

*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-BatsBYX-2016-15. 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 such 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-BatsBYX-2016-15, and should be submitted on or before July 22, 2016.

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

**Robert W. Errett,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78177; File No. SR-CBOE-2016-049]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change To List Options That Overlie the FTSE Developed Europe Index and the FTSE Emerging Index, To Raise the Comprehensive Surveillance Agreement Percentage Applicable to Certain Index Options, and To Amend the Maintenance Listing Criteria Applicable to Certain Index Options

June 28, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 15, 2016, 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, 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 Exchanges seeks to list and trade options that overlie the FTSE Developed Europe Index and the FTSE Emerging Index ("FTSE Developed options" and "FTSE Emerging options"), raise the comprehensive surveillance agreement percentage applicable to options that overlie the MSCI EAFE Index and the MSCI Emerging Markets Index ("EAFE options" and "EM options"), and amend the maintenance listing criteria applicable to EAFE options, EM options, FTSE 100 Index options ("FTSE 100 options"), and FTSE China 50 Index options ("FTSE China 50 options"). The text of the proposed rule change is provided in Exhibit 5.

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's Public Reference Room.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 purpose of this proposed rule change is to permit the Exchange to list and trade FTSE Developed options and FTSE Emerging options, amend Rule 24.2.01(a)(7) to raise the comprehensive surveillance agreement ("CSA") percentage applicable to EAFE options and EM options,<sup>3</sup> and amend Rules 24.2.01(b)(1), 24.2.02(b)(1), and 24.2.03(b)(1) to modify the maintenance listing criteria applicable to EAFE options, EM options, FTSE 100 options,<sup>4</sup> and FTSE China 50 options.<sup>5</sup> FTSE Developed and FTSE Emerging options would be P.M., cash-settled contracts with European-style exercise.

FTSE Developed Europe Index Design, Methodology and Dissemination

The FTSE Developed Europe Index is a weighted index representing the performance of large- and mid-cap companies in Developed European markets. The index is comprised of over 500 securities from the following 15 countries: Austria, Belgium & Luxembourg, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands,

<sup>3</sup> The Securities and Exchange Commission (the "Commission") approved CBOE's proposal to list and trade EAFE and EM options on April 8, 2015. See Securities Exchange Act Release No. 74681 (April 8, 2015), 80 FR 20032 (April 14, 2015) (approving SR-CBOE-2015-023).

<sup>4</sup> The Securities and Exchange Commission (the "Commission") approved CBOE's proposal to list and trade FTSE 100 options on December 11, 2015. See Securities Exchange Act Release No. 76626 (December 11, 2015), 80 FR 78794 (December 17, 2015) (approving SR-CBOE-2015-100).

<sup>5</sup> The Securities and Exchange Commission (the "Commission") approved CBOE's proposal to list and trade FTSE China 50 options on December 17, 2015. See Securities Exchange Act Release No. 76676 (December 17, 2015), 80 FR 79963 (December 23, 2015) (approving SR-CBOE-2015-099).

<sup>23</sup> 17 CFR 200.30-3(a)(12).

Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.<sup>6</sup>

The FTSE Developed Europe Index was launched on May 31, 2000 and is calculated by FTSE International Limited ("FTSE"), which is a provider of investment support tools. The FTSE Developed Europe Index is calculated and published on a real-time basis in British pounds and U.S. dollars during U.K. and U.S. trading hours: From 2:00 a.m.–10:30 a.m. (Chicago time) the real-time index is calculated using real time prices of the securities. At 10:30 a.m. (Chicago time) the real-time index closes using the closing prices from the London Stock Exchange. Thus, between 10:30 a.m. and 3:15 p.m. (Chicago time) the FTSE Developed Europe Index level is a static value that market participants can access via data vendors.

The methodology used to calculate the FTSE Developed Europe Index is similar to the methodology used to calculate the value of other benchmark market-capitalization weighted indexes. Specifically, the FTSE Developed Europe Index is governed by the Ground Rules for the FTSE Global Equity Index Series.<sup>7</sup> The level of the FTSE Developed Europe 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 FTSE Developed Europe Index by the index divisor.

The FTSE Developed Europe Index is monitored and maintained by FTSE. Adjustments to the FTSE Developed Europe Index could be made on a daily basis with respect to corporate events and dividends. FTSE reviews the FTSE Developed Europe Index semi-annually (March and September).<sup>8</sup>

Real-time data is distributed at least every 15 seconds while the index is being calculated using FTSE's real-time calculation engine to Bloomberg L.P. ("Bloomberg"), Thomson Reuters ("Reuters") and other major vendors. End-of-day data is distributed daily to clients through FTSE as well as through major quotation vendors, including Bloomberg and Reuters.

The Exchange notes that FTSE Developed Europe Index futures

<sup>6</sup> See FTSE Developed Europe Index fact sheet (dated May 31, 2016) located at: <http://www.ftse.com/Analytics/FactSheets/Home/DownloadSingleIssue?issueName=AWDEURS>. Belgium and Luxembourg are listed as one country in the "Country Breakdown."

