

into the price and volume discovery processes.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

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. Similarly, the Exchange does not believe that the proposed change to the Exchange's tiered pricing structure burdens competition, but instead, enhances competition by modifying pricing incentives to attract order flow and incentivize participants to increase their participation on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee structures to be unreasonable or excessive. The Exchange does not believe the proposed amendments would burden intramarket competition as they would be available to all Members uniformly.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>18</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>19</sup> 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.

**IV. Solicitation of Comments**

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

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2017-003 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR-CboeEDGX-2017-003. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeEDGX-2017-003 and should be submitted on or before January 4, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-82248; File No. SR-CFE-2017-003]

**Self-Regulatory Organizations; Cboe Futures Exchange, LLC; Notice of Filing of Proposed Rule Change Regarding CFE's New Trading System**

December 8, 2017.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 29, 2017 Cboe Futures Exchange, LLC ("CFE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I and II below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission ("CFTC"). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act ("CEA")<sup>2</sup> on November 29, 2017.

**I. Self-Regulatory Organization's Description of the Proposed Rule Change**

The Exchange proposes to amend its rules in connection with the implementation of a new CFE trading system. The scope of this filing is limited solely to the application of the rule amendments to security futures traded on CFE. The only security futures that have been offered for trading on CFE were traded under Chapter 16 of CFE's Rulebook, which is applicable to Individual Stock Based and Exchange-Traded Fund Based Volatility Index security futures. CFE does not currently list any security futures for trading. The text of the proposed rule change is attached as Exhibit 4 to the filing but is not attached to the publication of this notice.

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

In its filing with the Commission, CFE 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. CFE has prepared

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f).

<sup>20</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 7 U.S.C. 7a-2(c).

summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Cboe Global Markets, Inc. (formerly known as CBOE Holdings, Inc.) ("Cboe Global Markets") is the parent company of CFE. On February 28, 2017, Cboe Global Markets completed the acquisition of Bats Global Markets, Inc. ("Bats"). In connection with this acquisition, all of the exchanges owned by Cboe Global Markets, including CFE, are migrating their trading platforms to trading systems based on Bats technology. CFE's new trading system will be referred to in CFE rules as the "CFE System".

The Exchange is proposing to amend the following rule provisions as a result of changes for the CFE System: CFE Rule Chapter 1; CFE Rules 303A, 403, 414, 415, 603, 620, 714, 1602, 1802, and 1902; and CFE Policy and Procedure XVIII. These provisions set forth rules related to Authorized Reporters, Order Entry Operator IDs, Order Entry and Maintenance of Front-End Audit Trail Information, Exchange of Contract for Related Position ("ECRP") transactions, Block Trades, Market Manipulation, Disruptive Trading Practices, Imposition of Fines for Minor Rule Violations, Reportable Trading Volume, and Contract Specifications. With one exception, the rule amendments included as part of this rule change are to apply to all products traded on CFE, including both non-security futures and security futures. CFE is making these rule amendments in conjunction with other rule amendments being made by CFE in connection with the implementation of the CFE System that are not required to be submitted to the Commission pursuant to Section 19(b)(7) of the Act<sup>3</sup> and thus are not included as part of this rule change.

Authorized Reporter

CFE Rule Chapter 1 includes definitions for terms used in CFE's rules. CFE is proposing to include in Chapter 1 a definition for the term "Authorized Reporter" which includes cross-references to proposed CFE Rules 414(i) and 415(f) in which the term "Authorized Reporter" is defined. Specifically, the proposed definition of an Authorized Reporter in proposed Rules 414(i) and 415(f) is an individual

that is either a CFE Trading Privilege Holder ("TPH") or a Related Party of a TPH and is pre-authorized by a CFE Clearing Member to report Exchange of Contract for Related Position transactions and Block Trades on behalf of the TPH.

Order Entry Operator IDs

CFE Rule 303A (Order Entry Operator IDs) sets forth that each TPH shall include an Order Entry Operator ID with every Order and the requirements applicable to Order Entry Operator IDs. CFE is proposing three changes to Rule 303A.

First, CFE is proposing to amend Rule 303A(a) to provide that an Order Entry Operator ID must be included on every Cancel Order and Cancel Replace/Modify Order and to provide that any Order that does not contain an Order Entry Operator ID will be rejected or canceled back to the sender by CFE's trading system.

Second, CFE is proposing to amend Rule 303A to remove references to quotes. A quote is a two-sided order that includes both a bid and an offer whereas an order only includes a bid or an offer. Most TPHs submit orders instead of quotes, and CFE will no longer accept quotes with the implementation of the CFE System.

Third, CFE is proposing to replace the term "CBOE System" (which is the term in CFE's current rules for CFE's trading system) with the term "CFE System".

