

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84560; File No. SR-CFE-2018-002]

### Self-Regulatory Organizations; Cboe Futures Exchange, LLC; Notice of Filing of a Proposed Rule Change Regarding Correction of Reporting Errors

November 9, 2018.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on October 31, 2018 Cboe Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III 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 October 31, 2018.

#### I. Self-Regulatory Organization’s Description of the Proposed Rule Change

The Exchange proposes to extend the time frame for the correction of Block Trade and Exchange of Contract for Related Position (“ECRP”) transaction reporting errors. The scope of this filing is limited solely to the application of the proposed rule amendments to security futures that may be traded on CFE. Although no security futures are currently listed for trading on CFE, CFE may list security futures for trading in the future. 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 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

Policy and Procedure III (Resolution of Error Trades) of the Policies and Procedures section of the CFE Rulebook includes a section which allows for the busting or adjusting of a Block Trade or the CFE contract leg of an ECRP transaction that is reported to CFE with a mistake, inaccuracy, or error. Specifically, Section G of Policy and Procedure III provides that CFE’s Trade Desk is authorized to bust or adjust a Block Trade or the CFE contract leg of an ECRP transaction if both (i) there was a mistake, inaccuracy, or error in the information that was inputted into CFE’s system for the Block Trade or the contract leg of the ECRP transaction and (ii) an Authorized Reporter for or party to the transaction notifies the Trade Desk of the mistake, inaccuracy, or error in a form and manner prescribed by the Exchange within thirty minutes from the time the transaction is reported in CFE market data. The proposed rule change extends the time period for the notification to the Trade Desk of such an error to 4:00 p.m. Chicago time of the business day of the transaction. The proposed rule change also makes clear that in order for the Trade Desk to bust or adjust a Block Trade or the CFE contract leg of an ECRP transaction under this provision, an Authorized Reporter or party on each side of the transaction must agree upon the mistake, inaccuracy, or error that occurred.

The Exchange believes that the proposed rule change will benefit CFE’s market and CFE market participants by reducing risk to market participants and by clarifying when the Trade Desk is authorized to bust or adjust a Block Trade or the CFE contract leg of an ECRP transaction that is reported to CFE with a mistake, inaccuracy, or error. If a Block Trade or ECRP transaction is reported with a mistake, inaccuracy, or error that is not corrected, the parties to the transaction will receive a position or price other than what they intended to receive. Holding a position that a market participant did not intend to assume causes that market participant to assume risk in holding that position and can impact the market if the market participant needs to liquidate the position. Allowing parties to a Block Trade or ECRP transaction that is reported with a mistake, inaccuracy, or

error additional time to realize that an error has occurred in the reporting of the transaction and to have the Trade Desk correct that error reduces the possibility of these scenarios. Additionally, the clarification that an Authorized Reporter or party on each side of the transaction must agree upon the mistake, inaccuracy, or error that occurred adds clarity that one side is not able to unilaterally get out of a transaction when the other side does not agree that that a mistake, inaccuracy, or error occurred. To the extent that parties have a dispute in this regard, they may seek to resolve it in an appropriate manner between themselves, including through the arbitration provisions of Chapter 8 of CFE’s rules.

##### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>3</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>4</sup> in particular, in that it is designed:

- To foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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.

When a Block Trade or ECRP transaction is reported in error and cannot be busted or adjusted, the parties to the transaction can incur risk by becoming party to a transaction that is different than what the parties intended and because they then need to determine how to remediate the issue. CFE believes that the proposed rule change reduces this risk by extending the time period during which these errors may be identified and corrected while also balancing the need for CFE to timely receive information required to report transactions for clearing. CFE believes that the proposed rule change provides guidance to market participants regarding the parameters under which CFE’s Trade Desk is able to address reporting errors involving Block Trade and ECRP transactions and improves the functioning and efficiency of CFE’s reporting mechanism for these transactions by broadening the ability of the Trade Desk to address these types of reporting errors. The proposed rule change also makes clear to market participants that an Authorized Reporter

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

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

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

<sup>4</sup> 15 U.S.C. 78f(b)(5).

or party on each side of a Block Trade or ECRP transaction must agree upon the mistake, inaccuracy or error that occurred in order for the Trade Desk to bust or adjust the transaction under Section G of Policy and Procedure III. Additionally, the proposed rule change will not interfere with CFE's ability to capture and retain required audit trail information relating to these transactions.

#### *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 change will contribute to reducing market risk by enhancing the ability of the Exchange to correct transaction reporting errors. The Exchange believes that the proposed rule change is equitable and not unfairly discriminatory in that the rule amendments included in the proposed rule change would apply equally to all CFE 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 November 15, 2018. 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>5</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-2018-002 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-2018-002. 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 Number SR-CFE-2018-002, and should be submitted on or before December 7, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-84571; File No. SR-NASDAQ-2018-086]

### **Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend General 8 of the Exchange's Rules**

November 9, 2018.

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> notice is hereby given that on October 29, 2018, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("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**

The Exchange proposes to amend General 8 of the Exchange's Rules, as described below.

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

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

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

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

#### **1. Purpose**

The Exchange proposes to amend General 8 of its Rules, which govern the provision by the Exchange of colocation, connectivity, and direct connectivity

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

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

<sup>5</sup> 15 U.S.C. 78s(b)(1).

<sup>6</sup> 17 CFR 200.30-3(a)(73).