

April 13, 2017

VIA E-MAIL

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

Re: **Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change Related to Rules Regarding the Responsibility for Ensuring Compliance with Priority and Allocation Requirements and Trade-Through Prohibitions in Open Outcry Trading, Rel. 34-80270 (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 respond to the Commission's recent solicitation for comments regarding the 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.

We are writing this letter to again respectfully recommend, as requested in our letter dated February 16, 2017,¹ that the Commission approve the CBOE Proposal, and to emphasize certain points in light of additional commentary by the Commission and the CBOE.

As stated in our previous letter, the Firms believe that the CBOE Proposal would not loosen the open outcry priority and allocation requirements and trade-through prohibitions for market participants, but would instead clarify and appropriately assign this responsibility in a fair, reasonable, and logical manner. Specifically, the CBOE Proposal allocates responsibility to initiating Floor Brokers for ensuring that transactions with Market Makers are executed in accordance with trade-through prohibitions and order priority and allocation provisions. This is largely based on the Floor Broker's unique access to and utilization of the Public Automation Routing System ("PAR"). We believe that the explicit allocation of responsibility to the Floor Broker for these types of trades will appropriately focus regulatory attention in surveilling this activity, help ensure correct record-keeping and PAR usage by Floor Brokers, and increase the overall compliance with this rule by CBOE members. This will enhance the ability of the

¹ See letter from the Firms dated February 16, 2017, available at <https://www.sec.gov/comments/sr-cboe-2016-082/cboe2016082-1588079-132159.pdf>

Exchange, consistent with Section 6(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”), to comply and enforce compliance by its members.

The open outcry trading process is unique and distinct from a purely electronic market. For example, a Market Maker may respond to a Floor Broker’s request for a quote in open outcry and be told that a trade has been executed by the Floor Broker, while unaware that the state of the order book changed in the very brief intervening period. As the party controlling the precise timing of the initiation and execution of an order, the Floor Broker is in the best position to prevent a trade-through or other rule violation up to the instant of trade consummation. Floor Brokers not only have the best information and tools (including but not limited to the PAR) to review CBOE’s order book, they also have the ability to refrain from initiating an order if market conditions are rapidly changing or unclear and the risk of a trade-through is therefore heightened. Further, the assignment of responsibility to prevent trade-throughs to Floor Brokers complements the requirement that Floor Brokers exercise due diligence in executing orders at the best price(s) available and ascertain whether a better price than the one displayed is being quoted by another party.

Unlike in the electronic marketplace, the exact time of a verbal agreement cannot be captured to the millisecond, as the CBOE stated in its response to Nasdaq on March 14, 2017.² We understand that the Commission may choose to conduct further analysis with regard to prevention of trade-throughs in an open outcry environment generally. This should not, however, delay approval of the CBOE Proposal, which would codify the proper allocation of responsibility to ensure that transactions are executed in accordance with currently-operative CBOE Rules. Accordingly, we believe the certainty provided by approving the CBOE Proposal is essential to the preservation of a fair and orderly market.

Finally, the Commission suggests that the allocation of responsibility to the initiating Floor Broker based upon access to the PAR may be inconsistent with the CBOE’s desire to hold both parties to the trade liable when a trade occurs between two Market Makers or two Floor Brokers. In response, we note that when an initiating Floor Broker executes a trade with a Market Maker, the Floor Broker has access to more timely information and tools via the PAR to avoid a trade-through; therefore, the responsibility to comply with the Exchange rule in the CBOE Proposal is appropriately vested with the Floor Broker in that instance. When two Market Makers or two Floor Brokers are executing a transaction, on the other hand, they possess *equal* access to information and, therefore, equal ability to prevent a rule violation and should, consequently, be equally liable in the event one occurs. Consistent with Section 6(b)(5) of the Exchange Act, the CBOE Proposal appropriately prevents the unfairly discriminatory practice of holding Market Makers liable when they have more limited tools and information to comply with Exchange rules, *in the particular case (i.e. a Floor Broker-to-Market Maker trade) where such an information asymmetry exists.*

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 letter from CBOE of March 14, 2017: “[O]n the CBOE market (which predates the Nasdaq construct) an execution occurs in open outcry upon a verbal trade, and CBOE enforces compliance with its priority and Trade-Through rules through regulatory surveillance processes rather than with systematic execution blocks that do not correspond to the time of the verbal trade.”

Sincerely,



Steve Crutchfield
Head of Market Structure, CTC Trading Group, LLC



Kevin Coleman
Chief Compliance Officer, Belvedere Trading LLC



Scott Kloin
Chief Compliance Officer, Citadel Securities LLC



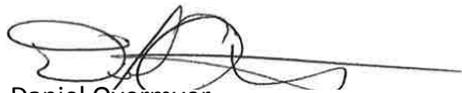
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cc: Ms. Heather Seidel, Acting Director, Division of Trading and Markets
Mr. Gary Goldsholle, Deputy Director, Division of Trading and Markets
Mr. David S. Shillman, Associate Director, Division of Trading and Markets
Mr. John Roeser, Associate Director,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