



June 24, 2020

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

Ms. Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F. Street N.E., Washington, D.C. 20549

Re: File No. SR-CBOE-2020-014: Wolverine Execution Services, LLC Comment Letter on Proposed Rule Change Relating to Adopt a Delta-Adjusted at Close (DAC) Order Instruction that a User may Apply to an Order when Entering it into the System for Execution in an Electronic or Open Outcry Auction

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Dear Ms. Countryman:

Wolverine Execution Services, LLC (“WEX”) appreciates the opportunity to submit to the Securities and Exchange Commission (“SEC” or “Commission”) its comment regarding Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) SR-CBOE-2020-014 relating to Delta-Adjusted at Close (“DAC”) order instruction that a user may apply to an order when entering it into the Exchange’s system for execution in an electronic or open outcry auction. WEX supports the proposal by Cboe Options in this matter. WEX is a longstanding member of Cboe Options and all other U.S. options exchanges. As a member of these exchanges, WEX operates as an agency executing broker for a wide range of clients, including institutional clients and broker dealers that use FLEX options as part of their trading strategies. Many of our client’s trade FLEX options near the markets’ close attempting to eliminate dislocations in the execution price of their FLEX options from the closing price of the option’s underlying security. The DAC order type will benefit these market participants by giving them the opportunity to incorporate the closing price or value of the option’s underlying security into the pricing of their FLEX options and will increase the overall efficiency of the options markets. In addition to the anticipated benefits from the creation of this new order type, WEX has reviewed the proposed implementation of the DAC order type and believes that it is well thought-out and will work effectively for market participants.

**The DAC Order Type Will Provide a Benefit to Market Participants by Eliminating Dislocations in Execution Price of FLEX Options and its Closing Price**

WEX agrees with Cboe Options’ observations regarding the market conditions near the close where there are increased volumes and activity in the securities underlying FLEX options. Because of this activity, there can be dislocations in the closing price of a FLEX option and its execution price. These dislocations can cause various issues for market participants that use FLEX options, and we believe that the DAC order type will provide a benefit to these market participants in preventing such difficulties. The DAC order type will eliminate these dislocations and allow users to incorporate any upside market moves that may occur following the execution of the order up to the market close while limiting downside risk. Additionally, we agree with Cboe Options



that the creation of this order type will have a direct benefit for investors in managed funds that use FLEX options in their trading strategies as there will be fewer dislocations of the fund's net asset value compared to the indices that the funds track.

### **The DAC Order Type Will Improve the Efficiency of the Options Markets**

For the reasons noted above, many market participants that utilize FLEX options in their trading strategies attempt to have their orders executed as close to the market's close as possible to mitigate potential execution price dislocation. Because of this need, executing brokers like WEX must process, build, and submit to the Exchange a number of orders in a limited timeframe near the close. This narrow timeframe for the execution of FLEX orders creates operational difficulties which increases the opportunity for mistakes in the execution process. The implementation of the DAC order type will allow Exchange members to submit FLEX orders throughout the day rather than near the close. This ability will dramatically reduce the operational difficulties associated with the execution of these orders.

As a member of all U.S. option exchanges, WEX routes orders on behalf of its clients to these markets using the many order types and systems that are available to it. Given our extensive knowledge of options market structure and order routing, WEX reviewed the proposed implementation of the DAC order type and believes that it is both well thought-out and will work effectively for market participants. The DAC order type uses standard options principals for delta adjusting which will allow for a fair and orderly process for all market participants. Additionally, Cboe Options, in its rule filing, laid out a process for using the order type that is both easy for Exchange members to utilize from a technical standpoint, and creates a fair process for market participants.

We appreciate the opportunity to provide this comment to the Commission in support of the Cboe Options proposal. If you have any questions regarding our comment, please feel free to reach out to me at [REDACTED]

Regards,

A handwritten signature in black ink, appearing to read 'Kurt Eckert'.

Kurt Eckert  
Partner  
Wolverine Execution Services, LLC