

violations as minor rule violations, and requested that it be relieved of the prompt reporting requirements regarding such violations, provided it gives notice of such violations to the Commission on a quarterly basis.

The Exchange proposes to include in its MRVP the procedures and violations currently included in Exchange Rule 12140 ("Imposition of Fines for Minor Rule Violations").⁵

According to the Exchange's proposed MRVP, under Rule 12140, the Exchange may impose a fine (not to exceed \$2,500) on a member or an associated person with respect to any rule violation listed in Rule 12140(d). The Exchange shall serve the person against whom a fine is imposed with a written statement setting forth the rule or rules violated, the act or omission constituting each such violation, the fine imposed for each such violation, and the date by which such fine shall be paid, such determination becomes final or such determination must be contested. If the person against whom the fine is imposed pays the fine, such payment shall be deemed to be a waiver of such person's right to a disciplinary proceeding and any review of the matter under the Exchange Rules. Any person against whom a fine is imposed may contest the Exchange's determination by filing with the Exchange a written answer, at which point the matter shall become a disciplinary proceeding.

The Exchange proposes that, as set forth in Exchange Rule 12140(d), violations of the following rules would be appropriate for disposition under the MRVP: Rule 3120 (Position Limits); Rule 10030 (Focus Reports); Rule 10040 (Requests for Trade Data); Rules 7110(a), 7150(d)–(f), and 8050(a)–(d) (Order Entry); Rule 8040(a)(7) (Quotation Parameters); Rule 8050(e) (Continuous Quotes); Rule 3180 (Mandatory Systems Testing); Rules 2020, 2040, and 2050 related to failure to timely file amendments to Form U4, Form U5, and Form BD; Rule 9000(c)–(e), (g) and (h) (Contrary Exercise Advice); Rule 15020 (Locked and Crossed Markets); Rule 8030(e) (Market Maker Assigned Activity); Rule 8050(c)(2)–(4) (Request for Quote); and Rule 15010(a) (Trade-Through).⁶

⁵ On April 27, 2012, the Exchange's application for registration as a national securities exchange, including the rules governing the Exchange, was approved. See Securities Exchange Act Release No. 66871 (April 27, 2012), 77 FR 26323 (May 3, 2012) (File No. 10–206).

⁶ The Commission notes that the list of violations set forth in this notice corrects certain rule reference errors that are presently in Exchange Rule 12140. The Exchange has informed Commission staff that it will submit a rule filing to correct such errors.

Upon approval of the plan, the Exchange will provide the Commission a quarterly report of actions taken on minor rule violations under the plan. The quarterly report will include, among other things: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the sanction imposed, the number of times the rule violation has occurred, and the date of disposition.⁷

I. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the Exchange's proposed MRVP, including whether the proposed MRVP 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 email to rule-comments@sec.gov. Please include File No. 4–655 on the subject line.

Paper Comments

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

All submissions should refer to File No. 4–655. 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 MRVP that are filed with the Commission, and all written communications relating to the proposed MRVP 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 proposed MRVP also will be available for inspection and copying at the principal office of the Exchange. All

⁷ The Exchange attached a sample form of the quarterly report with its submission to the Commission.

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 No. 4–655 and should be submitted on or before December 4, 2012.

II. Date of Effectiveness of the Proposed Minor Rule Violation Plan and Timing for Commission Action

Pursuant to Section 19(d)(1) of the Act and Rule 19d–1(c)(2) thereunder,⁸ after December 4, 2012, the Commission may, by order, declare the Exchange's proposed MRVP effective if the plan is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Act. The Commission in its order may restrict the categories of violations to be designated as minor rule violations and may impose any other terms or conditions to the proposed MRVP, File No. 4–655, and to the period of its effectiveness, which the Commission deems necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Act.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–68164; File No. SR–CBOE–2012–071]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Granting Approval of Proposed Rule Change To Increase the Maximum Term for LEAPS to Fifteen Years

November 6, 2012.

I. Introduction

On July 24, 2012, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b–4

⁸ 15 U.S.C. 78s(d)(1); 17 CFR 240.19d–1(c)(2).

⁹ 17 CFR 200.30–3(a)(44).

¹ 15 U.S.C. 78s(b)(1).

thereunder,² a proposed rule change to increase the maximum term for Long-Term Equity Options Series ("LEAPS") to fifteen years. The proposed rule change was published for comment in the **Federal Register** on August 10, 2012.³ A designation of a longer period for Commission action was published in the **Federal Register** on September 25, 2012.⁴ The Commission received one comment on the proposed rule change.⁵ On September 6, 2012, CBOE responded to the comment letter.⁶ This order approves the proposed rule change.

