SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of Proposed Rule Change To Amend the Amended and Restated Certificate of Incorporation and By-Laws of The NASDAQ OMX Group, Inc.

May 27, 2015.

Correction

In notice document 2015–13175, appearing on pages 31439–31440 in the issue of Tuesday, June 2, 2015, make the following correction:

On page 31440, in the first column, on the last line, “June 22, 2015.” should read “June 23, 2015.”

[FR Doc. C1–2015–13175 Filed 6–11–15; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change to Expire CBOE Volatility Index (VIX) Options Every Week

June 8, 2015.

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 1, 2015, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) 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 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

CBOE proposes to amend certain of its rules to expire CBOE Volatility Index (“VIX”) options every week. The text of the proposed rule change is available on the Exchange’s Web site http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx, 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.

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

1. Purpose

In February 2006, CBOE began trading options that expire monthly on the CBOE Volatility Index (“VIX”), which measures a 30-day period of implied volatility. Last year, CBOE introduced weekly expiring options on the CBOE Short-Term Volatility Index (“VXST”), which measures a nine-day implied volatility period. The purpose of this proposed rule change is to expire 30-day VIX options every week. VIX options would continue to trade as they do today and they would be subject to all of the same rules they are subject to today, except as proposed to be modified herein.

In its capacity as the Reporting Authority, CBOE enhanced the VIX Index (cash/settle) to include P.M.-settled S&P 500 Index End-of-Week expirations (“SPXWs”) in 2014. The inclusion of SPXWs allows the VIX Index to be calculated with SPX option series that most precisely match the 30-day target timeframe for expected volatility that the VIX Index is intended to represent. Using SPX options with more than 23 days and less than 37 days to expiration ensures that the VIX Index will always reflect an interpolation of...
two points along the SP 500 Index volatility term structure.6

Currently, standard VIX options expire once a month. The last trading day for expiring VIX options is the business day immediately prior to their expiration date. The expiration date for VIX options is pegged to the standard (third Friday) SPX option expiration in the subsequent month. Specifically, the expiration date is on the Wednesday that is 30 days prior to the third Friday of the calendar month immediately following the month in which the VIX option expires. This standard Wednesday VIX option expiration is changed if the Friday in the subsequent month is an Exchange holiday to be the business day that is thirty days prior to the Exchange business day immediately preceding that Friday. CBOE (as the Reporting Authority for VIX options) calculates the exercise settlement value for expiring VIX options on their expiration date.7

The Exchange proposes to now expire VIX options each Wednesday.8 These new VIX expirations would be series of the existing VIX option class. Similar to VXST options, however, different types of SPX options would be used to calculate and settle VIX options. Specifically, as today, the standard (monthly) VIX option expirations would be calculated using A.M.-settled SPX options that expire on the third Friday in the subsequent month and the period of implied volatility covered by these contracts would be exactly 30 days. The new VIX option expirations would be calculated using P.M.-settled SPXWs that expire in 30 days and the period of implied volatility by these contracts would be 30 days, plus 390 minutes.9

In order to expire 30-day VIX options weekly, CBOE proposes to amend Rule 24.9(a)(5) in several ways. First, the Exchange notes that Rule 24.9(a)(5) is styled, “Method of Determining Day that Exercise Settlement Value will be Calculated and of Determining Expiration Date and Last Trading Day for Options on Volatility Indexes that Measure a 30-Day Volatility Period (‘VIX Option Indexes’).” The Exchange proposes to revise this title so that it reads: “Method of Determining Day that Exercise Settlement Value will be Calculated, Special Opening Quotation and Expiration Date and Last Trading Day for Options on Volatility Indexes that Measure a 30-Day Volatility Period (‘VIX Option Indexes’).” 10

Second, the Exchange proposes to also add the following 3 new subheadings as subparagraphs A, B and C, respectively, to Rule 24.9(a)(5):

Method of Determining Day that Exercise Settlement Value will be Calculated, Special Opening Quotation and Expiration Date and Last Trading Day. The Exchange believes that the proposed addition of these subheadings would help to clarify that new subparagraphs B and C would apply to all Volatility index options.

Third, under proposed new subparagraph A, the Exchange proposes to add new subparagraph (i) styled “Volatility Index Options (Other than VIX Options, e.g., RXV, VXV, VXN, Individual Stock or ETF Based Volatility Index Options) set forth in Rule 24.9(a)(5).11 This new subparagraph (A)(i) would generally maintain the current rule text language as it applies to standard (monthly) Volatility Index options (other than VIX options). Some non-substantive changes are being proposed to help clarify that this provision applies to standard (monthly) options on 30-day volatility indexes.