<sup>7</sup> Summary and comprehensive information about the FTSE Developed Europe Index methodology may be reviewed at: [http://www.ftse.com/products/downloads/FTSE\\_Global\\_Equity\\_Index\\_Series.pdf?840](http://www.ftse.com/products/downloads/FTSE_Global_Equity_Index_Series.pdf?840).

<sup>8</sup> See *id.*

contracts are listed for trading on the Chicago Mercantile Exchange ("CME").<sup>9</sup>

FTSE Emerging Index Design, Methodology and Dissemination

The FTSE Emerging Index is a weighted index representing the performance of large- and mid-cap companies in advanced and secondary emerging markets. The index is comprised of approximately 950 securities from the following 22 countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.<sup>10</sup>

The FTSE Emerging Index was launched on June 30, 2000 and is also calculated by FTSE.

The FTSE Emerging Index is calculated and published on a real-time basis in U.S. dollars during U.K. and U.S. trading hours: From 6:30 p.m. (Chicago time) (prior day) to 3:10 p.m. (Chicago time) (next day). At 3:10 p.m. (Chicago time) the real-time index closes using the closing prices from Brazil, Chile, Peru and Mexico. Thus, between 3:10 p.m. and 3:15 p.m. (Chicago time) the FTSE Emerging Index level is a static value that market participants can access via data vendors.

The methodology used to calculate the FTSE Emerging Index is similar to the methodology used to calculate the value of other benchmark market-capitalization weighted indexes. Specifically, the FTSE Emerging Index is also governed by the Ground Rules for the FTSE Global Equity Index Series.<sup>11</sup> The level of the FTSE Emerging 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 FTSE Emerging Index by the index divisor.

The FTSE Emerging Index is monitored and maintained by FTSE. Adjustments to the FTSE Emerging Index could be made on a daily basis with respect to corporate events and dividends. FTSE reviews the FTSE

<sup>9</sup> See E-mini FTSE Developed Europe Index Futures contract specifications located at: [http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-developed-europe-index\\_contract\\_specifications.html](http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-developed-europe-index_contract_specifications.html).

<sup>10</sup> See FTSE Emerging Index fact sheet (dated May 31, 2016) located at: <http://www.ftse.com/Analytics/FactSheets/Home/DownloadSingleIssue?issueName=AWALLE>.

<sup>11</sup> Summary and comprehensive information about the FTSE Emerging Index methodology may be reviewed at: [http://www.ftse.com/products/downloads/FTSE\\_Global\\_Equity\\_Index\\_Series.pdf?840](http://www.ftse.com/products/downloads/FTSE_Global_Equity_Index_Series.pdf?840).

Emerging Index semi-annually (March and September).<sup>12</sup>

Real-time data is distributed at least every 15 seconds while the index is being calculated using FTSE's real-time calculation engine to Bloomberg, Reuters and other major vendors. End-of-day data is distributed daily to clients through FTSE as well as through major quotation vendors, including Bloomberg and Reuters.

The Exchange notes that FTSE Emerging Index futures contracts are listed for trading on CME.<sup>13</sup>

Initial and Maintenance Listing Criteria

The FTSE Developed Europe Index and the FTSE Emerging Index each meet the definition of a broad-based index as set forth in Rule 24.1(i)(1).<sup>14</sup> In addition, the Exchange proposes to apply the initial and maintenance listing criteria currently only applicable to EAFE and EM options to FTSE Developed and FTSE Emerging options. Specifically, the Exchange proposes to amend Interpretation and Policy .01(a) to Rule 24.2, *Designation of the Index*, to provide that the Exchange may trade FTSE Developed and FTSE Emerging 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 American Depositary Receipts ("ADRs")) that are not subject to CSAs do not, in the aggregate, represent more than fifty percent (50%) of the weight of the FTSE Developed Europe Index or the FTSE Emerging Index;<sup>15</sup> (8) During

<sup>12</sup> See *id.*

<sup>13</sup> See E-mini FTSE Emerging Index Futures contract specifications located at: [http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-emerging-index\\_contract\\_specifications.html](http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-emerging-index_contract_specifications.html).

<sup>14</sup> Rule 24.1(i)(1) defines a broad-based index to mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

<sup>15</sup> Other than proposed listing criteria 7 of Rule 24.2.01(a) and maintenance listing criteria 1 of Rule

the time options on the index are traded on the Exchange, the current index 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 FTSE Developed and FTSE Emerging 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 FTSE Developed Europe Index futures or FTSE Emerging Index 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, pursuant to Interpretation and Policy .01(b) to Rule 24.2, the Exchange is proposing the following maintenance listing standards for FTSE Developed and FTSE Emerging options: (1) The conditions set forth in subparagraphs .01(a) (1), (2), (3), (4), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .01(a)(5), (6), and (7) 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 Securities Exchange Act of 1934 (the "Act").

The Exchange believes that P.M. settlement is appropriate for FTSE

Developed and FTSE Emerging options due to the nature of these indexes that encompass multiple markets around the world. As to the FTSE Developed Europe Index, the components open with the start of trading in certain parts of Europe at approximately 2:00 a.m. (Chicago time) and close with the end of trading in Europe at approximately 10:30 a.m. (Chicago time) as closing prices from Ireland are accounted for in the closing calculation. The closing FTSE Developed Europe Index is distributed by FTSE between approximately 10:30 a.m. and 1:00 p.m. (Chicago time) each trading day.