Order Entry and Maintenance of Front-End Audit Trail Information

CFE Rule 403 (Order Entry) sets forth details regarding, among other things, how Orders must be entered into CFE's trading system, the information each Order must contain, and front-end audit trail information that must be maintained.

CFE is proposing to revise Rule 403(a) to describe how TPHs will connect to the CFE System by deleting current language which describes how TPHs sign onto the CBOE System by inputting the user identification assigned for such purpose and replacing that language with language that describes how TPHs will connect to the CFE System in a form and manner prescribed by the Exchange.

CFE is also updating Rule 403(a) to revise and reorder the list of items of information that must be included with every Order. Currently, Rule 403(a) provides that each Order must contain the following information: (i) Whether the Order is a buy or sell Order; (ii) Order type; (iii) commodity; (iv) contract expiration; (v) price; (vi) quantity; (vii) account type; (viii)

account designation; (ix) in the case of Orders for Options, strike price, type of option (put or call), and expiration month; and (x) such additional information as may be prescribed from time to time by the Exchange. CFE is proposing to amend Rule 403(a) to provide that each Order must contain the following information: (i) Whether the Order is a buy or sell Order; (ii) Order type; (iii) price or premium (if the Order is not a Market Order); (iv) quantity; (v) Contract identifier or product and contract expiration(s); (vi) Client Order ID; (vii) Executing Firm ID ("EFID"); (viii) Order Entry Operator ID; (ix) Clearing Corporation origin code (C for Customer or F for Firm); (x) Customer Type Indicator code; (xi) manual Order indicator; (xii) account designation; (xiii) in the case of Orders for Options, either Contract identifier or each of strike price, type of option (put or call), and expiration; and (xiv) such additional information as may be prescribed from time to time by the Exchange.

Additionally, CFE is proposing to amend Rule 403(a) to provide that any Order that does not contain required information in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System.

CFE is proposing to revise Rule 403(c) to reference that the CFE System identifies the Clearing Member for the execution of an Order by the EFID used in the Order submission. CFE is also proposing to replace the reference in Rule 403(c) to CBOE Market Interface ("CMi") order structure with a reference to Binary Order Entry ("BOE") Order message information since the BOE protocol will be replacing the CMi protocol. CFE is retaining the reference in Rule 403(c) to the Financial Information Exchange ("FIX") protocol since TPHs will be able to interface with the CFE System either through the BOE protocol or the FIX protocol.

CFE is also proposing to amend Rule 403 to remove references to quotes, to replace the term "CBOE System" with the term "CFE System", and to replace the term "CBOE Workstation" with the term "CFE Workstation" (which is any computer connected directly to the CFE System, including by means of an Exchange defined protocol, for the purpose of trading Contracts on the Exchange).

Exchange of Contract for Related Position Transactions

CFE Rule 414 (Exchange of Contract for Related Position) sets forth details regarding ECRP transactions. The proposed changes to Rule 414 included

<sup>3</sup> 15 U.S.C. 78s(b)(7).

as part of this rule change filing and which are described below are those amendments to Rule 414 that are related to recordkeeping or reporting.

First, CFE is proposing to set forth in proposed Rule 414(e) the Reporting Deadline and Permissible Reporting Period for ECRP transactions that will apply with the CFE System. CFE is proposing that the Reporting Deadline for an ECRP transaction be that an ECRP transaction must be fully reported to the Exchange without delay and by no later than thirty minutes after the transaction is agreed upon, unless otherwise specified in the rules governing the relevant Contract. The Reporting Deadline would be measured from the time the transaction is agreed upon to the time that the full report of the transaction is received by the CFE System matching engine. CFE is proposing that the Permissible Reporting Period for an ECRP transaction be that the ECRP transaction must be fully reported to the Exchange during Trading Hours, or a queuing period, for the Contract that comprises the Contract leg of the transaction, when that Contract is not suspended. A queuing period is a time frame in which the CFE System accepts Orders but they are not executable. Proposed Rule 414(e) also addresses when it is permissible to agree to an ECRP transaction (referred to as a Permissible Agreement Period). Accordingly, in order to satisfy the requirements of proposed Rule 414(e), the time periods in which an ECRP transaction may occur would be limited to those time periods in which the transaction is agreed to within a Permissible Agreement Period and the transaction is able to be fully reported to the Exchange within a Permissible Reporting Period by no later than the Reporting Deadline. Under CFE's current rules, the reporting deadline is the same as is proposed by this rule change but the permissible reporting periods are specified time frames that apply to all Contracts instead of having a permissible reporting period for each Contract based on its respective Trading Hours and queuing periods as is proposed.

