
Lakeshore Securities L.P.

April 25, 2017

Via Electronic Mail - rule-comments@sec.gov

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

RE: File Number SR-CBOE-2017-024

Dear Mr. Fields:

Lakeshore Securities, LP (the “Firm”) hereby submits this letter as a response to the request from the Securities and Exchange Commission (the “Commission”) for comments on the proposed amendments to Chicago Board Options Exchange Incorporated (“CBOE”) Rules 6.24, 6.51 and 6.67 (collectively, the “Proposed Amendment”). The Firm appreciates this opportunity to provide its comments.

Firm Background

The Firm is a registered Broker-Dealer and acts as a Floor Broker on the CBOE. The Firm is also a clearing member of the Options Clearing Corporation (“OCC”) and it clears certain transactions it executes for customers, prior to transferring such cleared transactions to applicable custodians. The Firm does not engage in proprietary trading, other than that related to liquidation of error transactions. The Firm’s business is to provide execution services to its customers, who are exclusively institutional and professional traders. The vast majority of the Firm’s trade transactions are executed in open outcry on the trading floor of the CBOE.

The Proposed Amendment

On March 22, 2017, the CBOE filed with the Commission the Proposed Amendment, including new Interpretation and Policy .04 to Rule 6.51 which would amend certain operational requirements that currently require inputting information into certain data fields at the time of order systemization, including 1) account origin code, 2) opening or closing status and 3) time-in-force. Proposed Rule 6.51.04 provides, in relevant part:

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“If a [TPH] has no knowledge of the account origin code, opening or closing status or time-in-force of an order when the [TPH] systematizes the order... the [TPH] may use the following values....”¹ (emphasis added)

While the Firm applauds the CBOE for addressing this issue, the Firm is concerned that the language of the Proposed Amendment is inherently ambiguous and creates the potential for confusion. Specifically, the introductory clause “If a [TPH] has no knowledge...” creates the potential that a TPH that does know specific account origin code, opening or closing status or time-in-force of an order, but incorrectly inputs such data, might be deemed in violation of proposed Rule 6.51.04. This ambiguity could be easily resolved by a clear statement that the correct information with respect to account origin code, opening or closing status and time-in-force must be submitted by the end of the day. That would eliminate any need to plumb the minds of trading floor personnel as to what may or may not have been known at the time of order systemization. Further, clarifying that the data fields referenced in the Proposed Amendment need only correct by the time of end of day processing might somewhat reduce pressure on floor staff and allow customer orders to be exposed to the market place somewhat more quickly.

In its rule filing, the CBOE stated numerous reasons why no detriment would occur to the market if the Proposed Amendment is adopted. These reasons are equally valid if the Proposed Amendment simply provided that a TPH has the obligation to ensure that correct information with respect to origin code, opening or closing status and time-in-force need be entered by the end-of-day processing in the CBOE Trade Match System (“CTM”). As the CBOE notes in the Proposed Amendment, this would require that the origin code default to broker-dealer at the time of order entry to ensure that an order not be afforded any undue priority over any other resting order pursuant to Rule 6.45. The Firm believes that permitting origin codes to default to the broker-dealer origin code at time of systemization is appropriate.

Conclusion

We believe that simplifying and clarifying the specific obligations for data entry when systematizing orders is a worthwhile goal. We believe that this benefits customers by allowing orders to be represented in the market more quickly following receipt. While we believe the intent of the Proposed Amendment is to provide that referenced data fields be correctly reflected in CTM by the end of day, we strongly recommend that the language of the Proposed Amendment be revised to remove the ambiguity inherent in the “has no knowledge” standard set forth in the Proposed Amendment and simply provide that correct information must be entered into CTM in time for processing by the end of the relevant trading day.

Sincerely,

LAKESHORE SECURITIES, LP

/s/ Mark E. Gannon

Chief Compliance Officer

¹ See Release No. 34-80328 (March 28, 2017).