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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2015 - * 044
Amendment No. (req. for Amendments *)

Filing by Chicago Board Options Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☑	☐	☐

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to introduce Asian style settlement and Cliquet style settlement for FLexible Exchange (“FLEX”) Broad -Based Index options.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Jenny Last Name * Golding
Title * Senior Attorney
E-mail * golding@cboe.com
Telephone * (312) 786-7466 Fax (312) 786-7919

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 05/06/2015

By Jenny L. Golding

(Name *)

(Title *)

Assistant Secretary

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Persona Not Validated - 1414080207870,

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SECURITIES AND EXCHANGE COMMISSION
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For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to introduce Asian style settlement and Cliquet style settlement for FLexible Exchange ("FLEX") Broad-Based Index options. The text of the proposed rule change is attached as Exhibit 5.

(b) The proposed rule change would not amend the text of Rule 12.4 (Portfolio Margin); however, the Exchange believes that it would be appropriate to include the proposed options in portfolio margining.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange's President approved the proposed rule change pursuant to delegated authority on August 8, 2014.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, General Counsel, CBOE, 400 South LaSalle, Chicago, IL 60605, (312) 786-7462 or Jenny Golding, (312) 786-7466.

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

(a) Purpose

The purpose of this proposed rule change is to permit the Exchange to introduce Asian style settlement and Cliquet style settlement for FLexible Exchange ("FLEX") Broad-Based Index options. In general, Asian style settlement provides for payout based on the average of prices of a broad-based index on pre-determined dates over a specified time period and Cliquet style settlement provides for a payout that is the greater of $0 or the (positive) sum of "capped" monthly returns of a broad-based index on pre-determined dates over a specified period of time.

FLEX Broad-Based Index options provide users with the ability to customize key contract terms, like exercise prices, exercise styles, expiration dates and exercise settlement values. After surveying potential FLEX Broad-Based index options users, the Exchange learned that indexed annuity writers (insurance companies) extensively use over-the-counter ("OTC) options with Asian and Cliquet style settlement as a crediting method.[1] Because of the level of customization that FLEX Broad-Based Index options provide, the Exchange seeks to introduce exchange-traded products that would provide potential market users with an alternative to the OTC market in customized options.

Index Annuity Writer Use of Asian and Cliquet Options

For background, an indexed annuity is an insurance contract that is typically tied to a financial market index, e.g., S&P 500 Index, and the return is guaranteed not to fall below a level specified in the contract. Indexed annuity contracts typically provide that the contract holder will be credited interest according to a specified formula based on changes to the index to which the annuity contract is linked. Indexed annuity contracts often have exotic option liabilities embedded within those contracts.

One type of annuity contract is an Asian contract (sometimes referred to as an averaging contract) because the settlement value is based on an average of selected closing prices of an index over a year. The contract holder of this type of contract is typically entitled to receive a credit on the anniversary date in an amount equal to the greater of $0 and the difference between the average price of an index and the level of the index from the date of inception or the previous anniversary date.

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1 A "crediting method" is the method used to measure the change in the underlying index (e.g., point-to-point or annual reset).

Another type of annuity contract is a Cliquet contract (sometimes referred to as a contract with a monthly return cap with a global floor) because its payoff is the greater of zero or the sum of monthly capped returns of an index over a year. The contract holder of this type of contract is typically entitled to receive a credit on the anniversary date in an amount based on the sum of monthly returns (subject to a monthly cap) if the sum of monthly returns is greater than 0. If the sum of the monthly capped returns is 0 or less, the holder would not realize a loss (other than the premium paid) because the sum of monthly capped returns has a global floor of 0.

Insurance companies that write indexed annuity contracts, therefore, seek financial tools to manage and hedge the embedded exotic option risk in these contracts. Historically, these insurers have traded exclusively in the OTC market by entering into bilateral contracts tailored to the terms of indexed annuity contracts. CBOE proposes to introduce two new kinds of settlement styles for FLEX Broad-Based Index options that would provide insurers with alternative hedging tools to OTC products, coupled with traditional exchange-traded benefits like price discovery, transparency and centralized clearing.

Asian Style Settlement

FLEX Broad-Based Index options with Asian style settlement would be cash-settled call[2] option contracts for which the final payout would be based on an arithmetic average of specified closing values of the underlying broad-based index ("Asian option"). Exercise (strike) prices and premium quotations for Asian options would be expressed and governed as provided for in Rules 24A.4(b)(2) and 24B.(b)(2). Asian options would have a term of approximately one year and would expire anytime from 350 to 371 days

[2] Puts would not be permitted.

(which is approximately 50 to 53 calendar weeks) from the date of initial listing. The contract multiplier for an Asian option would be $100.[3]

The parties to an Asian option contract would designate a set of monthly observation dates and an expiration date for each contract. The monthly observation date would the date each month on which the price of the underlying broad-based index would be observed for the purpose of calculating the exercise settlement value for Asian options. Each Asian option would have 12 consecutive monthly observation dates (which includes an observation on the expiration date) and each observation would be based on the closing price of the underlying broad-based index. The specific monthly observation dates would be determined by working backward from the farthest out observation date prior to the expiration date. If a given monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day ("preceding business day convention"). The parties may not designate a subsequent business day convention for Asian options.

Asian options would have European-style exercise and may not be exercised prior to the expiration date. The exercise settlement value for Asian options would be the arithmetic average of the closing values of the underlying broad-based index on the 12 consecutive monthly observation dates, which include the expiration date of the option. Mathematically this is expressed as:

$$\text{Exercise Settlement Value} = \frac{\sum_{i=1}^{12} S_i}{12}$$

Where $\boldsymbol{S_i}$ is the closing price of the underlying broad-based index on monthly

3 See Rules 24A.1(i) and 24B.1(m). "The Index Multiplier for FLEX Index Options is $100."

observation date on the i^{th} monthly observation date.

The exercise settlement amount for Asian options would be calculated similarly to other options, i.e., the difference between the strike price and the averaged settlement value would determine the value, or "moneyness" of the contract at expiration.

An example of an Asian FLEX call option expiring in-the-money follows. On January 21, 2015, an investor hedging the value of the S&P 500 Index over a year purchases a call option expiring on January 22, 2016 with a strike price of 2000 and a contract multiplier of $100. The option has monthly observation dates occurring on the 23rd of each month.

Monthly Observation Date	S&P 500 Index Closing Value
23-Feb-15	2025.36
23-Mar-15	2049.34
23-Apr-15	2019.77
22-May-15*	1989.65
23-Jun-15	2005.64
23-Jul-15	2035.10
21-Aug-15*	2032.15
23-Sep-15	2076.18
23-Oct-15	2099.01
23-Nov-15	2109.32
23-Dec-15	2085.42
22-Jan-16	2084.81
Exercise (Averaged) Settlement Value	24,611.75/12 = **2050.98**

* Because Asian FLEX options use the "preceding business day convention," the dates of May 23, 2015 and August 23, 2015, were not used in the above example because those dates will fall on a weekend or a holiday. Instead the business days immediately preceding those dates were used as the monthly observation date.

The exercise settlement amount for this 2000 Asian FLEX call option would be equal to $5,098. This amount would be determined by adding the 12 observed closing values for the S&P 500 Index and dividing that amount by 12 (24,611.75/12), which is equal to 2050.98 (when rounded). As a result, this 2000 call option would be $5,098 in-the-money (50.98 x $100).

If, in the above example, the strike price for the Asian FLEX call option was 2060, that contract would have expired out-of-the-money. This is because the exercise settlement value for this 2060 call option is equal to 2050.98 (when rounded). Since the strike price of 2060 is more than the 2050.98 exercise settlement value, this option would not be exercised and would expire worthless.

Cliquet Style Settlement

FLEX Broad-Based Index options with Cliquet style settlement would be cash-settled call[4] option contracts for which the final payout would be based on the sum of monthly returns (i.e., percent changes in the closing value of the underlying broad-based index from one monthly observation date to the next monthly observation date), subject to a monthly return "cap" (e.g., 2%) applied over 12 monthly observation dates ("Cliquet option"). Premium quotations for Cliquet options would be expressed and governed as provided for in Rules 24A.4(b)(2) and 24B.(b)(2). Cliquet options would have a term of approximately one year and would expire anytime from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of initial listing. The contract multiplier for a Cliquet option would be $100.[5]

The parties to a Cliquet option would designate a set of monthly observation dates for each contract and an expiration date for each contract. The monthly observation date would be the date each month on which the price of the underlying broad-based index would be observed for the purpose of calculating the exercise settlement value for Cliquet

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[4] Puts would not be permitted.

[5] See Rules 24A.1(i) and 24B.1(m). "The Index Multiplier for FLEX Index Options is $100."

FLEX options. Each Cliquet FLEX option would have 12 consecutive monthly observation dates (which includes an observation on the expiration date) and each observation would be based on the closing price of the underlying broad-based index. The specific monthly observation dates would be determined working backward from the farther out observation date prior to the expiration date. If a given monthly observation date fell on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day ("preceding business day convention"). The parties may not designate a subsequent business day convention for Cliquet options.

The parties to a Cliquet option would designate a capped monthly return (percent change in the closing values of the underlying broad-based index from one month to the next month) for the contract, which would be the maximum monthly return that would be included in the calculation of the exercise settlement value for the contract. On each monthly observation date, the Exchange would determine the actual monthly return (the percent change of the underlying broad-based index) using the closing value of the broad-based index on the current monthly observation date and the closing value of the broad-based index on the previous monthly observation date. The Exchange would then compare the actual monthly return to the capped monthly return. The value to be included as the monthly return for a Cliquet option would be the lesser of the actual monthly return or the capped monthly return.

