SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83585; File No. SR-CBOE-2018-050)

July 2, 2018

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fees Schedule to Adopt a Financial Incentive Program for Lead Market-Makers Appointed in MSCI EAFE Index Options and MSCI Emerging Markets Index 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 July 2, 2018, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") 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

The Exchange proposes to amend its Fees Schedule to adopt a financial incentive program for Lead Market-Makers appointed in MSCI EAFE Index (MXEA) options and MSCI Emerging Markets Index (MXEF) options (collectively, MSCI options), effective July 2, 2018.

The text of the proposed rule change is available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

2 17 CFR 240.19b-4.

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 and discussed any comments it received on 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 aspects of such statements.

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

1. Purpose

The Exchange proposes to amend its Fees Schedule to adopt a financial incentive program for Lead Market-Makers appointed in MSCI EAFE Index (MXEA) options and MSCI Emerging Markets Index (MXEF) options (collectively, MSCI options), effective July 2, 2018. More specifically, the Exchange proposes to provide a financial incentive to any Market-Maker that is appointed as a Lead Market-Maker ("LMM") in MXEA and/or MXEF ("MSCI LMM") and meet a heightened quoting standard, to be set forth in the Fees Schedule.[3] MSCI LMM(s) that meet the heightened quoting standard (which shall be explained herein), will receive $20,000 per month/per product.

By way of background, pursuant to Rule 8.15(a), the Exchange may approve one or more Market-Makers to act as LMMs in a class for which a Designated Primary Market-Maker ("DPM") has not been appointed, for a term of no less than the time until the end of the then-current expiration cycle. In addition to a LMM's requirement to fulfill

[3] MSCI LMMs would serve as MSCI LMMs during the RTH session only.

all obligations of a Market-Maker under the Exchange Rules, a LMM must also satisfy heightened quoting obligations set forth in Rule 8.15(b).

The Exchange proposes to provide in the Fees Schedule that through December 31, 2018, if a MSIC LMM meets the heightened standard described below, the LMM in each class will receive $20,000 per month, per their respective appointed class. Specifically, the LMM will receive $20,000 per month/per class if it provides continuous electronic quotes that meet or exceed the following heightened quoting standards in at least 90% of the MXEA and/or MXEF series it must quote pursuant to Rule 8.15(b) 90% of the time in a given month:

Premium	**Expiring**		**Near Term**		**Mid Term**		**Long Term**	
Level	**7 days or less**		**8 days to 60 days**		**61 days to 270 days**		**271 days or Greater**	
	Width	**Size**	**Width**	**Size**	**Width**	**Size**	**Width**	**Size**
$0-$5.00	$3.00	5	$1.50	20	$2.50	15	$5.00	10
$5.01-$15.00	$6.00	3	$3.00	15	$5.00	10	$10.00	7
$15.01-$50.00	$15.00	2	$7.50	10	$10.00	7	$20.00	5
$50.01-$100.00	$25.00	1	$15.00	7	$20.00	5	$30.00	3
$100.01-$200.00	$40.00	1	$25.00	3	$35.00	3	$48.00	2
Greater Than $200.01	$60.00	1	$40.00	1	$50.00	1	$72.00	1

The Exchange may consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances. For purposes of the financial benefit, MSCI LMM(s) will not be obligated to satisfy the heightened quoting standard shown above. Rather, the MSCI LMM(s) will only receive the financial benefit if they satisfy the abovementioned heightened quoting standard. If a MSCI LMM does not meet the heightened quoting standard, then it simply will not receive the financial benefit for that month. The Exchange notes however, that with respect to quoting obligations, MSCI LMM(s) must still comply with the continuous quoting obligation and other obligations of Market-Makers and LMMs described in Cboe Options Rules.[4] The Exchange believes the proposed financial incentive for the additional quoting standard set forth in the Fees Schedule and described above, will further encourage MSCI LMMs to provide significant liquidity in MSCI options. Additionally, the Exchange notes that it expects that TPHs may need to undertake expenses to be able to quote at a significantly heightened standard in these classes, such as purchase additional bandwidth. The Exchange notes that the proposed financial incentive program for MSCI LMM(s) is similar to the rebate program adopted for ETH LMMs and SPX Select Market-Makers, as both programs offer financial benefits for meeting heightened quoting standards.[5]

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.[6] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[7] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating,

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4 See e.g., Cboe Options Rule 8.7 and Rule 8.15.

5 See Cboe Options Fees Schedule, Footnotes 38 and 49.

6 15 U.S.C. 78f(b).

7 15 U.S.C. 78f(b)(5).

clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,[8] which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes it is reasonable to offer MSCI LMM(s) that meet a certain heightened quoting standard (described above) $20,000 per month, per product, given the potential added costs that MSCI LMM(s) may need to undertake in order to satisfy that heightened quoting standard (e.g., having to purchase additional bandwidth). The Exchange also wishes to ensure the LMM(s) is incentivized to provide liquid and active markets in the MSCI products to encourage its growth. Additionally, if a MSCI LMM does not satisfy the heightened quoting standard, then it simply will not receive the $20,000 per class for that month.

The Exchange believes it is equitable and not unfairly discriminatory to only offer the financial incentive to MSCI LMM(s) because it benefits all market participants trading in MSCI options to encourage MSCI LMMs to satisfy the heightened quoting standards, which may increase liquidity and provide more trading opportunities and tighter spreads. Indeed, the Exchange notes that the LMM provides a crucial role in providing quotes and the opportunity for market participants to trade MSCI products, which can lead to increased volume, thereby providing a robust market.

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8 15 U.S.C. 78f(b)(4).

The Exchange notes that without the proposed financial incentive, there would not be sufficient incentive for Trading Permit Holders to undertake an obligation to quote at heightened levels, which could result in lower levels of liquidity. The MSCI LMM incentive program is also reasonable, as it is designed to encourage increased quoting to add liquidity in MSCI products, thereby protecting investors and the public interest.

The Exchange lastly notes that a similar financial incentive program was adopted for appointed LMMs in ETH and SPX Select Market-Makers.[9]

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition that are not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while the financial incentive is offered only to certain market participants (i.e., appointed MSCI LMM(s) that meet a heightened quoting standard), those market participants must meet heightened quoting standards to receive the financial incentive. Additionally, MSCI LMM(s) may incur additional costs to meet the heightened quoting standard. The Exchange believes the proposed financial incentive encourages those market participants to bring liquidity to the Exchange in MSCI options (which benefits all market participants).

The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because MSCI options are proprietary products that will only be

9 See Cboe Options Fees Schedule, Footnote 38, Cboe Options Rule 6.1A and Footnote 49.

traded on Cboe Options. To the extent that the proposed changes make Cboe Options a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become Cboe Options market participants.

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 proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[10] and paragraph (f) of Rule 19b-4[11] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or 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:

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[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b-4(f).

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-2018-050 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-2018-050. 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 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2018-050 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.[12]

Eduardo A. Aleman
Assistant Secretary

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