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September 12, 2018

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 Proposed Rule Change to Amend Cboe Rule 6.21
Governing the Give Up of a Clearing Trading Permit Holder by a Trading Permit
Holder (File No. SR-CBOE-2018-055)

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 Rule 6.21² to require that an executing broker obtain authorization from a clearing firm prior to giving up that clearing firm for options transactions. SIFMA supports the Cboe proposal because it would reduce a significant source of risk for clearing firms.

Currently, Cboe Options Rule 6.21 requires that when a Trading Permit Holder (“TPH”) executes a trade on the Exchange, it must give up the name of a Clearing Trading Permit Holder (“CTPH”) through which the transaction will be cleared. This process does not require that the TPH receive authorization from the CTPH to be given up to the CTPH, and it does not allow a CTPH ability to prohibit a TPH from designating the CTPH as a give up. This process runs counter to those practices used by clearing firms to approve and onboard a new executing broker because Cboe does not require an agreement between the CTPH and the TPH before the TPH can give up the CTPH.

SIFMA was approached by its clearing firm members to review the current give up practice since it is a significant source of risk. Accordingly, SIFMA began advocating with the

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 Release No. 34-42751 (August 23, 2018), 83 FR 42751 (August 17, 2018).

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120 Broadway, 35th Floor | New York, NY 10271-0080 | P: 212.313.1200 | F: 212.313.1301

www.sifma.org

Exchanges and SEC for a modification to the current practice and commends Cboe for addressing risks to clearing firms by amending the rule to prevent unauthorized give ups.

Under Cboe's proposed rule, "TPHs will no longer be able to designate any CTPH for which they desire to give up. Rather, the Exchange proposes to provide that TPHs must first have written authorization from a CTPH before it may give up that CTPH."³ SIFMA agrees with the proposed changes to Rule 6.21 including the elimination of the term "Designated Give Up." SIFMA acknowledges that the replacement term "Authorized Give Up" is more applicable since the proposed rule requires authorization from the CTPH prior to a TPH being permitted to give up the clearing firm.

Cboe's proposal is a critical first step to reduce risk in listed-options clearing. The current listed-options give up process can create unlimited risk since clearing firms have no ability to monitor credit limits and exposure before being given up. Under the Cboe proposed rule, clearing firms *will* have the ability to implement structural changes, i.e. agreements between the TPH and CTPH, that are consistent with basic principles of risk management. The new agreements will allow the clearing firm to properly assess and enforce credit limits for authorized executing brokers and their clients.

SIFMA agrees that the planned implementation date should occur no more than sixty (60) days following Commission approval.⁴ SIFMA members agree that this timeframe will provide CTPHs with ample time to authorize TPHs as give ups.

* * *

SIFMA has spent considerable time educating and advocating with the U.S. listed-options Exchanges about the risk associated with the give up practice. SIFMA commends Cboe as the first Exchange to propose new rules to alleviate the risks associated with clearing listed-options. SIFMA promotes strong risk management and resilient markets and mandates that *each* U.S. listed-options Exchange modify their give up rules as proposed by Cboe in their rule filing.

SIFMA greatly appreciates the Commission's consideration of our comments on File No. SR-CBOE-2018-055 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
Managing Director

³ See 83 FR at 42752.

⁴ See 83 FR at 42753.

cc: The Honorable Jay Clayton, Chairman, SEC
The Honorable Robert J. Jackson Jr., Commissioner, SEC
The Honorable Hester M. Peirce, Commissioner, SEC
The Honorable Elad Roisman, Commissioner, SEC
The Honorable Kara M. Stein, Commissioner, SEC

Brett Redfearn, Director, Division of Trading and Markets, SEC
David S. Shillman, Associate Director, Division of Trading and Markets, SEC
Richard Holley, Assistant Director, Division of Trading and Markets, SEC

Edward T. Tilly, Chairman and CEO, Cboe Global Markets