For example, if the actual monthly return of the underlying broad-based index was 1.75% and the designated capped monthly return for a Cliquet option was 2%, the 1.75% value would be included (and not the 2%) as the value for the observation date to determine the exercise settlement value. Using this same example, if the actual monthly return of the underlying broad-based index was 3.30%, the 2% value would be included (and not the 3.30%) as the value of the observation date to determine the exercise settlement value. This latter example illustrates that, Cliquet options have a capped upside. Cliquet options do not, however, have a capped downside for the monthly return that would be included in determining the exercise settlement value. Drawing on this same example, if the actual monthly return of the underlying broad-based index was -4.07%, the -4.07% value would be included as the value for the observation date to determine the exercise settlement value. There would be, however, be a global floor for Cliquet options so that if the sum of the monthly returns is negative, a Cliquet option would expire worthless.

Unlike other options, Cliquet options would not have a traditional exercise (strike) price. Rather, the exercise (strike) price field for a Cliquet option would represent the designated capped monthly return for the contract and would be expressed in dollars and cents. For example, a capped monthly return of 2.25% would be represented by the dollar amount of $2.25. The "strike" price for a Cliquet option may only be expressed in a dollar and cents amount and the "strike" price for a Cliquet option may only span a range between $0.05 and $25.95. In addition, the "strike" price for a Cliquet option may only be designated in $0.05 increments, e.g., $1.75, $2.50, $4.15. Increments of $0.01 in the "strike" price field (representing the capped monthly return) would not be permitted.

The first "monthly" return for a Cliquet option would be based on the initial reference value, which would be the closing value of the underlying broad-based index on the date a new Cliquet option is listed. The time period measured for the first "monthly" return would be between the initial listing date and the first monthly observation date. For example, if a Cliquet option was opened on January 1 and the parties designated the 31st of each month as the monthly observation date, the measurement period for the first monthly return would span the time period from January 1 to January 31. The time period measured for the second monthly return, and all subsequent monthly returns, would run from the 31st of one month to the 31st of the next month (or the last CBOE business day of each month depending on the actual number of calendar days in each month covered by the contract).

Cliquet options would have European-style exercise and may not be exercised prior to the expiration date. The exercise settlement value for Cliquet options would be equal to the initial reference price of the underlying broad-based index multiplied by the sum of the monthly returns (with the cap applied) on the 12 consecutive monthly observation dates, which include the expiration date of the option, provided that the sum is greater than 0. If the sum of the monthly returns (with the applied cap) is 0 or a less, the option would expire worthless.[6] Mathematically this is expressed as:

1. $S_0 \times (1+ \sum_{i=1}^{12} CMR_i)$; and

2. S_0

Where: $\boldsymbol{S_0}$ = Initial Reference Price

$\boldsymbol{CMR_i}$ = MIN (Actual Monthly Return$_i$, Capped Monthly Return)

$$\textbf{\textit{Monthly Return}}_i = \frac{(S_i - S_{i-1})}{S_{i-1}}$$

6 Prior to expiration, it is possible that the accumulated monthly returns could become negative to a point at which it is known that the value of the contract at expiration would be zero. The holder or writer of such a position may choose to exit the position prior to expiration for a negligible credit or debit amount, respectively.

S_i = Closing Price of the Underlying Broad-Based Index on Monthly Observation Date ($_i$).

An example of a Cliquet option follows. On January 21, 2015, an investor hedging the value of the S&P 500 Index over a year purchases a Cliquet FLEX call option expiring on January 22, 2016 with a capped monthly return of 2% and a contract multiplier of $100. The initial reference price of the S&P 500 Index (closing value) on January 21, 2015 is 2000. The option has monthly observation dates occurring on the 23rd of each month.

Monthly Observation Date	S&P 500 Index Closing Value (S_i)	Actual Monthly Return	Capped Monthly Return (CMR_i)	Sum of Monthly Returns
23-Feb-15	2025.36	1.27%	1.27%	1.27%
23-Mar-15	2049.34	1.18%	1.18%	2.45%
23-Apr-15	2019.77	-1.44%	-1.44%	1.01%
22-May-15*	1989.65	-1.49%	-1.49%	-0.48%
23-Jun-15	2005.64	0.80%	0.80%	0.32%
23-Jul-15	2035.10	1.47%	1.47%	1.79%
21-Aug-15*	2032.15	-0.14%	-0.14%	1.65%
23-Sep-15	2076.18	2.17%	***2.00%*****	3.65%
23-Oct-15	2099.01	1.10%	1.10%	4.75%
23-Nov-15	2109.32	0.49%	0.49%	5.24%
23-Dec-15	2085.42	-1.13%	-1.13%	4.11%
22-Jan-16	2084.81	-0.03%	-0.03%	**4.08%**
Exercise Settlement Value	**[(4.08% * 2000.00)] + 2 = 83.60**			

* Because Cliquet FLEX options use the "preceding business day convention," the dates of May 23, 2015, and August 23, 2015, were not used in the above example because those dates will fall on a weekend or a holiday. Instead the business days immediately preceding those dates were used as the monthly observation dates.
* *Monthly capped return applied.

The exercise settlement amount for this January 22, 2016 Cliquet option, with a capped monthly 2% return ("strike price") and a contract multiplier of $100 would be equal to $8,360. This value would be calculated by summing the monthly capped returns (equal to 4.08%) and multiplying that amount by the initial reference price (equal to 2000), which equals 81.60. The "strike price" (2%) amount would then be added to that amount (81.60) to arrive at an exercise settlement value of 83.60. Because the "strike price" field for a Cliquet option would be the manner in which the designated capped monthly return would be identified for the contract and because the designated monthly return for the contract would have been already substantively applied to determine the exercise settlement value, the "strike price" of 2.0 would be subtracted from the exercise settlement value before the contract multiplier ($100) would be applied [(83.60 - 2) * 100]. Accordingly, resulting payout for this contract would be $8,160.

If the sum of the monthly capped returns had been negative, this option would have expired worthless.

Specific Rule Text Changes

To expressly permit Asian style settlement and Cliquet style settlement for FLEX Broad-Based Index options, CBOE is proposing to amend Rules 24A.1 (Definitions), 24A.4 (Terms of FLEX Options), 24B.1 (Definitions) and 24B.4 (Terms of FLEX Options).[7] First, CBOE proposes to amend Rules 24A.1[8] and 24B.1[9] by adding the below definitions to those rules:

> The term "Asian style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is based on an arithmetic average of the specified closing prices of an underlying broad-

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7 Chapter XXIVA sets forth Flexible Exchange Options rules and Chapter XXIVB sets forth FLEX Hybrid Trading System rules.

8 The Exchange proposes to add the definitions of "Asian style settlement" and "Cliquet style settlement" to Rule 24A.1 as new subparagraphs (r) and (s), respectively.

9 The Exchange proposes to add the definitions of "Asian style settlement" and "Cliquet style settlement" to Rule 24B.1 as new subparagraphs (aa) and (bb), respectively.

based index taken on 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Asian style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Asian style settlement have European-style exercise.

The term "Cliquet style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is equal to the greater of $0 or the sum of capped monthly returns (i.e., percent changes in the closing value of the underlying broad-based index from one month to the next month) applied over 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Cliquet style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Cliquet style settlement have European-style exercise.

Second, the CBOE proposes to amend Rules 24A.4(b)[10] and 24B.4(b)[11] by adding the below terms that the parties to Asian options and Cliquet options must designate and the parameters governing the parties' designations:

Asian style settlement. The parties to FLEX Broad-Based Index Options may designate Asian style settlement. FLEX Broad-Based Index Options with Asian style settlement shall be call options (no puts) and designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the strike price; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates..

Cliquet style settlement. The parties to FLEX Broad-Based Index Options may designate Cliquet style settlement. FLEX Broad-Based Index Options with Cliquet style settlement shall be call options (no puts) and be designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the capped monthly return that must be expressed in dollars and cents and in increments not less than $0.05 and must be a

10 The Exchange proposes to set forth the terms for Asian options and Cliquet options to Rule 24A.4(b) as new subparagraphs (5) and (6), respectively.

11 The Exchange proposes to set forth the terms for Asian options and Cliquet options to Rule 24B.4(b) as new subparagraphs (5) and (6), respectively.

value between $0.05 and $25.95; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates. The capped monthly return will serve as the "exercise (strike) price" for a FLEX Broad-Based Index Option with Cliquet style settlement.

Exhibit 3 presents contract specifications for Asian style settlement and Cliquet style settlement for FLEX Broad-Based Index options.

In CBOE's experience, successful and popular products have often originated in the OTC marketplace. When such products lend themselves to more standardized terms, there is a natural migration to exchange trading which benefits the users of exchange listed products. CBOE believes that market participants can benefit from being able to trade these customized options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of The Options Clearing Corporation ("OCC") as issuer and guarantor of FLEX Broad-Based Index options.[12]

CBOE believes that expressly permitting Asian and Cliquet FLEX Broad-Based Index options is important and necessary to the Exchange's efforts to create a market that provides individuals interested in FLEX-type options with an improved but comparable alternative to the OTC market in customized options, which can take on contract characteristics similar to FLEX Options but are not subject to the same restrictions. By making these changes, market participants would now have greater flexibility in determining whether to execute their customized options in an exchange environment or in the OTC market.

12 The launch of Asian and Cliquet options would be permitted subject to the Commission's approval of an OCC rule filing to make risk model changes necessary to accommodate the clearance and settlement of the proposed options. The Exchange would issue a circular to Trading Permit Holders to announce a specific launch date for the proposed options.

<u>Margin</u>

CBOE proposes a strategy-based margin requirement in Rule 12.3 (Margin Requirements) for short Asian options that would incrementally decrease over time. Settlement of Asian options would be based on the arithmetic average of closing values (on specified observation dates) of the underlying broad-based index. Volatility would be generally lowered due to the averaging effect. A cumulative average develops as observation dates pass, and subsequent observation date broad-based index values have gradually less influence on the average. Because of the averaging effect, CBOE believes that a margin requirement that incrementally decreases over time is warranted.

