

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74430; File No. SR-CBOE-2015-023)

March 4, 2015

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Proposed Rule Change to List and Trade Options on the MSCI EAFE Index and on the MSCI Emerging Markets Index

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 26, 2015, the Chicago Board Options Exchange, Incorporated (the “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

CBOE proposes to list and trade options that overlie the MSCI EAFE Index and the MSCI Emerging Markets Index (“EAFE options” and “EM options”). EAFE and EM options would be P.M., cash-settled contracts with European-style exercise. 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The purpose of this proposed rule change is to permit the Exchange to list and trade options that overlie the MSCI EAFE Index and the MSCI Emerging Markets Index (“EAFE options” and “EM options”). EAFE and EM options would be P.M., cash-settled contracts with European-style exercise.³

MSCI EAFE Index Design, Methodology and Dissemination

The MSCI EAFE Index (Europe, Australasia, Far East) is a free, [sic] float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The MSCI EAFE Index consists of large and midcap components, has 910 constituents and “covers

³ CBOE’s proposed rule change is substantially similar to approved filings made by NASDAQ OMX Phlx (“Phlx”) in 2011 and 2012 to list and trade EM and EAFE options, respectively. See Securities Exchange Act Release Nos. 66420 (February 17, 2012), 77 FR 11177 (February 24, 2012) (approving SR-Phlx-2011-179 to list EM options) and 66861 (April 26, 2012), 77 FR 26056 (May 2, 2012) (approving SR-Phlx-2012-28 to list EAFE options).

approximately 85% of the free float-adjusted market capitalization in each country.⁴

The MSCI EAFE Index was launched on December 31, 1969 and is calculated by MSCI Inc. (“MSCI”), which is a provider of investment support tools. The MSCI EAFE Index is calculated in U.S. dollars on a real-time basis from the open of the first market on which the components are traded to the closing of the last marked [sic] on which the components are traded. The methodology used to calculate the MSCI EAFE Index is similar to the methodology used to calculate the value of other benchmark market-capitalization weighted indexes. Specifically, the MSCI EAFE Index is based on the MSCI Global Investable Market Indexes (“GIMI”) Methodology.⁵ The level of the MSCI EAFE Index reflects the free float-adjusted market value of the component stocks relative to a particular base date and is computed by dividing the total market value of the companies in the MSCI EAFE Index by the index divisor.

The MSCI EAFE Index is monitored and maintained by MSCI. Adjustments to the MSCI EAFE Index are made on a daily basis with respect to corporate events and dividends. MSCI reviews the MSCI EAFE Index quarterly (February, May, August and November) “with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November reviews, the [MSCI EAFE Index] is rebalanced and the large and mid capitalization cutoff points are recalculated.⁶”

Real-time data is distributed approximately every 15 seconds while the index is being

⁴ See MSCI EAFE Index fact sheet (dated December 31, 2014) located at: http://www.msci.com/resources/factsheets/index_fact_sheet/msci-eafe-index-usd-price.pdf.

⁵ Summary and comprehensive information about the GIMI methodology may be reviewed at: http://www.msci.com/products/indexes/size/all_cap/methodology.html.

⁶ See MSCI EAFE Index fact sheet (dated December 31, 2014) located at: http://www.msci.com/resources/factsheets/index_fact_sheet/msci-eafe-index-usd-price.pdf.

calculated using MSCI's real-time calculation engine to Bloomberg L.P. ("Bloomberg"), FactSet Research Systems, Inc. ("FactSet") and Thomson Reuters ("Reuters"). End of day data is distributed daily to clients through MSCI as well as through major quotation vendors, including Bloomberg, FactSet, and Reuters.

The Exchange notes that the iShares MSCI EAFE exchange traded fund ("ETF") is an actively traded product. CBOE also lists options overlying that ETF ("EFA options") and those options are actively traded as well. MSCI EAFE Mini Index ("EAFE") futures contracts are listed for trading on the Intercontinental Exchange, Inc. ("ICE")⁷ and other derivatives contracts on the MSCI EAFE Index are listed for trading in Europe.