Fourth, CBOE proposes to add new subparagraph (ii) to Paragraph 24.9(a)(5) styled “CBOE Volatility Index ("VIX") Options,” which would read as follows:

The exercise settlement value of a VIX option for all purposes under these Rules and the Rules of the Clearing Corporation, shall be calculated on the specific date (usually a Wednesday) identified in the option symbol for the series. If that Wednesday or the Friday that is 30 days following that Wednesday is an Exchange holiday, exercise settlement value shall be calculated on the business day immediately preceding that Wednesday.

The Exchange notes that Rule 24.9(a)(5) is cross-referenced in Rule 6.2B.08, which sets forth the days on which Modified Opening Procedures are used for Hybrid classes and series that are used to calculate volatility indexes. Rule 24.9(a)(5) is identified in Rule 6.2B.08 in order to determine the specific days on which the Modified Opening Procedures are utilized. Expiring 30-day VIX options weekly would result in the Modified Opening Procedures being used more frequently for the constituent options series used to calculate the exercise settlement values for the proposed new 30-day VIX weekly expirations.

Fifth, the Exchange proposes to amend Rule 24.9(a) by adding an additional paragraph (under proposed new subparagraph B “Special Opening Quotation”) that provides detailed information about the “time to expiration” input. Specifically, the paragraph would provide as follows:

The “time to expiration” used to calculate the SOQ shall account for the actual number of days and minutes until expiration for the constituent option series. For example, if the Exchange announces that the opening of trading in the constituent option series is delayed, the amount of time until expiration for the constituent option series used to calculate the exercise settlement value would be reduced to reflect the actual opening time of the constituent option series. Another example would be when the Exchange is closed on a Wednesday due to an Exchange holiday, the amount of time until expiration used to calculate the exercise settlement value would be increased to reflect the extra calendar day between the day that the exercise settlement value is calculated and the day on which the constituent option series expire.

In support of this proposed change, the Exchange states that similar language about the “time to expiration” input for VIX options is already set forth in CBOE Regulatory Circular RG14–005.12 Also, similar language is set forth in Rule 24.9(a)(6) when describing the “time to expiration” input for VXST options. The Exchange is proposing to take this opportunity to marry up this concept with Rule 24.9(a)(6), as applicable here. The Exchange also proposes to take this opportunity to make the following minor amendments to Rule 24.9(a)(6): (i) Modification to the title of that Rule, (ii) addition of similar subheadings throughout that Rule, and (iii) revision to the Wednesday holiday example provided under the proposed new subheading “Special Opening Quotation.” The Exchange proposes to make these changes in order to conform Rule 24.9(a)(6) with the proposed new structure and formatting of Rule

6 For a detailed description about the VIX Index methodology, please refer to the VIX White Paper available at: https://www.cboe.com/micro/vix/vixwhite.pdf.

7 See CBOE Rule 24.9(a)(5) which sets forth the method of determining the day on which the exercise settlement value will be calculated for VIX options and of determining the expiration date and last trading day for VIX options.

8 CBOE is making this current filing because CBOE is unable to list weekly VIX options under its other weekly option programs because those programs require that weekly options expire on Fridays and VIX options expire on Wednesdays.

9 P.M.-settled, expiration SPXWs stop trading at 3:00 p.m. (Chicago time) on their last day of trading. See Rule 24.9(e)(4). The additional 390 minutes reflects that these constituent options trade for six and a half hours on their expiration date until 3:00 p.m. (Chicago time).

10 The Exchange proposes to add “Special Opening Quotation” to the title to make it more complete since the Special Opening Quotation is already explained in this provision and applies to all Volatility Index options.

11 In addition to VIX options, the Exchange lists options on other 30-day volatility indexes, which are covered by this provision too.

12 The Exchange would revise this circular to layer in weekly VIX option expirations and to make general updates, as needed.
To effectuate this change, the Exchange proposes to amend Rule 24.9(a)(2) to expressly provide for these VIX expirations. The Exchange also proposes to take this opportunity to clean up and stream line this subparagraph (a)(2) to Rule 24.9. No substantive changes are being proposed by these reorganizational amendments.

Finally, the Exchange proposes to amend Rule 24.9.01(l) by breaking out VIX options separately from other volatility index options under new subparagraph (ii). New subparagraph (ii) would provide, Notwithstanding paragraphs (a) and (l)(i), the interval between strike prices for CBOE Volatility Index (VIX) options will be $0.50 or greater where the strike price is less than $75, $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

The Exchange notes that the strike setting parameters set forth in the proposed paragraph are already permitted for VIX options. The Exchange believes that separating VIX options from other volatility index options in this section to the CBOE Rulebook would benefit market participants since it would be easier to identify the strike setting parameters for VIX options by breaking them out as proposed.