For an Asian option having an underlying index that is broad-based, CBOE proposes that the same margin requirement currently applicable to a standard broad-based index call option be applied to an Asian option during the first quartile of its life, which ends with the third observation date. The current initial and maintenance margin requirement for a standard broad-based index call option carried short is the option premium received (or current market value), plus 15% of the underlying broad-based index value less any out-of-the-money amount, to a minimum of the option premium received (or current market value), plus 10% of the underlying broad-based index value. CBOE proposes to decrease the 15% basic and 10% minimum to 8% and 6%, respectively, after the third observation date; to 6% and 4% after the sixth observation date; and lastly, to 5% and 3% after the ninth observation date.

CBOE believes it is appropriate to include Asian options in portfolio margining.[13]

CBOE proposes a strategy-based margin requirement in Rule 12.3 for short

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13 A theoretical pricing model would continue to be used to derive position values at each valuation point for the purpose of determining the gain or loss. Currently the only model that qualifies is OCC's Theoretical Intermarket Margining System ("TIMS").

Cliquet options that, with one exception, would also incrementally decrease over time. Settlement of Cliquet options would be based on the sum of the returns for 12 consecutive time periods of approximately 30 days in length, each ending on an observation date. In the case of Cliquet options with capped monthly returns, volatility would be generally lowered because of the capping effect. In addition, the lower the capped monthly return, the lower the sensitivity to moves in the underlying broad-based index.

Also, the sum of returns for 12 consecutive time periods, based on historical analysis, is expected to be less than the return on the underlying broad-based index from beginning to end of the same 12 consecutive month time period, except in the case of a negative return. However, with a Cliquet option, a negative sum of returns would be excluded as a possibility because a floor of zero would be set for the sum of returns. Additionally, a cumulative return develops as observation dates pass, and as subsequent observation date returns compile, the likelihood of the sum of returns increasing or decreasing significantly would gradually be lowered. Because of these influences, CBOE believes that a margin requirement that incrementally decreases over time is warranted.

Because Cliquet options would not have a traditional exercise (strike) price, no out-of-the-money amount deduction would be calculated for margin purposes. Therefore, no minimum percentage margin requirement would be necessary in that, without an out-of-the-money calculation, the margin requirement calculated using the basic margin requirement percentage would never be reduced.

For Cliquet options, three separate categories, based on a time frame within the life of a Cliquet option, would be established for margin requirement purposes. The three categories proposed are: 1) the time period starting with the trade through the 10^{th} observation date; 2) the time period starting after the 10th observation date through the 11th observation date; and 3) the time period starting after the 11th observation date through the 12^{th} (final) observation date.

During the time period starting with a Cliquet option's trade date through its 10^{th} observation date, in the case of an index that is broad-based, CBOE proposes a margin requirement of 100% of the current market value of the option plus the percentage of the current "underlying component value." The percentage required would be the lesser of: the cap percentage multiplied by three (3) or 15%.[14]

CBOE proposes to decrease the percentage requirement to the lesser of: the cap percentage multiplied by two (2) or 15% beginning after the 10^{th} observation date through the 11^{th} observation date, and to further decrease the percentage requirement to the lesser of: the cap percentage or 15% beginning after the 11^{th} observation date through the 12^{th} (final) observation date.

CBOE believes it is appropriate to include Cliquet options in portfolio margining.[15]

Exchange Rules Applicable

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA and XXIVB would equally apply to Asian and Cliquet options. For example, per Rule 6.1A (Extended Trading Hours), Asian and Cliquet options would not be eligible for trading during Extended Trading Hours. Also, for example, Rules 24A.7 and 24A.8 set

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14 As noted previously, proposed CBOE Rules 24A.4(b) and 24B.4(b) would not permit the monthly return cap to exceed 25.95%.

15 A theoretical pricing model would continue to be used to derive position values at each valuation point for the purpose of determining the gain or loss. Currently the only model that qualifies is OCC's TIMS.

forth the position limits and reporting requirements applicable to FLEX Broad-Based Index options and Rules 24A.7 and 24B.7 set forth the exercise limits applicable to FLEX Broad-Based Index options. Respecting positions and exercise limits, these provisions set forth general rules and carve-outs for certain broad-based FLEX Broad-Based Index options, which would apply with equal force to Asian and Cliquet options.

Surveillance

The Exchange would use the same surveillance procedures currently utilized for the Exchange's other FLEX Broad-Based Index options to monitor trading in Asian and Cliquet options. The Exchange further represents that these surveillance procedures shall be adequate to monitor trading in options on these option products. For surveillance purposes, the Exchange will have complete access to information regarding trading activity in the pertinent underlying securities.

(b) 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.[16] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[17] 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 is designed to promote just

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16 15 U.S.C. 78f(b).

17 15 U.S.C. 78f(b)(5).

and equitable principles of trade in that the availability of Asian and Cliquet FLEX Broad-Based Index options would give market participants greater flexibility in determining where they will execute their customized options. By trading a product in an exchange traded environment (that is currently being used extensively in the OTC market) would also enable the Exchange to compete more effectively with the OTC market.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it would hopefully lead to the migration of options currently trading in the OTC market to trading to the Exchange and the development of more standardized products. Also, any migration to the Exchange would result in increased market transparency.

Additionally, the Exchange believes that the proposed rule change is designed 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 in that it should create greater trading and hedging opportunities and flexibility. The proposed rule change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of FLEX Broad-Based Index options. Further, the proposal would result in increased competition by permitting the Exchange to offer products that are currently used extensively in the OTC market.

The Exchange believes that the proposed strategy-based margin requirements for Asian and Cliquet options are consistent with the Act because they are designed to protect investors and the public interest by setting margin levels at appropriate levels for these instruments. First, the proposed options are limited to broad-based indexes and the index on which the Exchange expects the most interest is the S&P 500 Index, which has deep and liquid markets. Second, the short option margin levels proposed to be established would apply to retail customers, whom the Exchange does not believe to be the primary sellers (i.e., writers) of the proposed options. Third, as to short Asian and Cliquet positions, the Exchange notes that the proposed margin levels would start at the same level that is required for regular options on broad-based indexes (15%) and would incrementally decrease over time. The Exchange believes that the incremental decrease over time is appropriate given the nature of the proposed options (i.e., the risk associated with the options decreases as the time to expiration nears). Also, the Exchange represents that it conducted an extensive analysis over various time periods when considering the proposed margin levels and represents that for each percentage movement observed, the proposed margin level percentages closely track the percentage movements observed. In other words, the Exchange is proposing conservative and well-founded margin levels for the proposed options. As a result, the Exchange believes that the proposed margin levels would protect the integrity of the Exchange's marketplace by setting margins at levels that are appropriate for these instruments.

Item 4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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 settlement types (Asian and Cliquet) for FLEX Broad-Based Index options would enhance competition among market participants and would also enable the Exchange to compete more effectively with the

OTC market by offering a product that is currently use extensively in the OTC market.

Item 5. 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.

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Exchange Act.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Form of Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 3. Contract Specifications.

Exhibit 5. Proposed Rule Text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2015-044)

Dated: ___________________

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule to Introduce Asian style Settlement and Cliquet Style Settlement for FLexible Exchange Broad-Based 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 ___________, 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 and II 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

Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to introduce Asian style settlement and Cliquet style settlement for FLexible Exchange ("FLEX") Broad-Based Index options. The proposed rule change would not amend the text of Rule 12.4 (Portfolio Margin); however, the Exchange believes that it would be appropriate to include the proposed options in portfolio margining. 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.

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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 self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. 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 introduce Asian style settlement and Cliquet style settlement for FLexible Exchange ("FLEX") Broad-Based Index options. In general, Asian style settlement provides for payout based on the average of prices of a broad-based index on pre-determined dates over a specified time period and Cliquet style settlement provides for a payout that is the greater of $0 or the (positive) sum of "capped" monthly returns of a broad-based index on pre-determined dates over a specified period of time.

FLEX Broad-Based Index options provide users with the ability to customize key contract terms, like exercise prices, exercise styles, expiration dates and exercise settlement values. After surveying potential FLEX Broad-Based index options users, the Exchange learned that indexed annuity writers (insurance companies) extensively use over-the-counter ("OTC) options with Asian and Cliquet style settlement as a crediting method.[3] Because of the level of customization that FLEX Broad-Based Index options provide, the Exchange seeks to introduce exchange-traded products that would provide potential market users with an alternative to the OTC market in customized options.

Index Annuity Writer Use of Asian and Cliquet Options

For background, an indexed annuity is an insurance contract that is typically tied to a financial market index, e.g., S&P 500 Index, and the return is guaranteed not to fall below a level specified in the contract. Indexed annuity contracts typically provide that the contract holder will be credited interest according to a specified formula based on changes to the index to which the annuity contract is linked. Indexed annuity contracts often have exotic option liabilities embedded within those contracts.

One type of annuity contract is an Asian contract (sometimes referred to as an averaging contract) because the settlement value is based on an average of selected closing prices of an index over a year. The contract holder of this type of contract is typically entitled to receive a credit on the anniversary date in an amount equal to the greater of $0 and the difference between the average price of an index and the level of the index from the date of inception or the previous anniversary date.

Another type of annuity contract is a Cliquet contract (sometimes referred to as a contract with a monthly return cap with a global floor) because its payoff is the greater of zero or the sum of monthly capped returns of an index over a year. The contract holder of this type of contract is typically entitled to receive a credit on the anniversary date in an amount based on the sum of monthly returns (subject to a monthly cap) if the sum of monthly returns is greater than 0. If the sum of the monthly capped returns is 0 or less,

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[3] A "crediting method" is the method used to measure the change in the underlying index (e.g., point-to-point or annual reset).

the holder would not realize a loss (other than the premium paid) because the sum of monthly capped returns has a global floor of 0.

