

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72213; File No. SR-MIAX-2014-19)

May 21, 2014

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to List and Trade on the Exchange Options on Shares of the iShares MSCI Mexico Index Fund

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that, on May 13, 2014, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a 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

The Exchange proposes to list and trade on the Exchange options on shares of the iShares MSCI Mexico Index Fund.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

1. Purpose

The Exchange proposes to list for trading on the Exchange, options on the shares of the iShares MSCI Mexico Index Fund (the “Fund”) (“EWW”). MIAX Rule 402 establishes the Exchange’s initial listing standards for equity options (the “Listing Standards”). This proposed rule change is based on similar filings submitted by NYSE Amex (“Amex”), Chicago Board Options Exchange (“CBOE”), and International Securities Exchange (“ISE”).³ The Listing Standards permit the Exchange to list options on the shares of open-end investment companies, such as the Fund, without having to file for approval with the Commission.⁴ The Exchange submits that the shares of the Fund substantially meet all of the initial listing requirements. In particular, all of the requirements set forth in Rule 402(i) are met except for the requirement concerning the existence of a comprehensive surveillance sharing agreement (“CSSA”). However, the Exchange submits that sufficient mechanisms exist in order to provide adequate surveillance and regulatory information with respect to the portfolio securities of the Fund.

The Fund is registered pursuant to the Investment Company Act of 1940 as a management investment company designed to hold a portfolio of securities which track the MSCI Mexico Index (“Index”).⁵ The Index consists of stocks traded primarily on the Bolsa Mexicana de Valores (the “Bolsa”). The Fund employs a “representative sampling”

³ See Securities Exchange Act Release Nos. 56778 (November 9, 2007), 72 FR 65113 (November 19, 2007) (SR–Amex–2007–100); 57013 (December 20, 2007), 72 FR 73923 (December 28, 2007) (SR–CBOE–2007–140); 57014 (December 20, 2007), 72 FR 73934 (December 28, 2007) (SR–ISE–2007–111).

⁴ MIAX Rule 402(i) provides the Listing Standards for shares or other securities (“Exchange-Traded Fund Shares”) that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS.

⁵ Morgan Stanley Capital International Inc. (“MSCI”) created and maintains the Index.

methodology to track the Index by investing in a representative sample of Index securities having a similar investment profile as the Index.⁶ BlackRock Fund Advisors (“BFA” or the “Adviser”) expects the Fund to closely track the Index so that, over time, a tracking error of 5%, or less, is exhibited. Securities selected by the Fund have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the Index. The Fund will not concentrate its investments (i.e., hold 25% or more of its total assets in the stocks of a particular industry or group of industries), except, to the extent practicable, to reflect the concentration in the Index. The Fund will invest at least eighty percent (80%) of its assets in the securities comprising the Index and/or related American Depositary Receipts (“ADRs”). In addition, at least ninety percent (90%) of the Fund’s assets will be invested in the securities comprising the Index or other related Mexican securities or ADRs. The Fund may also invest its other assets in futures contracts, options on futures contracts, listed options, over-the-counter (“OTC”) options, and swaps related to the Index, as well as cash and cash equivalents. The Exchange believes that these requirements and policies prevent the Fund from being excessively weighted in any single security or small group of securities and significantly reduce concerns that trading in the Fund could become a surrogate for trading in unregistered securities.

Shares of the Fund (“Fund Shares”) are issued and redeemed, on a continuous basis, at net asset value (“NAV”) in aggregation size of 100,000 shares, or multiples thereof (a “Creation Unit”). Following issuance, Fund Shares are traded on an exchange like other equity securities. The Fund Shares trade in the secondary markets in amounts less than a Creation Unit and the

⁶ As of February 28, 2014, the Fund was comprised of 51 securities. America Movil SA de CV-Series L had the greatest individual weight at 16.69%. The aggregate percentage weighting of the top 5 and 10 securities in the Fund were 43.68% and 62.82%, respectively.

price per Fund Share may differ from its NAV which is calculated once daily as of the regularly scheduled close of business of NYSE Arca.⁷

State Street Bank and Trust Company, the administrator, custodian, and transfer agent for the Fund, calculates the Fund's NAV. Detailed information on the Fund can be found at www.ishares.com.

The Exchange has reviewed the Fund and determined that the Fund Shares satisfy the initial listing standards, except for the requirement set forth in MIAX Rule 402(i)(5)(ii)(A) which requires the Fund to meet the following condition:

- any non-U.S. component securities of an index or portfolio of securities on which the Exchange-Traded Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio.

The Exchange currently does not have in place a surveillance agreement with Bolsa.

The Exchange submits that the Commission, in the past, has been willing to allow a national securities exchange to rely on a memorandum of understanding entered into between regulators in the event that the exchanges themselves cannot enter into a CSSA. Other options exchanges have previously attempted to enter into a CSSA with Bolsa.⁸ The CBOE previously attempted to enter into a CSSA with Bolsa at or about the time when the CBOE sought approval to list for trading options on the CBOE Mexico 30 Index in 1995, which was comprised of stocks

⁷ The regularly scheduled close of trading on NYSE Arca is normally 4:00 p.m. Eastern Time ("ET") and 4:15 p.m. for ETFs.

