in excess of 100,000 contracts for OEX, XEO, NDX, RUT, VIX, VXN, VXD, S&P 500 Dividend Index, SPX, CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance or CBOE S&P 500 Three-Month Realized Volatility and 1 million contracts for BXM (1/10th value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form required by the Department of Market Regulation. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered.

. 04 Margin and Clearing Firm Requirements

Whenever the Exchange determines, based on a report by the Department of Market Regulation or otherwise, that additional margin is warranted in light of the risks associated with an under-hedged BXM (1/10th value), SPX, OEX, XEO, NDX, RUT, DJX, VIX, VXN, VXD, S&P 500 Dividend Index, CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance or CBOE S&P 500 Three-Month Realized Volatility option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.

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Rule 24.5—Exercise Limits

RULE 24.5. In determining compliance with Rule 4.12, exercise limits for index option contracts shall be equivalent to the position limits prescribed for option contracts with the nearest expiration date in Rule 24.4, 24.4A, or 24.4C. There shall be no exercise limits for broad-based index options (including reduced-value option contracts) on CBOE S&P 500 AM/PM Basis,CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility and on the BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, S&P 500 Dividend Index, or SPX.

…Interpretations and Policies: No change.

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Rule 24.6—Days and Hours of Business

RULE 24.6. No change.

…Interpretations and Policies:

.01 - .02 No change.

.03 On their last trading day, transactions in expiring CBOE S&P 500 AM/PM Basis options may be effected on the Exchange between the hours of 8:30 a.m. (Chicago time) and 3:00 pm (Chicago time).

***　　*　　*　　*　　***

Rule 24.9—Terms of Index Option Contracts

RULE 24.9. (a) General.

(1) No change.

(2) *Expiration Months*. Index option contracts may expire at three-month intervals or in consecutive months. The Exchange may list up to six expiration months at any one time, but will not list index options that expire more than twelve months out. Notwithstanding the preceding restriction, the Exchange may list up to twelve expiration months at any one time for any broad-based security index option contracts, including reduced-value and jumbo option contracts, (e.g., DJX, NDX, RUT and SPX) upon which the Exchange calculates a volatility index and for CBOE S&P 500 AM/PM Basis options.

(A) – (B) No change.

(3) "*European-Style Exercise*". The following European-style index options, some of which are A.M.-settled as provided in paragraph (a)(4), are approved for trading on the Exchange:

(i)- (civ) No change.
(cv) CBOE S&P 500 AM/PM Basis (P.M.-settled)

(4) – (5) No change.

(b) – (e) No change.

…Interpretations and Policies:

.01 The procedures for adding and deleting strike prices for index options are provided in Rule 5.5 and Interpretations and Policies related thereto, as otherwise generally provided by Rule 24.9, and include the following:

(a) - (c) No change.

(d) When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading. In the case of all classes of index options, the term "reasonably related to the current value of the underlying index" shall have the meaning set forth in Interpretation and Policy [.05] .04 under Rule 24.9.

(e) [Reserved.] The interval between strike prices for CBOE S&P 500 AM/PM Basis options will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

(f) – (l) No change.

.02 - .13 No change.

* * * * *

Rule 24A.7 — Position Limits and Reporting Requirements

RULE 24A.7.

(a) No change.

(b) Certain Broad-Based FLEX Index Options. There shall be no position limits for FLEX BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility, S&P 500 Dividend Index or SPX option contracts (including reduced-value option contracts). However, each Trading Permit Holder or TPH organization (other than CBOE Market-Makers) that maintains a FLEX broad-based index option position on the same side of the market in excess of 100,000 contracts for OEX, XEO, NDX, RUT, S&P 500 Dividend Index, CBOE S&P 500 AM/PM Basis or SPX and 1 million contracts for BXM (1/10th value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form prescribed by the Exchange. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full- value contract (e.g., 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered. In addition, whenever the Exchange determines that a higher margin is warranted in light of the risks associated with an under-hedged FLEX BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility, S&P 500 Dividend Index or SPX option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(c) – (d) No change.

Rule 24A.8 — Exercise Limits

RULE 24A.8.