Insurance companies that write indexed annuity contracts, therefore, seek financial tools to manage and hedge the embedded exotic option risk in these contracts. Historically, these insurers have traded exclusively in the OTC market by entering into bilateral contracts tailored to the terms of indexed annuity contracts. CBOE proposes to introduce two new kinds of settlement styles for FLEX Broad-Based Index options that would provide insurers with alternative hedging tools to OTC products, coupled with traditional exchange-traded benefits like price discovery, transparency and centralized clearing.

Asian Style Settlement

FLEX Broad-Based Index options with Asian style settlement would be cash-settled call[4] option contracts for which the final payout would be based on an arithmetic average of specified closing values of the underlying broad-based index ("Asian option"). Exercise (strike) prices and premium quotations for Asian options would be expressed and governed as provided for in Rules 24A.4(b)(2) and 24B.(b)(2). Asian options would have a term of approximately one year and would expire anytime from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of initial listing. The contract multiplier for an Asian option would be $100.[5]

The parties to an Asian option contract would designate a set of monthly observation dates and an expiration date for each contract. The monthly observation date would the date each month on which the price of the underlying broad-based index would

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4 Puts would not be permitted.

5 See Rules 24A.1(i) and 24B.1(m). "The Index Multiplier for FLEX Index Options is $100."

be observed for the purpose of calculating the exercise settlement value for Asian options. Each Asian option would have 12 consecutive monthly observation dates (which includes an observation on the expiration date) and each observation would be based on the closing price of the underlying broad-based index. The specific monthly observation dates would be determined by working backward from the farthest out observation date prior to the expiration date. If a given monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day ("preceding business day convention"). The parties may not designate a subsequent business day convention for Asian options.

Asian options would have European-style exercise and may not be exercised prior to the expiration date. The exercise settlement value for Asian options would be the arithmetic average of the closing values of the underlying broad-based index on the 12 consecutive monthly observation dates, which include the expiration date of the option. Mathematically this is expressed as:

$$\text{Exercise Settlement Value} = \frac{\sum_{i=1}^{12} S_i}{12}$$

Where $\boldsymbol{S_i}$ is the closing price of the underlying broad-based index on monthly observation date on the i^{th} monthly observation date.

The exercise settlement amount for Asian options would be calculated similarly to other options, i.e., the difference between the strike price and the averaged settlement value would determine the value, or "moneyness" of the contract at expiration.

An example of an Asian FLEX call option expiring in-the-money follows. On January 21, 2015, an investor hedging the value of the S&P 500 Index over a year purchases a call option expiring on January 22, 2016 with a strike price of 2000 and a contract multiplier of $100. The option has monthly observation dates occurring on the 23rd of each month.

Monthly Observation Date	S&P 500 Index Closing Value
23-Feb-15	2025.36
23-Mar-15	2049.34
23-Apr-15	2019.77
22-May-15*	1989.65
23-Jun-15	2005.64
23-Jul-15	2035.10
21-Aug-15*	2032.15
23-Sep-15	2076.18
23-Oct-15	2099.01
23-Nov-15	2109.32
23-Dec-15	2085.42
22-Jan-16	2084.81
Exercise (Averaged) Settlement Value	24,611.75/12 = **2050.98**

* Because Asian FLEX options use the "preceding business day convention," the dates of May 23, 2015 and August 23, 2015, were not used in the above example because those dates will fall on a weekend or a holiday. Instead the business days immediately preceding those dates were used as the monthly observation date.

The exercise settlement amount for this 2000 Asian FLEX call option would be equal to $5,098. This amount would be determined by adding the 12 observed closing values for the S&P 500 Index and dividing that amount by 12 (24,611.75/12), which is equal to 2050.98 (when rounded). As a result, this 2000 call option would be $5,098 in-the-money (50.98 x $100).

If, in the above example, the strike price for the Asian FLEX call option was 2060, that contract would have expired out-of-the-money. This is because the exercise settlement value for this 2060 call option is equal to 2050.98 (when rounded). Since the strike price of 2060 is more than the 2050.98 exercise settlement value, this option would not be exercised and would expire worthless.

Cliquet Style Settlement

FLEX Broad-Based Index options with Cliquet style settlement would be cash-settled call[6] option contracts for which the final payout would be based on the sum of monthly returns (i.e., percent changes in the closing value of the underlying broad-based index from one monthly observation date to the next monthly observation date), subject to a monthly return "cap" (e.g., 2%) applied over 12 monthly observation dates ("Cliquet option"). Premium quotations for Cliquet options would be expressed and governed as provided for in Rules 24A.4(b)(2) and 24B.(b)(2). Cliquet options would have a term of approximately one year and would expire anytime from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of initial listing. The contract multiplier for a Cliquet option would be $100.[7]

The parties to a Cliquet option would designate a set of monthly observation dates for each contract and an expiration date for each contract. The monthly observation date would be the date each month on which the price of the underlying broad-based index would be observed for the purpose of calculating the exercise settlement value for Cliquet FLEX options. Each Cliquet FLEX option would have 12 consecutive monthly observation dates (which includes an observation on the expiration date) and each observation would be based on the closing price of the underlying broad-based index. The specific monthly observation dates would be determined working backward from the farther out observation date prior to the expiration date. If a given monthly observation date fell on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day ("preceding business

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[6] Puts would not be permitted.

[7] See Rules 24A.1(i) and 24B.1(m). "The Index Multiplier for FLEX Index Options is $100."

day convention"). The parties may not designate a subsequent business day convention for Cliquet options.

The parties to a Cliquet option would designate a capped monthly return (percent change in the closing values of the underlying broad-based index from one month to the next month) for the contract, which would be the maximum monthly return that would be included in the calculation of the exercise settlement value for the contract. On each monthly observation date, the Exchange would determine the actual monthly return (the percent change of the underlying broad-based index) using the closing value of the broad-based index on the current monthly observation date and the closing value of the broad-based index on the previous monthly observation date. The Exchange would then compare the actual monthly return to the capped monthly return. The value to be included as the monthly return for a Cliquet option would be the lesser of the actual monthly return or the capped monthly return.

For example, if the actual monthly return of the underlying broad-based index was 1.75% and the designated capped monthly return for a Cliquet option was 2%, the 1.75% value would be included (and not the 2%) as the value for the observation date to determine the exercise settlement value. Using this same example, if the actual monthly return of the underlying broad-based index was 3.30%, the 2% value would be included (and not the 3.30%) as the value of the observation date to determine the exercise settlement value. This latter example illustrates that, Cliquet options have a capped upside. Cliquet options do not, however, have a capped downside for the monthly return that would be included in determining the exercise settlement value. Drawing on this same example, if the actual monthly return of the underlying broad-based index was -

4.07%, the -4.07% value would be included as the value for the observation date to determine the exercise settlement value. There would be, however, be a global floor for Cliquet options so that if the sum of the monthly returns is negative, a Cliquet option would expire worthless.

Unlike other options, Cliquet options would not have a traditional exercise (strike) price. Rather, the exercise (strike) price field for a Cliquet option would represent the designated capped monthly return for the contract and would be expressed in dollars and cents. For example, a capped monthly return of 2.25% would be represented by the dollar amount of $2.25. The "strike" price for a Cliquet option may only be expressed in a dollar and cents amount and the "strike" price for a Cliquet option may only span a range between $0.05 and $25.95. In addition, the "strike" price for a Cliquet option may only be designated in $0.05 increments, e.g., $1.75, $2.50, $4.15. Increments of $0.01 in the "strike" price field (representing the capped monthly return) would not be permitted.

The first "monthly" return for a Cliquet option would be based on the initial reference value, which would be the closing value of the underlying broad-based index on the date a new Cliquet option is listed. The time period measured for the first "monthly" return would be between the initial listing date and the first monthly observation date. For example, if a Cliquet option was opened on January 1 and the parties designated the 31st of each month as the monthly observation date, the measurement period for the first monthly return would span the time period from January 1 to January 31. The time period measured for the second monthly return, and all subsequent monthly returns, would run from the 31st of one month to the 31st of the next month (or the last CBOE business day of each month depending on the actual number of calendar days in each month covered by the contract).

Cliquet options would have European-style exercise and may not be exercised prior to the expiration date. The exercise settlement value for Cliquet options would be equal to the initial reference price of the underlying broad-based index multiplied by the sum of the monthly returns (with the cap applied) on the 12 consecutive monthly observation dates, which include the expiration date of the option, provided that the sum is greater than 0. If the sum of the monthly returns (with the applied cap) is 0 or a less, the option would expire worthless.[8] Mathematically this is expressed as:

1. $S_0 \times (1+ \sum_{i=1}^{12} CMR_i)$; and

2. S_0

Where: $\boldsymbol{S_0}$ = Initial Reference Price

$\boldsymbol{CMR_i}$ = MIN (Actual Monthly Return$_i$, Capped Monthly Return)

Monthly Return$_i$ = $\frac{(S_i - S_{i-1})}{S_{i-1}}$

$\boldsymbol{S_i}$ **=** Closing Price of the Underlying Broad-Based Index on Monthly Observation Date (i).

An example of a Cliquet option follows. On January 21, 2015, an investor hedging the value of the S&P 500 Index over a year purchases a Cliquet FLEX call option expiring on January 22, 2016 with a capped monthly return of 2% and a contract multiplier of $100. The initial reference price of the S&P 500 Index (closing value) on

8 Prior to expiration, it is possible that the accumulated monthly returns could become negative to a point at which it is known that the value of the contract at expiration would be zero. The holder or writer of such a position may choose to exit the position prior to expiration for a negligible credit or debit amount, respectively.

January 21, 2015 is 2000. The option has monthly observation dates occurring on the 23rd of each month.