Second, CFE is proposing to amend in proposed Rule 414(g) the list of items of information currently set forth in Rule 414(f) that must be recorded on an order ticket for an ECRP by a TPH that acts as agent for an ECRP. In particular, CFE is proposing to add to the items of information that must be recorded the arrangement time, if any, for the ECRP transaction (which is the time at which the parties agreed to enter into the transaction at a later time). CFE is also proposing to clarify and provide that the

following information must be recorded for the Related Position: The identity, quantity, and price or premium of the Related Position (including the expiration, strike price, type of option (put or call), and delta in the case of an option).

Third, CFE is proposing to revise a provision in proposed Rule 414(h) to make clear that references to ECRP are to an ECRP transaction. This provision is in current Rule 414(g) and requires a TPH to maintain records evidencing compliance with the criteria in Rule 414 or be able to obtain those records from the TPH's Customer.

Fourth, CFE is proposing to amend provisions in proposed Rule 414(i) that are currently in Rule 414(h) to provide that an Authorized Reporter for an ECRP transaction must be an individual (and not an entity) and that a Clearing Member may only authorize an Authorized Reporter to report both ECRP transactions and Block Trades (and not one or the other).

Fifth, CFE is proposing to amend provisions in proposed Rule 414(j) that are currently in Rule 414(i) to no longer allow for notification of ECRP transactions to the Exchange to be made by email and to provide that the Contract legs of all ECRP transactions will be submitted for clearing on the Business Day during which the applicable transaction is fully reported to the Exchange. Current Rule 414(i) allows Authorized Reporters to designate either the calendar day of an ECRP transaction or the next Business Day as the Business Day for which the Contract leg of the transaction is submitted for clearing if an ECRP transaction is reported to the Exchange from 3:15 p.m. to 4:00 p.m. Chicago time Monday through Thursday. This will no longer be the case once ECRP transactions are reported directly to the CFE System (instead of by email) pursuant to proposed Rule 414(l) as described below.

Sixth, CFE is proposing to update provisions in proposed Rule 414(k) that are currently in Rule 414(j) to revise and reorder the list of items of information that must be included in the notification to the Exchange of an ECRP transaction. Currently, the notification of an ECRP transaction must include the following information: The identity, contract expiration, price or premium, quantity, and time of execution of the relevant Contract leg (*i.e.*, the time the parties agreed to the Exchange of Contract for Related Position transaction), (ii) the counterparty Clearing Member, (iii) the identity, quantity, and price of the Related Position, and (iv) any other information required by the Exchange.

CFE is proposing to provide in proposed Rule 414(k) that the notification of an ECRP transaction must include the following information: (i) Whether the component of the transaction in the Contract listed on the Exchange is a single leg transaction, a transaction in a spread, or transaction in a strip; (ii) the Contract identifier (or product and contract expiration for a future or product, expiration, strike price, and type of option (put or call) in the case of an option), price (or premium for an option) and quantity of the relevant Contract leg of the transaction, and whether the relevant Contract leg is buy or sell; (iii) the time of execution (*i.e.*, the time at which the parties agreed to the transaction); (iv) the arrangement time, if any (*i.e.*, the time at which the parties agreed to enter into the transaction at a later time); (v) Operator ID; (vi) EFID; (vii) account; (viii) Clearing Corporation origin code; (ix) Customer Type Indicator code; (x) the identity, quantity, and price or premium of the Related Position (including the expiration, strike price, type of option (put or call), and delta in the case of an option); and (xi) any other information required by the Exchange.

Seventh, CFE is also proposing to delete a provision from current Rule 414(k) which allows the Authorized Reporters and parties to an ECRP transaction thirty minutes from the time the CFE Help Desk transmits a transaction summary to the Authorized Reporters to notify the Help Desk of any inaccuracies in the content of the transaction summary. The Help Desk (which will be referred to as the Trade Desk with the implementation of the CFE System) will no longer transmit transaction summaries to Authorized Reporters since Authorized Reporters will be entering the information regarding ECRP transactions directly into the CFE System pursuant to proposed Rule 414(l) as described below and will no longer be relying on the Help Desk to manually enter into CFE's trading system the information included in the email notifications that the Help Desk currently receives from Authorized Reporters regarding an ECRP transaction. Accordingly, the notification provision which permits Authorized Reporters and parties to the transaction to notify the Help Desk of any inaccuracies in the transaction summary from the Help Desk would no longer have applicability.

Eighth, CFE proposes to provide in proposed Rule 414(l) that Authorized Reporters shall provide notification to the Exchange of ECRP transactions by reporting them to the CFE System in a form and manner prescribed by the

Exchange. Proposed Rule 414(l) also describes how the CFE System includes a mechanism, in a form and manner provided by the Exchange, for the Authorized Reporter that is the initiator of a notification of an ECRP transaction to enter information regarding the transaction and for the Authorized Reporter for the contra side of the transaction to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction.