⁸ See e.g., Securities Exchange Act Release Nos. 34500 (August 8, 1994) 59 FR 41534 (August 12, 1994) (SR-Amex-94-20); 56778 (November 9, 2007), 72 FR 65113 (November 19, 2007) (SR-Amex-2007-100).

trading on Bolsa.⁹ Since Bolsa was unable to provide a surveillance agreement, the Commission allowed the CBOE to rely on the memorandum of understanding executed by the Commission and the CNBV,¹⁰ dated as of October 18, 1990 (“MOU”).¹¹ The Commission noted that in cases where it would be impossible to secure a CSSA, the Commission relied in the past on surveillance sharing agreements between the relevant regulators.¹² The Commission further noted that, pursuant to the terms of the MOU, it was the Commission’s understanding that both the Commission and the CNBV could acquire information from, and provide information to, the other similar to that which would be required in a CSSA between exchanges and, therefore, should the CBOE need information on Mexican trading in the component securities of the CBOE Mexico 30 Index, the Commission could request such information from the CNBV under the MOU.¹³

The practice of relying on surveillance agreements or MOUs between regulators when a foreign exchange was unable, or unwilling, to provide an information sharing agreement was affirmed by the Commission in the Commission’s New Product Release (“New Product Release”).¹⁴ The Commission noted in the New Product Release that if securing a CSSA is not possible, an exchange should contact the Commission prior to listing a new derivative securities product. The Commission also noted that the Commission may determine instead that it is

⁹ See Securities Exchange Act Release No. 36415 (October 25, 1995), 60 FR 55620 (November 1, 1995) (SR-CBOE-95-45).

¹⁰ The National Commission for Banking and Securities, or “CNBV,” is Mexico’s regulatory body for financial markets and banking.

¹¹ See Securities Exchange Act Release No. 36415 (October 25, 1995), 60 FR 55620 at fn. 23 (November 1, 1995) (SR-CBOE-95-45).

¹² Id.

¹³ Id.

¹⁴ See Securities Exchange Act Release No. 40761 (December 8, 1998), 63 FR 70952, 70959 at fn. 101 (December 22, 1998).

appropriate to rely on a memorandum of understanding between the Commission and the foreign regulator.

The Exchange has recently contacted Bolsa with a request to enter into a CSSA. Until the Exchange is able to secure a CSSA with Bolsa, the Exchange requests that the Commission allow the listing and trading of options on the Fund without a CSSA, upon reliance of the MOU entered into between the Commission and the CNBV. The Exchange believes this request is reasonable and notes that the Commission has provided similar relief in the past. For example, the Commission approved, on a pilot basis, proposals of competing exchanges to list and trade options on the iShares MSCI Emerging Markets Fund.¹⁵

The Commission's approval of this request to list and trade options on the Fund would otherwise render the Fund compliant with all of the applicable Listing Standards.

The Exchange shall continue to use its best efforts to obtain a CSSA with Bolsa, which shall reflect the following: (1) express language addressing market trading activity, clearing activity, and customer identity; (2) the Bolsa's reasonable ability to obtain access to and produce requested information; and (3) based on the CSSA and other information provided by the Bolsa, the absence of existing rules, law or practices that would impede the Exchange from obtaining foreign information relating to market activity, clearing activity, or customer identity, or in the event such rules, laws, or practices exist, they would not materially impede the production of customer or other information.

¹⁵ See Securities Exchange Act Release Nos. 53824 (May 17, 2006), 71 FR 30003 (May 24, 2006) (SR-Amex-2006-43); 54081 (June 30, 2006), 71 FR 38911 (July 10, 2006) (SR-Amex-2006-60); 54553 (September 29, 2006), 71 FR 59561 (October 10, 2006) (SR-Amex-2006-91); 55040 (January 3, 2007), 72 FR 1348 (January 11, 2007) (SR-Amex-2007-01); and 55955 (June 25, 2007), 72 FR 36079 (July 2, 2007) (SR-Amex-2007-57); 56324 (August 27, 2007), 72 FR 50426 (August 31, 2007) (SR-ISE-2007-72).

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b)¹⁶ of the Act in general, and furthers the objectives of Section 6(b)(5)¹⁷ of the Act in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. In particular, the Exchange believes listing and trading of options on the iShares MSCI Mexico Index Fund will benefit investors by providing them with valuable risk management tools.

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

The Exchange believes this proposed rule change will benefit investors by providing additional methods to trade options on the iShares MSCI Mexico Index Fund, and by providing them with valuable risk management tools. Specifically, the Exchange believes that market participants on MIAX would benefit from the introduction and availability of options on the iShares MSCI Mexico Index Fund in a manner that is similar to other exchanges and will provide investors with yet another venue on which to trade these products. The Exchange notes that the rule change is being proposed as a competitive response to other competing options exchanges¹⁸ and believes this proposed rule change is necessary to permit fair competition among the options

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ See Securities Exchange Act Release Nos. 56778 (November 9, 2007), 72 FR 65113 (November 19, 2007) (SR-AMEX-2007-100); 57013 (December 20, 2007), 72 FR 73923 (December 28, 2007) (SR-CBOE-2007-140); 57014 (December 20, 2007), 72 FR 73934 (December 28, 2007) (SR-ISE-2007-111).

exchanges. For all the reasons stated above, the Exchange 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, and believes the proposed change will enhance competition.

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

Written comments were neither solicited nor received.

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

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁹ and Rule 19b-4(f)(6) thereunder.²⁰

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission notes that options on the iShares MSCI Mexico Index Fund currently trade on other exchanges. The Commission designates the proposed rule change to be operative upon filing.²¹

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

²¹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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-MIAX-2014-19 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-MIAX-2014-19. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; 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-MIAX-2014-19 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.²²

Kevin M. O'Neill
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).