Monthly Observation Date	S&P 500 Index Closing Value (S_i)	Actual Monthly Return	Capped Monthly Return (CMR_i)	Sum of Monthly Returns
23-Feb-15	2025.36	1.27%	1.27%	1.27%
23-Mar-15	2049.34	1.18%	1.18%	2.45%
23-Apr-15	2019.77	-1.44%	-1.44%	1.01%
22-May-15*	1989.65	-1.49%	-1.49%	-0.48%
23-Jun-15	2005.64	0.80%	0.80%	0.32%
23-Jul-15	2035.10	1.47%	1.47%	1.79%
21-Aug-15*	2032.15	-0.14%	-0.14%	1.65%
23-Sep-15	2076.18	2.17%	***2.00%*****	3.65%
23-Oct-15	2099.01	1.10%	1.10%	4.75%
23-Nov-15	2109.32	0.49%	0.49%	5.24%
23-Dec-15	2085.42	-1.13%	-1.13%	4.11%
22-Jan-16	2084.81	-0.03%	-0.03%	**4.08%**
Exercise Settlement Value	**[(4.08% * 2000.00)] + 2 = 83.60**			

* Because Cliquet FLEX options use the "preceding business day convention," the dates of May 23, 2015, and August 23, 2015, were not used in the above example because those dates will fall on a weekend or a holiday. Instead the business days immediately preceding those dates were used as the monthly observation dates.
* *Monthly capped return applied.

The exercise settlement amount for this January 22, 2016 Cliquet option, with a capped monthly 2% return ("strike price") and a contract multiplier of $100 would be equal to $8,360. This value would be calculated by summing the monthly capped returns (equal to 4.08%) and multiplying that amount by the initial reference price (equal to 2000), which equals 81.60. The "strike price" (2%) amount would then be added to that amount (81.60) to arrive at an exercise settlement value of 83.60. Because the "strike price" field for a Cliquet option would be the manner in which the designated capped monthly return would be identified for the contract and because the designated monthly return for the contract would have been already substantively applied to determine the exercise settlement value, the "strike price" of 2.0 would be subtracted from the exercise settlement value before the contract multiplier ($100) would be applied [(83.60 - 2) * 100]. Accordingly, resulting payout for this contract would be $8,160.

If the sum of the monthly capped returns had been negative, this option would have expired worthless.

<u>Specific Rule Text Changes</u>

To expressly permit Asian style settlement and Cliquet style settlement for FLEX Broad-Based Index options, CBOE is proposing to amend Rules 24A.1 (Definitions), 24A.4 (Terms of FLEX Options), 24B.1 (Definitions) and 24B.4 (Terms of FLEX Options).[9] First, CBOE proposes to amend Rules 24A.1[10] and 24B.1[11] by adding the below definitions to those rules:

> The term "Asian style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is based on an arithmetic average of the specified closing prices of an underlying broad-based index taken on 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Asian style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Asian style settlement have European-style exercise.
>
> The term "Cliquet style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is equal to the greater of $0 or the sum of capped monthly returns (i.e., percent changes in the

[9] Chapter XXIVA sets forth Flexible Exchange Options rules and Chapter XXIVB sets forth FLEX Hybrid Trading System rules.

[10] The Exchange proposes to add the definitions of "Asian style settlement" and "Cliquet style settlement" to Rule 24A.1 as new subparagraphs (r) and (s), respectively.

[11] The Exchange proposes to add the definitions of "Asian style settlement" and "Cliquet style settlement" to Rule 24B.1 as new subparagraphs (aa) and (bb), respectively.

> closing value of the underlying broad-based index from one month to the next month) applied over 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Cliquet style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Cliquet style settlement have European-style exercise.

Second, the CBOE proposes to amend Rules 24A.4(b)[12] and 24B.4(b)[13] by adding the below terms that the parties to Asian options and Cliquet options must designate and the parameters governing the parties' designations:

> Asian style settlement. The parties to FLEX Broad-Based Index Options may designate Asian style settlement. FLEX Broad-Based Index Options with Asian style settlement shall be call options (no puts) and designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the strike price; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates.

> Cliquet style settlement. The parties to FLEX Broad-Based Index Options may designate Cliquet style settlement. FLEX Broad-Based Index Options with Cliquet style settlement shall be call options (no puts) and be designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the capped monthly return that must be expressed in dollars and cents and in increments not less than $0.05 and must be a value between $0.05 and $25.95; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates. The capped monthly return will serve as the "exercise (strike) price" for a FLEX Broad-Based Index Option with Cliquet style settlement.

Exhibit 3 presents contract specifications for Asian style settlement and Cliquet style settlement for FLEX Broad-Based Index options.

In CBOE's experience, successful and popular products have often originated in the OTC marketplace. When such products lend themselves to more standardized terms,

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[12] The Exchange proposes to set forth the terms for Asian options and Cliquet options to Rule 24A.4(b) as new subparagraphs (5) and (6), respectively.

[13] The Exchange proposes to set forth the terms for Asian options and Cliquet options to Rule 24B.4(b) as new subparagraphs (5) and (6), respectively.

there is a natural migration to exchange trading which benefits the users of exchange listed products. CBOE believes that market participants can benefit from being able to trade these customized options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of The Options Clearing Corporation ("OCC") as issuer and guarantor of FLEX Broad-Based Index options.[14]

CBOE believes that expressly permitting Asian and Cliquet FLEX Broad-Based Index options is important and necessary to the Exchange's efforts to create a market that provides individuals interested in FLEX-type options with an improved but comparable alternative to the OTC market in customized options, which can take on contract characteristics similar to FLEX Options but are not subject to the same restrictions. By making these changes, market participants would now have greater flexibility in determining whether to execute their customized options in an exchange environment or in the OTC market.

Margin

CBOE proposes a strategy-based margin requirement in Rule 12.3 (Margin Requirements) for short Asian options that would incrementally decrease over time. Settlement of Asian options would be based on the arithmetic average of closing values (on specified observation dates) of the underlying broad-based index. Volatility would be generally lowered due to the averaging effect. A cumulative average develops as

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[14] The launch of Asian and Cliquet options would be permitted subject to the Commission's approval of an OCC rule filing to make risk model changes necessary to accommodate the clearance and settlement of the proposed options. The Exchange would issue a circular to Trading Permit Holders to announce a specific launch date for the proposed options.

observation dates pass, and subsequent observation date broad-based index values have gradually less influence on the average. Because of the averaging effect, CBOE believes that a margin requirement that incrementally decreases over time is warranted.

For an Asian option having an underlying index that is broad-based, CBOE proposes that the same margin requirement currently applicable to a standard broad-based index call option be applied to an Asian option during the first quartile of its life, which ends with the third observation date. The current initial and maintenance margin requirement for a standard broad-based index call option carried short is the option premium received (or current market value), plus 15% of the underlying broad-based index value less any out-of-the-money amount, to a minimum of the option premium received (or current market value), plus 10% of the underlying broad-based index value. CBOE proposes to decrease the 15% basic and 10% minimum to 8% and 6%, respectively, after the third observation date; to 6% and 4% after the sixth observation date; and lastly, to 5% and 3% after the ninth observation date.

CBOE believes it is appropriate to include Asian options in portfolio margining.[15]

CBOE proposes a strategy-based margin requirement in Rule 12.3 for short Cliquet options that, with one exception, would also incrementally decrease over time. Settlement of Cliquet options would be based on the sum of the returns for 12 consecutive time periods of approximately 30 days in length, each ending on an observation date. In the case of Cliquet options with capped monthly returns, volatility would be generally lowered because of the capping effect. In addition, the lower the capped monthly return, the lower the sensitivity to moves in the underlying broad-based

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15 A theoretical pricing model would continue to be used to derive position values at each valuation point for the purpose of determining the gain or loss. Currently the only model that qualifies is OCC’s Theoretical Intermarket Margining System (“TIMS”).

index.

Also, the sum of returns for 12 consecutive time periods, based on historical analysis, is expected to be less than the return on the underlying broad-based index from beginning to end of the same 12 consecutive month time period, except in the case of a negative return. However, with a Cliquet option, a negative sum of returns would be excluded as a possibility because a floor of zero would be set for the sum of returns. Additionally, a cumulative return develops as observation dates pass, and as subsequent observation date returns compile, the likelihood of the sum of returns increasing or decreasing significantly would gradually be lowered. Because of these influences, CBOE believes that a margin requirement that incrementally decreases over time is warranted.

Because Cliquet options would not have a traditional exercise (strike) price, no out-of-the-money amount deduction would be calculated for margin purposes. Therefore, no minimum percentage margin requirement would be necessary in that, without an out-of-the-money calculation, the margin requirement calculated using the basic margin requirement percentage would never be reduced.

For Cliquet options, three separate categories, based on a time frame within the life of a Cliquet option, would be established for margin requirement purposes. The three categories proposed are: 1) the time period starting with the trade through the 10th observation date; 2) the time period starting after the 10th observation date through the 11th observation date; and 3) the time period starting after the 11th observation date through the 12th (final) observation date.

During the time period starting with a Cliquet option's trade date through its 10th observation date, in the case of an index that is broad-based, CBOE proposes a margin requirement of 100% of the current market value of the option plus the percentage of the current "underlying component value." The percentage required would be the lesser of: the cap percentage multiplied by three (3) or 15%.[16]

CBOE proposes to decrease the percentage requirement to the lesser of: the cap percentage multiplied by two (2) or 15% beginning after the 10th observation date through the 11th observation date, and to further decrease the percentage requirement to the lesser of: the cap percentage or 15% beginning after the 11th observation date through the 12th (final) observation date.

CBOE believes it is appropriate to include Cliquet options in portfolio margining.[17]

<u>Exchange Rules Applicable</u>

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA and XXIVB would equally apply to Asian and Cliquet options. For example, per Rule 6.1A (Extended Trading Hours), Asian and Cliquet options would not be eligible for trading during Extended Trading Hours. Also, for example, Rules 24A.7 and 24A.8 set forth the position limits and reporting requirements applicable to FLEX Broad-Based Index options and Rules 24A.7 and 24B.7 set forth the exercise limits applicable to FLEX Broad-Based Index options. Respecting positions and exercise limits, these provisions set forth general rules and carve-outs for certain broad-based FLEX Broad-Based Index options, which would apply with equal force to Asian and Cliquet options.