(a) In determining compliance with Rules 4.12 and 24.5, exercise limits for FLEX Index and FLEX Individual Stock or ETF Based Volatility Index Options shall be equivalent to the FLEX position limits prescribed in Rule 24A.7. There shall be no exercise limits for broad-based FLEX Index Options (including reduced-value option contracts) on BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, <u>CBOE S&P 500 AM/PM Basis,</u> CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility and XEO.

(b) – (d) No change.

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Rule 24B.7 — Position Limits and Reporting Requirements

RULE 24B.7.

(a) No change.

(b) Certain Broad-Based FLEX Index Options. There shall be no position limits for FLEX BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, <u>CBOE S&P 500 AM/PM Basis,</u> CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility or XEO option contracts (including reduced-value option contracts). However, each Trading Permit Holder or TPH organization (other than a FLEX Market-Maker) that maintains a FLEX broad-based index option position on the same side of the market in excess of 100,000 contracts for NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, <u>CBOE S&P 500 AM/PM Basis,</u>CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility or XEO and 1 million contracts for BXM (1/10th value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form prescribed by the Exchange. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered. In addition, whenever the Exchange determines that a higher margin is warranted in light of the risks associated with an under-hedged FLEX BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, <u>CBOE S&P 500 AM/PM Basis,</u> CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility or XEO option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule

12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under Rule 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(c) – (d) No change.

Rule 24B.8. — Exercise Limits

RULE 24B.8.

(a) In determining compliance with Rules 4.12 and 24.5, exercise limits for FLEX Index and FLEX Individual Stock or ETF Based Volatility Index Options shall be equivalent to the FLEX position limits prescribed in Rule 24B.7. There shall be no exercise limits for broad-based FLEX Index Options (including reduced-value option contracts) on BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, <u>CBOE S&P 500 AM/PM Basis,</u> CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility and XEO.

(b) – (d) No change.

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

(a) CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on November 30, 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 Jenny L. Klebes, (312) 786-7466.

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

(a) <u>Purpose</u>

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled CBOE S&P 500 AM/PM Basis ("SPBAS") options, that will be P.M.-

settled and will have European-style exercise.[1]

Design of the Product

SPBAS options reflect the difference between the Special Opening Quotation ("SOQ") of the S&P 500 Index[2] and the closing level of the S&P 500 Index on the last trading day (which is typically the third Friday of the month) for SPBAS options. The options will allow investors to gain exposure to or hedge the basis risk between A.M.-Settled S&P 500 Index ("SPX") options traded on CBOE and P.M.-Settled S&P 500 Index ("SPXPM") options traded on the C2 Options Exchange, Incorporated ("C2").[3]

At expiration, SPBAS options will settle against the following index calculation:

SPBAS = MAX (100 + (SOQ of S&P 500) – (Closing Value of S&P 500), 0)

In other words, SPBAS is the greater of 1) the SOQ of SPX minus the closing value of SPX plus 100 and 2) zero. This formulation ensures that the settlement value for SPBAS options can never be less than zero.

Due to the nature of SPBAS options (e.g., settlement to the difference between the SOQ of the S&P 500 Index and the closing level of the S&P 500 Index on the third Friday of each month) an intraday value will not be disseminated. Rather, prior to the open on all trading days, other than the last trading day (which is typically the third Friday of the month) CBOE will disseminate a single value of 100 for SPBAS options through the Options Price Reporting Authority ("OPRA"), the Consolidated Tape

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1 See proposed addition of SPBAS options to the list of European-style index options approved for trading on the Exchange contained in Rule 24.9(a)(3) (Terms of Index Options Contracts).

2 The SOQ is calculated per normal index calculation procedures and uses the opening (first) reported sales price in the primary market of each component stock in the index on the last business day (usually a Friday) before the expiration date. If a stock in the index does not open on the day on which the exercise-settlement value is determined, the last reported sales price in the primary market is used to calculate the exercise-settlement value.

3 See Securities Exchange Act Release No. 65256 (September 2, 2011), 76 FR 55969 (September 9, 2011) (SR-C2-2011-008) (order approving listing and trading of SPXPM options on C2 on a pilot basis).