Ninth, CFE proposes to provide in proposed Rule 414(m) how CFE will measure adherence to Permissible Reporting Periods and the Reporting Deadline for ECRP transactions for timing purposes. Specifically, an ECRP transaction would be deemed to have been fully reported to the Exchange when the full report of the transaction has been received by the CFE System matching engine following notification to the CFE System of required information relating to the transaction by the initiating Authorized Reporter and acceptance and notification to the CFE System of required information relating to the transaction by the contra side Authorized Reporter.

Tenth, CFE proposes to provide in proposed Rule 414(n) that CFE may modify the timing requirements for and permissible manner of notification to CFE for ECRP transactions in the event of unusual circumstances. For example, this provision could be invoked if the CFE System is not accepting notifications of ECRP transactions due to a system malfunction.

#### Block Trades

CFE Rule 415 (Block Trading) (to be renamed Block Trades) sets forth details regarding Block Trades. CFE is proposing to make corollary changes to Rule 415 in relation to recordkeeping and reporting that are substantially equivalent to the changes being made to Rule 414. Those proposed changes are described below.

First, CFE is proposing to set forth in Rule 415(c) the Reporting Deadline and Permissible Reporting Period for Block Trades that will apply with the CFE System. CFE is proposing that the Reporting Deadline for a Block Trade be that a Block Trade must be fully reported to the Exchange without delay and by no later than ten minutes after the transaction is agreed upon, unless otherwise specified in the rules governing the relevant Contract. The Reporting Deadline would be measured from the time the transaction is agreed upon to the time that the full report of the transaction is received by the CFE

System matching engine. CFE is proposing that the Permissible Reporting Period for a Block Trade in a Contract be that the Block Trade must be fully reported to the Exchange during Trading Hours, or a queuing period, for the Contract, when that Contract is not suspended. Proposed Rule 415(c) also addresses when it is permissible to agree to a Block Trade (referred to as a Permissible Agreement Period). Accordingly, in order to satisfy the requirements of proposed Rule 415(c), the time periods in which a Block Trade may occur would be limited to those time periods in which the transaction is agreed to within a Permissible Agreement Period and the transaction is able to be fully reported to the Exchange within a Permissible Reporting Period by no later than the Reporting Deadline. Under CFE's current rules, the reporting deadline is the same as is proposed by this rule change but the permissible reporting periods are specified time frames that apply to all Contracts instead of having a permissible reporting period for each Contract based on its respective Trading Hours and queuing periods as is proposed.

Second, CFE is proposing to amend in Rule 415(e) the list of items of information that must be recorded by a TPH on an order ticket for a Block Trade. In particular, CFE is proposing to add to the items of information that must be recorded the arrangement time, if any, for the Block Trade. CFE is also proposing to clarify and provide that the expiration, strike price, and type of option (put or call) must be recorded for the Block Trade if it involves an option.

Third, CFE is proposing to amend provisions in Rule 415(f) to provide that an Authorized Reporter for a Block Trade must be an individual (and not an entity) and that a Clearing Member may only authorize an Authorized Reporter to report both ECRP transactions and Block Trades (and not one or the other). Additionally, CFE is adding a provision to Rule 415(f) which is currently included in current Rule 414(h) in relation to ECRP transactions to make clear that both the parties to and Authorized Reporters for a Block Trade are obligated to comply with the requirements set forth in Rule 415, and any of these parties or Authorized Reporters may be held responsible by the Exchange for noncompliance with those requirements.

Fifth, CFE is proposing to amend provisions in proposed Rule 415(g) to no longer allow for notification of Block Trades to the Exchange to be made by email and to provide that Block Trades will be submitted for clearing on the Business Day during which the

applicable transaction is fully reported to the Exchange. Current Rule 415(g) allows Authorized Reporters to designate either the calendar day of a Block Trade or the next Business Day as the Business Day for which the Block Trade is submitted for clearing if a Block Trade is reported to the Exchange from 3:15 p.m. to 4:00 p.m. Chicago time Monday through Thursday. This will no longer be the case once Block Trades are reported directly to the CFE System (instead of by email) pursuant to proposed Rule 415(i) as described below.

