

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-82934; File No. SR-CBOE-2018-023)

March 22, 2018

Self-Regulatory Organizations; Cboe Exchange Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Frequent Trader Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on March 19, 2018, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to provide an additional mechanism for executing brokers to submit Frequent Trader IDs post-trade.

The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Fees Schedule. Specifically, the Exchange proposes to provide an additional mechanism for executing brokers to submit Frequent Trader IDs (“FTIDs”) post-trade. By way of background, to participate in the Frequent Trader Program, Customers (includes Professional Customers and Voluntary Professionals) may register with the Exchange. Once registered, the Customer is provided a unique identification number (“FTID”) that can be affixed to each of its orders. The FTID allows the Exchange to identify and aggregate all electronic and manual trades during both the Regular Trading Hours and Extended Trading Hours sessions from that Customer for purposes of determining whether the Customer meets any of the various volume thresholds. The Customer has to provide its FTID to the Trading Permit Holder (“TPH”) submitting that Customer’s order to the Exchange (executing agent” or “executing TPH”) and that executing TPH would have to enter the Customer’s FTID on each of that Customer’s orders. The Exchange notes that there are instances however, in which a Customer’s FTID was not, or could not be, affixed to an order. As such, the Exchange provides executing TPHs the ability to submit to the exchange a form (the “Frequent Trader Program – Volume Corrections Form” or “Form”) as a mechanism for executing TPHs to identify transactions to the Exchange that should have been, but were not, associated with particular FTIDs. The Form needs to be submitted to the Exchange within 3 business days. Transactions identified on the Form only count towards the identified Customer’s volume if that Customer was already registered for the Frequent Trader Program prior to the time the transaction occurred (e.g., if a customer trades 1,000 contracts the morning of April 1 and

registers for the Frequent Trader Program the afternoon of April 1, that customer cannot have its executing TPH submit a form on its behalf for those 1,000 contracts executed prior to registration in the Program).

Effective March 19, 2018, a new FTID field will be available on Cboe Trade Match (“CTM”) terminals. This enhancement will allow executing TPHs to add or modify FTID information on post-trade records on the trade date. TPHs that require FTID modifications on trade records which occurred on past business days, limited to within the last 3 business days, must continue to submit these changes using the Form described above. The Exchange notes that the FTID field may be changed by the TPH via the CTM terminal without notice to the Exchange. The Exchange believes the enhanced functionality will provide an additional means to input FTID information and provide a more efficient and streamlined way to add or modify FTID information post-trade on the trade date.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>3</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>4</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the

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<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes adding system functionality to enable executing TPHs to input FTIDs post-trade on the trade date through CTM, instead of using a manual Form, provides TPHs with a more efficient mechanism to ensure a Customer's FTID that was not, or could not be, affixed to an order, is attributed to that Customer's order and gets timely reported, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system. The Exchange notes that referencing this functionality in the Fees Schedule also maintains transparency in the Fees Schedule.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change to allow FTIDs to be submitted post-trade on the trade date via Exchange system functionality will provide a more efficient means for TPHs to submit this information and is not intended for competitive reasons and only applies to Cboe Options. The Exchange also notes that no rights or obligations of Permit Holders are affected by the change.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the

Act<sup>5</sup> and paragraph (f) of Rule 19b-4<sup>6</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2018-023 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2018-023. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(f).

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2018-023, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).