Association ("CTA") tape and/or the Market Data Index ("MDI") feed. After the close of trading on the last trading day (e.g., third Friday of the month), CBOE will disseminate the exercise settlement value (calculated as described above) for the expiring contract.

Options Trading

SPBAS options will be quoted in points and fractions and one point will equal $100. The contract multiplier will be $100. The minimum tick size for series trading below $3 will be 0.05 ($5.00) and above $3 will be 0.10 ($10.00). Exhibit 3 presents contract specifications for SPBAS options.

The Exchange is proposing to list series at $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.[4] The Exchange believes that a granular strike price increment will provide investors with greater flexibility by allowing them to establish positions that are better tailored to meet their investment objectives.

As noted previously, the underlying interest for SPBAS options reflects the difference between the SOQ of the S&P 500 Index and the closing level of the S&P 500 Index on the last trading day for SPBAS options. As such, the Exchange believes that the exercise settlement value for SPBAS options will be constrained to a relatively narrow

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4 See proposed amendment to Rule 24.9.01(e) (Terms of Index Options Contracts). The Exchange also proposes to add new Interpretation and Policy .21 to Rule 5.5 (Series of Option Contracts Open for Trading), which will be an internal cross reference stating that the intervals between strike prices for SPBAS option series will be determined in accordance with Interpretation and Policy .01(e) to Rule 24.9.

CBOE has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing and trading of $1 strikes (where the strike price is less than $200) for SPBAS options.

Similar $1 strike price setting provisions currently exist for options on: Units (exchange-traded notes) (Rule 5.5.08), Index Linked Securities (exchange-traded notes) (Rule 5.5.09), HOLDRS (Rule 5.5.17) and Volatility Indexes (Rule 24.9.01(l)).

band of possible values. In fact, from January 1993 though February 2012, there have been 230 third-Friday expiration dates on which Standard & Poor's has reported a SOQ of the S&P 500 Index. The Exchange notes that on 131 of those dates (57%) the exercise settlement values for SPBAS options would have ranged between 95 and 105. On 187 of those dates (82%) the exercise settlement values for SPBAS options would have ranged between 90 and 110. The highest value during the sample period would have been 139.19, and the lowest value would have been 62.46. Accordingly, the Exchange believes that the proposed strike setting parameters (and demand for strikes) will be naturally bounded because of the limited range of settlement values.

Initially, the Exchange will list in-, at- and out-of-the-money strike prices (where the "at-the-money" strike price is 100) and may open for trading up to twelve near term expiration months.[5] New series will be added in accordance with Rule 29.4.01(d), which requires exercise prices to be reasonably related to the current value of the underlying index at the time new series are first opened for trading.

As to additional series, Rules 24.9.01(d) and 24.9.04 shall apply to the listing of additional series for SPBAS options; however, for purposes of those provisions the "current index value" shall be 100, since that is the single value for SPBAS option that CBOE will disseminate during the life of an option. Generally, Rule 24.9.04 bounds the listing of additional series to within 30% of the current index value. At this time, CBOE believes that this strike setting parameter will be sufficient to meet demand since the difference between the opening value of the S&P 500 and the closing value of the S&P 500 on third Fridays has typically fluctuated around 10 index points. Larger spreads between the opening and closing S&P 500 values have occurred in the past, for example

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[5] See proposed amendment to Rule 24.9(a)(2) (Terms of Index Options Contracts).

in February 2000 (39 points), November 2008 (36.5 points) and May 2010 (37.5 points). In the event customer demand exists for strikes below 70 and above 130 exists, Rule 24.9.04 provides CBOE with the flexibility to add strikes that would be more than 30% away from the current index value of 100 for SPBAS options. LEAPS may also be listed.[6]

As of the date of this filing, the Exchange intends to trade SPBAS options electronically on the Hybrid Platform with a Designated Market Maker appointed to the class. After receipt of Commission approval and prior to the product launch, the Exchange will issue a circular announcing the specific trading platform and other relevant trading information concerning SPBAS options.