Sixth, CFE is proposing to update provisions in Rule 415(h) to revise and reorder the list of items of information that must be included in the notification to the Exchange of a Block Trade. Currently, the notification of a Block Trade must include the following information: relevant Contract, contract expiration, price or premium, quantity, time of execution (*i.e.*, the time the parties agreed to the Block Trade), counterparty Clearing Member and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price, and any other information that is required by the Exchange. CFE is proposing to provide in proposed Rule 415(h) that the notification of a Block Trade must include the following information: (i) Whether the Block Trade is a single leg transaction, a transaction in a spread, or a transaction in a strip; (ii) the Contract identifier (or product and contract expiration for a future or product, expiration, strike price, and type of option (put or call) in the case of an option), price (or premium for an option) and quantity of the Block Trade and whether the Block Trade is buy or sell; (iii) the time of execution (*i.e.*, the time at which the parties agreed to the transaction); (iv) the arrangement time, if any (*i.e.*, the time at which the parties agreed to enter into the transaction at a later time); (v) Operator ID; (vi) EFID; (vii) account; (viii) Clearing Corporation origin code; (ix) Customer Type Indicator code; and (x) any other information required by the Exchange.

Seventh, CFE is proposing to delete a provision from current Rule 415(i) which allows the Authorized Reporters and parties to a Block Trade thirty minutes from the time the CFE Help Desk transmits a transaction summary to the Authorized Reporters to notify the Help Desk of any inaccuracies in the content of the transaction summary. The Help Desk (which will be referred to as the Trade Desk with the implementation of the CFE System) will no longer transmit transaction summaries to Authorized Reporters since Authorized

Reporters will be entering the information regarding Block Trades directly into the CFE System pursuant to proposed Rule 415(i) as described below and will no longer be relying on the Help Desk to manually enter into CFE's trading system the information included in the email notifications that the Help Desk currently receives from Authorized Reporters regarding a Block Trade. Accordingly, the notification provision which permits Authorized Reporters and parties to the transaction to notify the Help Desk of any inaccuracies in the transaction summary from the Help Desk would no longer have applicability.

Eighth, CFE proposes to provide in proposed Rule 415(i) that Authorized Reporters shall provide notification to the Exchange of Block Trades by reporting them to the CFE System in a form and manner prescribed by the Exchange. Proposed Rule 415(i) also describes how the CFE System includes a mechanism, in a form and manner provided by the Exchange, for the Authorized Reporter that is the initiator of a notification of a Block Trade to enter information regarding the transaction and for the Authorized Reporter for the contra side of the transaction to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction.

Ninth, CFE proposes to provide in proposed Rule 415(j) how CFE will measure adherence to Permissible Reporting Periods and the Reporting Deadline for Block Trades for timing purposes. Specifically, a Block Trade would be deemed to have been fully reported to the Exchange when the full report of the transaction has been received by the CFE System matching engine following notification to the CFE System of required information relating to the transaction by the initiating Authorized Reporter and acceptance and notification to the CFE System of required information relating to the transaction by the contra side Authorized Reporter.

Tenth, CFE proposes to provide in proposed Rule 415(k) that CFE may modify the timing requirements for and permissible manner of notification to CFE for Block Trades in the event of unusual circumstances. For example, this provision could be invoked if the CFE System is not accepting notifications of Block Trades due to a system malfunction.

#### Market Manipulation

CFE Rule 603 (Market Manipulation) prohibits manipulation of the market in

any Contract traded on CFE. CFE is proposing to amend Rule 603 replace the term "CBOE System" with the term "CFE System".

#### Disruptive Practices

CFE Rule 620 (Disruptive Practices) sets forth prohibited disruptive trading practices, and Policy and Procedure XVIII (Disruptive Trading Practices (Rule 620) sets forth guidance regarding the factors the Exchange may use in assessing whether conduct violates Rule 620.

Since CFE will no longer accept quotes with the implementation of the CFE System, CFE is proposing to revise Rule 620 and Policy and Procedure XVIII to eliminate references to quotes and to replace references to the CBOE System with references to the CFE System.

CFE is proposing to revise Policy and Procedure XVIII(A) to eliminate reference to a category of other prices (such as an Expected Opening Price or EOP) since this concept does not exist with the CFE System.

CFE is proposing to amend Policy and Procedure XVIII(J) to revise the definition of actionable messages in relation to the CFE System to be messages that can be accepted by another party or lead to the execution of a trade or cancellation of an Order and to change a reference to an example of a non-actionable message from a request for quote (which will no longer exist with the elimination of quotes) to a heartbeat message transmitted to the CFE System.

CFE is proposing to amend Policy and Procedure XVIII(Q) and (U) to replace references to self-trade prevention functionality with references to match trade functionality (which is the name for this functionality with the CFE System).

