SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–56036; File No. SR–CBOE–2007–41]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change as Modified by Amendment No. 1 Thereto To Codify Pre-Existing Practices and To Amend and Supplement Rule 24.9

July 10, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on May 1, 2007, the Chicago Board Options Exchange, Incorporated (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III below, which Items have been substantially prepared by the Exchange. The Exchange submitted Amendment No. 1 to the proposed rule change on June 7, 2007.[3] The Commission is publishing this notice and order to solicit comments on the proposal, as amended, from interested persons.

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

The Exchange proposes to codify in its rulebook its pre-existing methodology used for determining the day on which the exercise settlement value of CBOE Volatility Index options and CBOE Increased-Value Volatility Index options (collectively, ''Volatility Index options'') is calculated. The Exchange also proposes to set forth in its rulebook the manner in which the expiration date and last trading day for a Volatility Index option are determined and to supplement the manner in which the day on which the exercise settlement value of a Volatility Index option is calculated is determined. The text of the rule proposal is available on the Exchange's Web site (*http://www.cboe.org/legal*), at the Exchange's Office of the Secretary and at the Commission.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The purpose of this rule filing is to amend Rule 24.9, Terms of Index Options, to codify the pre-existing methodology used for determining the day on which the exercise settlement value of Volatility Index options is calculated.[4] This day is also the expiration date for Volatility Index options and the business day immediately before the expiration date is the last trading day for Volatility Index options. The Exchange also proposes to supplement the manner for determining the day on which the exercise settlement value of Volatility Index options is calculated in the event of an Exchange holiday.

In general, each Volatility Index is calculated using the quotes of certain index option series (*e.g.*, S&P 500 Index (''SPX'') options) to derive a measure of volatility of the U.S. equity market. Under CBOE's current methodology, the day on which the exercise settlement value of a Volatility Index option is calculated and the expiration date of a Volatility Index option is the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the expiring month of the Volatility Index option.[5] Additionally, the Tuesday immediately before that Wednesday is the last trading day for Volatility Index options.

This methodology was chosen because it provides consistency by ensuring that Volatility Index options expire exactly thirty days before the expiration date of the options that are used to calculate the Volatility Indexes.[6] Additionally, the Exchange believes that the settlement process works best if underlying option series with a single expiration month are used to calculate a Volatility Index. If underlying options series in two expiration months are used, the number of options series used in the settlement process is markedly increased and the settlement process becomes more complex and cumbersome. The above methodology and the proposed revision to that methodology described below with respect to Exchange holidays ensures that underlying option series in a single expiration month will always be used to calculate the underlying Volatility Index at settlement.

The Exchange also represents that this methodology is consistent with the way in which the final settlement dates for futures contracts on Volatility Indexes are calculated. The Exchange is proposing to amend the existing text of Rule 24.9, relating to the current methodology, to codify its pre-existing practice.

In order to maintain the desired consistency described above, the Exchange also proposes to supplement the current methodology by providing a framework for determining the day on which the exercise settlement value for Volatility Index options will be calculated and the expiration date for Volatility Index options when the Exchange is closed on the third Friday of any given calendar month. Specifically, the Exchange proposes to amend Rule 24.9 to provide that if the third Friday of the month subsequent to the expiration of a Volatility Index option is an Exchange holiday, the exercise settlement value of the Volatility Index option will be calculated on the business day that is thirty days prior to the Exchange business day immediately preceding that Friday.[7] This would also be the expiration date for that Volatility Index option.

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

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 replaced and superseded the original filing in its entirety.

[4] *See* Securities Exchange Act Release No. 53342 (February 21, 2006), 71 FR 10086 (February 28, 2006) (SR–CBOE–2006–008). This filing set forth the current methodology for determining the date on which the exercise settlement value of a Volatility Index option is calculated and the expiration date of a Volatility Index option, replacing prior methodology under which options would not expire exactly thirty days prior to the expiration of the options on the index on which the Volatility Index is based in four of the months in any rolling twelve-month period. *See also* CBOE Regulatory Circular 2006–23 (describing methodology for determining date of calculation of exercise settlement value and expiration date).

[5] The options used to calculate the Volatility Indexes are traded on CBOE and generally expire on the third Friday of any given calendar month.

[6] *See supra* note 4.

[7] The Exchange represents that it is also proposing a similar change relating to the final settlement date for futures contracts on volatility indexes.

closed on Friday, March 21, 2008 in observance of Good Friday; therefore, the SPX options will expire on the immediately preceding business day, which is Thursday, March 20, 2008. Accordingly, to ensure that a thirty-day volatility measurement period is used for February 2008 VIX options, the exercise settlement value of those options would be calculated on Tuesday, February 19, 2008 and the expiration date of February 2008 VIX options would also be Tuesday, February 19, 2008. Further, the last trading day for February 2008 VIX options would be Monday, February 18, 2008.

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

2. Statutory Basis

Because this rule proposal will codify the Exchange's pre-existing practices and improve the settlement procedures for Volatility Index options, the Exchange believes the rule proposal is consistent with the Securities Exchange Act of 1934 (the ''Act'') and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) Act [8] 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.

B. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange neither solicited nor received comments on the proposal.

[8] 15 U.S.C. 78f(b)(5).

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve the 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, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an e-mail to *rule-comments@sec.gov.* Please include File Number SR–CBOE–2007–41 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–CBOE–2007–41. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–CBOE–2007–41 and should be submitted on or before August 6, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[9]

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–56035; File No. SR–CBOE–2007–70]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto To Extend the Quarterly Options Series Pilot Program

July 10, 2007.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on June 26, 2007, the Chicago Board Options Exchange, Incorporated (''Exchange'' or ''CBOE'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. On July 9, 2007, the Exchange filed Amendment No. 1 to the proposed rule change. The Exchange has designated this proposal as non-controversial under section 19(b)(3)(A)(iii) of the Act [3] and Rule 19b–4(f)(6) thereunder,[4] which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

[9] 17 CFR 200.30–3(a)(12).

[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).