Trading Hours, Exercise and Settlement

The proposed options will expire on the Saturday following the third Friday of the expiring month. The trading hours for SPBAS options will be from 8:30 a.m. (Chicago time) to 3:15 pm. (Chicago time), except that trading in expiring SPBAS options will close at 3:00 p.m. (Chicago time) on their last trading day.[7] When the last trading day is moved because of an Exchange holiday (such as when CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Thursday.

Exercise will result in delivery of cash on the business day following expiration. The exercise-settlement amount will be equal to the difference between the exercise-

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[6] While the Exchange does not anticipate listing LEAPS routinely, the Exchange believes that permitting LEAPS creates flexibility in the event the Exchange receives a customer request to list a LEAP. See Rule 24.9(b) (Long-Term Index Options Series ("LEAPS")).

[7] See proposed Interpretation and Policy .03 to Rule 24.6 (Days and Hours of Business). Trading in expiring SPXPM options closes at 3:00 p.m. (Chicago time) on their last day of trading. The Exchange is proposing to match the trading hours of SPBAS options with SPXPM options. See Securities and Exchange Act Release No. 65630 (October 26, 2011), 76 FR 67510 (November 1, 2011) (SR-C2-2011-030) (notice of filing and immediate effectiveness of proposed rule change to close trading at 3 p.m. Chicago time on the last day of trading of expiring SPXPM options).

settlement value and the exercise price of the option, multiplied by the contract multiplier ($100). SPBAS options will be P.M.-settled. The Exchange is proposing P.M.-settlement for SPBAS options because the exercise settlement value is based on the difference between the SOQ of the S&P 500 Index on the third Friday of the month and the closing value of the S&P 500 Index on the third Friday of the month. Since, one of the values needed to determine the exercise settlement value for SPBAS options will not be determined until the close of trading on the third Friday of the month, SPBAS options necessarily must be P.M.-settled.

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

Surveillance

The Exchange will use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in SPBAS options. The Exchange further represents that these surveillance procedures shall be adequate to monitor trading in options on these option products. For surveillance purposes, the Exchange will have access to information regarding trading activity in the pertinent underlying securities (i.e., S&P 500 Index component securities). The Exchange accomplishes regulatory information sharing under the auspices of the Intermarket Surveillance Group Agreement

Position Limits

The Exchange is not proposing to establish any position or exercise limits for

SPBAS options.[8] Because the SPBAS value measures the difference between the opening and closing values of the S&P 500 Index on the third Friday of the month, the Exchange believes that the position and exercise limits for this new product (which is based on the S&P 500 Index) should be the same as those for SPX and SPXPM options, for which there are no position limits. SPBAS options will be subject to the same reporting and other requirements triggered for other options dealt in on the Exchange.[9]

Exchange Rules Applicable

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA, and XXIVB will equally apply to SPBAS options.

SPBAS options will be margined as "broad-based index" options, and under CBOE rules, especially, Rule 12.3(c)(5)(A), the margin requirement for a short put or call shall be 100% of the current market value of the contract plus up to 15% of the aggregate contract value. Additional margin may be required pursuant to Exchange Rule 12.10.

The Exchange hereby designates SPBAS options as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).[10]

Capacity

CBOE has analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that will result from the introduction of SPBAS options.

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8 See proposed amendments to Rules 24.4 (Position Limits for Broad-Based Index Options) and 24.5 (Exercise Limits).

9 See Rule 4.13 (Reports Related to Position Limits).

10 See proposed amendments to Rules 24A.7 (Position Limits and Reporting Requirements), 24A.8 (Exercise Limits), 24B.7 (Position Limits and Reporting Requirements) and 24B.8 (Exercise Limits).

