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December 19, 2017

Via Electronic Mail (rule-comments@sec.gov)
Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Cboe Exchange Inc.; Notice of Filing of Amendment No. 1 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Amended, to Amend Interpretation and Policy .07 of Exchange Rule 4.11, Position Limits, to Increase the Position Limits for Options on Certain Exchange Traded Products (File No. SR-CBOE-2017-057)

Dear Mr. Fields:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to comment on the above-referenced filing (the "Filing" or the "Cboe Filing") made by Cboe Exchange, Inc. ("Cboe" or "Exchange") with the Securities and Exchange Commission ("SEC" or "Commission"). In the Filing, Cboe proposes to amend Interpretation and Policy .07 of Exchange Rule 4.11, Position Limits, "to increase the position limits for options on a number of options on exchange traded funds ("ETFs") and exchange traded notes ("ETNs")[2]. Subsequently, on November 22, 2017, "the Exchange submitted Amendment No. 1 to the proposed rule change"[3] supplementing the points it raised in its initial filing.

Currently, the SEC has designated a longer period within which it will approve, disapprove, or institute proceedings to determine whether to disapprove or approve the proposed rule change on position limits. SIFMA recommends that the Commission approve the Cboe proposal to increase the position limits for a number of options on ETFs and ETNs, and respectfully submits this comment letter in response to the SEC's solicitation of comments. As discussed below, SIFMA believes that the arguments underlying Cboe's proposal support its approval by

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[1] SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over $2.5 trillion for businesses and municipalities in the U.S., serving clients with over $20 trillion in assets and managing more than $67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] *See* Securities Exchange Act Release No. 34-81483 (August 25, 2017), 82 FR 41457 (August 31, 2017).

[3] *See* Securities Exchange Act Release No. 34-82168 (November 29, 2017), 82 FR 57501 (December 5, 2017).

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the Commission as it relates to the underlying symbols referenced in filing SR-CBOE-2017-057.

As an initial matter, SIFMA agrees "increasing position limits for the options subject to this proposal will lead to a more liquid and competitive market environment for these options that will benefit customers interested in this product."[4] SIFMA also concurs that the markets underlying the ETFs and ETNs in question are of sufficient size to justify an increase in position limits for the associated options. In its Amendment, Cboe references the creation and redemption process as a means of reducing ETF and ETN volatility; it looks through to the market capitalization and average daily volume ("ADV") for the underlying shares and concludes that both are large enough to facilitate robust creation and redemption, thereby absorbing price volatility caused by large trades in the ETFs or ETNs. SIFMA agrees with this analysis and the conclusions it supports.

SIFMA further contends that increased position limits would not necessarily increase or decrease the amount of volatility in the underlying (or related) products; this is because much of the activity giving rise to such volatility is already occurring elsewhere in the marketplace. Namely, many market participants who are constrained by the current position limits are able to establish an equivalent volatility position in the OTC or Flex option market. Thus, the proposed position limit increase would allow this activity to occur on the Exchange, giving rise to improved market transparency and reduced counterparty risk as major participants move their trading to lit exchange market centers.

Finally, SIFMA notes that even if it were assumed that the options positions established following the requested position limit increase represented only new market entrants (and not a migration of pre-existing OTC positions), a position limit increase alone would not necessarily result in added volatility in the underlying instruments. Indeed, depending on the market participants involved and the hedging methodologies employed, options activity can serve to increase, decrease, or have no effect on the volatility of the underlying. For example, the sale of S&P volatility by institutional investors (e.g. through options and other projects) has resulted in a dampening of volatility, as subsequent gamma hedging by volatility buyers results in firms buying as the market drops and selling as the market rises.

As the Commission states, "position limits must be balanced between curtailing potential manipulation and the cost of preventing potential hedging activity that could be used for legitimate economic purposes." SIFMA believes that the increased position limits sought by Cboe achieve this balance, and that its proposal should be approved.

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SIFMA greatly appreciates the Commission's consideration of our comments on File No. SR-CBOE-2017-57 and would be pleased to discuss these comments in greater detail with the staff. If you have any questions, please contact Ellen Greene at [redacted] or [redacted].

Sincerely,

Ellen Greene

Ellen Greene
Managing Director

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[4] See 82 FR at 57502.

cc: The Honorable Jay Clayton, Chairman, SEC
The Honorable Michael S. Piwowar, Commissioner, SEC
The Honorable Kara M. Stein, Commissioner, SEC

Brett Redfearn, Director, Division of Trading and Markets, SEC
Gary Goldsholle, Deputy Director, Division of Trading and Markets, SEC
David S. Shillman, Associate Director, Division of Trading and Markets, SEC
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Edward T. Tilly, Chairman and CEO, Cboe Global Markets