EM Index Design and Calculation

The MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI EM Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The MSCI EM Index consists of large and midcap components, has 834 constituents and "covers approximately 85% of the free float-adjusted market capitalization in each country."⁸

The MSCI EM Index was launched on June 30, 1988 and is calculated by MSCI. The MSCI EM Index is calculated in U.S. dollars on a real-time basis from the open of the first

⁷ See EAFE futures contract specifications located at: <https://globalderivatives.nyx.com/node/10864>.

⁸ See MSCI EM Index fact sheet (dated December 31, 2014) located at: http://www.msci.com/resources/factsheets/index_fact_sheet/msci-emerging-markets-index-usd-price.pdf.

market on which the components are traded to the closing of the last marked [sic] on which the components are traded. The methodology used to calculate the MSCI EM Index is similar to the methodology used to calculate the value of other benchmark market-capitalization weighted indexes. Specifically, the MSCI EM Index is based on the MSCI GIMI Methodology.⁹ The level of the MSCI EM Index reflects the free float-adjusted market value of the component stocks relative to a particular base date and is computed by dividing the total market value of the companies in the MSCI EM Index by the index divisor.

The MSCI EM Index is monitored and maintained by MSCI. Adjustments to the MSCI EM Index are made on a daily basis with respect to corporate events and dividends. MSCI reviews the MSCI EM Index quarterly (February, May, August and November) “with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November reviews, the [MSCI EM Index] is rebalanced and the large and mid capitalization cutoff points are recalculated.¹⁰”

Real-time data is distributed approximately every 15 seconds using MSCI’s real-time calculation engine to Bloomberg, FactSet and Reuters. End of day data is distributed daily to clients through MSCI as well as through major quotation vendors, including Bloomberg, FactSet, and Reuters.

The Exchange notes that the iShares MSCI Emerging Markets ETF is an actively traded product. CBOE also lists options overlying that ETF (“EEM options”) and those options are actively traded as well. MSCI Emerging Markets Mini Index (“EM”) futures contracts are listed

⁹ Summary and comprehensive information about the GIMI methodology may be reviewed at: http://www.msci.com/products/indexes/size/all_cap/methodology.html.

¹⁰ See MSCI EM Index fact sheet (dated December 31, 2014) located at: http://www.msci.com/resources/factsheets/index_fact_sheet/msci-emerging-markets-index-usd-price.pdf.

for trading on ICE¹¹ and other derivatives contracts on the MSCI EM Index are listed for trading in Europe.

Initial and Maintenance Listing Criteria

The MSCI EAFE Index and MSCI EM Index each meet the definition of a broad-based index as set forth in Rule 24.1(i)(1).¹² In addition, the Exchange proposes to create specific initial and maintenance listing criteria for options on the MSCI EAFE Index and on the MSCI EM Index. Specifically, the Exchange proposes to add new Interpretation and Policy .01(a) to Rule 24.2, Designation of the Index, to provide that the [sic] Exchange may trade EAFE and EM options if each of the following conditions is satisfied: (1) The index is broad-based, as defined in Rule 24.1(i)(1); (2) Options on the index are designated as P.M.-settled index options; (3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted; (4) The index consists of 500 or more component securities; (5) All of the component securities of the index will have a market capitalization of greater than \$100 million; (6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the index; (7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than: (i) twenty percent (20%) of the weight of the EAFE Index, and (ii) twenty-two and a half percent (22.5%) of the weight of the EM Index; (8) During the time options on the index are traded on the Exchange, the current index

¹¹ See EM futures contract specifications located at: <https://globalderivatives.nyx.com/node/10846>.