Technical Change

CBOE proposes to correct an erroneous cross-reference in Rule 24.9.01(d) that was unintentionally created. In SR-CBOE-2006-41, among other things, obsolete Interpretations and Policies to Rule 24.9 were deleted and renumbering changes were made.[11] Specifically, current Interpretation and Policy .04 to Rule 24.9 was formerly Interpretation and Policy .05 to Rule 24.9. A cross-reference in Rule 24.9.01(d) to former Interpretation and Policy .05 in Rule 24.9.01(d) should have been similarly renumbered (from .05 to .04) in SR-CBOE-2006-41; however, it was not. CBOE now proposes to update Rule 24.9.01(d) with the correct cross-reference to Interpretation and Policy .04 to Rule 24.9.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[12] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[13] 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 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 introduction of SPBAS options will allow

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11 See Securities Exchange Act Release No. 54000 (June 15, 2006), 71 FR 35961 (June 22, 2006) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 1 Thereto to Amend Obsolete, Outdated and/or Unnecessary Rules) (SR-CBOE-2006-41).

12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

market participants to gain exposure or hedge the basis risk between SPX options traded on CBOE and SPXPM options traded on C2. The design of the product necessarily results in a P.M.-settled option product, which the Exchange believes does not raise any meaningful regulatory concerns. The Exchange believes that the historic concerns regarding P.M.-settlement will not be raised by the introduction of SPBAS options. Specifically, the Exchange does not believe that the unwinding of hedges for SPBAS options will create pressure on the underlying securities comprising the index values that are will be compared to settle these options. In fact, SPBAS options are being introduced to be used, among other reasons, as a hedging tool for investors having positions in SPX and SPXPM options. As a result, the Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices.

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, and provide customers who trade in SPX and SPXPM options with the ability to more closely tailor their investment objectives. Finally, the Exchange believes that introduction of an exchange traded product that provides a tool to manage risk associated with two exchange traded products will benefits the public interest since investors will not need to turn to the over-the-counter market to manage their risk. Instead, investors will have the opportunity to trade the product subject to exchange-based rules, regulation and oversight and in an environment that provides for price transparency and the elimination of contra-party risk.

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.

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)

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. Contract Specifications for CBOE S&P 500 AM/PM Basis options.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2012-042)

Dated:_____________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule to List and Trade CBOE S&P 500 AM/PM Basis Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on ________________, 2012, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange proposes to amend certain of its rules to provide for the listing and trading of cash-settled CBOE S&P 500 AM/PM Basis ("SPBAS") options that will be P.M.-settled and have European-style exercise. 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

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[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 the proposed rule change is to permit the Exchange to list and trade cash-settled CBOE S&P 500 AM/PM Basis ("SPBAS") options, that will be P.M.-settled and will have European-style exercise.[3]

Design of the Product

SPBAS options reflect the difference between the Special Opening Quotation ("SOQ") of the S&P 500 Index[4] and the closing level of the S&P 500 Index on the last trading day (which is typically the third Friday of the month) for SPBAS options. The options will allow investors to gain exposure to or hedge the basis risk between A.M.-Settled S&P 500 Index ("SPX") options traded on CBOE and P.M.-Settled S&P 500 Index ("SPXPM") options traded on the C2 Options Exchange, Incorporated ("C2").[5]

At expiration, SPBAS options will settle against the following index calculation:

SPBAS = MAX (100 + (SOQ of S&P 500) – (Closing Value of S&P 500), 0)

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3 See proposed addition of SPBAS options to the list of European-style index options approved for trading on the Exchange contained in Rule 24.9(a)(3) (Terms of Index Options Contracts).

4 The SOQ is calculated per normal index calculation procedures and uses the opening (first) reported sales price in the primary market of each component stock in the index on the last business day (usually a Friday) before the expiration date. If a stock in the index does not open on the day on which the exercise-settlement value is determined, the last reported sales price in the primary market is used to calculate the exercise-settlement value.

5 See Securities Exchange Act Release No. 65256 (September 2, 2011), 76 FR 55969 (September 9, 2011) (SR-C2-2011-008) (order approving listing and trading of SPXPM options on C2 on a pilot basis).

In other words, SPBAS is the greater of 1) the SOQ of SPX minus the closing value of SPX plus 100 and 2) zero. This formulation ensures that the settlement value for SPBAS options can never be less than zero.