CFE is proposing to revise Policy and Procedure XVIII(R) to eliminate reference to opening rotation periods since this concept does not exist with the CFE System, to replace reference to an EOP with reference to an expected opening price (since although an EOP is not a price that is disseminated by the CFE System, the concept of what market participants expect an opening price to be would still exist), and to revise the restriction regarding the submission of Trade at Settlement ("TAS") Orders between Business Days for a product in which TAS Orders may be submitted. CFE is amending the restriction on the submission of TAS Orders to provide that the first pre-opening notice for a TAS Contract in a product establishes the time at which TAS Orders may be submitted for all TAS Contracts in that

product. Currently, this restriction applies individually to each TAS Contract based on when the pre-opening notice for that particular TAS Contract is disseminated. A pre-opening notice is a notice disseminated by CFE of the commencement of a queuing state in a Contract during which Orders may be submitted to the CFE System prior to the commencement of trading hours for that Contract.

Additionally, the Exchange is proposing to amend Policy and Procedure XVIII(T) to eliminate a reference to user defined spreads and to change the title of the provision to better reflect the remaining portion of the provision which is not being deleted by this change. Although TPHs are currently not permitted to create user defined spreads, this prohibition is currently not systematically enforced by CFE's trading system. CFE is proposing to remove the rule text prohibiting user defined spreads since the CFE System will be able to systematically prevent TPHs from creating user defined spreads.

#### Imposition of Fines for Minor Rule Violations

Rule 714 (Imposition of Fines for Minor Rule Violations) sets forth fine schedules for various violation types. The proposed changes to Rule 714 included as part of this rule change filing and which are described below are those amendments to Rule 714 that are related to recordkeeping or reporting.

Specifically, CFE is proposing (i) to modify the fine schedule in Rule 714(f)(i) regarding failure to include an Order Entry Operator ID with an Order submission to eliminate reference to quotes and to change a reference from CBOE System to CFE System; (ii) to modify the fine schedule in Rule 714(f)(ii) regarding failure to identify the correct account type in an Order submission to be more specific to reference failure to identify the correct Customer Type Indicator Code in the Order submission; and (iii) to modify the fine schedules in Rule 714(f)(iii), (iv), (viii), (ix), (x), and (xiv) to either re-number the rule cross-references in those fine schedules without changing their substance to reflect the new rule numbers for the cross-referenced provisions or to change references from CBOE System to CFE System.

#### Reportable Trading Volume

Rule 1602(n)(ii) sets forth the reportable trading volume that triggers the requirement to report a volume threshold account to the CFTC for Individual Stock Based and Exchange

Traded Fund Based Security Futures (referred to in Chapter 16 of CFE's rules as Volatility Index futures). CFE does not currently list any Volatility Index futures for trading but did so previously and may do so in the future.

CFE is proposing to amend Rule 1602(n)(ii) to provide that the reportable trading volume that triggers the requirement to report a volume threshold account is 50 or more futures contracts in a Volatility Index futures contract during a single trading day or such other reportable trading volume threshold as may be designated by the CFTC. This proposed change is consistent with the comparable reportable trading volume rule language this is applicable in relation to other CFE products. CFE is proposing to add the additional phrase that the level may be "such other reportable trading volume threshold as may be designated by the CFTC". Although the level currently designated in Rule 1602(n)(ii) is consistent with CFTC regulations, the CFTC has issued no-action letters with a different designated level and may do so in the future. The proposed additional language allows for reporting consistent with these CFTC designations when and if they are in effect.

#### Contract Specifications

CFE Rule 1802 sets forth contract specifications for Single Stock Futures, and CFE Rule 1902 sets forth contract specifications for Narrow-Based Stock Index Futures. CFE is proposing to amend Rules 1802 and 1902 to capitalize the term "Spread Order", to replace the term "Help Desk" with the term "Trade Desk", and to replace the term "CBOE System" with the term "CFE System".

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Sections 6(b)(5)<sup>5</sup> and 6(b)(7)<sup>6</sup> in particular in that it is designed:

- To prevent fraudulent and manipulative acts and practices;
- to foster cooperation and coordination with persons engaged in facilitating transactions in securities; and
- to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

The proposed rule change is consistent with these provisions in that it revises CFE's rules, including CFE's recordkeeping and reporting requirements as they may relate to security futures, to conform to the functionality of the CFE System. In particular, the proposed amendments will align the changes resulting from the implementation of the CFE System with the rule provisions contained in CFE's rules.