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16 As noted previously, proposed CBOE Rules 24A.4(b) and 24B.4(b) would not permit the monthly return cap to exceed 25.95%.

17 A theoretical pricing model would continue to be used to derive position values at each valuation point for the purpose of determining the gain or loss. Currently the only model that qualifies is OCC's TIMS.

Surveillance

The Exchange would use the same surveillance procedures currently utilized for the Exchange's other FLEX Broad-Based Index options to monitor trading in Asian and Cliquet options. The Exchange further represents that these surveillance procedures shall be adequate to monitor trading in options on these option products. For surveillance purposes, the Exchange will have complete access to information regarding trading activity in the pertinent underlying securities.

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.[18] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[19] 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 is designed to promote just and equitable principles of trade in that the availability of Asian and Cliquet FLEX Broad-Based Index options would give market participants greater flexibility in determining where they will execute their customized options. By trading a product in an exchange traded environment (that is currently being used extensively in the OTC market) would also enable the Exchange to compete more effectively with the OTC

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[18] 15 U.S.C. 78f(b).
[19] 15 U.S.C. 78f(b)(5).

market.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it would hopefully lead to the migration of options currently trading in the OTC market to trading to the Exchange and the development of more standardized products. Also, any migration to the Exchange would result in increased market transparency.

Additionally, the Exchange believes that the proposed rule change is designed 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 in that it should create greater trading and hedging opportunities and flexibility. The proposed rule change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of FLEX Broad-Based Index options. Further, the proposal would result in increased competition by permitting the Exchange to offer products that are currently used extensively in the OTC market.

The Exchange believes that the proposed strategy-based margin requirements for Asian and Cliquet options are consistent with the Act because they are designed to protect investors and the public interest by setting margin levels at appropriate levels for these instruments. First, the proposed options are limited to broad-based indexes and the index on which the Exchange expects the most interest is the S&P 500 Index, which has deep and liquid markets. Second, the short option margin levels proposed to be established would apply to retail customers, whom the Exchange does not believe to be the primary sellers (i.e., writers) of the proposed options. Third, as to short Asian and

Cliquet positions, the Exchange notes that the proposed margin levels would start at the same level that is required for regular options on broad-based indexes (15%) and would incrementally decrease over time. The Exchange believes that the incremental decrease over time is appropriate given the nature of the proposed options (i.e., the risk associated with the options decreases as the time to expiration nears). Also, the Exchange represents that it conducted an extensive analysis over various time periods when considering the proposed margin levels and represents that for each percentage movement observed, the proposed margin level percentages closely track the percentage movements observed. In other words, the Exchange is proposing conservative and well-founded margin levels for the proposed options. As a result, the Exchange believes that the proposed margin levels would protect the integrity of the Exchange's marketplace by setting margins at levels that are appropriate for these instruments.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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 settlement types (Asian and Cliquet) for FLEX Broad-Based Index options would enhance competition among market participants and would also enable the Exchange to compete more effectively with the OTC market by offering a product that is currently use extensively in the OTC market.

C. <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

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-2015-044 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-2015-044. 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 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 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-2015-044 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.[20]

Dated: ___________________ Secretary

[20] 17 CFR 200.30-3(a)(12).

EXHIBIT 3

Asian Style Settlement for FLEX Index Options

Description:
FLEX Broad-Based Index options with Asian style settlement ("Asian FLEX") are cash-settled index call option contracts (no puts) for which the final payout is based on an arithmetic average of specified closing prices of an underlying broad-based index observed 12 times on the designated monthly observation date.

Underlying Index:
Any broad-based index that is eligible for options trading on CBOE. Examples of broad-based indexes eligible for Asian FLEX options are: S&P 500 Index (SPX), Nasdaq-100 Index (NDX), Russell 2000 Index (RUT) and Dow Jones Industrial Average (DJX).

Multiplier:
$100

Expiration Date:
To be specified by the parties. Asian FLEX options have a term of approximately one year and may expire anytime from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of initial listing. The expiration date specified must be a CBOE business day.

Set of Monthly Observation Dates:
To be specified by the parties. The monthly observation date is the date each month on which the price of the underlying broad-based index is observed for the purpose of calculating the exercise settlement value for Asian FLEX options. Each Asian FLEX option has 12 consecutive monthly observation dates (which includes an observation on the expiration date) and each observation is based on the closing price of the underlying broad-based index. The specific monthly observation dates are determined by working backward from the farthest out observation date prior to the expiration date. If a given monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation will be on the immediately preceding business day ("preceding business day convention"). The parties may not designate a subsequent business day convention for Asian options.

Strike Prices:
May be specified as an index level, as a percentage or numerical deviation from a closing index level or an intra-day value level, or any other readily understood method for deriving an index level, rounded to the nearest hundredth of an index point (*e.g.*, 1,640.27).

Premium Quote:
May be stated in percentage terms of the reference value of the underlying broad-based index, as a specific dollar amount per contract or the premium may be contingent on specific factors in other related markets. Premiums are rounded to the nearest hundredth (greater than or equal to .005 rounds up).

Exercise Style:
European settlement. Asian FLEX options may not be exercised prior to the expiration date.

Exercise Settlement Value:
The exercise settlement value for Asian FLEX options is the arithmetic average of the closing prices of the underlying broad-based index on 12 consecutive monthly observation dates, which include the expiration date of the Asian FLEX option.

$$\text{Exercise Settlement Value} = \frac{\sum_{i=1}^{12} S_i}{12}$$

Where S_i is the closing price of the underlying broad-based index on monthly observation date_i

The exercise settlement amount for Asian FLEX options is calculated similarly to other options, *i.e.*, the difference between the strike price and the averaged settlement value determine the value, or "moneyness" of the contract at expiration.

Example: An example of an Asian FLEX call option expiring in-the-money follows. On January 21, 2015, an investor hedging the value of the S&P 500 Index over a year purchases a call option expiring on January 22, 2016 with a strike price of 2000 and a contract multiplier of $100. The option has monthly observation dates occurring on the 23rd of each month.

Monthly Observation Date	S&P 500 Index Closing Value
23-Feb-15	2025.36
23-Mar-15	2049.34
23-Apr-15	2019.77
22-May-15*	1989.65
23-Jun-15	2005.64
23-Jul-15	2035.10
21-Aug-15*	2032.15
23-Sep-15	2076.18
23-Oct-15	2099.01
23-Nov-15	2109.32
23-Dec-15	2085.42
22-Jan-16	2084.81
Exercise (Averaged) Settlement Value	24,611.75/12 = **2050.98**

* Because Asian FLEX options use the "preceding business day convention," the dates of May 23, 2015 and August 23, 2015, were not used in the above example because those dates will fall on a weekend or a holiday. Instead the business days immediately preceding those dates were used as the monthly observation date.

The exercise settlement amount for this 2000 Asian FLEX call option is equal to $5,098. This amount is determined by adding the 12 observed closing values for the S&P 500 Index and dividing that amount by 12 (24,611.75/12), which is equal to 2050.98 (when rounded). As a result, this 2000 call option is $5,098 in-the-money (50.98 x $100).

If, in the above example, the strike price for the Asian FLEX call option was 2060, that contract would have expired out-of-the-money. This is because the exercise settlement value for this 2060 call option is equal to 2050.98 (when rounded). Since the strike price of 2060 is more than the 2050.98 exercise settlement value, this option would not be exercised and would expire worthless.

Position and Exercise Limits:
There are no position or exercise limits for Asian FLEX options on certain broad-based indexes, including: SPX, NDX, RUT and DJX. However, there are reporting requirements for positions that exceed certain thresholds. For more information on position limits and reporting requirements, refer to CBOE Rules 24A.7 and 24B.7.

Margin:
Refer to CBOE Rules 12.3(o) and 12.4 for margin requirements and portfolio margin.

Asian FLEX Option Symbology:
The chart below sets forth the symbology for Asian FLEX options. In the above example, the first six characters of that option's symbol would be 5SPXMK.

Space 1 (FLEX Indicator)	Spaces 2 – 4 (Index Class)	Space 5 (Observation Date)	
5 = Asian	SPX	1	01
	RUT	2	02
	NDX	3	03
	DJX	4	04
		5	05
		6	06
		7	07
		8	08
		9	09
		0	10
		A	11
		B	12
		C	13
		D	14
		E	15
		F	16
		G	17
		H	18
		I	19
		J	20
		K	21
		L	22

Space 1 (FLEX Indicator)	Spaces 2 – 4 (Index Class)	Space 5 (Observation Date)	
		M	23
		N	24
		O	25
		P	26
		Q	27
		R	28
		S	29
		T	30
		U	31

Cliquet Style Settlement for FLEX Index Options

Description:
FLEX Index options with Cliquet style settlement ("Cliquet FLEX") are cash-settled index call option contracts (no puts) for which the final payout is the greater of $0 or the sum of "capped" monthly returns (*i.e.*, percent changes) of an underlying index on 12 pre-determined monthly observation dates.

Underlying Index:
Any broad-based index that is eligible for options trading on CBOE. Examples of indexes eligible for Cliquet FLEX options are: S&P 500 Index (SPX), Nasdaq-100 Index (NDX), Russell 2000 Index (RUT) and Dow Jones Industrial Average (DJX).

Multiplier:
$100

Expiration Date:
To be specified by the parties. Cliquet FLEX options have a term of approximately one year and may expire anytime from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of initial listing. The expiration date specified must be a CBOE business day.

Set of Monthly Observation Dates:
To be specified by the parties. The monthly observation date is the date each month on which the price of the underlying broad-based index is observed for the purpose of calculating the exercise settlement value for Cliquet FLEX options. Each Cliquet FLEX option has 12 consecutive monthly observation dates (which includes an observation on the expiration date) and each observation is based on the closing price of the underlying broad-based index. The specific monthly observation dates are determined by working backward from the farthest out observation date prior to the expiration date. If a given monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation will be on the immediately preceding business day ("preceding business day convention"). The parties may not designate a subsequent business day convention for Cliquet options.