Due to the nature of SPBAS options (e.g., settlement to the difference between the SOQ of the S&P 500 Index and the closing level of the S&P 500 Index on the third Friday of each month) an intraday value will not be disseminated. Rather, prior to the open on all trading days, other than the last trading day (which is typically the third Friday of the month) CBOE will disseminate a single value of 100 for SPBAS options through the Options Price Reporting Authority ("OPRA"), the Consolidated Tape Association ("CTA") tape and/or the Market Data Index ("MDI") feed. After the close of trading on the last trading day (e.g., third Friday of the month), CBOE will disseminate the exercise settlement value (calculated as described above) for the expiring contract.

Options Trading

SPBAS options will be quoted in points and fractions and one point will equal $100. The contract multiplier will be $100. The minimum tick size for series trading below $3 will be 0.05 ($5.00) and above $3 will be 0.10 ($10.00). Exhibit 3 presents contract specifications for SPBAS options.

The Exchange is proposing to list series at $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.[6] The Exchange believes

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6 See proposed amendment to Rule 24.9.01(e) (Terms of Index Options Contracts). The Exchange also proposes to add new Interpretation and Policy .21 to Rule 5.5 (Series of Option Contracts Open for Trading), which will be an internal cross reference stating that the intervals between strike prices for SPBAS option series will be determined in accordance with Interpretation and Policy .01(e) to Rule 24.9.

CBOE has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing and trading of $1 strikes (where the strike price is less than $200) for SPBAS options.

that a granular strike price increment will provide investors with greater flexibility by allowing them to establish positions that are better tailored to meet their investment objectives.

As noted previously, the underlying interest for SPBAS options reflects the difference between the SOQ of the S&P 500 Index and the closing level of the S&P 500 Index on the last trading day for SPBAS options. As such, the Exchange believes that the exercise settlement value for SPBAS options will be constrained to a relatively narrow band of possible values. In fact, from January 1993 though February 2012, there have been 230 third-Friday expiration dates on which Standard & Poor's has reported a SOQ of the S&P 500 Index. The Exchange notes that on 131 of those dates (57%) the exercise settlement values for SPBAS options would have ranged between 95 and 105. On 187 of those dates (82%) the exercise settlement values for SPBAS options would have ranged between 90 and 110. The highest value during the sample period would have been 139.19, and the lowest value would have been 62.46. Accordingly, the Exchange believes that the proposed strike setting parameters (and demand for strikes) will be naturally bounded because of the limited range of settlement values.

Initially, the Exchange will list in-, at- and out-of-the-money strike prices (where the "at-the-money" strike price is 100) and may open for trading up to twelve near term expiration months.[7] New series will be added in accordance with Rule 29.4.01(d), which requires exercise prices to be reasonably related to the current value of the underlying index at the time new series are first opened for trading.

Similar $1 strike price setting provisions currently exist for options on: Units (exchange-traded notes) (Rule 5.5.08), Index Linked Securities (exchange-traded notes) (Rule 5.5.09), HOLDRS (Rule 5.5.17) and Volatility Indexes (Rule 24.9.01(l)).

[7] See proposed amendment to Rule 24.9(a)(2) (Terms of Index Options Contracts).

As to additional series, Rules 24.9.01(d) and 24.9.04 shall apply to the listing of additional series for SPBAS options; however, for purposes of those provisions the "current index value" shall be 100, since that is the single value for SPBAS option that CBOE will disseminate during the life of an option. Generally, Rule 24.9.04 bounds the listing of additional series to within 30% of the current index value. At this time, CBOE believes that this strike setting parameter will be sufficient to meet demand since the difference between the opening value of the S&P 500 and the closing value of the S&P 500 on third Fridays has typically fluctuated around 10 index points. Larger spreads between the opening and closing S&P 500 values have occurred in the past, for example in February 2000 (39 points), November 2008 (36.5 points) and May 2010 (37.5 points). In the event customer demand exists for strikes below 70 and above 130 exists, Rule 24.9.04 provides CBOE with the flexibility to add strikes that would be more than 30% away from the current index value of 100 for SPBAS options. LEAPS may also be listed.[8]

As of the date of this filing, the Exchange intends to trade SPBAS options electronically on the Hybrid Platform with a Designated Market Maker appointed to the class. After receipt of Commission approval and prior to the product launch, the Exchange will issue a circular announcing the specific trading platform and other relevant trading information concerning SPBAS options.