As a result, there will not be a current FTSE Developed Europe Index level calculated and disseminated during a portion of the time during which FTSE Developed options would be traded (from approximately 10:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time)). However, the FTSE Developed Europe Index futures contract trades on CME during this time period.<sup>16</sup> The Exchange believes that the FTSE Developed Europe Index futures prices may be a proxy for the current FTSE Developed Europe Index level. Therefore, the Exchange believes that FTSE Developed 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 FTSE Developed Europe Index futures contracts are trading and prices for those contracts may be used as a proxy for the current index value.

As to the FTSE Emerging Index, the components open with the start of trading in certain parts of Asia at approximately 6:30 p.m. (Chicago time) (prior day) and close with the end of trading in Mexico and Peru at approximately 3:10 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 FTSE Emerging Index level is distributed at approximately 3:10 p.m. (Chicago time) each trading day.

As a result, there will not be a current FTSE Emerging Index level calculated and disseminated during a portion of the time during which FTSE Emerging

options would be traded (from approximately 3:10 p.m. (Chicago time) to 3:15 p.m. (Chicago time)). However, the FTSE Emerging Index futures contract trades on CME during this time period.<sup>17</sup> The Exchange believes that the FTSE Emerging Index futures prices may be a proxy for the current FTSE Emerging Index level. Therefore, the Exchange believes that FTSE Emerging 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 FTSE Emerging Index futures contracts are trading and prices for those contracts may be used as a proxy for the current index value.

Because the FTSE Developed Europe Index and FTSE Emerging Index each has a large number of component securities and is representative of many countries, similar to other broad-based indexes, the Exchange believes that the initial listing requirements are appropriate to trade options on this index. In addition, similar to other broad-based indexes, the Exchange proposes various maintenance requirements, which require continual and periodic compliance.

#### Options Trading

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

The contract multiplier for FTSE Developed and FTSE Emerging options would be \$100. FTSE Developed and FTSE Emerging 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 at or above \$3 will be 0.10 (\$10.00).

Initially, the Exchange would 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.<sup>18</sup> The minimum

<sup>17</sup> The trading hours for E-mini FTSE Emerging Index futures are from 5:00 p.m. (Chicago time) (prior day) to 4:00 p.m. (Chicago time) (next day), Sunday through Friday. See E-mini FTSE Emerging Index Futures contract specifications located at: [http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-emerging-index\\_contract\\_specifications.html](http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-emerging-index_contract_specifications.html).

<sup>18</sup> See Rules 24.9(a), 24.9.01 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

24.2.01(b), the Exchange is proposing to adopt the same listing criteria for FTSE Developed and FTSE Emerging options that are currently applicable to EAFE and EM options. See *infra* text on "MSCI EAFE and EM Indexes" for the discussion on raising the CSA percentage for EAFE and EM options and text on "Maintenance Listing Criteria" amending maintenance listing criteria for EAFE, EM, FTSE 100 and FTSE China 50 options.

<sup>16</sup> The trading hours for E-mini FTSE Developed Europe Index futures are from 5:00 p.m. (Chicago time) (prior day) to 4:00 p.m. (Chicago time) (next day), Sunday through Friday. See E-mini FTSE Developed Europe Index Futures contract specifications located at: [http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-developed-europe-index\\_contract\\_specifications.html](http://www.cmegroup.com/trading/equity-index/international-index/e-mini-ftse-developed-europe-index_contract_specifications.html).

strike price interval for FTSE Developed and FTSE Emerging options 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.<sup>19</sup> New series would be permitted to be added up to the fifth business day prior to expiration.<sup>20</sup>

The Exchange would be permitted to list up to twelve near-term expiration months.<sup>21</sup> The Exchange would also be permitted to list up to ten expirations in Long-Term Index Option Series ("LEAPS")<sup>22</sup> on the FTSE Developed Europe Index and the FTSE Emerging Index and those indexes would be eligible for all other expirations permitted for other broad-based indexes, e.g., End of Week/End of Month/Wednesday Expirations, Short Term Option Series and Quarterly Option Series.<sup>23</sup>

The trading hours for FTSE Developed options would be from 8:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time), except that trading in expiring FTSE Developed options would end upon the close of the London Stock Exchange (usually 10:30 a.m. Chicago time)<sup>24</sup> on their expiration date (usually a Friday). The Exchange is proposing that FTSE Developed options trade only during a portion of the day on their expiration date to align the trading hours of expiring FTSE Developed options with expiring FTSE Developed Europe Index futures. FTSE Developed Europe Index futures trade

index value, which means that strike prices must be within 30% of the current index value. Series exceeding the 30% range may be listed based on demonstrated customer interest.

<sup>19</sup> See proposed amendments to Rule 24.9.01(a) adding FTSE Developed and FTSE Emerging options as classes eligible for 2.5 point minimum strikes if the strike price is below 200.

<sup>20</sup> See Rule 24.9.01(c).