Initial Reference Price:
The closing value of the underlying broad-based index on the date a new Cliquet FLEX position is opened.

Monthly Cap:
The monthly cap is the maximum monthly return that will be included in the calculation of the exercise settlement value. A "monthly return" is defined as the percent change in the closing values of the underlying broad-based index from one month to the next month. The value to be included as the monthly return for a Cliquet FLEX option will be the lesser of the actual monthly return or the designated monthly cap.

Strike Prices:
Cliquet FLEX options do not have traditional strike prices. Operationally, the "strike price" field represents the designated capped monthly return to be expressed in dollars and cents, ranging from $0.05 to $25.95.

Premium Quote:
May be stated in percentage terms of the reference value of the underlying broad-based index, as a specific dollar amount per contract or the premium may be contingent on specific factors in other related markets. Premiums are rounded to the nearest hundredth (greater than or equal to .005 rounds up).

Exercise Style:
European settlement. Cliquet FLEX options may not be exercised prior to the expiration date.

Exercise Settlement Value:[1]
The exercise settlement value for Cliquet FLEX options is equal to the initial reference price of the underlying broad-based index increased by the sum of the monthly returns (with the cap applied) on the 12 consecutive monthly observation dates, which include the expiration date of the option, if that sum is greater than $0. If the sum of the monthly returns (with the applied cap) is $0 or a negative percentage, the option would expire worthless. Mathematically this is expressed as:

1. $\boldsymbol{S_0} \times (1+ \sum_{i=1}^{12} CMR_i)$; and
2. $\boldsymbol{S_0}$

Where: $\boldsymbol{S_0}$ = Initial Reference Price

$\boldsymbol{CMR_i}$ = MIN (Actual Monthly Return$_i$, Capped Monthly Return)

$$\textbf{\textit{Monthly Return}}_i = \frac{(S_i - S_{i-1})}{S_{i-1}}$$

$\boldsymbol{S_i}$ **=** Closing Price of the Underlying Broad-Based Index on Monthly Observation Date (i).

Example: On January 21, 2015, an investor hedging the value of the S&P 500 Index over a year purchases a Cliquet FLEX call option expiring on January 22, 2016 with a capped monthly return of 2% and a contract multiplier of $100. The initial reference price of the S&P 500 Index (closing value) on January 21, 2015 is 2000. The option has monthly observation dates occurring on the 23rd of each month.

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[1] Prior to expiration, it is possible that the accumulated monthly returns could become negative to a point at which it is known that the value of the contract at expiration would be zero. The holder or writer of such a position may choose to exit the position prior to expiration for a negligible credit or debit amount, respectively.

Monthly Observation Date	S&P 500 Index Closing Value (S_i)	Actual Monthly Return	Capped Monthly Return (CMR_i)	Sum of Monthly Returns
23-Feb-15	2025.36	1.27%	1.27%	1.27%
23-Mar-15	2049.34	1.18%	1.18%	2.45%
23-Apr-15	2019.77	-1.44%	-1.44%	1.01%
22-May-15*	1989.65	-1.49%	-1.49%	-0.48%
23-Jun-15	2005.64	0.80%	0.80%	0.32%
23-Jul-15	2035.10	1.47%	1.47%	1.79%
21-Aug-15*	2032.15	-0.14%	-0.14%	1.65%
23-Sep-15	2076.18	2.17%	***2.00%*****	3.65%
23-Oct-15	2099.01	1.10%	1.10%	4.75%
23-Nov-15	2109.32	0.49%	0.49%	5.24%
23-Dec-15	2085.42	-1.13%	-1.13%	4.11%
22-Jan-16	2084.81	-0.03%	-0.03%	**4.08%**
Exercise Settlement Value	**[(4.08% * 2000.00)] + 2 = 83.60**			

* Because Cliquet FLEX options use the "preceding business day convention," the dates of May 23, 2015, and August 23, 2015, were not used in the above example because those dates will fall on a weekend or a holiday. Instead the business days immediately preceding those dates were used as the monthly observation dates.
* *Monthly capped return applied.

The exercise settlement amount for this January 22, 2016 Cliquet option, with a capped monthly 2% return ("strike price") and a contract multiplier of $100 would be equal to $8,360. This value would be calculated by summing the monthly capped returns (equal to 4.08%) and multiplying that amount by the initial reference price (equal to 2000), which equals 81.60. The "strike price" (2%) amount would then be added to that amount (81.60) to arrive at an exercise settlement value of 83.60. Because the "strike price" field for a Cliquet option would be the manner in which the designated capped monthly return would be identified for the contract and because the designated monthly return for the contract would have been already substantively applied to determine the exercise settlement value, the "strike price" of 2.0 would be subtracted from the exercise settlement value before the contract multiplier ($100) would be applied [(83.60 - 2) * 100]. Accordingly, resulting payout for this contract would be $8,160.

If the sum of the monthly capped returns had been negative, this option would have expired worthless.

Position and Exercise Limits:
There are no position or exercise limits for Cliquet FLEX options on certain broad-based indexes, including: SPX, NDX, RUT and DJX. However, there are reporting requirements for positions that exceed certain thresholds. For more information on position limits and reporting requirements, refer to CBOE Rules 24A.7 and 24B.7.

Margin:
Refer to CBOE Rules 12.3(p) and 12.4 for margin requirements and portfolio margin.

Cliquet FLEX Option Symbology:
The chart below sets forth the symbology for Cliquet FLEX options. In the above example, the first six characters of that option's symbol would be 6SCAMK.

Space 1 (Cliquet Indicator)	Spaces 2-4 (Index Class)	Space 3 (Cap % part 1)		Space 4 (Cap % part 2)		Space 5 (Observation Date)		Space 6 (Creation Date)	
6 = Cliquet	S = SPX	A	0	A	00	1	01	1	01
	R = RUT	B	1	B	05	2	02	2	02
	N = NDX	C	2	C	10	3	03	3	03
	D = DJX	D	3	D	15	4	04	4	04
		E	4	E	20	5	05	5	05
		F	5	F	25	6	06	6	06
		G	6	G	30	7	07	7	07
		H	7	H	35	8	08	8	08
		I	8	I	40	9	09	9	09
		J	9	J	45	0	10	0	10
		K	10	K	50	A	11	A	11
		L	11	L	55	B	12	B	12
		M	12	M	60	C	13	C	13
		N	13	N	65	D	14	D	14
		O	14	O	70	E	15	E	15
		P	15	P	75	F	16	F	16
		Q	16	Q	80	G	17	G	17
		R	17	R	85	H	18	H	18
		S	18	S	90	I	19	I	19
		T	19	T	95	J	20	J	20
		U	20			K	21	K	21
		V	21			L	22	L	22
		W	22			M	23	M	23
		X	23			N	24	N	24
		Y	24			O	25	O	25
		Z	25			P	26	P	26
						Q	27	Q	27
						R	28	R	28
						S	29	S	29
						T	30	T	30
						U	31	U	31

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Chicago Board Options Exchange, Incorporated
Rules

* * * * *

Rule 12.3. Margin Requirements

(a) – (n) No change.

(o) FLEX Broad-Based Index Options with Asian style settlement.

(1) Margin Account. Except as provided below, no FLEX Broad-Based Index Option with Asian style settlement, as defined in Rule 24A.1 ("Asian FLEX Index Option"), carried for a customer shall be considered of any value for purposes of computing the margin required in the account of such customer.

(i) Initial margin must be deposited and maintained equal to at least 100% of the current market value of any Asian FLEX Index Option carried long in a customer's account.

(ii) The initial and maintenance margin required on any Asian FLEX Index call option, as defined in Rule 24A.1, carried short in a customer's account shall be 100% of the current market value of the option plus the percentage of the current "underlying component value" (as described in column IV of the table below) specified in column II of the table below reduced by any "out-of-the-money" amount as defined in subparagraph (o)(1)(ii) below. The third, sixth, ninth and twelfth observation dates are the last day of a quartile.

Notwithstanding the margin required above, the minimum margin for each such call option shall not be less than 100% of the current market value of the option plus the percentage of the current market value of the underlying component specified in column III of the table below:

I. Type of Option	*II. Initial and/or Maintenance Margin Required*	*III. Minimum Margin Required*	*IV. Underlying Component Value*
FLEX Index Options with Asian style settlement as defined in Rule 24A.1 referencing a broad-based index			The product of the current broad-based index value and the applicable broad-based index multiplier.
First quartile	15%	10%	
Second quartile	8%	6%	
Third quartile	6%	4%	
Fourth quartile	5%	3%	

For purposes of this subparagraph (o)(1)(ii), "out-of-the-money" amounts are determined as follows:

Option	*Call*
Asian FLEX Index Option	Any excess of the aggregate exercise price of the option over the product of the current broad-based index value and the applicable multiplier.

(iii) Spreads. Asian FLEX Index Option spreads are permitted only if all corresponding long and short components reference the same broad-based index, and expire at the same time and have the same monthly observation dates. Additionally, spreads composed of Asian FLEX Index Options must conform with the definition of "spread" in subparagraph (a)(5) of this Rule 12.3, except that the long and short option(s) are not permitted to have different expiration times; they must expire at the same time. For spreads meeting these conditions, the long options must be paid for in full. In addition, margin is required equal to the lesser of the amount required for the short options by subparagraph (o)(1)(ii) above or the spread's maximum potential loss, if any. To determine the spread's maximum potential loss, first compute the intrinsic value of the options at price points for the underlying broad-based index that are set to correspond to every exercise price present in the spread. Then, net the intrinsic values at each price point. The maximum potential loss is the greatest loss, if any, from among the results. The proceeds for establishing the short options may be applied toward the cost of the long options and/or any margin requirement.

