



December 16, 2013

Via Electronic Mail ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Chicago Board Options Exchange (“CBOE”), Notice of Filing of a Proposed Rule Change To Amend Its Rules Regarding Option Orders That Are Tied to Stock Orders; SEC File No. SR-CBOE-2013-107 (Nov. 1, 2013)

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates the opportunity to comment on the above-referenced filing made by the Chicago Board Options Exchange (“CBOE” or the “Exchange”) proposing to amend Rule 6.53, regarding option orders that are tied to stock orders.<sup>2</sup> While SIFMA supports CBOE’s efforts to enhance their surveillance efforts, these changes require additional clarity which should be incorporated into the rule, prior to the Commission’s consideration of it.

In its rule proposal, CBOE seeks to define a Tied to Stock order – “A tied to stock order is an option order that is tied to a stock order at the time of order entry... Each tied to stock order submitted to the Exchange must be marked as “tied to stock” upon entry into the system.”<sup>3</sup> The rule creates a new reporting obligation – “Reports of Executions and Stock Transactions” – which details those execution details that must be reported to the Exchange as soon as practical following the close of trading on each trading day. “The

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<sup>1</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit [www.sifma.org](http://www.sifma.org).

<sup>2</sup> See Securities Exchange Act Release No. 34-70857 (November 13, 2013), 78 FR 69487 (November 19, 2013).

<sup>3</sup> See Securities Exchange Act Release No. 34-70857 (November 13, 2013), 78 FR 69488 (November 19, 2013).

report will include the following information regarding the stock legs of tied to stock orders, QCC orders, stock-option orders and other option orders that include stock components on the same ticket executed on that trading day: (a) time of execution, (b) execution quantity, (c) execution price, (d) venue of execution, and (e) any other information requested by the exchange.”<sup>4</sup>

SIFMA appreciates that “the Exchange is responsible for regulating its market and Trading Permit Holders,”<sup>5</sup> and that sufficient trade data is necessary to effectively monitor cross-market trading activity. However, SIFMA members have raised concerns that Rule 6.53 poses a number of questions and potential conflicts which are not addressed in the filing. While SIFMA supports the CBOE’s ability to enhance their surveillance activities to detect and investigate illegal activity in a more timely fashion, we encourage them to re-evaluate Proposed Rule 6.53 to determine if it should be re-submitted once it addresses those concerns raised by the Industry.

As the rule is written, there are a number of grey areas surrounding which orders should be reported, with no clarity provided for in the text of the proposed CBOE Rule. The rule does not provide any examples which illustrate how certain orders would be impacted under the proposed rule. While the rule explicitly states that “tied to stock orders do not include qualified contingent cross (“QCC”) orders,”<sup>6</sup> hedging is not referenced anywhere else in the filing, and does not state whether this activity would be exempted under 6.53. Additionally, the rule does not specify whether clearing firms can report on behalf of the executing broker, a commonly used practice for other regulatory reporting requirements.

SIFMA members also identified a potential conflict with CBOE Rule 8.9(b), which requires clearing firms to submit on a daily basis every order entered by market makers for securities underlying CBOE options traded on the Exchange, as well as market maker beginning and end of day stock positions. These data files are known as Market Maker Equity Trade (“MMET”) and Market Maker Stock Position (“MMSTK”) files. CBOE’s amended 6.53 as proposed appears to create a duplicative reporting requirement for market makers, who are already providing these data elements through their clearing firms as required under CBOE Rule 8.9(b).

SIFMA recommends that CBOE amend proposed Rule 6.53 to provide for more clarity as to the new reporting obligations for executing brokers as outlined under the proposed Rule. CBOE should also address whether the proposed rule has duplicative obligations to CBOE Rule 8.9(b). Once these issues have been addressed, SIFMA recommends that the SEC consider the revised filing.

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<sup>4</sup> See 78 FR at 69488.

<sup>5</sup> See 78 FR at 69489.

<sup>6</sup> See 78 FR at 69488.

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SIFMA greatly appreciates the SEC's consideration of SIFMA's comments in reference to the above. If you have any questions, please do not hesitate to contact me at (212) 313-1287 or [egreene@sifma.org](mailto:egreene@sifma.org).

Respectfully Submitted,



Ellen Greene  
Vice President

cc: John Ramsay, Acting Director, Division of Trading and Markets  
James R. Burns, Deputy Director, Division of Trading and Markets  
Heather Seidel, Associate Director, Division of Trading and Markets  
Angelo Evangelou, Associate General Counsel, CBOE