Capacity

CBOE has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle the additional traffic associated with the listing of new series that would result from the expiring VIX options weekly.

Because the proposal is limited to a single class, the Exchange believes that the additional traffic that would be generated from the introduction of weekly 30-Day VIX option series would be manageable.

2. 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. Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) 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.

Specifically, the Exchange believes that there is an unmet market demand for options that expire each week that measure a 30-day volatility period. By permitting VIX options to expire every week, CBOE hopes to respond to that unmet market demand.

The success of CBOE’s VIX options that measure a 30-day period illustrate the prominence that volatility products have taken over the past several years. CBOE seeks to enlarge its suite of volatility offerings by introducing weekly expiring series that would provide investors with a 30-day VIX contract that expires every week. CBOE believes that expiring 30-day VIX options weekly would provide investors with additional opportunities to manage 30-day volatility risk each week.

CBOE has many years of history and experience in conducting surveillance for volatility index options trading to draw from in order to detect manipulative trading in the proposed new 30-day weekly VIX series. Additionally, the Exchange represents that it has the necessary systems capacity to support the addition of weekly 30-day VIX expirations.

The Exchange believes that the proposed non-substantive changes to Rules 24.9(a)(5) and 24.9(a)(6) would be beneficial to market participants and users of CBOE’s Rulebook because there would be parallel structure between two rule provisions that address same topics but for different option classes. The Exchange also believes that these proposed changes would generally

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[13] The Exchange calculates the CBOE VIX Index, which measures the expected volatility of the 30-day forward price of the VIX Index and is calculated using VIX options. Because CBOE calculates a volatility index using VIX options, the Exchange is permitted to list up to 12 expirations at any one time for VIX options.

[14] See existing Rule 24.9.01(c). See also Rules 5.5(d)(4) and 24.9(b)(1)(iv) which permit series to be added up to and including on their expiration date for short-term (weekly) options.

[15] See Rule 24.9.12 which permits $0.50 and $1 strike price intervals for options that are used to calculate volatility indexes. The Exchange calculates the CBOE VIX Index, which measures the expected volatility of the 30-day forward price of the VIX Index and is calculated using VIX options.


All submissions should refer to File Number SR–CBOE–2015–050. This file number should be included on the subject line if email 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 Web site viewing and printing in the Commission’s Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office 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–2015–050 and should be submitted on or before July 6, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

Robert W. Errett, Deputy Secretary.

[FRI Doc. 2015–14362 Filed 6–11–15; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

Announcement of Startup in a Day Competition; Dream Big Model

AGENCY: U.S. Small Business Administration.

ACTION: Notice.

SUMMARY: The U.S. Small Business Administration (SBA) announces the 2015 Startup in a Day Competition—Dream Big Model, pursuant to the America Competes Act, to spur the development, implementation, and improvement of online tools that will let entrepreneurs learn about the business startup process in their area, including how to register and apply for all required local licenses and permits—all in one day or less.

DATES: The submission period for entries begins 12:00 p.m. EDT, June 11, 2015 and ends July 13, 2015 at 11:59 p.m. EDT. Winners will be announced no later than August 31, 2015.

ADDRESSES: For further information, please contact the U.S. Small Business Administration, Startup in a Day—IGA, 409 Third Street SW., Washington, DC 20416, (202) 205–7364, startup@sba.gov.

SUPPLEMENTARY INFORMATION:

Competition Details

1. Subject of Competition: The SBA is seeking to support entrepreneurs who are navigating the requirements to start a business. Currently many of these requirements are in multiple locations and a streamlined approach could help entrepreneurs start up more easily. The Startup in a Day Competition—Dream Big Model is designed to spur the development, implementation, and improvement of online tools that will let entrepreneurs learn about the business startup process in their area, including how to register and apply for all required local licenses and permits, in one day or less. This announcement, the Startup in a Day Competition—Dream Big Model, is specific for cities and Native American Communities that will develop an open source solution that may be freely adopted by localities across the United States. An “open source” solution is software that can be freely used, changed, and shared (in modified or unmodified form) by anyone and complies with generally accepted criteria for distribution outlined by the Open Source Initiative (for this criteria, see http://opensource.org/docs/osd#fields-of-endavour). In order to maximize the success of this competition, SBA will work with the National League of Cities (NLC), an advocacy organization representing thousands of municipalities, to establish a formal mechanism by which all Startup in a Day competition winners will be able to collaborate and share best practices.

In conjunction with the Startup in a Day Competition, President Barack Obama is asking cities and Native American Communities across America to take a pledge to support entrepreneurs in their area by making it easier to start a business (for the text of this pledge, see sba.gov/startup). While it is not required to enter this Competition, all cities and Native American Communities that will develop an open source solution that may be freely adopted across the United States, are encouraged to take the pledge.