<sup>21</sup> 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 FTSE Developed and FTSE Emerging options.

<sup>22</sup> See, e.g., Rule 24.9(b) (LEAPS). The Exchange may list LEAPS that expire from 12 to 180 months from the date of issuance; however, as noted in Exhibit 3, the Exchange is limiting FTSE Developed and FTSE Emerging LEAPS to expirations between 12 and 60 months. The Exchange may determine to list LEAPS that expire between 60 and 180 months at a later date without a rule filing.

<sup>23</sup> See, e.g., Rules 24.9(e) (End of Week/End of Month/Wednesday Expirations), 24.9(a)(2)(A) (Short Term Option Series) and 24.9(a)(2)(B) (Quarterly Option Series).

<sup>24</sup> For example, Daylight Saving Time began in Chicago on March 13, 2016, and in London on March 27, 2016. If an expiration were to occur after Daylight Savings was observed in Chicago but prior to observance in London, trading in expiring FTSE Developed options would end at 11:30 a.m. (Chicago time). FTSE Emerging options are not affected by Daylight Savings as trading in expiring FTSE Emerging options ends at 3:15 p.m. (Chicago Time).

on CME and stop trading at 10:30 a.m. (Chicago time) on the third Friday of the futures contract month.<sup>25</sup>

The trading hours for FTSE Emerging options would be from 8:30 a.m. to 3:15 p.m. (Chicago time). The trading in expiring FTSE Emerging options would also end at 3:15 p.m. (Chicago time) on their expiration date (usually a Friday).

#### Exercise and Settlement

The proposed FTSE Developed and FTSE Emerging options would expire on the third Friday of the expiring month. Trading in expiring FTSE Developed options would cease upon the close of the London Stock Exchange (usually 10:30 a.m. Chicago time) on their expiration date (usually a Friday) and trading in expiring FTSE Emerging options would cease at 3:15 p.m. (Chicago time) on their expiration date (usually a Friday). 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. FTSE Developed and FTSE Emerging options would be P.M.-settled. The exercise settlement value would be the official closing values of the FTSE Developed Europe Index and the FTSE Emerging Index as reported by FTSE on the last trading day of the expiring contract.<sup>26</sup>

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").<sup>27</sup>

#### Position and Exercise Limits

The Exchange proposes to apply the default position limits for broad-based index options to FTSE Developed and FTSE Emerging options. Specifically,

<sup>25</sup> See CME Rule 39002.G, available at: <http://www.cmegroup.com/rulebook/CME/IV/350/390.pdf>.

<sup>26</sup> See proposed amendment to Rule 24.1.01 to identify FTSE International Limited as the Reporting Authority for the FTSE Developed Europe Index and the FTSE Emerging Index. As the designated Reporting Authority for each of these indexes, the disclaimers set forth in Rule 24.14 (Disclaimers) would apply to FTSE International Limited.

<sup>27</sup> See Rule 24.7.

the chart set forth in Rule 24.4(a), *Position Limits for 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 FTSE Developed and FTSE Emerging options would be equivalent to the near-term position limits for FTSE Developed and FTSE Emerging options. These same position and exercise limits would apply to FLEX trading. All position limit hedge exemptions would apply.

#### Margin

The Exchange proposes that FTSE Developed and FTSE Emerging 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).

The Exchange believes that FTSE Developed and FTSE Emerging options are eligible products for portfolio margining under CBOE Rule 12.4. Accordingly, the Exchange proposes that FTSE Developed and FTSE Emerging options be allowed in portfolio margin accounts. CBOE proposes that the FTSE Developed Europe Index be treated as a high-capitalization, broad-based index to be housed in the European Market Product Group. The market moves utilized for the European Markets Product Group is -8%/+6%, with a 100% offset of gains and losses between products in the same Class Group and an 85% offset with the other classes contained in the Product Group.<sup>28</sup>

CBOE proposes that the FTSE Emerging Index be treated as a non-high-capitalization, broad-based index to be housed in the Emerging Markets Indexes Product Group. The market

<sup>28</sup> A table detailing the currently existing portfolio margining Product Groups and their component class groups can be found at [http://www.optionsclearing.com/components/docs/risk-management/cpm/cpm\\_parameters.pdf](http://www.optionsclearing.com/components/docs/risk-management/cpm/cpm_parameters.pdf).

moves utilized for the Emerging Markets Indexes Product Groups are +/– 10%, with a 100% offset of gains and losses between products in the same Class Group and an 85% offset with the other classes contained in the Product Group.

#### Exchange Rules Applicable

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA, and XXIVB would equally apply to FTSE Developed and FTSE Emerging options. FTSE Developed and FTSE Emerging options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules,<sup>29</sup> margin requirements<sup>30</sup> and trading rules.<sup>31</sup>

The Exchange hereby designates FTSE Developed and FTSE Emerging options as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).<sup>32</sup>

#### Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for FTSE Developed and FTSE Emerging options and intends to use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in FTSE Developed and FTSE Emerging 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.<sup>33</sup> 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 CSAs with various stock exchanges.<sup>34</sup>

The FTSE Developed Europe Index is a broad-based index of which the component securities have a market capitalization of 7,073,781 (EUR Millions) and an average market capitalization per constituent of 13,397 (EUR Millions). Additionally, the component stocks have an average daily volume of over 2.8 billion with an average daily volume per constituent of over 5 million. Also, the largest constituent in the FTSE Developed Europe Index currently only accounts for 2.89% of the weight of the FTSE Developed Europe Index.