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

CFE 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 in that the proposed rule changes to Chapter 1 of CFE's rules to include a definition for Authorized Reporter, to Rule 303A requiring the inclusion of an Order Entry Operator ID on every Cancel Order and Cancel Replace/Modify Order, to Rule 403 regarding the information that must be included with Order submissions and front-end audit trail information that must be maintained, to Rule 414 and 415 regarding ECRP transaction and Block Trade recordkeeping and reporting requirements, to Rule 603 to update terminology, to Rule 620 and Policy and Procedure XVIII to update guidance regarding disruptive trading conduct to conform to the way the CFE System will function, to Rule 714 to update the fine schedules for minor rule violations to conform to other CFE rule revisions, to Rule 1602(n) to update the reportable trading volume threshold requirements for Volatility Index futures, and to Rules 1802 and 1902 to update terminology will enhance CFE's ability to carry out its responsibilities as a self-regulatory organization. Additionally, CFE believes that the proposed amendments are equitable and not unfairly discriminatory because the changes will apply equally to all market participants.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The proposed rule change will become operative on December 13, 2017. At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after

consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.<sup>7</sup>

#### **IV. Solicitation of Comments**

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

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CFE-2017-003 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-CFE-2017-003. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File

<sup>4</sup> 15 U.S.C. 78f(b).

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

<sup>6</sup> 15 U.S.C. 78f(b)(7).

<sup>7</sup> 15 U.S.C. 78s(b)(1).

Number SR-CFE-2017-003, and should be submitted on or before January 4, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

[FR Doc. 2017-26914 Filed 12-13-17; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82256; File No. SR-MIAX-2017-18]

### Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing of Amendment No. 1 to a Proposed Rule Change to Amend the Fee Schedule

December 11, 2017.

On May 1, 2017, Miami International Securities Exchange LLC ("MIAX Options" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt a fee schedule to establish the fees for Industry Members related to the National Market System Plan Governing the Consolidated Audit Trail ("CAT NMS Plan"). The proposed rule change was published in the **Federal Register** for comment on May 19, 2017.<sup>3</sup> The Commission received seven comment letters on the proposed rule change,<sup>4</sup>

and a response to comments from the Participants.<sup>5</sup> On June 30, 2017, the Commission temporarily suspended and initiated proceedings to determine whether to approve or disapprove the proposed rule change.<sup>6</sup> The Commission thereafter received seven comment letters,<sup>7</sup> and a response to comments from the Participants.<sup>8</sup> On November 7, 2017, the Exchange filed Amendment No. 1 to the proposed rule change, as

Group, to Brent J. Fields, Secretary, Commission (dated June 22, 2017), available at: <https://www.sec.gov/comments/sr-cboe-2017-040/cboe2017040-1819670-154195.pdf>; Letter from Stuart J. Kaswell, Executive Vice President and Managing Director, General Counsel, Managed Funds Association, to Brent J. Fields, Secretary, Commission (dated June 23, 2017), available at: <https://www.sec.gov/comments/sr-finra-2017-011/finra2017011-1822454-154283.pdf>; and Letter from Suzanne H. Shatto, Investor, to Commission (dated June 27, 2017), available at: <https://www.sec.gov/comments/sr-batsedgx-2017-22/batsedgx201722-154443.pdf>. The Commission also received a comment letter which is not pertinent to these proposed rule changes. See Letter from Christina Crouch, Smart Ltd., to Brent J. Fields, Secretary, Commission (dated June 5, 2017), available at: <https://www.sec.gov/comments/sr-batsbzx-2017-38/batsbzx201738-1785545-153152.htm>.

<sup>5</sup> See Letter from CAT NMS Plan Participants to Brent J. Fields, Secretary, Commission (dated June 29, 2017), available at: <https://www.sec.gov/comments/sr-batsbyx-2017-11/batsbyx201711-1832632-154584.pdf>.

<sup>6</sup> See Securities Exchange Act Release No. 81067 (June 30, 2017), 82 FR 31656 (July 7, 2017).

<sup>7</sup> See Letter from W. Hardy Callcott, Partner, Sidley Austin LLP, to Brent J. Fields, Secretary, Commission (dated July 27, 2017), available at: <https://www.sec.gov/comments/sr-batsbyx-2017-11/batsbyx201711-2148338-157737.pdf>; Letter from Kevin Coleman, General Counsel and Chief Compliance Officer, Belvedere Trading LLC, to Brent J. Fields, Secretary, Commission (dated July 28, 2017), available at: <https://www.sec.gov/comments/sr-batsbyx-2017-11/batsbyx201711-2148360-157740.pdf>; Letter from Joanna Mallers, Secretary, FIA Principal Traders Group, to Brent J. Fields, Secretary, Commission (dated July 28, 2017), available at: <https://www.sec.gov/comments/sr-batsbyx-2017-11/batsbyx201711-2150977-157744.pdf>; Letter from Stuart J. Kaswell, Executive Vice President and Managing Director, General Counsel, Managed Funds Association, to Brent J. Fields, Secretary, Commission (dated July 28, 2017), available at: <https://www.sec.gov/comments/sr-batsbyx-2017-11/batsbyx201711-2150818-157743.pdf>; Letter from John Kinahan, Chief Executive Officer, Group One Trading, L.P., to Brent J. Fields, Secretary, Commission (dated August 10, 2017), available at: <https://www.sec.gov/comments/sr-finra-2017-011/finra2017011-2214568-160619.pdf>; Letter from Joseph Molluso, Executive Vice President and CFO, Virtu Financial, to Brent J. Fields, Commission (dated August 18, 2017), available at: <https://www.sec.gov/comments/sr-finra-2017-011/finra2017011-2238648-160830.pdf>.

