

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79931; File No. SR-CFE-2017-001)

February 2, 2017

Self-Regulatory Organizations; CBOE Futures Exchange, LLC; Notice of Filing of a Proposed Rule Change Regarding Block Trades

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on January 19, 2017 CBOE Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act (“CEA”)² on January 19, 2017.

I. Self-Regulatory Organization’s Description of the Proposed Rule Change

The Exchange proposes to amend CFE Rule 415 related to Block Trades. The scope of this filing is limited solely to the application of the proposed rule amendments to security futures that may be traded on CFE. Although no security futures are currently listed for trading on CFE, CFE may list security futures for trading in the future. The text of the proposed rule change is attached as Exhibit 4 to the filing but is not attached to the publication of this notice.

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

In its filing with the Commission, CFE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed

¹ 15 U.S.C. 78s(b)(7).

² 7 U.S.C. 7a-2(c).

rule change. The text of these statements may be examined at the places specified in Item IV below. CFE has prepared summaries, set forth in Sections A, B, and C below, of 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

CFE Rule 415 sets forth requirements relating to Block Trades. The proposed rule change adds paragraph (l) to Rule 415 which relates to the front running of Block Trades. Proposed Rule 415(l) makes clear that no person may engage in the front running of a Block Trade when acting on material non-public information regarding an impending transaction by another person, acting on non-public information obtained through a confidential employee/employer relationship, broker/customer relationship, or in breach of a pre-existing duty. Proposed Rule 415(l) would apply to all products traded on CFE, including both non-security futures and security futures.

The proposed rule change is being made in connection with other proposed amendments to Rule 415 which are not included as part of this proposed rule change. Those proposed amendments are to be included in new paragraph (k) of Rule 415³. The provisions of proposed Rule 415(k) are intended to clarify certain restrictions relating to disclosure and use of non-public information regarding Block Trades and the extent to which counterparties to a Block Trade may enter into pre-hedging or anticipatory hedging transactions in connection with Block Trades. Proposed Rule 415(k) would only apply to non-security futures, and the Exchange is

³ Paragraph (k) will be filed simultaneously with paragraph (l) with CFTC which is why the provisions of paragraph (l) are marked as existing rule text in Exhibit 4.

including a sentence in proposed Rule 415(k) to make clear that its provisions do not apply to security futures.

The Exchange is also re-lettering certain paragraphs in Rule 415 to accommodate for the new provisions that are being added.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁴ in general, and furthers the objectives of Sections 6(b)(5)⁵ and 6(b)(7)⁶ in particular in that it is designed:

- to prevent fraudulent and manipulative acts and practices,
- to promote just and equitable principles of trade, and
- to remove impediments to and perfect the 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 that the proposed rule change would provide additional guidance to CFE market participants related to the front running of Block Trades. The proposed rule change would also contribute to enhanced protection of CFE's market and market participants.

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

CFE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, in that the proposed rule change is consistent with similar guidance provided by other designated contracts

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 78f(b)(7).

markets.⁷ The Exchange believes that the proposed rule change is equitable and not unfairly discriminatory in that the rule amendments included in the proposed rule change would apply equally to all market participants.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The proposed rule change will become operative on February 2, 2017. At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.⁸

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. Please include File Number SR-CFE-2017-001 on the subject line.

⁷ These designated contract markets are Chicago Mercantile Exchange, Inc. ("CME"), The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc. See, [CME Submission No. 16-470](#) (November 15, 2016), which is available on the CFTC's website.

⁸ 15 U.S.C. 78s(b)(1).

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-CFE-2017-001. 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 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, DC 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; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CFE-2017-001, 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.⁹

Robert W. Errett
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(73).