<u>Trading Hours, Exercise and Settlement</u>

The proposed options will expire on the Saturday following the third Friday of the expiring month. The trading hours for SPBAS options will be from 8:30 a.m. (Chicago time) to 3:15 pm. (Chicago time), except that trading in expiring SPBAS options will close at 3:00

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8 While the Exchange does not anticipate listing LEAPS routinely, the Exchange believes that permitting LEAPS creates flexibility in the event the Exchange receives a customer request to list a LEAP. <u>See</u> Rule 24.9(b) (Long-Term Index Options Series ("LEAPS")).

p.m. (Chicago time) on their last trading day.[9] When the last trading day is moved because of an Exchange holiday (such as when CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Thursday.

Exercise will result in delivery of cash on the business day following expiration. The exercise-settlement amount will be equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by the contract multiplier ($100). SPBAS options will be P.M.-settled. The Exchange is proposing P.M.-settlement for SPBAS options because the exercise settlement value is based on the difference between the SOQ of the S&P 500 Index on the third Friday of the month and the closing value of the S&P 500 Index on the third Friday of the month. Since, one of the values needed to determine the exercise settlement value for SPBAS options will not be determined until the close of trading on the third Friday of the month, SPBAS options necessarily must be P.M.-settled.

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

Surveillance

The Exchange will use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in SPBAS options. The Exchange further represents that these surveillance procedures shall be adequate to monitor trading in options on these option products. For surveillance purposes, the Exchange will have access

[9] See proposed Interpretation and Policy .03 to Rule 24.6 (Days and Hours of Business). Trading in expiring SPXPM options closes at 3:00 p.m. (Chicago time) on their last day of trading. The Exchange is proposing to match the trading hours of SPBAS options with SPXPM options. See Securities and Exchange Act Release No. 65630 (October 26, 2011), 76 FR 67510 (November 1, 2011) (SR-C2-2011-030) (notice of filing and immediate effectiveness of proposed rule change to close trading at 3 p.m. Chicago time on the last day of trading of expiring SPXPM options).

to information regarding trading activity in the pertinent underlying securities (i.e., S&P 500 Index component securities). The Exchange accomplishes regulatory information sharing under the auspices of the Intermarket Surveillance Group Agreement

Position Limits

The Exchange is not proposing to establish any position or exercise limits for SPBAS options.[10] Because the SPBAS value measures the difference between the opening and closing values of the S&P 500 Index on the third Friday of the month, the Exchange believes that the position and exercise limits for this new product (which is based on the S&P 500 Index) should be the same as those for SPX and SPXPM options, for which there are no position limits. SPBAS options will be subject to the same reporting and other requirements triggered for other options dealt in on the Exchange.[11]

Exchange Rules Applicable

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA, and XXIVB will equally apply to SPBAS options.

SPBAS options will be margined as "broad-based index" options, and under CBOE rules, especially, Rule 12.3(c)(5)(A), the margin requirement for a short put or call shall be 100% of the current market value of the contract plus up to 15% of the aggregate contract value. Additional margin may be required pursuant to Exchange Rule 12.10.

The Exchange hereby designates SPBAS options as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).[12]

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10 See proposed amendments to Rules 24.4 (Position Limits for Broad-Based Index Options) and 24.5 (Exercise Limits).

11 See Rule 4.13 (Reports Related to Position Limits).

12 See proposed amendments to Rules 24A.7 (Position Limits and Reporting Requirements), 24A.8

Capacity

CBOE has analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that will result from the introduction of SPBAS options.

Technical Change

CBOE proposes to correct an erroneous cross-reference in Rule 24.9.01(d) that was unintentionally created. In SR-CBOE-2006-41, among other things, obsolete Interpretations and Policies to Rule 24.9 were deleted and renumbering changes were made.[13] Specifically, current Interpretation and Policy .04 to Rule 24.9 was formerly Interpretation and Policy .05 to Rule 24.9. A cross-reference in Rule 24.9.01(d) to former Interpretation and Policy .05 in Rule 24.9.01(d) should have been similarly renumbered (from .05 to .04) in SR-CBOE-2006-41; however, it was not. CBOE now proposes to update Rule 24.9.01(d) with the correct cross-reference to Interpretation and Policy .04 to Rule 24.9.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it will permit trading in options based on the index pursuant to rules designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and thereby will provide investors with the ability to gain exposure to or hedge the basis risk between SPX options traded on CBOE and SPXPM options traded on C2.