The FTSE Emerging Index is also a broad-based index of which the component securities have a market capitalization of 3,033,757 (USD Millions) and an average market capitalization per constituent of 3,118 (USD Millions). Additionally, the component stocks have an average daily volume of over 25 billion with an average daily volume per constituent of over 29 million. Also, the largest constituent in the FTSE Emerging Index currently only accounts for 3.93% of the weight of the FTSE Emerging Index.

Given the capitalization of the FTSE Developed Europe and FTSE Emerging 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.

<sup>33</sup> There are three categories of IOSCO members: Ordinary, associate and affiliate. In general, the ordinary members (125) are the national securities commissions in their respective jurisdictions. Associate members (18) 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 (64) 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>.

<sup>34</sup> CSAs can be in the form of Memoranda of Understanding ("MOUs") or information sharing agreements.

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 FTSE Developed and FTSE Emerging 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 FTSE Developed and FTSE Emerging options would be manageable.

#### MSCI EAFE and EM Indexes

On April 8, 2015, the Commission approved CBOE's proposal to list and trade options on the MSCI EAFE Index ("EAFE Index") and the MSCI Emerging Markets Index ("EM Index").<sup>35</sup> On March 8, 2016, the Commission approved CBOE's proposal to amend Rule 24.2.01(a)(7) to raise the CSA percentage for the EAFE and EM Indexes by five percent (5%).<sup>36</sup> Pursuant to SR-CBOE-2016-016, Rule 24.2.01(a)(7) currently states that Non-U.S. component securities (stocks or ADRs) that are not subject to CSAs do not, in the aggregate, represent more than: (i) Twenty-five percent (25%) of the weight of the EAFE Index, and (ii) twenty-seven and a half percent (27.5%) of the weight of the EM Index. Because both the EAFE and EM Indexes are broad-based indexes, the component securities of the indexes have high market capitalizations, the indexes are comprised of over 500 constituents, and no single component comprises more than 5% of the weight of either index, all of which makes the indexes not easily subject to market manipulation, the Exchange proposes to amend Rule 24.2.01(a)(7) to raise the CSA percentage for the EAFE and EM Indexes to fifty percent (50%).<sup>37</sup>

The EAFE Index consists of the following 21 developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway,

<sup>35</sup> See Securities Exchange Act Release No. 74681 (April 8, 2015), 80 FR 20032 (April 14, 2015) (approving SR-CBOE-2015-023).

<sup>36</sup> See Securities Exchange Act Release No. 77319 (March 8, 2016), 81 FR 13429 (March 14, 2016) (approving SR-CBOE-2016-016).

<sup>37</sup> The Exchange is proposing to make this CSA percentage applicable to FTSE Developed and FTSE Emerging options because both the FTSE Developed Europe and FTSE Emerging Indexes are broad-based indexes, the component securities of the indexes have high market capitalizations, the indexes are comprised of over 500 constituents, and no single component comprises more than 5% of the weight of either index, which makes the indexes not easily susceptible to manipulation.

<sup>29</sup> See Chapter IX (Doing Business with the Public).

<sup>30</sup> See Chapter XII (Margins).

<sup>31</sup> See, e.g., Chapters IV (Business Conduct), VI (Doing Business on the Trading Floor), VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and XXIV (Index Options).

<sup>32</sup> 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 FTSE Developed Europe Index and on the FTSE Emerging 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 FTSE Developed and FTSE Emerging option would be equivalent to the position limits for FLEX FTSE Developed and FTSE Emerging options.

Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The EAFE Index consists of large- and mid-cap components, has 925 constituents and “covers approximately 85% of the free float-adjusted market capitalization in each country.”<sup>38</sup> Furthermore, the EAFE Index is a broad-based index of which the component securities have a market capitalization of 12,021,032.52 (USD Millions) and an average market capitalization per constituent of 12,995.71 (USD Millions). Additionally, the component stocks have an average daily volume of over 5 billion with an average daily volume per constituent of over 5 million. Also, the largest constituent in the EAFE Index currently accounts for less than 2% of the weight of the EAFE Index.

The EM Index consists of the following 23 emerging market country indexes [sic]: 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 EM Index consists of large- and mid-cap components, has 837 constituents and “covers approximately 85% of the free float-adjusted market capitalization in each country.”<sup>39</sup> Furthermore, the EM Index is a broad-based index of which the component securities have a market capitalization of 3,506,908.00 (USD Millions) and an average market capitalization per constituent of 4,189.85 (USD Millions). Additionally, the component stocks have an average daily volume of over 25 billion with an average daily volume per constituent of over 30 million. Also, the largest constituent in the EM Index currently accounts for less than 3.5% of the weight of the EM Index.