¹² Rule 24.2(i)(1) [sic] defines a broad-based index to mean an index designed to representative [sic] of a stock market as a whole or of a range of companies in unrelated industries.

value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors. However, the Exchange may continue to trade EAFE options after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that EAFE futures contracts are trading and prices for those contracts may be used as a proxy for the current index value; (9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and (10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

Additionally, the Exchange proposes to add new Interpretation and Policy .01(b) to Rule 24.2, Designation of the Index, to set forth the following maintenance listing standards for options on the MSCI EAFE Index and on the MSCI EM Index: (1) The conditions set forth in subparagraphs .01(a) (1), (2), (3), (4), (7), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .01(a)(5) and (6) must be satisfied only as of the first day of January and July in each year; and (2) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing. In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

The Exchange believes that P.M. settlement is appropriate for EAFE and EM options due to the natures of these indexes that encompass multiple markets around the world. As to the MSCI EAFE Index, the components open with the start of trading in certain parts of Asia at approximately 5:00 p.m. (Chicago time) (prior day) and close with the end of trading in Europe at approximately 11:30 a.m. (Chicago time) (next day) as closing prices from Ireland are accounting [sic] for in the closing calculation. The closing MSCI EAFE Index level is distributed by MSCI between approximately 1:00 p.m. and 2:00 p.m. (Chicago time) each trading day.

As a result, there will not be a current MSCI EAFE Index level calculated and disseminated during a portion of the time during which EAFE options would be traded (from approximately 11:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time)).¹³ However, the EAFE futures contract that trades on ICE will be trading during this time period.¹⁴ The Exchange believes that the EAFE futures prices would be a proxy for the current MSCI EAFE Index level. Therefore, the Exchange believes that EAFE options should be permitted to trade after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that EAFE futures contracts are trading and prices for those contracts may be used as a proxy for the current index value.

As to the MSCI EM index, the components open with the start of trading in certain parts of Asia at approximately 6:00 p.m. (Chicago time) (prior day) and close with the end of trading

¹³ The trading hours for multiply listed EFA options are from 8:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time). See EFA Options Product Specifications located at: <http://www.cboe.com/micro/efa/specifications.aspx>.

¹⁴ The trading hours for EAFE futures are from 6:16 p.m. (Chicago time) to 4:00 p.m. (Chicago time) the following day, Sunday through Friday. See MSCI EAFE Mini Index Future Contract specifications located at: <https://globalderivatives.nyx.com/node/10864>.

in Mexico and Peru at approximately 3:30 p.m. (Chicago time) (next day) as closing prices from Brazil, Chile, Peru and Mexico, including late prices, are accounted for in the closing calculation. The closing MSCI EM Index level is distributed at approximately 5:00 p.m. (Chicago time) each trading day.¹⁵

Because the MSCI EAFE Index and on [sic] the MSCI EM Index each has a large number of component securities, representative of many countries, the Exchange believes that the initial listing requirements are appropriate to trade options on this index [sic]. In addition, similar to other broad based indexes, the Exchange proposes various maintenance requirements, which require continual compliance and periodic compliance.

Options Trading

Generally, the proposed trading rules for EAFE and EM options would be the same except for their respective trading hours, which the Exchange will describe separately below. Exhibit 3 presents contract specifications for EAFE and EM options.

The contract multiplier for EAFE and EM options would be \$100. EAFE and EM options would be quoted in index points and one point would equal \$100. The minimum tick size for series trading below \$3 would be 0.05 (\$5.00) and above \$3 will be 0.10 (\$10.00).

Initially, the Exchange would initially list in-, at- and out-of-the-money strike prices. Additional series may be opened for trading as the underlying index level moves up or down.¹⁶

¹⁵ Late prices indicate that while the last real-time stock tick come [sic] in at approximately 3:00 p.m. (Chicago time), the MSCI EM Index will stay open for a few minutes longer to allow any late price information to be obtained. At approximately 3:30 p.m. (Chicago time), the final foreign currency rates are applied and the last real-time MSCI EM Index value is disseminated.