(Exercise Limits), 24B.7 (Position Limits and Reporting Requirements) and 24B.8 (Exercise Limits).

13 See Securities Exchange Act Release No. 54000 (June 15, 2006), 71 FR 35961 (June 22, 2006) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 1 Thereto to Amend Obsolete, Outdated and/or Unnecessary Rules) (SR-CBOE-2006-41).

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-2012-042 on the subject line.

<u>Paper comments:</u>

- 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-2012-042. 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-2012-042 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

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

EXHIBIT 3

CBOE S&P 500 AM/PM Basis Options Contract Specifications

Symbol:
SPBAS

Description:
CBOE S&P 500 AM/PM Basis (Ticker: ***SPBAS***) options reflect the difference between the Special Opening Quotation ("SOQ") of the S&P 500 Index and the closing level of the S&P 500 Index on the third Friday of each month. SPBAS options allow investors to gain exposure to or hedge the basis risk between A.M.-Settled S&P 500 Index ("SPX") options traded on Chicago Board Options Exchange, Incorporated ("CBOE") and P.M.-Settled S&P 500 Index ("SPXPM") options traded on the C2 Options Exchange, Incorporated ("C2"). At expiration, SPBAS options will settle against a special index calculation:

SPBAS = MAX (100 + (SOQ of S&P 500) – (Closing Value of S&P 500), 0)

Due to the nature of SPBAS options an intraday value will not be disseminated. Rather, prior to the open on all trading days, other than the last trading day (which is typically the third Friday of the month) CBOE will disseminate a single value of 100 for SPBAS options through the Options Price Reporting Authority, the Consolidated Tape Association tape and/or the Market Data Index feed. After the close of trading on the last trading day, CBOE will disseminate the exercise settlement value (calculated as described above) for the expiring contract.

Multiplier:
$100.

Strike Price Intervals:
Minimum strike price intervals of $1 or greater are permissible where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

Strike (Exercise) Prices:
In-, at- and out-of-the-money strike prices are initially listed, where the "at-the-money" strike price is 100. New strikes may be added upon request.

Premium Quotation:
Stated in points and fractions, one point equals $100. Minimum tick for series trading below $3 is 0.05 ($5.00); above $3 is 0.10 ($10.00).

Expiration Date:
Saturday following the third Friday of the expiration month.

Expiration Months:
Up to twelve (12) near-term months. LEAPS may also be listed.

Exercise Style:
European – SPBAS options generally may be exercised only on the Expiration Date.

Last Trading Day:
The business day prior to the Expiration Date of each month.

Settlement of Option Exercise:
SPBAS options are P.M.-settled; the exercise-settlement value for options on SPBAS shall be calculated using the following formula:

SPBAS = MAX (100 + (SOQ of S&P 500) – (Closing Value of S&P 500), 0);

The Special Opening Quotation ("SOQ") of the S&P 500 (Ticker – **SET**) is calculated using the opening price in the primary market of each component security in the S&P 500 Index on the last business day (usually a Friday) before the expiration date. The Closing Price of the S&P 500 is the official close of the index as reported by Standard and Poor's.

Exercise will result in delivery of cash on the business day following expiration. The exercise-settlement amount is equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by $100.

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 aggregate position in excess of 100,000 contracts in SPBAS, SPXPM, SPX and Mini-SPX (10 Mini-SPX options equal 1 SPX or SPXPM full value contract) 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 e.g. stock portfolio current market value, other stock index option positions, stock index futures positions, options on stock index futures; and for customer accounts, provide the account name, account number and tax ID or social security number. 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 (current index level x $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. to 3:15 p.m. (Chicago time), except that trading in expiring SPBAS options closes at 3:00 p.m. (Chicago time) on their last trading day.