II. Description of the Proposal

Currently, the maximum term for equity and interest rate LEAPS is 36 months (three years) and the maximum term for index LEAPS is 60 months (five years). CBOE proposes to amend CBOE Rules 5.8, 23.5(b) and 24.9(b) to increase the maximum term for all LEAPS to 180 months (fifteen years).⁷ CBOE notes that similar fifteen year maximum terms exist for FLEX Options.⁸

CBOE states that expanding the eligible term for all LEAPS to fifteen years would allow the Exchange to offer products in an exchange-traded environment that could compete with comparable over-the counter ("OTC") products. According to CBOE, it has received numerous requests from market participants that currently enter into OTC positions that have longer-dated expirations than are currently available on CBOE to list LEAPS with longer dated expirations on the Exchange. CBOE represents that it has confirmed that the OCC can configure its systems to support LEAPS that have a maximum term of fifteen years.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national

securities exchange.⁹ Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,¹⁰ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

KOR suggests that CBOE's proposal lacks data evidencing actual interest in extended LEAPS terms.¹¹ With regard to interest in the proposed product, CBOE responds that its proposal is geared toward an unmet demand of institutional investors, and was prompted by numerous requests from market participants, such as insurance companies offering equity-linked variable annuities, that have typically turned to OTC dealers to trade options with longer-dated expirations.¹² CBOE also states that it believes that additional institutional demand for longer-dated LEAPS (such as, for example, S&P 500 Index options) would come from sell-side firms hedging longer-dated OTC instruments (such as, for example, S&P variance).¹³ Further, CBOE states that virtually all of the firms it queried suggested that the ideal maturity for hedging trading activity exceeds the 10-year mark and that it seeks to offer various maturities (particularly in S&P 500 Index options) out to fifteen years in order to provide a more robust and flexible market for longer-dated options.

KOR also expresses concern that the proposal does not specify classes to which the proposal would apply and that the proposal could unduly burden the market through its potential impact on quote traffic and the costs associated with disseminating and maintaining the data for longer-termed LEAPS.¹⁴ CBOE states that it does not currently know all of the specific classes for which there will be future market demand for longer-dated LEAPS, and thus it is unable to identify such classes at this time.¹⁵ CBOE notes, however, that S&P 500 Index options are one of the classes that it anticipates would underlie

longer-dated LEAPS.¹⁶ CBOE also states that it does not expect there to be a significant increase to quote traffic because CBOE anticipates listing longer-dated LEAPS in response to specific market demand and does not expect to significantly populate expirations.¹⁷ In addition, CBOE notes that certain liquidity providers are not subject to quoting obligations for LEAPS, which will assist with quote traffic mitigation.¹⁸

Given CBOE's representation that there is demand for options with longer-dated expirations from institutional investors who are currently trading such options in the OTC market,¹⁹ the Commission believes that the proposal is reasonably designed to provide such investors with additional means of hedging equity portfolios from long-term market risk with an exchange-traded standardized security, thereby facilitating transactions in options and contributing to the protection of investors and the maintenance of fair and orderly markets. The Commission notes that fifteen-year expirations are already permitted for non-standardized FLEX Options.²⁰ In addition, the Commission notes the Exchange's representation that it does not anticipate a significant increase in quote traffic.²¹ Accordingly, for the reasons discussed above, the Commission believes that the proposed rule change is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²² that the proposed rule change (SR-CBOE-2012-071) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Kevin M. O'Neill,
Deputy Secretary.

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SOCIAL SECURITY ADMINISTRATION

[Docket No. SSA-2012-0058]

Rescission of Social Security Acquiescence Ruling 05-1(9)

AGENCY: Social Security Administration.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ See Notice; see also CBOE Letter, *supra* note 6.

²⁰ See *supra* note 8.

²¹ See CBOE Letter, *supra* note 6.

²² 15 U.S.C. 78s(b)(2).

²³ 17 CFR 200.30-3(a)(12).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 67600 (August 6, 2012), 77 FR 47890 ("Notice").

⁴ See Securities Exchange Act Release No. 67892 (September 19, 2012), 77 FR 59029.

⁵ See letter to Elizabeth M. Murphy, Secretary, Commission, from Christopher Nagy, President, KOR Trading LLC, dated August 17, 2012 ("KOR Letter").

⁶ See letter to Elizabeth M. Murphy, Secretary, Commission, from Jenny Klebes-Golding, Senior Attorney, CBOE, dated September 6, 2012 ("CBOE Letter").

⁷ CBOE also proposes to make technical, non-substantive changes to CBOE Rules 5.8 and 24.9 to delete "@" symbols.

⁸ See Securities Exchange Act Release No. 58890 (October 30, 2008), 73 FR 66085 (November 6, 2008) and CBOE Rules 24A.4(a)(2)(iv) and 24B.4(a)(2)(iv).

⁹ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ See KOR Letter, *supra* note 5.

¹² See CBOE Letter, *supra* note 6.

¹³ *Id.*

¹⁴ See KOR Letter, *supra* note 5.

¹⁵ See CBOE Letter, *supra* note 6.