¹⁶ See Rules 24.9(c) [sic] and 24.9.04. These rules set forth the criteria for listing additional series of the same class as the current value of the underlying index moves. Generally, additional series must be “reasonably related” to the current index value, which means that strike prices must be within 30% of the current index value. Series exceeding the

The minimum strike price interval for EAFE and EM series would be 2.5 points if the strike price is less than 200. When the strike price is 200 or above, strike price intervals would be no less than 5 points.¹⁷ New series would be permitted to be added up to the fifth business day prior to expiration.¹⁸

The Exchange would be permitted to list up to twelve near-term expiration months.¹⁹ The Exchange would also be permitted to list up to ten expirations in Long-Term Index Option Series (“LEAPS”) on the EAFE and EM indexes and those indexes would be eligible for all other expirations permitted for other broad-based indexes, e.g., End of Week/End of Month Expirations, Short Term Option Series and Quarterly Option Series.²⁰

The trading hours for EAFE options would be from 8:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time), except that trading in expiring EAFE options would end at 10:00 a.m. (Chicago time) on their expiration date. The Exchange is proposing that EAFE options trade only during a portion of the day on their expiration date to align the trading hours of expiring EAFE options with expiring EAFE futures. EAFE futures trade on ICE and stop trading at 10:00 a.m. (Chicago time) on the third Friday of the futures contract month.²¹

The trading hours for EM options would be from 8:30 a.m. to 3:15 p.m. (Chicago time).

30% range may be listed based on demonstrated customer interest.

¹⁷ See proposed amendments to Rule 24.9.01(a) adding EAFE and EM as classes eligible for 2.5 point minimum strikes if the strike price is below 200.

¹⁸ See Rule 24.9.01(c).

¹⁹ See proposed amendments to Rule 24.9(a)(2). The Exchange is proposing to allow the listing of up to twelve expiration months at any one time for EAFE and EM options.

²⁰ See, e.g., Rules 24.9(b) (LEAPS), 24.9(e) (End of Week/End of Month Expirations), 24.9(a)(2)(A) (Short Term Option Series) and 24.9(a)(2)(B) (Quarterly Option Series).

²¹ See EAFE futures contract specifications located at: <https://globalderivatives.nyx.com/node/10864>. See also Securities Exchange Act Release No. 67070 [sic] (May 29, 2012), 77 FR 33013 (June 4, 2012) (Notice of SR-Phlx-2012-67 to close the trading of expiring EAFE options at 10:00 a.m. (Chicago time) on their expiration date).

Exercise and Settlement

The proposed EAFE and EM options would expire on the third Friday of the expiring month. Trading in expiring EAFE options would cease at 10:00 a.m. (Chicago time) on their expiration date and trading in expiring EM options would cease at 3:15 p.m. (Chicago time) on their expiration date. When the last trading day/expiration date is moved because of an Exchange holiday or closure, the last trading day/expiration date for expiring options would be the immediately preceding business day.

Exercise would result in delivery of cash on the business day following expiration. EAFE and EM options would be P.M.-settled. The exercise settlement value would be the official closing values of the MSCI EAFE Index and the MSCI EM Index as reported by MSCI on the last trading day of the expiring contract.²²

The exercise settlement amount would be equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by the contract multiplier (\$100).

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 would be determined in accordance with the rules and bylaws of The Options Clearing Corporation (“OCC”).²³

Position and Exercise Limits

The Exchange proposes to apply the default position limits for broad-based index options to EAFE and EM options. Specifically, the chart set forth in Rule 24.4(a), Position Limits for

²² See proposed amendment to Rule 24.1.01(a) [sic] to identify MSCI Inc. as the Reporting Authority for the MSCI EAFE Index (EAFE) and the MSCI Emerging Markets Index (EM). As the designated Reporting Authority for each of these indexes, the disclaimers set forth in Rule 24.14 (Disclaimers) would apply to MSCI Inc.

