

February 16, 2017

VIA E-MAIL

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: **Proposed Rule Change Related to Rules Regarding the Responsibility for Ensuring Compliance with Open Outcry Priority and Allocation Requirements and Trade-Through Prohibitions, Rel. 34-79540 (SR-CBOE-2016-082)**

Dear Mr. Fields:

We, CTC Trading Group, LLC, Belvedere Trading LLC, Citadel Securities LLC, Consolidated Trading LLC, DRW Securities, LLC, Group One Trading L.P., IMC Financial Markets, Lamberson Capital LLC, and Optiver US LLC (the “Firms”), appreciate the opportunity to comment in response to the recent Chicago Board Options Exchange (“CBOE”) filing (the “CBOE Proposal”) to adopt rules clearly assigning responsibility for ensuring compliance with open outcry priority and allocation requirements and trade-through prohibitions.¹

The Firms believe that the CBOE Proposal—which would not loosen these requirements and prohibitions in any way—seeks to assign this responsibility in a fair, reasonable, and logical manner. Specifically, in the common case where an open-outcry trade is initiated by a Floor Broker and responded to by a Market Maker, the CBOE Proposal would clearly stipulate that the Floor Broker is responsible for ensuring that the transaction is executed in accordance with trade-through prohibitions and order priority and allocation provisions.

We believe this allocation of responsibility is obviously correct as a matter of simple logistics. As the CBOE Proposal notes,

The Floor Broker, as initiator, controls the order and the execution price of the order.... Floor Brokers are also in a good position to prevent Trade-Throughs and book priority violations because Floor Brokers may utilize the Public Automatic Routing System (“PAR”) to execute orders, which is not available to Market-Makers. PAR provides all of the necessary market data to avoid Trade-Throughs and book priority violations (e.g., PAR includes data related to electronic public customer books, CBOE best bid and offer (“BBO”), and national best bid and offer

¹ See Rel. 34-79540 (SR-CBOE-2016-082).

("NBBO"), etc.). In addition, PAR calculates and displays a net price for complex orders held by a Floor Broker. Most importantly, however, PAR offers alerts that warn Floor Brokers that a proposed execution price for a given order may violate priority or result in a potential Trade-Through. These alerts occur via pop-up windows within PAR.

We agree with this assessment and note that Market Makers generally lack access to many of the above-mentioned tools and alerts. Moreover, pursuant to CBOE Exchange Rule 6.73 and the Interpretations and Policies thereunder, it is a Floor Broker's responsibility to use due diligence to execute an order at the best price(s) available to him or her, and to ascertain whether a better price than the one displayed is being quoted by another party.² Thus, when a Market Maker provides liquidity to a Floor Broker, the Market Maker should logically and naturally be able to assume that the Floor Broker has, among other things, cleared the customer limit order book of any order at a better price, making use of the exchange-provided tools and in accordance with applicable rules.

Furthermore, the open-outcry trading process often occurs in a time-constrained environment with continually-changing order book prices. As a result, a Market Maker may respond to a Floor Broker's request for a quote with his or her best bid or offer, be told by the Floor Broker that a trade has been executed, and be unaware that the state of the order book changed in the very brief intervening period. On the other hand, the Floor Broker—as the party controlling the precise timing of any execution he or she initiates—is definitively in the best position to ascertain whether a Trade-Through or other rule violation would occur up to the instant of trade consummation, and should therefore appropriately hold sole responsibility for compliance with the applicable rules. By clearly allocating this responsibility accordingly, we believe the CBOE Proposal will act to remove impediments to and better align with the mechanism of a free and open market, and that it should therefore be approved.

We note that Nasdaq submitted a comment letter in response to the CBOE Proposal³ suggesting that the SEC clarify various requirements regarding open-outcry trading generally. While we appreciate Nasdaq's interest in clearly-defined open outcry trading procedures, the Firms believe that the questions raised by Nasdaq are not pertinent to the immediate issue addressed by the CBOE Proposal—namely, the proper allocation of responsibility to ensure that transactions are executed in accordance with currently-operative CBOE rules. Ensuring that this responsibility is clearly and fairly assigned to the appropriate market participants is essential to the maintenance of a fair and orderly market. We therefore respectfully submit that the questions raised by Nasdaq have no bearing on, and should not delay, the approval of the CBOE Proposal.

For the reasons cited above, we encourage the Commission to approve the CBOE Proposal at the earliest opportunity. Should you have any questions with respect to this letter, or any of the topics referenced above, any of the undersigned would welcome the opportunity to discuss it further. We very much appreciate the opportunity to respond.

² See generally CBOE Rule 6.73.01-6.73.05 (Rule 6.73 Interpretations and Policies).

³ See letter from Joan C. Conley dated December 22, 2016.

Sincerely,



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Head of Market Structure, CTC Trading Group, LLC



Kevin Coleman
Chief Compliance Officer, Belvedere Trading LLC



Scott Kloin
Chief Compliance Officer, Citadel Securities LLC



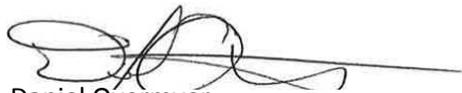
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cc: Ms. Heather Seidel, Acting Director, Division of Trading and Markets
Mr. Gary Goldsholle, Deputy Director, Division of Trading and Markets
Mr. David S. Shillman, Associate Director, Division of Trading and Markets
Mr. John Roeser, Associate Director, Division of Trading and Markets