



EXECUTE SUCCESS<sup>SM</sup>

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April 20, 2016

**Via Electronic Submission**

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

Re: Release No. 34-77358; File No. SR-OCC-2016-004

Dear Mr. Fields:

Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) appreciates the opportunity to comment on the above-referenced proposed rule change by The Options Clearing Corporation (“OCC”), which was filed with the Securities and Exchange Commission (the “Commission”).<sup>1</sup>

In its rule filing, OCC proposes to adopt an Options Exchange Risk Control Standards Policy, which would encourage options exchanges to demonstrate the existence of risk controls consistent with a set of principles-based risk control standards in the following categories: (1) price reasonability checks, (2) drill-through protections, (3) activity-based protections, and (4) kill-switch protections.

CBOE supports efforts by listed-options industry participants, including the Commission, options exchanges and OCC, to strengthen critical market infrastructure and improve its resilience in accordance with Chair White’s request.<sup>2</sup> These efforts include options exchanges’ implementation and enhancement of risk controls to address potential risks arising from potentially erroneous trades in the listed-options market. Erroneous trades are potentially disruptive to options markets, which could ultimately harm investors. CBOE believes effective risk controls may minimize erroneous trades and mitigate risks associated with those trades. CBOE’s system currently applies numerous risk controls in the four categories listed above to orders and quotes submitted to the Exchange for execution, several of which the Commission

<sup>1</sup> See Securities Exchange Act Release No. 34-77358 (March 14, 2016).

<sup>2</sup> See SEC Chair White Statement on Meeting with Leaders of Exchanges (September 12, 2013).

recently approved.<sup>3</sup> Going forward, CBOE will regularly evaluate any potential enhancements and additions to these controls to ensure the continued effectiveness of our risk control structure. CBOE believes the adoption by it and other options exchanges of risk controls in the categories listed above will provide an additional layer of protection for investors against risks associated with erroneous order entry.

In its role as a clearing agency and the guarantor of all listed-options trades, OCC must establish and enforce written policies reasonably designed to evaluate potential risks related to that role. CBOE recognizes the risks to which OCC is subject as a result and supports efforts by OCC to adopt policies to manage these risks. CBOE supports the principles-based approach of OCC's proposed risk control standards, which will allow CBOE to develop specific risk controls in each of these categories best-suited for its market. CBOE believes efforts by OCC to manage risks arising from options trading may further improve the stability of options markets.

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CBOE supports continued efforts throughout the options industry to mitigate risk arising from potentially erroneous trades in order to strengthen the options market infrastructure, including the enhancement of risk controls at the options-exchange level and the adoption of risk management policies at OCC.

Sincerely,



Edward T. Tilly

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<sup>3</sup> See, e.g., CBOE Rules 6.6A, 6.12(a), 6.13(b)(v), 6.14, 6.53C.08, and 8.18; see also Securities Exchange Act Release No. 34-76960 (January 21, 2016), 81 FR 4728 (January 27, 2016) (SR-CBOE-2015-107) (order approving price protection mechanisms for quotes and orders).