²³ See Rule 24.7.

Broad-Based Index Options, provides that the positions limits applicable to “other broad-based indexes” is 25,000 contracts (standard limit/on the same side of the market) and 15,000 contracts (near-term limit). Pursuant to Rule 24.5, Exercise Limits, the exercise limits for EAFE and EM options would be equivalent to the position limits for EAFE and EM options. All position limit hedge exemptions would apply.

Margin

The Exchange proposes that EAFE and EM options 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 15% of the “product of the current index group value and the applicable index multiplier,” reduced by any out-of-the-money amount. There would be a minimum margin requirement of 100% of the current market value of the contract plus: 10% of the aggregate put exercise price amount in the case of puts, and 10% of the product of the current index group value and the applicable index multiplier in the case of calls. Additional margin may be required pursuant to Rules 12.3(h) and 12.10 (Margin Required is Minimum).

Exchange Rules Applicable

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA, and XXIVB would equally apply to EAFE and EM options. EAFE and EM options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules²⁴, margin requirements²⁵ and trading rules.²⁶

²⁴ See Chapter IX (Doing Business with the Public).

²⁵ See Chapter XII (Margins).

²⁶ See, e.g., Chapters IV (Business Conduct), VI (Doing Business on the Trading Floor), Chapter VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and Chapter XXIV (Index Options).

The Exchange hereby designates EAFE and EM options as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).²⁷

Surveillance and Capacity

The Exchange represents that is [sic] has an adequate surveillance program in place for EAFE and EM options and intends to use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in EAFE and EM options.

The Exchange is a member of the Intermarket Surveillance Group ("ISG"), which "covers major self-regulatory bodies across the world." "The purpose of the ISG is to provide a framework for the sharing of information and the coordination of regulatory efforts among exchanges trading securities and related products to address potential intermarket manipulations and trading abuses. The ISG plays a crucial role in information sharing among markets that trade securities, options on securities, security futures products, and futures and options on broad-based security indexes." A list identifying the current ISG members is available at: <https://www.isgportal.org/home.html>.

The Exchange is also an affiliate member of the International Organization of Securities Commissions ("IOSCO"), which has members from over 100 different countries. Each of the countries from which there is a component security in the [sic] both the MSCI EAFE and MSCI

²⁷ See proposed amendments to Rules 24A.7, Position Limits and Reporting Requirements, and 24B.7, Position Limits and Reporting Requirements, providing that the position limits for FLEX Index options on the MSCI EAFE Index and on the MSCI Emerging Market [sic] Index would be equal to the position limits for Non-FLEX options on those indexes. Per existing Rules 24A.8, Exercise Limits, and 24B.8, Exercise Limits, the exercise limits for FLEX EAFE and EM option would be equivalent to the position limits for FLEX EAFE and EM options.

EM Indexes is a member of IOSCO.²⁸ A list identifying the current ordinary IOSCO members is available at: <http://www.iosco.org/about/?subsection=membership&memid=1>. Finally, the Exchange has entered into various comprehensive surveillance agreements (“CSAs”) and/or Memoranda of Understanding with various stock exchanges. Given the capitalization of the EAFE and EM Indexes and the deep and liquid markets for the securities underlying these Indexes, the concerns for market manipulation and/or disruption in the underlying markets are greatly reduced.

The Exchange notes that the EFA and EM ETFs are actively traded products. CBOE also lists options overlying those ETFs (EFA and EEM options) and those options are actively traded as well.

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 introduction of EAFE and EM options. Because the proposal is limited to two new classes, the Exchange believes that the additional traffic that would be generated from the introduction of EAFE and EM options would be manageable.