<sup>8</sup> See Letter from Michael Simon, Chair, CAT NMS Plan Operating Committee, to Brent J. Fields, Commission, Secretary (dated November 2, 2017), available at <https://www.sec.gov/comments/sr-batsbyx-2017-11/batsbyx201711-2674608-161412.pdf>.

described in Items I and II below, which Items have been prepared by the Exchange.<sup>9</sup> On November 9, 2017, the Commission extended the time period within which to approve the proposed rule change or disapprove the proposed rule change to January 14, 2018.<sup>10</sup> The Commission is publishing this notice to solicit comments from interested persons on Amendment No. 1.<sup>11</sup>

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

On May 1, 2017 Miami International Securities Exchange, LLC ("MIAX Options" or "Exchange"), filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change SR-MIAX-2017-18 (the "Original Proposal"),<sup>12</sup> to amend the MIAX Options Fee Schedule (the "Fee Schedule") to adopt a fee schedule to establish the fees for Industry Members related to the National Market System Plan Governing the Consolidated Audit Trail (the "CAT NMS Plan" or "Plan").<sup>13</sup> MIAX Options files this proposed rule change (the "Amendment") to amend the Original Proposal. This Amendment replaces the Original Proposal in its entirety, and also describes the changes from the Original Proposal.

The text of the proposed rule change is available on the Exchange's website at <http://www.miaxoptions.com/rule-filings>, at MIAX's principal office, and at the Commission's Public Reference Room.

<sup>9</sup> Amendment No. 1 to the proposed rule change replaces and supersedes the Original Proposal in its entirety.

<sup>10</sup> See Securities Exchange Act Release No. 82049 (November 9, 2017), 82 FR 53549 (November 16, 2017).

<sup>11</sup> The Commission notes that on December 1, 2017, the Exchange filed Amendment No. 2 to the proposed rule change. Amendment No. 2 is a partial amendment to the proposed rule change, as amended by Amendment No. 1. Amendment No. 2 proposes to change the parenthetical regarding the OTC Equity Securities discount in paragraph (b)(2) of the proposed fee schedule from "with a discount for Equity ATs exclusively trading OTC Equity Securities based on the average shares per trade ratio between NMS Stocks and OTC Equity Securities" to "with a discount for OTC Equity Securities market share of Equity ATs trading OTC Equity Securities based on the average shares per trade ratio between NMS Stocks and OTC Equity Securities." See Securities Exchange Act Release No. 82257 (December 11, 2017).

<sup>12</sup> See Securities Exchange Act Release No. 80675 (May 15, 2017), 82 FR 23100 (May 19, 2017)(SR-MIAX-2017-18).

<sup>13</sup> Unless otherwise specified, capitalized terms used in this fee filing are defined as set forth herein, in the CAT Compliance Rule Series, the CAT NMS Plan, or the Original Proposal.

<sup>8</sup> 17 CFR 200.30-3(a)(73).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 80675 (May 15, 2017), 82 FR 23100 (May 19, 2017) ("Original Proposal").

<sup>4</sup> Since the CAT NMS Plan Participants' proposed rule changes to adopt fees to be charged to Industry Members to fund the consolidated audit trail are substantively identical, the Commission is considering all comments received on the proposed rule changes regardless of the comment file to which they were submitted. See text accompanying notes 14-17 *infra*, for a list of the CAT NMS Plan Participants. See Letter from Theodore R. Lazo, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association, to Brent J. Fields, Secretary, Commission (dated June 6, 2017), available at: <https://www.sec.gov/comments/sr-batsbzx-2017-38/batsbzx201738-1788188-153228.pdf>; Letter from Patricia L. Cerny and Steven O'Malley, Compliance Consultants, to Brent J. Fields, Secretary, Commission (dated June 12, 2017), available at: <https://www.sec.gov/comments/sr-cboe-2017-040/cboe2017040-1799253-153675.pdf>; Letter from Daniel Zinn, General Counsel, OTC Markets Group Inc., to Eduardo A. Aleman, Assistant Secretary, Commission (dated June 13, 2017), available at: <https://www.sec.gov/comments/sr-finra-2017-011/finra2017011-1801717-153703.pdf>; Letter from Joanna Mallers, Secretary, FIA Principal Traders