Given the high number of constituents and 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. Additionally, the Exchange represents that raising the CSA percentage will not have an adverse impact on the Exchange’s surveillance program. The Exchange represents that it will still have an adequate surveillance program in place for EAFE and EM options and

<sup>38</sup> See EAFE Index fact sheet (dated May 31, 2016) located at: [http://www.msci.com/resources/factsheets/index\\_fact\\_sheet/msci-eafe-index-usd-price.pdf](http://www.msci.com/resources/factsheets/index_fact_sheet/msci-eafe-index-usd-price.pdf).

<sup>39</sup> See EM Index fact sheet (dated May 31, 2016) located at: [http://www.msci.com/resources/factsheets/index\\_fact\\_sheet/msci-emerging-markets-index-usd-price.pdf](http://www.msci.com/resources/factsheets/index_fact_sheet/msci-emerging-markets-index-usd-price.pdf).

will continue 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 notes that equity exchanges are not required to have any CSAs in place to list ETFs that seek to track the EAFE, EM, FTSE Developed, and FTSE Emerging Indexes.<sup>40</sup> Additionally, CBOE is not required to have any CSAs in place to list and trade options on an ETF that seeks to track these indexes as long as the ETF is listed in accordance with an equity exchange’s generic listing criteria under which CSAs are not required.<sup>41</sup> Finally, futures exchanges are similarly not required to have any CSAs in place to list futures on the EAFE, EM, FTSE Developed and FTSE Emerging Indexes.<sup>42</sup>

#### Maintenance Listing Criteria

The Exchange is seeking to amend Rules 24.2.01(b)(1), 24.2.02(b)(1), and 24.2.03(b)(1) to modify the maintenance listing criteria applicable to EAFE options, EM options, FTSE 100 options, and FTSE China 50 options. Currently, Rules 24.2.01(b)(1), 24.2.02(b)(1), and 24.2.03(b)(1) state, as applicable, that the listing criteria set forth in subparagraphs .01(a)(5) and (6), .02(a)(5) and (6), and .03(a)(5) and (6) to Rule 24.2 (“listing criteria 5 and 6”)<sup>43</sup> need only be met as of the first day of January and July in each year. The Exchange is seeking to amend Rules 24.2.01(b)(1), 24.2.02(b)(1), and 24.2.03(b)(1)<sup>44</sup> to specify that listing criteria set forth in subparagraphs .01(a)(7), .02(a)(7), and .03(a)(7) to Rule 24.2 (“listing criteria 7”)<sup>45</sup> need also only be met as of the

<sup>40</sup> See e.g., NYSE MKT Rule 1000 Commentary .03(a)(B); NYSE Arca Equities Rule 5.2(j)(3) Commentary .01(a)(B); NASDAQ Rule 5705(a)(3)(A)(ii); and BATS Rule 14.11(b)(3)(A)(ii).

<sup>41</sup> See Rule 5.3.06(C)(i).  
<sup>42</sup> See, e.g., CME Rulebook Chapters 390—*E-mini FTSE Developed Europe Index Futures* and 391—*E-mini FTSE Emerging Index Futures*; and ICE Futures Chapters 40—*MSCI EAFE Mini Index Futures* and 41—*MSCI Emerging Markets Mini Index Futures*.

<sup>43</sup> Listing criteria 5 provides that all of the component securities of the index will have a market capitalization of greater than \$100 million. Listing criteria 6 provides that 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.

<sup>44</sup> Current Rule 24.2.03(b) and (b)(1) mistakenly references paragraph .02(a), instead of .03(a); thus, the Exchange is also amending Rule 24.2.03(b) to correct the technical error.

<sup>45</sup> Listing criteria 7 generally provides that non-U.S. component securities (stocks or American Depositary Receipts (“ADRs”)) that are not subject to CSAs do not, in the aggregate, represent more than a certain percent of the weight of the

first of January and July in each year. The Exchange is not seeking to amend the frequency with which listing criteria 5 and 6 are reviewed; rather, the Exchange is seeking to specify the frequency with which the listing criteria 7 is reviewed. The substantive analysis involved in reviewing listing criteria 5, 6, and 7 is similar. Each review involves an analysis of the market capitalization of individual components and resulting changes to the weights those individual components contribute to indexes; thus, it’s appropriate to review those criteria at the same time.

#### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>46</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>47</sup> 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. FTSE Developed Europe and FTSE Emerging Index futures are listed for trading on CME. As a result, CBOE believes that FTSE Developed and FTSE Emerging options are designed to provide different and additional opportunities for investors to hedge or speculate on the market risk associated with the FTSE Developed and FTSE Emerging Indexes by listing an option directly on these indexes.

The Exchange believes that both the FTSE Developed Europe Index and FTSE Emerging Index are not easily susceptible to manipulation. Both indexes are broad-based indexes and

applicable index. As previously noted, this proposal seeks to amend the listing criteria 7 applicable to EAFE and EM options and apply that same percentage to FTSE Developed and FTSE Emerging options. This proposal does not seek to amend the listing criteria 7 applicable to FTSE 100 and FTSE China 50 options; however, as noted above, this proposal does seek to amend the maintenance listing criteria for EAFE, EM, FTSE 100, and FTSE China 50 options.

<sup>46</sup> 15 U.S.C. 78f(b).