²⁸ There are three categories of IOSCO members: ordinary, associate and affiliate. In general, the ordinary members (124) are the national securities commissions in their respective jurisdictions. Associate members (12) are usually agencies or branches of government, other than the principal national securities regulator in their respective jurisdictions that have some regulatory competence over securities markets, or intergovernmental international organizations and other international standard-setting bodies, such as the IMF and the World Bank, with a mission related to either the development or the regulation of securities markets. Affiliate members (62) are self-regulatory organizations, stock exchanges, financial market infrastructures, investor protection funds and compensation funds, and other bodies with an appropriate interest in securities regulation. See IOSCO Fact Sheet located at: <http://www.iosco.org/about/pdf/IOSCO-Fact-Sheet.pdf>.

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.²⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁰ 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 will further the Exchange’s goal of introducing new and innovative products to the marketplace. Currently, the Exchange believes that there is unmet market demand for exchange-listed security options listed on these two popular cash indexes. (CBOE understands that Phlx no longer lists EAFE and EM options). As described above, the iShares MSCI EAFE ETF and iShares MSCI Emerging Markets ETF are actively traded products, as are the options on those ETFs. EAFE and EM futures are listed for trading on ICE. In addition, other derivatives contracts on the MSCI EAFE Index and the MSCI EM Index are listed for trading in Europe. As a result, CBOE believes that EAFE and EM options are designed to provide different and additional opportunities for investors to hedge or speculate on the market risk on the MSCI EAFE Index and the MSCI EM Index by listing an option directly on these indexes.

The Exchanges believes that both the MSCI EAFE Index and the MSCI EM Index are not easily susceptible to manipulation. Both indexes are broad-based indexes and have high

²⁹ 15 U.S.C. 78f(b).

³⁰ 15 U.S.C. 78f(b)(5).

market capitalizations. The MSCI EAFE Index is comprised of 910 component stocks and no single component comprises more than 5% of the index, making it not easily subject to market manipulation. Similarly, the MSCI EM Index is comprised of 834 components stocks and no single component comprises more than 3% to 5% of the index, making it not easily subject to market manipulation.

Additionally, the iShares MSCI EAFE and iShares MSCI Emerging Markets ETFs are actively traded products, as are options on those ETFs. Because both indexes have large numbers of component securities, are representative of many countries and trade a large volume with respect to ETFs and options on those ETFs, the Exchange believes that the initial listing requirements are appropriate to trade options on these indexes. In addition, similar to other broad-based indexes, the Exchange proposes to adopt various maintenance criteria, which would require continual compliance and periodic compliance.

EAFE and EM options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules³¹, margin requirements³² and trading rules.³³ The Exchange would apply the same default position limits for broad-based index options to EAFE and EM options. Specifically, the applicable position limits would be 25,000 contracts (standard limit/on the same side of the market) and 15,000 contracts (near-term limit). The exercise limits for EAFE and EM options would be equivalent to the position limits for EAFE and EM options. These same position and exercise limits would apply to FLEX trading. All position limit hedge exemptions would apply. The Exchange would apply existing index option

³¹ See Chapter IX (Doing Business with the Public).

³² See Chapter XII (Margins).

³³ See, e.g., Chapters IV (Business Conduct), VI (Doing Business on the Trading Floor), Chapter VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and Chapter XXIV (Index Options).

margin requirements for the purchase and sale of EAFE and EM options.

The Exchange represents that is [sic] has an adequate surveillance program in place for EAFE and EM options. The Exchange also represents that it has the necessary systems capacity to support the new option series.

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. Specifically, CBOE believes that the introduction of new cash index options will enhance competition among market participants and will provide a new type of options to compete with domestic products such as EFA and EEM options, EAFE and EM futures and European-traded derivatives on the MSCI EAFE Index and the MSCI EM Index to the benefit of investors and the marketplace.

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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove 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-2015-023 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2015-023. 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 website (<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 website 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 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-2015-023 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.³⁴

Brent J. Fields
Secretary

³⁴ 17 CFR 200.30-3(a)(12).