(2) Cash Account. Calls. An Asian FLEX Index call option carried in a short position is deemed a covered position, and eligible for the cash account provided an escrow agreement is either held in the account at the time the call is written or received into the account promptly thereafter. The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1)

cash, 2) cash equivalents, 3) one or more qualified equity securities, or 4) a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate current broad-based index value and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

(3) Cash Account. Spreads. A spread as defined in subparagraph (a)(5) of this Rule (except with respect to the ability for components to expire other than at the same time) is deemed a covered position, and eligible for the cash account, provided all corresponding long and short positions reference the same broad-based index, expire at the same time and have the same monthly observation dates; and provided the long option component(s) is(are) held in or purchased for the account on the same day as the short component(s), the long options are paid for in full and either there is held in the account at the same time the positions are established or received into the account promptly cash or cash equivalents of not less than the spread's maximum potential loss as determined in accordance with subparagraph (c)(5)(C)(4)(A), to which requirement the net proceeds from the sale of the short position(s) may be applied.

(p) FLEX Broad-Based Index Options with Cliquet style settlement.

(1) Margin Account. Except as provided below, no FLEX Broad-Based Index Option with Cliquet style settlement, as defined in Rule 24A.1 ("Cliquet FLEX Index Option"), carried for a customer shall be considered of any value for purposes of computing the margin required in the account of such customer.

(i) The initial and maintenance margin required on any Cliquet FLEX Index Option carried long in a customer's account is 100% of the purchase price and current market value, respectively, of such option.

(ii) The initial and maintenance margin required on any Cliquet FLEX Index Option, as defined in Rule 24A.1, carried short in a customer's account shall be 100% of the current market value of the option plus the percentage of the current "underlying component value" (as described in column III of the table below) specified in column II.

I. Type of Option	*II. Initial and/or Maintenance Margin Required*	*III. Underlying Component Value*
FLEX Index Options with Cliquet style settlement as defined in Rule 24A.1 referencing a broad-based index		The product of the current broad-based index value and the applicable broad-based index multiplier.

I. Type of Option	*II. Initial and/or Maintenance Margin Required*	*III. Underlying Component Value*
Through the 10th observation date	The lesser of: the cap percentage multiplied by 3, or 15%	
After the 10th through the 11th observation date	The lesser of: the cap percentage multiplied by 2, or 15%	
After the 11th through the 12th observation date	The lesser of: the cap percentage, or 15%	

(iii) If at any time prior to expiration, the cumulative monthly return for a Cliquet FLEX Index Option carried short in a customer's account is negative, and it is not possible for the cumulative monthly return to turn positive by expiration because of a cap on remaining monthly returns, no margin is required.

(iv) Spreads. The term "spread" as defined in Rule 12.3(a) and the spread margin treatment provisions under Rule 12.3(c)(5)(C)(4) are not applicable to Cliquet FLEX Index Options.

No margin is required on a Cliquet FLEX Index Option carried short in a customer's account, if there is also carried for the same customer account a long Cliquet FLEX Index Option that references the same broad-based index, expires at the same time, has the same monthly observation date, and a higher monthly return cap. No other spread configurations are permitted for Cliquet FLEX Index Options.

(2) Cash Account. A Cliquet FLEX Index Option carried in a short position is deemed a covered position, and eligible for the cash account provided an escrow agreement is either held in the account at the time the call is written or received into the account promptly thereafter. The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents, 3) one or more qualified equity securities, or 4) a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the maximum potential return in the case of an option with a monthly return cap and 100% of the aggregate current broad-based index value in the case of an option with no monthly return cap and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

(3) Cash Account. Spreads. The term "spread" as defined in Rule 12.3(a) and the spread margin treatment provisions under Rule 12.3(e) are not applicable to Cliquet FLEX Index Options.

A Cliquet FLEX Index Option may be carried short in a customer's cash account and be deemed a covered position, if there is also carried for the same customer account a long Cliquet FLEX Index Option that references the same broad-based index, expires at the same time, has the same monthly observation date, and a higher monthly return cap. For spreads meeting these conditions, the long option must be paid for in full. No deposit of cash or cash equivalents is otherwise required. No other spread configurations are permitted for Cliquet FLEX Index Options.

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Rule 24A.1. Definitions

(a) – (q) No changes.

(r) The term "Asian style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is based on an arithmetic average of the specified closing prices of an underlying broad-based index taken on 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Asian style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Asian style settlement have European-style exercise.

(s) The term "Cliquet style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is equal to the greater of $0 or the sum of capped monthly returns (i.e., percent changes in the closing value of the underlying broad-based index from one month to the next month) applied over 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Cliquet style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Cliquet style settlement have European-style exercise.

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Rule 24A.4. Terms of FLEX Options

(a) No change.

(b) *Special Terms for FLEX Index Options*

(1) The Exchange may approve and open for trading any FLEX options series on any index that is eligible for Non-FLEX options trading under Rule 24.2, even if the Exchange does not list and trade Non-FLEX options on such index.

(2) Exercise prices shall be specified in terms of (i) a specific index value number, (ii) a method for fixing such a number at the time a FLEX Quote is accepted, or (iii) a percentage of index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date. Premiums may be stated in (i) a dollar amount, (ii) a method for fixing such a number at the time a FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of the index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date.

Exercise prices may be rounded to the nearest minimum tick or other decimal increment determined by the Exchange on a class-by-class basis that may not be smaller than $0.01. Premiums will be rounded to the nearest minimum tick. For exercise prices and premiums stated using a percentage-based methodology, such values may be stated in a percentage increment determined by the Exchange on a class-by-class basis that may not be smaller than 0.01% and will be rounded as provided above.

(3) Exercise Settlement Value on the expiration date shall be specified, for use in setting the exercise settlement amount, as the index value determined by reference to the reported level of the index as derived from opening or closing prices of the component securities or as a specified average, provided that any average index value must conform to the averaging parameters established by the Exchange, and provided further that in the case of FLEX Index Options on the NYSE Composite Index, the Exercise Settlement Value on the expiration date must be determined by reference to the reported level of the index value as derived from opening prices of the component securities in accordance with Rule 24.9(a)(4) governing A.M.-Settled Index Options.

(4) FLEX Index Options shall be designated for settlement in U.S. Dollars.

<u>(5) Asian style settlement. The parties to FLEX Broad-Based Index Options may designate Asian style settlement. FLEX Broad-Based Index Options with Asian style settlement shall be call options (no puts) and designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the strike price; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates.</u>

<u>(6) Cliquet style settlement. The parties to FLEX Broad-Based Index Options may designate Cliquet style settlement. FLEX Broad-Based Index Options with Cliquet style settlement shall be call options (no puts) and be designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the capped monthly return that must be expressed in dollars and cents and in increments not less than $0.05 and must be a value between $0.05 and $25.95; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates. The capped monthly return will serve as the "exercise (strike) price" for a FLEX Broad-Based Index Option with Cliquet style settlement.</u>

Remainder of Rule 24A.4 – No change.

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Rule 24B.1. Definitions

(a) – (z) No changes.

(aa) The term "Asian style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is based on an arithmetic average of the specified closing prices of an underlying broad-based index taken on 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Asian style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Asian style settlement have European-style exercise.

(bb) The term "Cliquet style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is equal to the greater of $0 or the sum of capped monthly returns (i.e., percent changes in the closing value of the underlying broad-based index from one month to the next month) applied over 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Cliquet style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non CBOE business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Cliquet style settlement have European-style exercise.

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Rule 24B.4. Terms of FLEX Options

(a) No change.

(b) Special Terms for FLEX Index Options

(1) The Exchange may approve and open for trading any FLEX Options series on any index that is eligible for Non-FLEX Options trading under Rule 24.2, even if the Exchange does not list and trade Non-FLEX options on such index.

(2) Exercise prices shall be specified in terms of (i) a specific index value number, (ii) a method for fixing such a number at the time a FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date. Premiums may be stated in (i) a dollar amount, (ii) a method for fixing such a number at the time a

FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of the index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date.

Exercise prices may be rounded to the nearest minimum tick or other decimal increment determined by the Exchange on a class-by-class basis that may not be smaller than $0.01. Premiums will be rounded to the nearest minimum tick. For exercise prices and premiums stated using a percentage-based methodology, such values may be stated in a percentage increment determined by the Exchange on a class-by-class basis that may not be smaller than 0.01% and will be rounded as provided above.

(3) Exercise Settlement Value on the expiration date shall be specified, for use in setting the exercise settlement amount, as the index value determined by reference to the reported level of the index as derived from opening or closing prices of the component securities or as a specified average, provided that any average index value must conform to the averaging parameters established by the Exchange, and provided further that in the case of FLEX Index Options on the NYSE Composite Index, the Exercise Settlement Value on the expiration date must be determined by reference to the reported level of the index value as derived from opening prices of the component securities in accordance with Rule 24.9(a)(4) governing A.M.-Settled Index Options.

(4) FLEX Index Options shall be designated for settlement in U.S. Dollars.

<u>(5) Asian style settlement. The parties to FLEX Broad-Based Index Options may designate Asian style settlement. FLEX Broad-Based Index Options with Asian style settlement shall be call options (no puts) and designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the strike price; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates.</u>

<u>(6) Cliquet style settlement. The parties to FLEX Broad-Based Index Options may designate Cliquet style settlement. FLEX Broad-Based Index Options with Cliquet style settlement shall be call options (no puts) and be designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the capped monthly return that must be expressed in dollars and cents and in increments not less than $0.05 and must be a value between $0.05 and $25.95; (iii) the expiration date which must be a CBOE business day; and (iv) a set of monthly observation dates. The capped monthly return will serve as the "exercise (strike) price" for a FLEX Broad-Based Index Option with Cliquet style settlement.</u>

Remainder of Rule 24B.4 – No change.

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