<sup>47</sup> 15 U.S.C. 78f(b)(5).

have high market capitalizations. The FTSE Developed Europe Index is comprised of 528 component stocks, the component stocks have a market capitalization 7,073,781 (EUR Millions) and average daily volume of over 2.8 billion, and no single component comprises more than 5% of the index, making it not easily subject to market manipulation. Similarly, the FTSE Emerging Index is comprised of 973 components stocks, the component stocks have a market capitalization of 3,033,757 (USD Millions) and average daily volume of over 25 billion, and no single component comprises more than 5% of the index, making it not easily subject to market manipulation. Due to both indexes having a large number of component securities, high market capitalization, and being representative of many countries, similar to other broad-based indexes, 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.

With regards to the CSA percentage applicable to FTSE Developed and FTSE Emerging options in particular, the purpose of a CSA is to allow the Exchange to investigate manipulation if it were to occur on an exchange at which one of the component securities trades. However, as described above, the FTSE Developed Europe and FTSE Emerging Indexes are unlikely to be susceptible to manipulation; thus, requiring fifty (50%) of the component securities to be subject to CSAs for the FTSE Developed Europe and the FTSE Emerging Indexes is unlikely to affect the Exchange's ability to investigate manipulation. Additionally, the Commission is in the best position to investigate potential manipulation occurring on foreign exchanges because the Commission has bilateral and multilateral information sharing agreements with foreign regulators in countries all over the world;<sup>48</sup> thus,

<sup>48</sup> For example, the Commission's own Web site specifically identifies the multilateral memorandum of understanding created by the International organization of Securities Commissions, whereby the signatories, including the Commission, agreed: To provide certain critical information, to permit use of that information in civil or administrative proceedings, to onward share information with self-regulatory organizations and criminal authorities, and to keep such information confidential. In particular, the MMOU provides for the following: Sharing information and documents held in the regulators' files; obtaining information and documents regarding transactions in bank and brokerage accounts, and the beneficial owners of such accounts; and taking or compelling a person's

whether the Exchange receives information pursuant to a CSA or not, the Exchange can refer potential manipulation cases to the Commission. The Exchange notes that it is the practice today to refer cases to the Commission when the Exchange does not have jurisdiction over the potentially offending market participants, and the Exchange is unlikely to have jurisdiction over a market participant potentially manipulating markets on a foreign exchange. In addition, it is more than likely that market participants trading on foreign exchanges are subject to anti-manipulation laws in those jurisdictions,<sup>49</sup> which further limits the likelihood that these indexes will be manipulated.

FTSE Developed and FTSE Emerging options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules,<sup>50</sup> margin requirements<sup>51</sup> and trading rules.<sup>52</sup> The Exchange would apply the same default position limits for broad-based index options to FTSE Developed and FTSE Emerging options. Specifically, the applicable position

statement or, where permissible, a person's testimony. The MMOU has significantly enhanced the SEC's enforcement program by increasing and expediting the SEC's ability to obtain information from a growing number of jurisdictions worldwide. See SEC's Cooperative Arrangements with Foreign Regulators Factsheet, available at: [https://www.sec.gov/about/offices/oia/oia\\_coopfactsheet.htm](https://www.sec.gov/about/offices/oia/oia_coopfactsheet.htm). A list of the current signatories to the IOSCO multilateral memorandum of understanding is available at: <https://www.iosco.org/about/?subSection=mmou&subSection1=signatories>. A list of the Commission's Cooperative Arrangements with Foreign Regulators is available at: [https://www.sec.gov/about/offices/oia/oia\\_cooparrangements.shtml](https://www.sec.gov/about/offices/oia/oia_cooparrangements.shtml).

<sup>49</sup> See, e.g., Article 5 of European Union Directive 2003/6/EC (stating that member states shall prohibit any person from engaging in market manipulation), available at: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32003L0006>; Article 15 of European Union Regulation 596/2014, which replaces Directive 2003/6/EC (stating that a person shall not engage in or attempt to engage in market manipulation); available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0596>; Article 16 of European Union Regulation 596/2014 (stating that market operators and investment firms that operate a trading venue shall establish and maintain effective arrangements, systems and procedures aimed at preventing and detecting insider dealing, market manipulation and attempted insider dealing and market manipulation); Rule 545 of the Stock Exchange of Hong Kong, available at: [https://www.hkex.com.hk/eng/rulesreg/traderules/sehk/Documents/chap-5\\_eng.pdf](https://www.hkex.com.hk/eng/rulesreg/traderules/sehk/Documents/chap-5_eng.pdf); Rule 8.10 of the Johannesburg Stock Exchange, available at: <https://www.jse.co.za/content/JSERulesPoliciesandRegulationItems/JSE%20Equities%20Rules.pdf>.

<sup>50</sup> See Chapter IX (Doing Business with the Public).

<sup>51</sup> See Chapter XII (Margins).

<sup>52</sup> See, e.g., Chapters IV (Business Conduct), VI (Doing Business on the Trading Floor), VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and XXIV (Index Options).

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 FTSE Developed and FTSE Emerging 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 margin requirements to the purchase and sale of FTSE Developed and FTSE Emerging options.

The Exchange represents that it has an adequate surveillance program in place for FTSE Developed and FTSE Emerging options. The Exchange also represents that it has the necessary systems capacity to support the new option series.

With regards to the CSA percentage applicable to EAFE and EM options, both the MSCI EAFE and MSCI EM Indexes are not easily susceptible to manipulation. Both indexes are broad-based indexes and have high market capitalizations. The EAFE Index is comprised of 925 component stocks, the component stocks have a market capitalization of 12,021,032.52 (USD Millions) and average daily volume of over 5 billion, and no single component comprises more than 5% of the index, making it not easily subject to market manipulation. Similarly, the EM Index is comprised of 837 components stocks, the component stocks have a market capitalization of 3,506,908.00 (USD Millions) and average daily volume of over 25 billion, and no single component comprises more than 5% of the index, making it not easily subject to market manipulation. As previously noted, the purpose of a CSA is to allow the Exchange to investigate manipulation if it were to occur on an exchange at which one of the component securities trades. However, as described above, the EAFE and EM Indexes are unlikely to be susceptible to manipulation; thus, raising the CSA percentage for the EAFE and EM Indexes to fifty (50%) is unlikely to affect the Exchange's ability to investigate manipulation. Additionally, as noted above, the Commission is in a prime position to investigate potential manipulation occurring on foreign exchanges, and the Exchange can always refer investigations to the Commission. Also, as previously noted, equity exchanges are not required to have any CSAs in place to list ETFs that seek to track the EAFE, EM, FTSE Developed, and FTSE Emerging Indexes, and CBOE is not required to have any CSAs in place to list and trade options on an ETF that seeks to track these

indexes as long as the ETF is listed in accordance with an equity exchange's generic listing criteria under which CSAs are not required. Thus, the proposed CSA percentage promotes just and equitable principles of trade and a free and open market by more equally applying CSA percentages to similar products.

Finally, with regards to amending the maintenance listing criteria applicable to EAFE, EM, FTSE 100, and FTSE China 50 options, the substantive analysis of reviewing the listing criteria set forth in subparagraphs .01(a)(5) and (6), .02(a)(5) and (6), and .03(a)(5) and (6) to Rule 24.2 is similar to the analysis involved in reviewing the listing criteria set forth in subparagraphs .01(a)(7), .02(a)(7), and .03(a)(7) to Rule 24.2. Thus, it's appropriate, and generally supportive of the protection of investors and the public interest, to review those criteria at the same time as it strikes the appropriate balance between ensuring the Exchange has the ability to access information to conduct investigative activities with the Exchange efficiently and effectively deploying Exchange resources.

#### *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 FTSE Developed Europe and FTSE Emerging Index futures and European-traded derivatives on the FTSE Developed Europe and FTSE Emerging Indexes to the benefit of investors and the marketplace. With regards to the CSA percentage applicable to EAFE, EM, FTSE Developed, and FTSE Emerging options, the Exchange considers this a competitive filing. As noted above, equity exchanges are not required to have any CSAs in place to list ETFs that seek to track the EAFE, EM, FTSE Developed, and FTSE Emerging Indexes.<sup>53</sup> Additionally, CBOE is not required to have any CSAs in place to list and trade options on an ETF that seeks to track these indexes as long as the ETF is listed in accordance with an equity exchange's generic listing criteria under which CSAs are

not required.<sup>54</sup> Futures exchanges are similarly not required to have any CSAs in place to list futures on the EAFE, EM, FTSE Developed and FTSE Emerging Indexes.<sup>55</sup> Finally, modifying the maintenance listing criteria applicable to EAFE, EM, FTSE 100, and FTSE China 50 options as proposed will not impose any burden on competition—intermarket or otherwise—because maintenance listing criteria are applicable to products, not market participants, and, thus, are unrelated to competition among market participants.

#### *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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2016-049 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.

<sup>54</sup> See Rule 5.3.06(C)(i).

<sup>55</sup> See, e.g., CME Rulebook Chapters 390—*E-mini FTSE Developed Europe Index Futures* and 391—*E-mini FTSE Emerging Index Futures*; and ICE Futures Chapters 40—*MSCI EAFE Mini Index Futures* and 41—*MSCI Emerging Markets Mini Index Futures*.

All submissions should refer to File Number SR-CBOE-2016-049. 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-2016-049 and should be submitted on or before July 22, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>56</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

[FR Doc. 2016-15716 Filed 6-30-16; 8:45 am]

**BILLING CODE 8011-01-P**

#### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-78162; File No. SR-BatsEDGA-2016-14]

#### **Self-Regulatory Organizations; Bats EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 13.8(b) Identifying Certain Transactions as the Bats One Opening Price or the Bats One Closing Price**

June 27, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the

<sup>56</sup> 17 CFR 200.30-3(a)(12).

<sup>53</sup> See, e.g., NYSE MKT Rule 1000 Commentary .03(a)(B); NYSE Arca Equities Rule 5.2(j)(3) Commentary .01(a)(B); NASDAQ Rule 5705(a)(3)(A)(ii); and BATS Rule 14.11(b)(3)(A)(ii).